

**ORIGINAL**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**IN THE MATTER OF THE PETITION )  
OF EDWARDSVILLE WATER )  
CORPORATION, A NONPROFIT ) CAUSE NO. 44642  
CORPORATION, FOR AUTHORITY )  
TO ISSUE LONG-TERM DEBT AND ) APPROVED:  
FOR APPROVAL OF A CHANGE IN )  
RATES AND CHARGES. )**

**DEC 30 2015**

**ORDER OF THE COMMISSION**

**Presiding Officers:  
James F. Huston, Commissioner  
Gregory R. Ellis, Administrative Law Judge**

On July 6, 2015, Edwardsville Water Corporation (“Edwardsville“ or “Petitioner“) filed with the Indiana Utility Regulatory Commission (“Commission“) its Petition requesting authority to adjust its rates and charges and incur long-term debt. Edwardsville filed along with its Petition, the prefiled direct testimony and exhibits of Scott A. Miller, a Certified Public Accountant and a partner in the firm of H.J. Umbaugh and Associates, Certified Public Accountants, LLP. On July 7, 2015, Edwardsville prefiled the direct testimony and exhibits of Robert E. Curry, a registered Professional Engineer and President of Robert E. Curry & Associates, Inc. On August 21, 2015, the Town of Elizabeth, Indiana (“Elizabeth“) filed its Petition to Intervene, which was granted by docket entry on August 27, 2015. On October 30, 2015, Elizabeth prefiled the direct testimony and exhibits of Hugh Burns, the Town Manager and Clerk-Treasurer of Elizabeth. On the same day, the Office of Utility Consumer Counselor (“OUCC“) prefiled the direct testimony and exhibits of: Richard J. Corey, Utility Analyst in its Water/Wastewater Division; Harold L. Rees, Senior Utility Analyst in its Water/Wastewater Division; and Edward R. Kaufman, Chief Technical Advisor in its Water/Wastewater Division. On November 20, 2015, Edwardsville, Elizabeth, and the OUCC filed their Joint Stipulation and Settlement Agreement (“Settlement Agreement“) with supporting exhibits. In support of the Settlement Agreement, Edwardsville filed the testimonies of Mr. Miller and Mr. Curry; the OUCC filed the testimony of Mr. Kaufman; and Elizabeth filed the testimony of Mr. Burns on November 23, 2015.

The Commission conducted a public evidentiary hearing in this Cause on December 2, 2015, at 9:30 a.m. in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Edwardsville, Elizabeth, and the OUCC were present and participated. The testimony and exhibits of Edwardsville, Elizabeth, and the OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence herein, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a “public utility“ as defined by Ind. Code § 8-1-2-1(a) and is subject to the Commission’s jurisdiction as defined in the Public Service Commission Act, as amended, in Ind. Code ch. 8-1-2. Petitioner requests a variety of relief pursuant to various sections of the Act, including Ind. Code § 8-1-2-61, Ind. Code § 8-1-2-78, and Ind. Code § 8-1-2-125. Therefore, the Commission has jurisdiction over the Petitioner and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Petitioner is a not-for-profit, rural water corporation, organized and existing under the laws of the State of Indiana that owns and operates a water utility in Floyd and Harrison Counties, Indiana, with its principal offices located at 545 Maplewood Boulevard, Georgetown, Indiana. Petitioner began providing water service in the 1960’s and now serves approximately 4,024 retail and 3 wholesale customers. Edwardsville utilizes wells, treatment facilities, transmission facilities, distribution facilities, storage facilities, and other property which is used and useful for the rendering of potable water service to its customers.

3. **Existing Rates, Test Year, and Relief Requested.** Edwardsville’s existing rates and charges were established in a Final Order issued by the Commission on March 2, 2011, in Cause No. 43869. In this Cause, Edwardsville seeks approval to adjust its rates and charges based on a test year ended December 31, 2014, and adjusted for changes which are fixed, known, measurable, and occurring within twelve months. Edwardsville proposes to increase its rates and charges by 20.6% on an across-the-board basis pursuant to Ind. Code § 8-1-2-125. If approved, Edwardsville’s proposed rate adjustment would increase its pro forma annual operating revenues by \$461,886 to achieve a total net revenue requirement of \$2,236,825.

In addition to requesting an adjustment to its rates, Edwardsville seeks authority to issue up to \$3,000,000 in long-term debt pursuant to Ind. Code § 8-1-2-78. Edwardsville proposes to use the debt proceeds to pay off an existing line of credit and finance improvements to its water facilities.

4. **Edwardsville’s Prefiled Direct Testimony and Exhibits.**

A. **Robert Curry.** Mr. Curry described Edwardsville’s current water distribution, transmission, storage, and production facilities. Mr. Curry testified that Edwardsville has steadily improved and expanded its system since its inception in the 1960s, including the construction of a water storage tank and water looping project that were approved in Cause No. 43869.

Mr. Curry testified that Edwardsville needs to complete a number of capital improvements in light of the new subdivisions in Edwardsville’s service area and the need to address and upgrade some of its aging infrastructure. He provided a detailed explanation of the need for and cost of the proposed improvements in a preliminary engineering report (“PER“) that was attached to his testimony as Exhibit 3. The PER would be used to pursue funding for a portion of the proposed capital improvements through the Indiana State Revolving Loan Fund Program (“SRF Program“). Mr. Curry stated that the PER also provides justification as to why Edwardsville should be authorized to incur debt and adjust its rates and charges in this Cause. Mr. Curry stated that the

loan from the SRF Program (“2016 SRF Loan“) would be used to construct the following improvements (“SRF Improvements“): (i) a new duplex booster station; (ii) a new 1,000 gallon per minute gravel pack water supply well with related facilities; (iii) installation of automatic chlorine analyzers; (iv) modifications to Edwardsville’s existing supervisory control and data acquisition (“SCADA“) system; (v) installation of a new 12-inch polyvinyl chloride (“PVC“) water main along State Road 64 and Oakes Road; (vi) the acquisition of two field grade water meter reading computers; (vii) upgrades to Edwardsville’s water meter reading and billing system; (viii) acquisition of a new global positioning system based mapping system; and (ix) construction of a new 4-inch PVC main on Corydon Pike Road. Mr. Curry testified that each of the SRF Improvements were necessary to improve the reliability of the well field, improve water pressure and service to Edwardsville’s current and future customers, and make Edwardsville’s system more reliable in the case of emergency.

Mr. Curry next described the need for 11 different projects in Edwardsville’s proposed capital improvement plan (“CIP“) to be funded through its extensions & replacements revenue requirements. He testified that each of the capital items were necessary and would enable Edwardsville to provide better and more reliable service to its customers.

**B. Scott A. Miller.** Mr. Miller sponsored testimony and exhibits supporting Edwardsville’s proposal to adjust its rates and charges and incur long-term debt. Mr. Miller reduced his conclusions to writing in the form of a written accounting report which was filed as Petitioner’s Exhibit 5.

The accounting report is organized into three sections. The first section of the accounting report contained a letter describing the accounting services provided to Edwardsville. The second section contained Edwardsville’s pro forma financial information. In the second section, Mr. Miller presented Edwardsville’s estimated cost of the SRF Improvements, the amortization schedule for the 2016 SRF Loan, a schedule of proposed combined debt service, the pro forma operation and maintenance expenses, the CIP (to be completed from 2016 to 2019), and pro forma annual revenue requirements and annual revenues. The second section also showed Edwardsville’s total annual net revenue requirement is \$2,698,711, and that the normalized annual revenues would need to increase by \$461,886 per year in order for Edwardsville to meet its revenue requirements. In the third section, Mr. Miller presented additional unaudited financial information for the test year and comparative financial information for the two preceding calendar years, 2012 and 2013. In addition, he compared Edwardsville’s cash and investment account balances at the end of the test year with the requirements stated in the existing loan documents. The third section also contained amortization schedules of Edwardsville’s outstanding bonds and loans.

Mr. Miller testified regarding the amount of long-term borrowing (i.e., the 2016 SRF Loan) requested by Edwardsville in this case. He indicated that while the estimated project and related soft costs were approximately \$2,700,000, Edwardsville was seeking an additional \$300,000 in borrowing authority in the event the construction bids came in higher than expected. Mr. Miller also stated that a portion of the proceeds from the 2016 SRF Loan would be used to pay off a line of credit with the SRF Program in the amount of \$426,090. He explained that Edwardsville was required to seek a line of credit with the SRF Program after discovering that an employee had embezzled more than \$350,000 in 2013 and 2014. In his testimony, Mr. Miller stated that after

discovering the theft, Edwardsville immediately: (i) terminated the employee; (ii) contacted the Indiana State Police; (iii) initiated civil proceedings against the former employee in an effort to recover as much as of the stolen funds as possible; and (iv) engaged a new audit firm to assist in quantifying the amount of embezzlement and to ensure that Edwardsville's financial records are fairly stated for 2013 and 2014. Mr. Miller explained that Edwardsville had been able to recover \$75,000 via a fidelity bond on the former employee, but the embezzlement created a shortfall in funds which required the Board to seek short-term financing from the SRF Program. Mr. Miller concluded that the proposed financing through the SRF Program is prudent and in the best interest of Edwardsville's ratepayers.

**5. OUCC's Prefiled Direct Testimony and Exhibits.**

**A. Richard J. Corey.** Mr. Corey recommended that Edwardsville's proposed rate increase be reduced from 20.6% to 19.32%. He testified that in reaching his recommendation, he analyzed Edwardsville's expenses during the test year and Edwardsville's pro forma adjustments. He disagreed with the methodology of Edwardsville's proposed adjustment for the residential revenue normalization, and testified that when his methodology was employed this adjustment would result in a pro forma present rate revenue increase of \$6,882 for residential customers and a decrease of \$81 for commercial customers. Mr. Corey accepted Edwardsville's proposed adjustments for salaries and wages, director's fees, FICA, purchased power, employee pensions, insurance, periodic maintenance, and capital and nonrecurring items. He supported Mr. Rees' recommendation that the expenses for tank painting, well maintenance, and distribution system pump maintenance totaling \$119,167 be placed in restricted accounts so that the funds can only be used for those purposes. Mr. Corey also proposed upward adjustments of \$20,414 for health, life, dental, and vision insurance and \$465 for the IURC fee; however, he recommended that expenditures for employee gifts and holiday expenses be disallowed.

Mr. Corey also discussed the embezzlement from Edwardsville that occurred before and during the test year and Edwardsville's anticipated debt service. Mr. Corey noted that Edwardsville had been able to recoup \$75,000 of the embezzled funds via a fidelity bond Edwardsville had retained on the former employee. He further testified that Edwardsville retained a second employee dishonesty bond in the amount of \$100,000 that would be paid upon conviction of the employee. When calculating the amount of debt service for the 2016 SRF Loan, Mr. Corey assumed that Edwardsville would collect on the second bond and thereafter reduce the amount of the borrowing by \$100,000. Mr. Corey also reduced the amount of the borrowing by \$314,460 based on OUCC Witness Kaufmann's preliminary recommendation to eliminate all Edwardsville's issuance costs. After incorporating his adjustments and reducing the amount of the 2016 SRF Loan, Mr. Corey recommended an increase of 19.32% or \$431,881 per year.

**B. Harold L. Rees.** Mr. Rees discussed Edwardsville's water system and the need for the SRF Improvements and items in the CIP. He identified each of the proposed SRF Improvements, provided the estimated cost of each, and opined that the projects are necessary and prudent. He also identified each of the items listed in the CIP and recommended that the Commission approve Edwardsville's request to include \$332,701 in its revenue requirement for extensions and replacements to complete the items in the CIP. While commending Edwardsville for continuing to provide quality drinking water to a growing number of customers during

sometimes difficult circumstances, Mr. Rees noted that Edwardsville's water loss of 21% in 2014 was somewhat high. He further noted that the number of Edwardsville's main breaks has increased significantly and Edwardsville still has 143 locations with dead end water mains. Mr. Rees indicated that many of the SRF Improvements and CIP projects will help to address these issues.

Mr. Rees recommended that Edwardsville use the American Water Works Association ("AWWA") Water Loss Control Committee Free Water Audit Software V5.0 to assemble, quantify, and access water audit information. He agreed that Edwardsville should construct a new well and install the Hickman Hill booster station. Mr. Rees also agreed with Edwardsville's proposed adjustment for test year periodic maintenance expense related to wells, pumps, tanks, and the water treatment plant. He did, however, recommend Edwardsville be required to place \$70,000 for tank maintenance, \$33,500 for well maintenance, \$15,667 for distribution pump maintenance, and \$58,333 for water treatment plant maintenance in restricted accounts that could only be used for those expenses.

C. **Edward R. Kaufman.** Mr. Kaufman presented the OUCC's recommendations regarding Edwardsville's proposed debt issuance (i.e., the 2016 SRF Loan). He recommended a reduction in Edwardsville's proposed debt service requirement based on a lower interest rate. Rather than the assumed 3% interest rate presented by Mr. Miller, Mr. Kaufman indicated that a 2.25% assumed interest rate would be more appropriate. He expressed a concern regarding Edwardsville's anticipated bond counsel expense and recommended that the Commission deny Edwardsville's request to include an amount for issuance costs in the 2016 SRF Loan. Mr. Kaufman indicated that there is an expectation that Edwardsville will collect an additional \$100,000 from its second fidelity bond and use these proceeds to reduce the amount of the 2016 SRF Loan. After eliminating all issuance costs and assuming collection and use of the proceeds from the second fidelity bond, Mr. Kaufman recommended that the Commission reduce the amount of Edwardsville's requested borrowing to an amount not to exceed \$2,217,000.

Mr. Kaufman also expressed concern about a potential gap if Edwardsville does not issue its proposed debt within two months after it filed a revised tariff with the Commission in this Cause. Mr. Kaufman indicated if Edwardsville does not issue its debt within two months of filing its tariff, it should temporarily reserve the funds collected in rates for the 2016 SRF Loan and use those funds to offset the amount it needs to borrow. He recommended that the Commission require Edwardsville to file a report with the Commission within 30 days of closing on the 2016 SRF Loan and serve a copy on the OUCC that explains the terms of the new loan, including an amortization schedule, the amount of debt service reserve, and an itemized account of all issuance costs. Mr. Kaufman recommended the report include a revised tariff and also calculate the rate impact. If both parties agree on the amount of the true-up, the new rates should be implemented.

Mr. Kaufman also recommended that if Edwardsville spends any funds from its debt service reserves for any reason other than to make the last payment on its outstanding indebtedness (including the 2016 SRF Loan), Edwardsville should be required to provide a report to the Commission and the OUCC within five business days of said transaction. He indicated the report should state how much Edwardsville spent from its debt service reserve, explain why it spent funds from its debt service reserve, provide a cite to any applicable loan documents that allow it to spend funds from its debt service reserve, describe its plans to replenish its debt service reserve, and

explain any cost cutting activities Edwardsville has implemented to forestall spending funds from its debt service reserve.

**6. Elizabeth's Testimony and Exhibits.** Mr. Burns provided testimony and exhibits supporting Elizabeth's request that the Commission modify or terminate the existing 30-year agreement ("Wholesale Agreement") between Elizabeth and Edwardsville.<sup>1</sup> He testified that while Edwardsville and Elizabeth entered into the Wholesale Agreement in 1996, Elizabeth shortly thereafter built its own water treatment plant with sufficient capacity to meet all Elizabeth's needs. He explained that Elizabeth no longer needs water from Edwardsville and that it has not taken any water from Edwardsville since 2001. He opined that it is unfair for Elizabeth to be required to continue in its contractual relationship with Edwardsville, especially if it is subject to Edwardsville's periodic rate increases.

Mr. Burns indicted that Elizabeth objected to Edwardsville's proposed rate relief in this case on grounds Edwardsville did not perform a cost of service study ("COSS") as it was ordered to do in the last case. Instead, Mr. Burns claims that Edwardsville imposed an across-the-board increase on its customers which resulted in a huge increase to Elizabeth when the prior COSS showed that Elizabeth should now receive a rate decrease. Mr. Burns testified that Elizabeth did not have the time or resources to perform its own analysis to determine if applying the COSS from the last case would now result in a rate decrease for Elizabeth.

Mr. Burns next suggested that Elizabeth has the present ability to provide Edwardsville with a backup source of water supply at a rate that is lower than Edwardsville's current backup supplier, Indiana-American. He explained that Elizabeth is capable of providing Edwardsville with up to 150,000 gallons of water a day which would negate the need for Edwardsville to invest in additional water supply infrastructure.

Mr. Burns concluded that Edwardsville's ratepayers should not be responsible for the embezzled funds. He indicated Edwardsville should have had sufficient insurance to cover the entire loss and, absent insurance, Edwardsville should be responsible for the loss, not the ratepayers.

**7. Settlement Agreement.** Edwardsville, Elizabeth, and the OUCC ("Settling Parties") agree that the Settlement Agreement, a copy of which is attached, fairly resolves the issues presented in this Cause. The Settlement Agreement provides that Edwardsville should be authorized to increase its rates and charges for water service to reflect a total net revenue requirement in the amount of \$2,677,743, resulting in a total annual increase of \$442,824 or 20.13% over Edwardsville's current revenues at existing rates.

The Settling Parties agree that within 30 days after closing on the 2016 SRF Loan, Edwardsville would file a true-up report describing the final terms of the 2016 SRF Loan, the amount of the debt service reserve, the final issuance costs, and an amortization schedule for the

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<sup>1</sup> The initial Wholesale Agreement was entered into on March 14, 1974, with a term of 60 years. On August 20, 1996, the Town of Elizabeth and Edwardsville Water Corporation entered into a revised Wholesale Agreement with a term of 30 years. Elizabeth's Wholesale Agreement with Edwardsville is set to expire on Aug. 20, 2026.

2016 SRF Loan. The Settlement Agreement further provides that the OUCC shall have 14 calendar days in which to object to the true-up report. If there is no objection to the true-up report, and the annual payment on the 2016 SRF Loan differs from the originally estimated \$82,811, Edwardsville shall file with the Commission a revised tariff adjusting the rates to include the final amount of annual principal and interest payments on the 2016 SRF Loan. If, as a result of the actual terms of the financing, the Settling Parties agree the cost of debt is less than \$82,811 per annum, Edwardsville need not file a revised tariff if the OUCC confirms in writing that it considers the difference to be immaterial for the purposes of revising Edwardsville's rates. If, as a result of the actual terms of the financing, the Settling Parties agree the cost of debt is more than \$82,811 per annum, Edwardsville may, in its sole discretion, elect to file a revised tariff reflecting the higher principal and interest payments for the 2016 SRF Loan.

The Settling Parties agreed that Edwardsville should be authorized to incur long-term debt in an amount not to exceed \$2,630,000 at an average annual interest rate not to exceed 5% per annum. For purposes of determining Edwardsville's revenue requirement (in calculating its initial rates), the Settling Parties agreed to include an annual amount of \$82,811 for principal and interest on the 2016 SRF Loan subject to true-up, which amount is based on an average assumed interest rate of approximately 2.25% and the amortization schedules contained in the exhibit to the Settlement Agreement. The Settlement Agreement further provides that if Edwardsville's former employee either enters a guilty plea or is convicted for the embezzlement before the issuance of the 2016 SRF Loan, Edwardsville will use any insurance proceeds as an offset to its borrowing and reduce the rates to reflect the lower principal and interest payments.

The Settlement Agreement also addresses the dispute between Edwardsville and Elizabeth regarding the Wholesale Agreement. The Settling Parties agree that Elizabeth's current base charge of \$2,895 per month shall not be subject to the proposed increase in this Cause and, in fact, will not increase for the remainder of the Wholesale Agreement unless Elizabeth later needs to take water from Edwardsville during the term of the Wholesale Agreement. In this event, Elizabeth will pay the base charge in effect at that time, including any increases subsequent to the execution of the Settlement Agreement, and will continue to pay the higher base charge until such time as the Wholesale Agreement is terminated. The Settling Parties further agree that Edwardsville and Elizabeth will meet at least once every two years to discuss whether the Wholesale Agreement needs to be revised or terminated; however, the Settling Parties agree there is no obligation or duty on the part of any party to agree to any revisions to the Wholesale Agreement.

The Settling Parties stipulate and agree that Edwardsville may expeditiously file a new tariff after issuance of a Commission Order in this Cause, approving an adjustment to Edwardsville's rates. If Edwardsville does not issue the 2016 SRF Loan within two months after the filing of the new tariff, it agrees to temporarily reserve the funds collected in rates for the 2016 SRF Loan and use those funds to offset the amount it eventually borrows. The Settlement Agreement further provides that if Edwardsville spends any funds from its debt service reserve for any reason other than to make the last payment on any of its outstanding debt, Edwardsville will provide a report to the Commission and OUCC consistent with the reporting requirements set forth in the Settlement Agreement. Finally, Edwardsville agrees to utilize the AWWA Water Loss Control Committee's Free Audit Software V5.0 to quantify and track its water losses on at least

an annual basis. Edwardsville further agrees to use restricted accounts to hold funds for its well maintenance, tank maintenance, distribution system pump maintenance, and water treatment plant maintenance. The annual amounts to be included in each of the accounts are as follows: \$70,000 for tank maintenance; \$33,500 for well maintenance; \$15,666 for distribution system pump maintenance; and \$58,333 for water treatment plant maintenance, for a total of \$177,500.

**8. Settlement Testimony.**

**A. OUCC's Settlement Testimony.** Mr. Kaufman provided an explanation for the areas where the OUCC has revised its position. Mr. Kaufman indicated that Edwardsville has justified the bond issuance costs and general project contingencies. Mr. Kaufman testified that Edwardsville explained the bond issuance costs it had incurred to date and the additional costs Edwardsville expected to incur during the rest of the case. He noted that Edwardsville has incurred extra costs associated with the employee theft and its attempts to recover these funds, both of which have increased bond issuance costs above what typically would be expected. Based on this information, as well as Edwardsville's agreement to provide additional evidence of issuance costs in its settlement testimony, he stated that it is reasonable to include Edwardsville's proposed bond issuance costs and general project contingencies in its proposed debt issuance.

Mr. Kaufman also addressed the OUCC's original position that Edwardsville's proposed debt issuance be reduced by \$100,000 because Edwardsville will be able to collect damages upon conviction of its former employee for theft. Considering that the employee's trial date has now been delayed, Mr. Kaufman agreed that the collection of any damages or funds from Edwardsville's insurance company can best be resolved as part of the true-up process. He stated that the Settling Parties agree that Edwardsville should be granted authority to issue \$2,630,000 in long-term debt to the SRF Program at an assumed 2.25% interest rate; Edwardsville will file a true-up as proposed by the OUCC; it will utilize the AWWA Water Loss software; and it will use restricted accounts to hold funds for its well maintenance, tank maintenance, distribution system pump maintenance, and water treatment plant maintenance.

**B. Elizabeth's Settlement Testimony.** Mr. Burns testified that the Settlement Agreement leaves the monthly base rate for Elizabeth unchanged at \$2,895 through the term of the Wholesale Agreement provided it does not require any water purchases from Edwardsville. Mr. Burns also testified that the Settlement Agreement would allow for Elizabeth's rates to decrease after Commission approval if a COSS shows the rate should be lower than \$2,895 per month, but the rate will never increase above the current rate of \$2,895 per month. Mr. Burns reiterated his belief that a COSS should have been done in this case and that there was no cost justification for the proposed increase in Elizabeth's rates. He indicated that Elizabeth is not receiving any benefit from the Wholesale Agreement with Edwardsville and that Elizabeth already paid the upfront costs associated with Edwardsville's extension of service to Elizabeth. Finally, Mr. Burns disagreed with Mr. Curry's testimony regarding the need for Elizabeth to enter into the Wholesale Agreement in 1996, but testified that he believes the Settlement Agreement is reasonable and fair and should be approved with respect to Elizabeth.

**C. Edwardsville's Settlement Testimony.**

i. **Robert Curry.** Mr. Curry testified on behalf of Edwardsville regarding the historical relationship between Elizabeth and Edwardsville, as well as Elizabeth's ability to be a viable backup source of supply for Edwardsville. Mr. Curry testified that he designed and oversaw the construction of the interconnection facilities that were contemplated in the Wholesale Agreement and later designed the water system that was paid for by RDI/Caesar's Riverboat Casino, LLC ("Caesar's") and is currently used by Elizabeth. He stated that at the time the parties entered into the Wholesale Agreement in 1996, Elizabeth had actively participated in the negotiations between Harrison County and Caesar's. Elizabeth knew that Caesar's would construct and subsequently dedicate the water facilities to Elizabeth. He stated that Elizabeth entered into the Wholesale Agreement with the hopes of convincing Caesar's to use Elizabeth as its short and long-term water provider. Mr. Curry explained Elizabeth represented to Caesar's that Edwardsville would be the short-term supplier of water until the new facilities were built. Elizabeth indicated to Caesar's that once the facilities were built Edwardsville would continue to serve as a backup source of water supply. Mr. Curry stated at that time Elizabeth had a history of frequent water leaks that drained its entire water system, and it was extremely important to Caesar's that Edwardsville serve as a source of supply due to the potential downtime and corresponding loss of revenue caused by the unavailability of water. He testified the Wholesale Agreement was critical for Elizabeth in convincing Caesar's to use Elizabeth as its supplier and to thereafter pay for the construction and subsequent dedication of the water facilities Elizabeth now uses.

Mr. Curry opined that Elizabeth does not currently have the ability to be a viable backup source of water supply for Edwardsville. He stated that Elizabeth would need to conduct a hydraulic study and construct a water booster station with SCADA controls. He testified that even if Elizabeth were in a position to serve Edwardsville it would not have a sufficient amount of water.

ii. **Scott A. Miller.** Mr. Miller explained that the Settling Parties have reached an agreement that provides for a 20.13% across-the-board increase in Edwardsville's existing rates and charges, excluding the monthly service charge for Elizabeth. He stated the agreed upon adjustment in rates and charges would produce an increase in Edwardsville's annual revenues of \$442,824 in order to meet its net revenue requirement of \$2,677,743. He explained that in reaching the settlement, the OUCC accepted Edwardsville's proposed adjustments for salaries and wages, directors fees, FICA, purchased power, employee pensions, insurance and periodic maintenance. However, the OUCC did not accept the adjustment for health, life, dental, and vision insurance. Mr. Miller also stated that the OUCC identified several additional expenditures that they determined were disallowed, non-recurring, or capital in nature. For purposes of settlement, Edwardsville is willing to accept the OUCC's additional adjustments, along with the OUCC's proposed modification to the calculation of normalized annual revenues at present rates, and inclusion of the public utility fee or IURC fee, which is required of non-profit utilities.

Mr. Miller also addressed the concerns raised by Mr. Kaufman regarding bond counsel fees and issuance costs in general. He explained this case involves a number of unique issues that are distinct from, and require more time than, the cases cited by Mr. Kaufman in his testimony.

Specifically, Mr. Miller noted that in this case the professionals were required to: (i) assist with identifying the actual status of the utility's fund balances; (ii) assist with identifying the status of Edwardsville's debt payments; (iii) research the various notices that might be required to the trustee, SRF Program, Indiana Bond Bank, Rural Development, and the Municipal Securities Rulemaking Board's EMMA System; (iv) assist with identifying, interviewing, and engaging a new auditing firm; (v) assist the new auditing firm in getting up to speed as quickly as possible in order to correct the financial statements; (vi) attended several Board meetings to discuss strategy; (vii) initiated legal proceedings against the former employee; and (viii) request, secure, and then renew a short-term line of credit from the SRF Program (Edwardsville will actually close on three different loans). Mr. Miller further explained that the bond counsel fees also include approximately \$20,000 in other costs, leaving \$45,000 for the bond counsel fees for the three closings related to Edwardsville's financing plan. He indicated that the issuance costs included in the Settlement Agreement are reasonable based upon the amount of fees that Edwardsville has incurred to date.

Mr. Miller addressed the cost of service issues raised by Elizabeth. He explained that Elizabeth's contention that it should not continue to pay the monthly charge when it is not taking any water from Edwardsville is flawed in that it fails to recognize the significant historical and ongoing expense Edwardsville has incurred and continues to incur on an annual basis to comply with the terms of the Wholesale Agreement, which does not expire until 2026. Mr. Miller testified that the monthly service charge paid by Elizabeth not only serves to repay Edwardsville for the upfront cost of constructing the improvements in 1996 that were necessary to provide Elizabeth with service, but also to pay for the ongoing costs that are incurred by Edwardsville for maintaining the utility. He stated that although Edwardsville believes that a valid contract exists between the parties, Edwardsville has agreed to a settlement whereby it will hold the current monthly service charge of \$2,895 for Elizabeth constant now and as part of future rate proceedings through the term of the existing Wholesale Agreement, provided Elizabeth does not require any water between now and that time. If Elizabeth would require water at some point, the monthly service charge would increase to the appropriate amount at that time, taking into account the application of the present rate increase and any future approved rate increases.

Mr. Miller indicated that a full COSS was not conducted in this case for two reasons. First, one was not required by the Commission. Second, the preparation of a COSS is time consuming and costly. He noted that most water utilities go 15 to 20 years between COSS absent some other major change to the system that would warrant a quicker timeframe. In response to Elizabeth's contentions that it would have received a rate decrease if a new COSS had been done, Mr. Miller testified that Elizabeth is currently being and will continue to be charged a cost based rate. Mr. Miller stated that Elizabeth is neither subsidizing other customers, nor is Elizabeth being subsidized by other customers. Mr. Miller explained that the majority of the remaining subsidy that still exists is between the residential and large commercial classes and has nothing to do with Elizabeth. According to Mr. Miller, the residential customers are paying approximately 1.64% or \$0.59 more per bill per month than actual cost of service which generates an annual subsidy of \$26,784. The majority of this subsidy inures to the benefit of Edwardsville's large commercial customer class, which consists of one school that has relatively high usage.

Mr. Miller also discussed Elizabeth's concerns that Edwardsville, not the ratepayers,

should pay for the embezzlement. He explained that Edwardsville has implemented procedures to reduce the likelihood of a future occurrence, but Edwardsville, as a not-for-profit entity, has limited resources to access in this type of situation. In response to questions at the hearing, Mr. Miller explained the new accounting controls and procedures that Edwardsville had implemented in order to prevent a recurrence of the embezzlement that occurred during 2013 and 2014. Mr. Miller testified that the following changes have been implemented: (1) blank checks are locked in a file cabinet in the General Manager's office; (2) copies of bank statements are mailed to the Treasurer's home; (3) all check registers are signed and reviewed at the monthly Board meetings; (4) all signature stamps are kept in a locked cabinet in the General Manager's office; (5) voided checks are taken to the Board meeting each month for review; and (6) bank statements and copies of checks from the bank are taken to each Board meeting. Mr. Miller indicated that one of the biggest changes concerns how checks are processed. The new procedure for Edwardsville is: (1) the bookkeeper enters the invoice for payment; (2) the General Manager reviews the invoice and approves or disapproves the payment; (3) the bookkeeper then prints the approved payments; (4) the Treasurer reviews each check, signs each check by hand, compares each check to the check register, and then signs the register; (5) the General Manager then stamps the President's signature; and (6) the checks are then distributed and/or mailed.

Mr. Miller concluded that the settlement is a reasonable compromise of the issues that have been raised in this case. He indicated the Settlement Agreement is fair and reasonable, in the public interest, and benefits all of the customers of Edwardsville.

**9. Commission Discussion and Findings.** We first start with a general explanation of how settlement agreements are looked at by the Commission when offered by the parties as settlement of issues in their case. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406.

The Commission is not required to accept a settlement simply because the parties have agreed to it, and agreements filed by some or all of the parties must still be supported by probative evidence. *Id.* Furthermore, any Commission decision, ruling, or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and it serves the public interest.

Upon review of the evidence of record in this Cause, we find the terms of the Settlement Agreement are supported by the evidence and represent a reasonable resolution of the issues

presented to the Commission. The Commission further finds that the terms of the Settlement Agreement are reasonable, and the approval of the Settlement Agreement to be in the public interest. Therefore, the Commission finds the Settlement Agreement should be approved in its entirety.

Consistent with the evidence of record and the terms of the Settlement Agreement approved herein, the Commission specifically finds:

**A. Edwardsville’s Authorized Rates.** Based upon the evidence, the Commission finds that Edwardsville’s current rates and charges, which provide annual adjusted rate revenues of \$2,234,919, are insufficient to satisfy Edwardsville’s annual pro forma net revenue requirement of \$2,677,743, inclusive of additional IURC fee. The Commission further finds that Edwardsville shall be authorized to increase its rates and charges for water service, across-the-board (except for Elizabeth), to produce annual revenues of \$2,677,743, an increase of \$442,824 in annual revenues, representing a 20.13% increase in current rates.

Edwardsville’s net revenue requirements are itemized below:

Operation and Maintenance Expense	\$1,594,509
Debt Service:	
Outstanding Notes	677,167
Proposed Notes	82,811
Debt Service Reserve:	
Current Notes	7,854
Proposed Notes	2,166
Replacements and Improvements	332,701
Additional IURC Fee	<u>477</u>
Total Revenue Requirement	2,697,685
Less: Interest Income	1,027
Other Operating Revenue	<u>18,915</u>
Net Revenue Requirement	2,677,743
Less: Revenues Not Subject to Increase (Elizabeth)	34,740
Sub-total	2,643,003
Less: Revenues Subject to Increase	<u>2,200,179</u>
Additional Revenues Required	<u>\$442,824</u>
Percentage Increase	<u>20.13%</u>

**B. Edwardsville’s Financing.**

**i. Borrowing Authority.** The Commission finds Edwardsville’s request to issue long-term debt to pay off its existing credit line with the SRF Program and pay for certain capital improvements is reasonable and necessary in order for Edwardsville to provide adequate and efficient water service. Therefore, Edwardsville is authorized to issue long-term debt in an amount not to exceed \$2,630,000 at an interest rate not to exceed 5%.

**ii. True-Up.** Consistent with the Settlement Agreement, we find that Edwardsville shall file a true-up report with the Commission under this Cause and serve a copy

thereof on the parties of record within 30 days of closing on its issuance of long-term debt. The true-up shall provide the following the: final terms of the 2016 SRF Loan, amount of debt service reserve, final issuance costs, an amortization schedule for the 2016 SRF Loan, and the rate impact of any difference.

C. **Use of Settlement Agreement.** The Settling Parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849, at \*7-8 (IURC March 19, 1997).

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

1. The Settlement Agreement is approved in its entirety with the terms and conditions thereof incorporated as part of this Order.
2. Edwardsville is authorized to issue long-term debt as discussed above and provided in this Order.
3. Edwardsville shall make a true-up filing with the Commission within 30 days after closing on the 2016 SRF Loan to reflect the final terms of the 2016 SRF Loan, the amount of the debt service reserve, final issuance costs, an amortization schedule for the underlying debt, and the rate impact of any difference.
4. Within 30 days of this Order, Edwardsville shall file a new schedule of rates and charges, consistent with this Order, with the Commission's Water/Sewer Division. New rates and charges shall be effective on filing and after approval of the schedules by the Water/Sewer Division.
5. This Order shall be effective on and after the date of its approval.

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

APPROVED: DEC 30 2015

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



**Brenda Howe**  
**Secretary to the Commission**

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF )  
EDWARDSVILLE WATER CORPORATION, )  
A NONPROFIT CORPORATION, FOR ) CAUSE NO. 44642  
AUTHORITY TO ISSUE LONG-TERM DEBT )  
AND FOR APPROVAL OF A CHANGE IN )  
RATES AND CHARGES. )

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 18th day of November, 2015, by and between the Edwardsville Water Corporation (“Edwardsville”), the Office of Utility Consumer Counselor (“OUCC”), and Intervenor, the Town of Elizabeth, Indiana (“Elizabeth”), who stipulate and agree for purposes of settling all matters in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of all issues in this Cause, subject to their incorporation in a final Indiana Utility Regulatory Commission (“Commission”) Order without modification or the addition of further conditions that may be unacceptable to any of the parties. If the Commission does not approve the Settlement Agreement in its entirety and incorporate the conclusions herein in its final Order, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties (as defined below).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On July 6, 2015, Edwardsville initiated this Cause by filing a Petition with the Commission requesting authority to increase its rates and charges and issue bonds to fund capital improvements to its waterworks.

2. **Prefiled Evidence of Parties.** In support of its Petition, Edwardsville filed the Prefiled Testimony and Exhibits of Robert E. Curry, P.E. and Scott A. Miller, C.P.A. on July 6,

2015. On October 30, 2015, the OUCC prefiled the Testimony and Exhibits of Richard J. Corey, Harold L. Rees, and Edward R. Kaufman, and Elizabeth prefiled the Testimony and Exhibits of Hugh Burns.

3. **Settlement.** Through analysis, discussion, and negotiation, as aided by their respective technical staff and experts, Edwardsville, the OUCC, and Elizabeth (“Settling Parties”) agree on the terms and conditions as described herein that resolve all issues between them in this Cause. Attached to the Settlement Agreement as Exhibit A is an accounting report (“Report”) that reflects the agreed upon revenue requirement, final rates and charges, and estimated issuance costs and amortization schedule for Edwardsville’s proposed indebtedness.

4. **Revenue Requirement and Rates.** The Settling Parties agree that Edwardsville should be authorized to increase its rates and charges for water service to reflect ongoing net revenue requirements in the amount of \$2,677,743, resulting in an annual increase of \$442,824 or 20.13% over Edwardsville’s current revenues at existing rates.

5. **Operation and Maintenance Adjustments.** After review and examination, Edwardsville has agreed to the OUCC’s proposed adjustments for: (i) revenue normalization; (ii) insurance expense for health, life, dental, and vision; and (iii) capital or non-recurring items.

6. **Authority to Issue Debt and Impact on Initial Rates.** The Settling Parties agree that Edwardsville should be authorized to issue long-term debt (“2016 Debt”) in a principal amount of approximately \$2,630,000 at a net average annual interest rate not to exceed five percent (5%) per annum. For purposes of determining Edwardsville’s revenue requirement (and calculating its initial rates), the parties agree to include an annual amount of \$82,811 for principal and interest on the 2016 Debt subject to true-up, which amount is based on an average assumed interest rate of approximately 2.25% and the proposed amortization schedules contained

in the Report. Edwardsville's insurance carrier is obligated to provide additional monies for theft by a former employee upon a conviction or guilty plea by the employee. If the former employee enters a plea of guilty or a conviction is secured before the issuance of the 2016 debt, Petitioner shall use the funds received or anticipated to be received as an offset to its borrowing and reduce the rates to reflect the lower principal and interest payments. Any other funds recovered before the closing shall likewise be used to offset the borrowing and reduce the rates to reflect the lower principal and interest payments. Edwardsville shall annually update the Commission and the OUCC of the results of its efforts to collect stolen funds.

7. **Wholesale Rate for Elizabeth.** As noted in the parties' filings, Edwardsville provides wholesale water service to Elizabeth pursuant to a long term agreement ("Wholesale Agreement"). The Wholesale Agreement generally provides that Elizabeth pays a base charge (that is currently \$2,895) and a flow rate for any water used. Considering that Elizabeth believes it no longer needs water from Edwardsville, but in recognition that Edwardsville claims to have previously made investments to construct and maintain capacity for Elizabeth, the Settling Parties agree that Elizabeth's current base charge of \$2,895 per month shall not be subject to the proposed increase in this Cause and, in fact, will not increase for the remainder of the Agreement as set forth therein or as otherwise agreed by the parties. If, however, Elizabeth shall ever need to take water from Edwardsville during the term of the Wholesale Agreement, Elizabeth will pay the base charge in effect at that time (including any increases subsequent to the execution of this Agreement) and will continue to pay the higher base charge until such time as the Wholesale Agreement is terminated (see, e.g., Exhibit A, p. 14).

8. **Periodic Meetings Between Edwardsville and Elizabeth.** During the term of the Wholesale Agreement, Edwardsville and Elizabeth agree to meet at least once every two

years to discuss whether the Wholesale Agreement needs to be revised or terminated, and shall consider factors such as Edwardsville's need for capacity, sales from Elizabeth to Edwardsville, and any other methods the parties may deem appropriate. While the parties agree to meet and discuss any issues, there is no obligation or duty on the part of either party to agree to any revisions to this Agreement or the Wholesale Agreement.

9. **Restatement of Wholesale Agreement.** All other provisions in the Wholesale Agreement shall remain unchanged to the extent not inconsistent with this Agreement.

10. **Filing of True Up Report and Revision of Tariff.** Within thirty (30) days after closing on the 2016 Debt, Edwardsville shall file in this Cause a true-up report describing the final terms of the 2016 Debt, stating the amount of the debt service reserve, disclosing the final issuance costs, and including an amortization schedule for the 2016 Debt. The OUCC shall have fourteen (14) calendar days in which to object to the true-up report. If there is no objection to the true-up report and the annual payment on the 2016 Debt differs from the originally estimated \$82,811, Edwardsville shall file with the IURC a revised tariff adjusting the rates to include the final amount of annual principal and interest payments on the 2016 Debt. However, if, as a result of the actual terms of the financing, the Settling Parties agree the cost of debt is less than \$82,811 per annum, Edwardsville need not file a revised tariff if the OUCC states in writing that it considers the difference to be immaterial for purposes of revising Edwardsville's rates. In such case, Edwardsville shall file the OUCC's written statement to the extent it has not already been filed by the OUCC. If, as a result of the actual terms of the financing, the Settling Parties agree the cost of debt is more than \$82,811 per annum, Edwardsville may, in its sole discretion, elect not to file a revised tariff reflecting the higher principal and interest payment for the 2016 Debt.

11. **Filing of Tariff and Delay in Issuance of Debt.** The Settling Parties agree that Edwardsville may expeditiously file a new tariff after issuance of a Commission Order in this Cause approving an adjustment to Edwardsville's rates. If Edwardsville does not issue the 2016 Debt within two months after the filing of the new tariff, Edwardsville should temporarily reserve the funds collected in rates for the 2016 Debt and use those funds to offset the amount it eventually borrows.

12. **Expenditures from Debt Service Reserves.** If Edwardsville spends any of the funds from its Debt Service Reserve for any reason other than to make the last payment on the underlying debt, Edwardsville will provide a report to the Commission and OUCC within five (5) business days after such expenditure that states: (i) how much Edwardsville spent from its Debt Service Reserve; (ii) why and on what it spent the funds from its Debt Service Reserve; (iii) a cite to, and a quote from, any applicable loan documents that allow Edwardsville to spend funds from its Debt Service Reserve; (iv) how Edwardsville plans to replenish its Debt Service Reserve; and (v) any cost cutting activities Edwardsville has implemented to forestall spending funds from its Debt Service Reserve.

13. **Ongoing Operational and Maintenance Practices.** Edwardsville agrees to download the AWWA Water Loss Control Committee's Free Water Audit Software V5.0 to quantify and track its water losses on at least an annual basis. Edwardsville further agrees to use restricted accounts to hold funds for its well maintenance, tank maintenance, distribution system pumping maintenance, and water treatment plant maintenance. Rates include as an annual revenue requirement \$70,000 for Tank Maintenance, \$33,500 for Well Maintenance, \$15,667 for Distribution System Pump Maintenance, and \$58,333 for Water Treatment Plant Maintenance for a total of \$177,500.

14. **Admissibility and Sufficiency of Evidence.** The Settling Parties hereby stipulate that the prefiled testimony and exhibits of Edwardsville, the OUCC, and Elizabeth should be admitted into the record without objection or cross examination by any party. The Settling Parties agree that such evidence constitutes substantial evidence sufficient to support the Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

15. **Non-Precedential Effect of Settlement.** The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any party may take with respect to any issue in any future regulatory or non-regulatory proceeding.

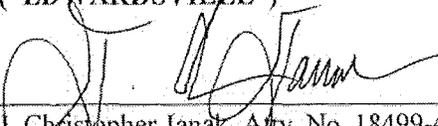
16. **Authority to Execute.** The undersigned have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of the designated parties, who will hereafter be bound thereby.

17. **Approval of Settlement Agreement in its Entirety.** As a condition of this settlement, the Settling Parties specifically agree that if the Commission does not approve this Joint Stipulation and Settlement Agreement in its entirety and incorporate it into the Final Order as provided above, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties. The Settling Parties

further agree that if the Commission does not issue a Final Order in the form that reflects the Agreement described herein, Edwardsville shall have a reasonable period of time to prepare and file rebuttal testimony and exhibits and this matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed to by the Settling Parties in a writing that is filed with the Commission.

18. **Proposed Order.** The Settling Parties agree to work together in preparing a mutually acceptable proposed order that the Settling Parties agree to file with the Commission on or before December 2, 2015.

**EDWARDSVILLE WATER CORPORATION  
("EDWARDSVILLE")**

  
\_\_\_\_\_  
Christopher Janak, Atty. No. 18499-49  
BOSE MCKINNEY & EVANS LLP  
111 Monument Circle, Suite 2700  
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**INDIANA OFFICE OF THE UTILITY CONSUMER  
COUNSELOR ("OUCC")**

\_\_\_\_\_  
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**TOWN OF ELIZABETH ("ELIZABETH")**

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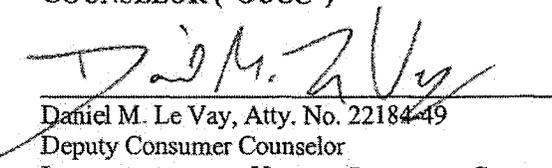
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18. **Proposed Order.** The Settling Parties agree to work together in preparing a mutually acceptable proposed order that the Settling Parties agree to file with the Commission on or before <sup>December 21,</sup> ~~November 23,~~ 2015. *OK. w/ consent of D. LeVay*

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further agree that if the Commission does not issue a Final Order in the form that reflects the Agreement described herein, Edwardsville shall have a reasonable period of time to prepare and file rebuttal testimony and exhibits and this matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed to by the Settling Parties in a writing that is filed with the Commission.

18. **Proposed Order.** The Settling Parties agree to work together in preparing a mutually acceptable proposed order that the Settling Parties agree to file with the Commission on or before <sup>December 2</sup> ~~November 23~~, 2015 *with consent of Steve Krohne*

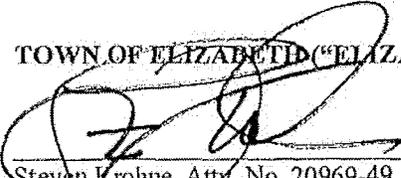
**EDWARDSVILLE WATER CORPORATION  
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# **Exhibit A**

# UMBAUGH

H. J. Umbaugh & Associates  
Certified Public Accountants, LLP  
8365 Keystone Crossing  
Suite 300  
Indianapolis, IN 46240-2687  
Phone: 317-465-1500  
Fax: 317-465-1550  
www.umbaugh.com

November 12, 2015

Board of Directors  
Edwardsville Water Corporation  
545 Maplewood Boulevard  
Georgetown, Indiana 47122

The attached schedules, listed below, are a supplement to our Accounting Report dated July 1, 2015. We have not updated the financial information included in that report. Accordingly, all disclaimers of opinion, comments and disclosures included in the Accounting Report are applicable hereto.

Page(s)

2	Schedule of Estimated Project Costs and Funding
3	Schedule of Amortization of \$2,630,000 Principal Amount of Proposed Waterworks SRF Loan of 2015
4 - 5	Schedule of Proposed Combined Amortization
6 - 9	Pro Forma Annual Cash Operating Expenses
10	Normalized Annual Operating Revenues at Existing Rates
11	Pro Forma Capital Improvement Program
12 - 13	Pro Forma Annual Revenue Requirements and Annual Operating Revenue
14 - 15	Schedule of Present and Proposed Rates and Charges



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EDWARDSVILLE WATER CORPORATION

SCHEDULE OF ESTIMATED PROJECT COSTS AND FUNDING

(Per consulting engineer)

ESTIMATED PROJECT COSTS:

Estimated Construction Costs:

Hickman Hill booster station	\$427,000
1,000 gpm water supply well No. 13	331,360
Water main loop along S.R 64 and Oaks Road	273,500
Water main replacement on Corydon Pike	179,750
Upgrade scada system	124,691
Water meter reading and billing system	58,000
Two field grade computers and software for meter reading	45,000
GPS mapping for distribution system	25,604
New chlorine residual and pH analyzer	21,000
	<hr/>
Sub-total	1,485,905
Construction contingencies	148,600
	<hr/>
Total Estimated Construction Costs	1,634,505

Estimated Non-Construction Costs:

Engineering design, bidding and contract administration	134,000
Project construction observation	66,000
Geotechnical engineering borings and report	10,000
Archeological reconnaissance	4,500
Land and rights-of-way acquisition	41,000
Repayment of SRF line of credit (1)	426,090
Bond issuance cost and general project contingencies	313,905
	<hr/>
Total Estimated Non-Construction Costs	995,495
	<hr/>
Total Estimated Project Costs	\$2,630,000

ESTIMATED PROJECT FUNDING:

Proposed Drinking Water State Revolving Fund Loan	\$2,630,000
Estimated recovery of embezzlement judgement	0
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Total Estimated Project Funding	\$2,630,000

- (1) Assumes replacement meters are purchased using the temporary SRF line of credit on July 1, 2015. Estimated cost of \$196,483.

(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION

SCHEDULE OF AMORTIZATION OF \$2,630,000 PRINCIPAL AMOUNT OF  
PROPOSED WATERWORKS SRF LOAN OF 2015

Principal payable semi-annually on January 1st and July 1st, beginning January 1, 2017.

Interest payable semiannually on January 1st and July 1st, beginning July 1, 2016.

Assumes loan dated November 26, 2015

Assumed interest rate as indicated.

Payment Date	Principal Balance (-In \$1,000's-)	Interest Rates (%)	Debt Service			Bond Year Total
			Principal (-In \$1,000's-)	Interest (----- In Dollars-----)	Total	
01/01/16	\$2,630					
07/01/16	2,630			\$35,340.63	\$35,340.63	
01/01/17	2,630	2.25	\$1	29,587.50	30,587.50	\$65,928.13
07/01/17	2,629	2.25	5	29,576.25	34,576.25	
01/01/18	2,624	2.25	6	29,520.00	35,520.00	70,096.25
07/01/18	2,618	2.25	7	29,452.50	36,452.50	
01/01/19	2,611	2.25	8	29,373.75	37,373.75	73,826.25
07/01/19	2,603	2.25	11	29,283.75	40,283.75	
01/01/20	2,592	2.25	65	29,160.00	94,160.00	134,443.75
07/01/20	2,527	2.25	145	28,428.75	173,428.75	
01/01/21	2,382	2.25	147	26,797.50	173,797.50	347,226.25
07/01/21	2,235	2.25	148	25,143.75	173,143.75	
01/01/22	2,087	2.25	150	23,478.75	173,478.75	346,622.50
07/01/22	1,937	2.25	152	21,791.25	173,791.25	
01/01/23	1,785	2.25	153	20,081.25	173,081.25	346,872.50
07/01/23	1,632	2.25	155	18,360.00	173,360.00	
01/01/24	1,477	2.25	157	16,616.25	173,616.25	346,976.25
07/01/24	1,320	2.25	159	14,850.00	173,850.00	
01/01/25	1,161	2.25	160	13,061.25	173,061.25	346,911.25
07/01/25	1,001	2.25	162	11,261.25	173,261.25	
01/01/26	839	2.25	164	9,438.75	173,438.75	346,700.00
07/01/26	675	2.25	166	7,593.75	173,593.75	
01/01/27	509	2.25	168	5,726.25	173,726.25	347,320.00
07/01/27	341	2.25	170	3,836.25	173,836.25	
01/01/28	171	2.25	171	1,923.75	172,923.75	346,760.00
Totals			\$2,630	\$489,683.13	\$3,119,683.13	\$3,119,683.13

(See Accountants' Report)

**EDWARDSVILLE WATER CORPORATION**  
**SCHEDULE OF PROPOSED COMBINED AMORTIZATION**

Payment Date	2008A Notes	2012A-1 Notes	2012A-2 Notes	RD Loan *	2015 SRF Loan	Total	Bond Year Total
07/01/15	\$53,453.25	\$23,105.00	\$224,613.75			\$301,172.00	
01/01/16	52,874.00	22,855.00	226,688.75	\$39,270.00		341,687.75	\$642,859.75
07/01/16	53,294.75	22,585.00	229,388.75		\$35,340.63	340,609.13	
01/01/17	52,698.95	22,300.00	232,031.25	78,540.00	30,587.50	416,157.70	756,766.83
07/01/17	53,103.15	21,900.00	229,406.25		34,576.25	338,985.65	
01/01/18	53,490.80	26,500.00	226,781.25	78,540.00	35,520.00	420,832.05	759,817.70
07/01/18	52,861.90	26,000.00	223,631.25		36,452.50	338,945.65	
01/01/19	53,233.00	25,500.00	225,481.25	78,540.00	37,373.75	420,128.00	759,073.65
07/01/19	53,587.55		221,987.50		40,283.75	315,858.80	
01/01/20	52,925.55		218,493.75	78,540.00	94,160.00	444,119.30	759,978.10
07/01/20	53,263.55				173,428.75	226,692.30	
01/01/21	52,585.00			78,540.00	173,797.50	304,922.50	531,614.80
07/01/21	52,906.45				173,143.75	226,050.20	
01/01/22	53,211.35			78,540.00	173,478.75	305,230.10	531,280.30
07/01/22	53,499.70				173,791.25	227,290.95	
01/01/23	52,771.50			78,540.00	173,081.25	304,392.75	531,683.70
07/01/23	53,043.30				173,360.00	226,403.30	
01/01/24	53,298.55			78,540.00	173,616.25	305,454.80	531,858.10
07/01/24	53,537.25				173,850.00	227,387.25	
01/01/25	52,759.40			78,540.00	173,061.25	304,360.65	531,747.90
07/01/25	52,981.55				173,261.25	226,242.80	
01/01/26	53,187.15			78,540.00	173,438.75	305,165.90	531,408.70
07/01/26	52,376.20				173,593.75	225,969.95	
01/01/27	53,565.25			78,540.00	173,726.25	305,831.50	531,801.45
07/01/27	53,721.20				173,836.25	227,557.45	
01/01/28	52,860.60			78,540.00	172,923.75	304,324.35	531,881.80
07/01/28							
01/01/29				78,540.00		78,540.00	78,540.00
07/01/29							
01/01/30				78,540.00		78,540.00	78,540.00
07/01/30							
01/01/31				78,540.00		78,540.00	78,540.00
07/01/31							
01/01/32				78,540.00		78,540.00	78,540.00
07/01/32							
01/01/33				78,540.00		78,540.00	78,540.00
07/01/33							
01/01/34				78,540.00		78,540.00	78,540.00
07/01/34							
01/01/35				78,540.00		78,540.00	78,540.00
07/01/35							
01/01/36				78,540.00		78,540.00	78,540.00
07/01/36							
01/01/37				78,540.00		78,540.00	78,540.00
Sub-totals	\$1,381,090.90	\$190,745.00	\$2,258,503.75	\$1,688,610.00	\$3,119,683.13	\$8,638,632.78	\$8,638,632.78

\* Payments made monthly.

(Continued on next page)

(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION

(Cont'd)

SCHEDULE OF PROPOSED COMBINED AMORTIZATION

Payment Date	2008A Notes	2012A-1 Notes	2012A-2 Notes	RD Loan *	2015 SRF Loan	Total	Budget Year Total
Sub-totals							
Carried forward	\$1,381,090.90	\$190,745.00	\$2,258,503.75	\$1,688,610.00	\$3,119,683.13	\$8,638,632.78	\$8,638,632.78
7/1/2037							
1/1/2038				78,540.00		78,540.00	78,540.00
7/1/2038							
1/1/2039				78,540.00		78,540.00	78,540.00
7/1/2039							
1/1/2040				78,540.00		78,540.00	78,540.00
7/1/2040							
1/1/2041				78,540.00		78,540.00	78,540.00
7/1/2041							
1/1/2042				78,540.00		78,540.00	78,540.00
7/1/2042							
1/1/2043				78,540.00		78,540.00	78,540.00
7/1/2043							
1/1/2044				78,540.00		78,540.00	78,540.00
7/1/2044							
1/1/2045				78,540.00		78,540.00	78,540.00
7/1/2045							
1/1/2046				78,540.00		78,540.00	78,540.00
7/1/2046							
1/1/2047				78,540.00		78,540.00	78,540.00
7/1/2047							
1/1/2048				78,540.00		78,540.00	78,540.00
7/1/2048							
1/1/2049				78,540.00		78,540.00	78,540.00
7/1/2049							
1/1/2050				78,540.00		78,540.00	78,540.00
7/1/2050							
1/1/2051				78,540.00		78,540.00	78,540.00
7/1/2051							
1/1/2052				78,540.00		78,540.00	78,540.00
7/1/2052				39,270.00		39,270.00	39,270.00
Totals	<u>\$1,381,090.90</u>	<u>\$190,745.00</u>	<u>\$2,258,503.75</u>	<u>\$2,905,980.00</u>	<u>\$3,119,683.13</u>	<u>\$9,856,002.78</u>	<u>\$9,856,002.78</u>

\* Payments made monthly

(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION

PRO FORMA ANNUAL OPERATING EXPENSES

See Explanation of Adjustments, pages 7 to 9

No inflation adjustment made

	12 Months Ended 12/31/2014 (Unaudited)	Adjustments	Ref.	Pro Forma
Annual Operating Expenses:				
Salaries and wages	\$510,782	\$66,056	(1)	\$576,838
Salaries and wages board	24,350	(9,350)	(2)	15,000
Employee benefits	173,667	5,791	(3)	205,937
		6,065	(4)	
		20,414	(5)	
Purchased power	217,422	(428)	(6)	216,994
Insurance	32,991	5,913	(7)	38,904
Chemicals	34,998			34,998
Materials and supplies	63,966			63,966
Repairs	50,590	142,301	(8)	192,891
Transportation	54,168			54,168
Rent expense	18,895			18,895
Contractual services	120,381	(46,037)	(9)	74,344
Fees and licenses	11,040			11,040
Uniform and laundry	10,170			10,170
Office	54,184			54,184
Other	56,380	(26,014)	(9)	
		(4,186)	(9)	26,180
Total Annual Operating Expenses	<u>\$1,433,984</u>	<u>\$160,525</u>		<u>\$1,594,509</u>

(Continued on next page)

(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION  
PRO FORMA ANNUAL OPERATING EXPENSES  
 Explanation of Adjustments

(Cont'd)

Adjustment (1) - Salaries and Wages

To adjust test year salaries and wages to reflect pro forma salaries and wages based on Board action.

Pro forma salaries and wages		\$576,838
Less test year amount		<u>(510,782)</u>
Adjustment		<u>\$66,056</u>

Adjustment (2) - Director's Fees

To adjust the test year director's fee to reflect pro forma expense.

Director's Fees:		
Director paid \$250 per meeting	\$250	
Times 5 Directors	<u>5</u>	
Sub-total	1,250	
Times 12 annual meetings	<u>12</u>	
Pro Forma Director's Fee		\$15,000
Less test year amount		<u>(24,350)</u>
Adjustment		<u>(\$9,350)</u>

Adjustment (3) - FICA

To adjust test year FICA disbursements for the pro forma salaries and wages.

Pro forma salaries and wages		\$576,838
Times FICA rate		<u>7.65%</u>
Sub-total		\$44,128
Less test year amount		<u>(38,337)</u>
Adjustment		<u>\$5,791</u>

(Continued on next page)

(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION

(Cont'd)

PRO FORMA ANNUAL OPERATING EXPENSES  
Explanation of Adjustments

Adjustment (4) - Employee Pensions

To adjust test year employee pension and benefits expense to reflect pro forma expense.

IRA employer contributions:

Employee wages		\$576,838	
Less part-time wages		(6,240)	
	Sub-total	570,598	
	Times contribution rate	x 5.00%	
	Pro-forma employee pensions and benefits expense		\$28,530
	Less test year amount		(22,465)
	Adjustment		<u>\$6,065</u>

Adjustment (5) - Health, Life, Dental and Vision Insurance

To adjust test year employee health, life, dental and vision insurance expense to reflect pro forma expense.

	Life and Health	Dental and Vision	Total
Current monthly premium (including new employees)	\$12,531	\$1,666	
Times 12 months	12	12	
Estimated annual cost	150,372	19,992	
Less employee portion	(31,435)	(5,650)	
	Net expense to Utility	\$14,342	\$133,279
	Less test year amount		(112,865)
	Adjustment		<u>\$20,414</u>

Adjustment (6) - Purchased Power

To adjust test year purchased power expense to reflect pro forma expense.

Pro forma purchased power expense	\$216,994
Less test year amount	(217,422)
Adjustment	<u>(\$428)</u>

Adjustment (7) - Insurance

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

Pro forma insurance expense	\$38,904
Less test year amount	(32,991)
Adjustment	<u>\$5,913</u>

(Continued on next page)

(See Accountants' Report)

**EDWARDSVILLE WATER CORPORATION**

(Cont'd)

**PRO FORMA ANNUAL OPERATING EXPENSES**

**Explanation of Adjustments**

**Adjustment (8) - Periodic Maintenance**

Well cleaning:		
	(\$15,000 each well, every 2 years, for 3 wells)	\$22,500
Well pump and motor maintenance:		
	(\$11,000 each well, every 3 years, for 3 wells)	11,000
Pumping:		
	(\$4,500 each, every 3 years, for 6 high service pumps)	9,000
	(\$3,500 each, every 3 years, for 2 low service pumps)	2,333
	(\$2,500 each, every 3 years, for 2 low service pumps)	1,667
	(\$4,000 each, every 3 years, for 2 low service pumps)	2,667
Tank maintenance:		
Painting:		
	Farnsey Knob ground storage tank - 570,000 gallons	
	(\$120,000 every 15 years)	8,000
	Frank Ott tank - 125,000 gallons	
	(\$160,000 every 15 years)	10,667
	Mt. Saint Francis tank - 1,000,000 gallons	
	(\$450,000 every 15 years)	30,000
	Edwardsville tank - 500,000 gallons	
	(\$200,000 every 15 years)	13,333
	Hickman Hill Tank - 2,000,000 gallons	
	(\$120,000 every 30 years)	4,000
	Annual inspection: (1 tank per year)	4,000
Water treatment plant		
	(\$65,000 each, every 9 years, for 6 aerators)	43,333
	(\$18,000 each, every 6 years, for 4 sand filters)	12,000
	(\$30,000 each, every 10 years, for 1 backwash tank)	3,000
		<hr/>
	Total	177,500
	Less test year amount	<hr/> (35,199) <hr/>
	Adjustment	<hr/> <u>\$142,301</u> <hr/>

**Adjustment (9) - 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>
June, 2014	Robert E. Curry & Associates	Engineering water project	(\$7,890)
September	Dave O'Mara	Temporary labor	(4,850)
October	Bose, McKinney & Evans	Legal - personnel matters	(3,041)
November	Bose, McKinney & Evans	Legal - personnel matters	(11,852)
December	Bose, McKinney & Evans	Legal - personnel matters	(16,404)
December	Bose, McKinney & Evans	Legal - personnel matters	(2,000)
December	Miscellaneous	Audit adjusting entries	(26,014)
		OUCG	<hr/> (4,186) <hr/>
	Adjustment		<hr/> <u>(\$76,237)</u> <hr/>

(See Accountants' Report)

**EDWARDSVILLE WATER CORPORATION**

**NORMALIZED ANNUAL OPERATING REVENUES AT EXISTING RATES**

Billing Cycle	Existing Customers Billed Residential	Increase (Decrease) in Users Residential	Times Additional Monthly Bills	Additional Monthly Bills Residential
Jan-14	3,954			
Feb-14	3,952	(2)	1	(2)
Mar-14	3,954	2	2	4
Apr-14	3,944	(10)	3	(30)
May-14	3,948	4	4	16
Jun-14	3,953	5	5	25
Jul-14	3,956	3	6	18
Aug-14	3,957	1	7	7
Sep-14	3,958	1	8	8
Oct-14	3,968	10	9	90
Nov-14	3,975	7	10	70
Dec-14	3,977	2	11	22
Totals		<u>23</u>		228
Times average residential monthly bill at existing rates			x	<u>\$30.18</u>
Total normalized increase in metered sales for existing customers				6,882
Commercial normalization				<u>(81)</u>
Total net normalization adjustments				6,801
Plus test year metered sales				<u>2,228,118</u>
Normalized metered sales				<u>\$2,234,919</u>

(See Accountants' Report)

**EDWARDSVILLE WATER CORPORATION**

**PRO FORMA CAPITAL IMPROVEMENT PROGRAM**

**(Per Utility Officials and Consulting Engineer)**

Item Number	Description	Calendar Year Budget				Total	Future Capital Improvements
		2016	2017	2018	2019		
1	Replacement of trucks	\$50,250	\$50,250	\$50,250	\$50,250	\$201,000	\$190,000
2	Replacement of equipment	59,025	59,025	59,025	59,025	236,100	375,900
3	Install 6" Water Main on McCarty Road	39,788	39,787	39,788	39,787	159,150	
4	Construct Daily Road and Five-Mile Lane 4" water main replacement	37,525	37,525	37,525	37,525	150,100	
5	Replacement of out of service hydrants - 65 hydrants	22,600	22,600	22,600	22,600	90,400	
6	Replace 3" water main on S.R. 11	15,562	15,563	15,562	15,563	62,250	
7	New 12' electric valve on office water tank	5,125	5,125	5,125	5,125	20,500	
8	Corydon Ridge Phase II water main replacement	27,091	27,091	27,091	27,092	108,365	
9	Corydon Ridge Phase III water main replacement	50,413	50,414	50,414	50,414	201,655	
10	Basic engineering services	17,423	17,423	17,422	17,423	69,691	
11	Construction observation	7,898	7,898	7,898	7,897	31,591	
	Totals	<u>\$332,700</u>	<u>\$332,701</u>	<u>\$332,700</u>	<u>\$332,701</u>	<u>\$1,330,802</u>	<u>\$565,900</u>
						Total budgeted capital improvements	\$1,330,802
						Divide by 4 years	<u>4</u>
							<u>\$332,701</u>

(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION

PRO FORMA ANNUAL REVENUE REQUIREMENTS  
AND ANNUAL OPERATING REVENUE

See Explanation of References, page 13

<u>Pro Forma Annual Revenue Requirements</u>	<u>12 Months Ended 12/31/2014</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro forma</u>
Operation and maintenance expenses	\$1,433,984	\$160,525	(1)	\$1,594,509
Debt service				
Outstanding notes	172,032	505,135	(2)	677,167
Proposed 2015 notes		82,811	(3)	82,811
Debt service reserve				
Current	7,854		(4)	7,854
Proposed		2,166	(5)	2,166
Replacements and improvements		332,701	(6)	332,701
Total annual revenue requirements	1,613,870	1,083,338		2,697,208
Less interest income	(1,027)		(7)	(1,027)
Less other operating revenue	(18,906)	(9)	(7)	(18,915)
Net annual revenue requirements	<u>\$1,593,937</u>	<u>\$1,083,329</u>		<u>\$2,677,266</u>
<u>Pro Forma Annual Revenue</u>				
Water sales	\$2,193,378	\$6,801	(8)	\$2,200,179
Elizabeth	34,740			34,740
Total water sales	<u>\$2,228,118</u>	<u>\$6,801</u>		<u>\$2,234,919</u>
Additional revenues required				\$442,347
IURC fee				477
Total additional revenues required				<u>\$442,824</u>
Approximate Across-The-Board Increase In Present Rates and Charges				<u>20.13%</u>
Resulting Approximate Average Residential Bill (Presently \$31.84 for 4,000 gallons)				<u>\$38.25</u>
Increase in Average Residential Bill				<u>\$6.41</u>

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(See Accountants' Report)

EDWARDSVILLE WATER CORPORATION

(Cont'd)

PRO FORMA ANNUAL REVENUE REQUIREMENTS  
AND ANNUAL OPERATING REVENUE  
 (Explanation of References)

- (1) See "Pro Forma Annual Cash Operating Expenses", pages 6 - 9.
- (2) To reflect average annual debt serve on the combined outstanding notes for the four years ending January 1, 2019.
- (3) Assumes a \$2,630,000 note amortized over 12 years at 2.25%, page 3. Calculated as follows:

Maximum annual debt service for the four years ending 1/1/20	\$759,978
Less average outstanding debt service for the four years ending 1/1/19	<u>(677,167)</u>
Additional required for new note	<u>\$82,811</u>

- (4) Annual debt service reserve requirement on the Rural Development notes.

Monthly requirement on RD Loan	\$654.50
Times 12 months	<u>12</u>
Annual Debt Service Reserve funding	<u>\$7,854</u>

- (5) To provide for the funding of the debt service reserve for the proposed 2015 notes over a 5 year period.

Maximum DSR prior to 2012 RD loan	\$670,607
Monthly DSR requiremnt on RD loan	655
Times 120 months	<u>120</u>
Subtotal	<u>78,540</u>
Required DSR after funding of RD Loan	<u>\$749,147</u>
Maximum debt service on proposed combined amortization	\$759,978
Less: required DSR after funding of RD Loan	<u>749,147</u>
DSR to be funded	10,831
Divided by 5 years	<u>5</u>
Annual DSR funding	<u>\$2,166</u>

- (6) To provide an annual allowance for replacements and improvements based on management's 4 year capital improvement plan, page 11.
- (7) Assumed at test year amounts.
- (8) To normalize test year operating revenues for additional customers added to the system, see page 10.

Test year billings	\$2,228,118
Normalized revenues due to increase in customers	<u>6,882</u>
Normalized water revenues	<u>\$2,235,000</u>

(See Accountants' Report)

**EDWARDSVILLE WATER CORPORATION**

**SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES**

**I. METERED RATES AND CHARGES**

		Monthly Rate Per 1,000 - Gallons	
		Per 1,000 Gallons	Per 1,000 Gallons
<b>(A) <u>Metered Consumption</u></b>		Current (1)	Proposed (2)
First	15,000 gallons	\$6.35	\$7.63
Next	110,000 gallons	6.30	7.57
Over	125,000 gallons	5.80	6.97
 <b>(B) <u>Service Charge</u></b>		Per Month	Per Month
5/8 or 3/4	inch meter	\$6.44	\$7.74
1	inch meter	14.15	17.00
1 1/2	inch meter	27.00	32.44
2	inch meter	42.42	50.96
3	inch meter	78.41	94.19
4	inch meter	129.81	155.94
6	inch meter	258.31	310.31
8	inch meter	412.52	495.56
 <b>(C) <u>Sales for Resale:</u></b>			
Town of Elizabeth:			
	Monthly service charge:	\$2,895.00	
	For remainder of Agreement term (assumes no water purchases)		\$2,895.00
	If water purchases are required (for remainder of Agreement term)		\$3,477.76
	Metered rate per 1,000 gallons	\$1.71	\$2.05
 Town of Lanesville:			
	Monthly service charge	\$4,935.00	\$5,928.42
	Metered rate per 1,000 gallons	\$1.71	\$2.05
 Town of Greenville:			
	Monthly service charge	\$7,865.00	\$9,448.22
	Metered rate per 1,000 gallons	\$1.71	\$2.05

- (1) Present rates and charges were approved pursuant to the Order in IURC Cause No. 43869 dated March 8, 2011.
- (2) Assumes a 20.13% across-the-board increase in present rates and charges.

(Continued on next page)

(See Accountants' Report)

**EDWARDSVILLE WATER CORPORATION**

(Cont'd)

**SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES**

(D) <u>Fire Protection Service Charge</u>	<u>Per Annum</u> (1)	<u>Per Annum</u> (2)
<u>Automatic sprinklers</u>		
6 inch connection	\$915.21	\$1,099.44
 <b><u>II. NON-RECURRING CHARGES</u></b>		
(A) Membership Fee	\$100.00	\$100.00
(B) Tap Charge		
5/8 inch	\$600.00	\$600.00
Larger than 5/8 inch	At Cost	At Cost
(C) Insufficient Funds Charge	\$25.00	\$25.00
(D) Meter Tampering Fee	\$40.00	\$40.00
(E) Collection and Deferred Payment Charge	10% of first \$3.00 3% of excess	10% of first \$3.00 3% of excess
(F) Rental Transfer Fee	\$10.00	\$10.00
(G) Service Run Fee	\$25.00	\$25.00
(H) System Development Charge*		
<u>Meter Size</u>		
5/8 - 3/4 inch meter	\$1,100.00	\$1,100.00
1 inch meter	2,750.00	2,750.00
1 1/2 inch meter	5,500.00	5,500.00
2 inch meter	8,800.00	8,800.00
3 inch meter	16,500.00	16,500.00
4 inch meter	27,500.00	27,500.00
6 inch meter	55,000.00	55,000.00
8 inch meter	88,000.00	88,000.00

\*Approved by the IURC on July 21, 2004 pursuant to Cause No. 42564.

- (1) Present rates and charges were approved pursuant to the Order in IURC Cause No. 43869 dated March 8, 2011.
- (2) Assumes a 20.13% across-the-board increase in present rates and charges.

(See Accountants' Report)