STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE TOWN OF CHANDLER, INDIANA, FOR AUTHORITY AND APPROVAL TO: (1) INCREASE RATES AND CHARGES FOR WATER UTILITY SERVICE, INCLUDING APPROVAL OF NEW SCHEDULE(S) OF RATES AND CHARGES FOR WATER SERVICES; AND (2) ISSUE REVENUE BONDS, NOTES, OR OTHER OBLIGATIONS OF INDEBTEDNESS	))))))))))	**CAUSE NO. 46124**

PUBLIC'S EXHIBIT NO. 2

TESTIMONY OF SHAWN DELLIINGER

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

December 20, 2024

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a copy of the ***Public's Exhibit No. 2 – Testimony of Shawn Dellinger on behalf of the OUCC*** has been served upon the following captioned proceeding by electronic service on December 20, 2024.

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TESTIMONY OF OUCC WITNESS SHAWN DELLINGER
CAUSE NO. 46124
TOWN OF CHANDLER

I. INTRODUCTION

Q: Please state your name and business address.

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

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

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

Q: What is the purpose of your testimony?

A: My testimony discusses the $15.155 million debt authorization requested by the Town of Chandler ("Chandler" or "Petitioner"), the debt service revenue requirement and the debt service reserve revenue requirement. I recommend the Commission authorize Chandler to borrow $15.155 million. I recommend the Commission require Chandler to issue the debt for its Series B bonds with a level amortization schedule as opposed to wrapping the debt as Chandler has proposed. I recommend debt service and debt service reserve revenue requirements. I recommend denying Chandler's proposal to recover as a revenue requirement the interest costs on its BAN issued before the final order in this case.[1] I propose a true-up process and reporting requirements that should apply to the authorized

[1] Petitioner has deferred full recovery of its depreciation expense until Phase III to lower the effect on rates. OUCC witness Tom Malan will present an OUCC proposed depreciation expense revenue requirement for Phase I increased by amounts corresponding to the excluded interest expense on the BAN and other disallowed expenses. Through this mechanism, the OUCC will recommend Chandler's proposed level of increase for Phase I and Phase II rates.

borrowing. I recommend the Commission require a reserve account to be set up for any revenue collection of the debt service and debt service reserve if the debt issuance is delayed.

Q: What did you do to form your opinions in this testimony.

A: I reviewed the Petition and Petitioner's case-in-chief, focusing on the testimony of Scott A. Miller, CPA. I reviewed previous Commission orders and filings for the Town of Chandler, focusing particularly on the order and materials from Cause No. 45062. I prepared discovery and reviewed responses.

Q: If you do not discuss a topic or subject discussed by Petitioner, does that mean you agree with Petitioner on that topic or subject?

A: No. My silence regarding any proposals, adjustments, or requested relief should not be construed as assent or agreement to any proposal, adjustment, or request. Rather, the meaning of my testimony is limited to the opinions and positions I explicitly state herein.

II. DEBT AUTHORIZATION

A. Structure of Debt

Q: Please describe Petitioner's planned debt issuance.

A: Petitioner plans to issue two bonds for which it is requesting borrowing authority and a corresponding debt service revenue requirement. Petitioner refers to the first bond issuance as "2025 Series A," which is proposed to have a principal amount of $7,760,000, a 20-year payment term, a 4.88% interest rate, and an issuance date of September 9, 2025. This bond has an interest only period of approximately 1 year and will then have standard amortization. Petitioner refers to its second proposed bond issuance as "2025 Series B," which is proposed to have a principal amount of $7,395,000, a 35-year payment term, a 4.88% interest rate, and also an issuance date of September 9, 2025. This bond has an interest-only period of approximately 1 year and will be wrapped, having no principal payments until 2053.[2] Another bond issuance, a short-term Bond Anticipation Note (BAN), predates both of these bond issuances. Petitioner does not seek authority to issue this debt. However, the principal balance for the BAN is subsumed into the other requested borrowings, and interest expense for the BAN is included within the debt service revenue requirement in both Phase I and Phase II.

Q: Is the structure for borrowings appropriate?

A: No. I do not agree that the proposed wrapping of the Series B bond is appropriate because the timing of the principal payments will create an intergenerational inequity. Therefore, the proposed structure should be rejected.

Q: Please explain how the proposed structure of the Series B bond issuance would create an intergenerational inequity.

A: The Series B bond issuance will be issued for a 35-year term, with one year of interest only and payments wrapped around the payments of the 2023 Bond issuance. The last payment for the 2023 bond issuance will be September 1, 2052, after which principal payments for the 2025 Series B bonds will begin. By 2053, Chandler will have paid off only $52,000 of the $7,395,000 of principal for the Series B bond. Chandler's ratepayers thirty years from now will inequitably be paying the bulk of debt used to provide service to customers in the preceding thirty years. I generally support wrapping of a bond issuance in order to smooth out payments, but I do not support wrapping in order to delay payments to the next generation of ratepayers as is the case with this proposal. In this case, a level amortized

[2] There are principal payments, but they are nominal of $1,000 per 6 months from the payments commencing on March 1, 2027 through September 1, 2052. At this time the principal payments increase to $832,000 in the next year and rise from there are as the principal is reduced and there is less interest being incurred on the outstanding balance.

payment structure combined with a one-year interest only period is appropriate. A level amortization structure increases current rates but makes the costs of the current plans transparent and protects future ratepayers (2053-2060) from unreasonable payments. Through Ind. Code § 8-1-2-0.5, the General Assembly declared the goal of preserving affordability for present and future generations of Indiana citizens. Affordability for the present generation should not come at the expense of future generations.[3]

B. Non-Construction Costs

Q: Are funds for non-construction costs included in Chandler's proposed borrowing?

A: Yes. Chandler proposes to borrow $5,682,410 for non-construction costs.[4] Of this amount, $1,273,540 is classified as Legal, Financial Advisory, Bond Issuance and Miscellaneous Costs.

Q: How did Petitioner determine its $1,273,540 of Legal, Financial Advisory, Bond Issuance and Miscellaneous Costs?

A: According to its response to discovery, rather than conducting a bottom-up analysis looking at individual components of this cost category to determine the total amount of these costs, Petitioner merely multiplied its preliminary estimated project costs by ten percent. (See Petitioner's response to Data Request 2-1, OUCC Attachment SD-1.) The estimated project costs upon which this estimate is based is no longer the estimate of project costs.

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[3] Sec. 0.5. The general assembly declares that it is the continuing policy of the state, in cooperation with local governments and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, in a manner calculated to create and maintain conditions under which utilities plan for and invest in infrastructure necessary for operation and maintenance while protecting the affordability of utility services for present and future generations of Indiana citizens. *As added by P.L.104-2016, SEC.1.*

[4] Out of the $5,682,410 of total non-construction costs, $1,865,823 is for Engineering Design, Bid and Construction Administration and $2,543,047 is for land acquisition. Please see Pet. Ex. 3, Attachment SAM-2, page 6 for details.

Q: Is this an appropriate way to estimate these costs?

A: No. Rates should be based on the best estimates of a utility's actual prospective costs to avoid under-collection or over-collection. Estimates should be based on contracts, verified costs in similar cases, and estimated hours with estimated hourly rates.

Q: Has Petitioner suggested any overestimation of costs will be addressed by a True-up?

A: Yes. However, overestimation of non-construction costs is typically not corrected by the true-up. The total borrowing generally reflects the debt authorization without correcting for any overestimate or underestimate of these types of fees. Nonetheless, Petitioner has stated many times that the borrowing will reflect the actual costs incurred. For example, see Data Request Response 2-1, "Additionally, Chandler's rate tariff will be subject to true-up based on the actual financing once the Bonds are issued. Chandler will not seek to finance legal, financial advisory, bond issuance and miscellaneous costs that it does not actually incur." But in my experience, any overestimation of costs will not likely be addressed through the true-up process.

Q: Please provide examples how the true-up process has not addressed overestimation of non-construction project costs?

A: Chandler's own financing over the past 20 years provides such examples. In Cause No. 42856, for which the final order was dated January 31, 2006, the borrowing for series 2006 was authorized at $5,542,000, and it included 30% allowance for non-construction and bond issuance costs. This bond was initially projected to be issued on June 1, 2006, but it was actually issued on April 5, 2007. The full amount was borrowed, so non-construction costs of 30% were incorporated into the borrowing with no reduction for actual costs incurred.[5]

[5] This information may be found in the final order dated January 31, 2006 and the true-up filing dated October 1, 2007.

In Cause No. 43658 for which the final order was dated January 6, 2010, the Commission authorized Chandler to issue a bond of $5.38 million. (final order, p. 8.) At the time of true-up, this bond issuance had a grant associated with it in the amount of $3,864,328, and the total amount borrowed was $3,220,000, dated September 1, 2010.[6] The total amount of borrowing was supported with an estimated $1,248,239 in non-construction costs, of which $214,129 (3.98%) was for Bond Counsel, Local Counsel, Accounting and Financial Advisory, Bond Issuance Costs and Rounding. There was no adjustment made for actual costs at the time of the borrowing, as a greater amount of financing than originally contemplated was ultimately received.

In Cause No. 45062 for which the final order was dated February 6, 2019, the Commission authorized Chandler borrowing authority of $29,294,000, of which the total non-construction costs were estimated to be $8,106,000 (27.67%). However, in this financing, there was only a line item for "Bond Issuance Costs" in lieu of the more general categories found in the other cases, including the present one. The Bond Issuance Costs were estimated at $226,000 (0.77%). No other traditional rate case expense was included in the case, so it may be presumed that the Bond Issuance Costs were used to pay the fees typically categorized as Legal, Financial Advisory, Bond Issuance and Rounding. The bonds were expected to be issued promptly after the order dated February 6, 2019. However, the bonds were issued later in two series, the first in December 17, 2019 and the later in 2023. The Series 2019 bonds included $2,125,000 in non-construction costs and $81,000 in bond issuance costs with an additional $262,500 in IURC rate case costs and

[6] This appears to be greater than the amount initially contemplated ($5,380,000 minus $3,864,328 is $1,515,672).

$100,700 in general project contingencies and rounding. The series 2023 bond included an additional $175,000 in Allowance for legal, financial advisory, bond issuance costs, general project contingencies and rounding, and a reclassification/relabeling to this same account for the 2019 bond issuance costs of $100,700 in general project contingencies. Total expenses inclusive of IURC rate case costs, Bond Issuance costs, and Allowance for legal, financial advisory, bond issuance costs, general project contingencies and rounding was $619,200 (2.11%) compared to the estimate in the proceeding of $249,000 (0.85%) consisting of Bond Issuance and General Project Contingencies.

Q: Are you confident Chandler will limit its borrowing to the costs incurred rather than total debt authorized?

A: No. My recent experience with Chandler suggests that if Chandler's actual project costs are lower than estimated for financing purposes, that fact will not necessarily result in lower rates through a true-up. In Chandler's last rate case (Cause No 45062), the OUCC expressed concern that Chandler's estimated project costs were inflated. The Commission responded to this concern by concluding that the construction bids and other estimated costs would be reflected in rates through a true-up:

> The evidence demonstrates that at the time of loan closing, the amount of borrowing will be based on construction bids. Tr. At B-53. The proposed true-up report would be filed after the bonds are issued, including an updated amortization schedule with the actual interest rates on the bonds, amount borrowed, and the resulting trued-up water rates and charges. Petitioner also agreed to true-up the bond sizing for any grants received or changes to the project costs resulting from actual construction bids.
>
> (Order, Cause No. 45062, at 8, Section 6.A.1.)

However, the true-up in that case did not reflect the actual lower costs. Rather, the result of lower-than-expected project costs appeared to be a surplus of funds, not a reduction in the amount borrowed leading to a rate reduction. In response to discovery in this Cause, Chandler indicated it has $3 million in unused funds remaining from this bond issuance. (Response to OUCC Data Request Response 4-1 and 4-12, OUCC Attachment SD-3.)

C. Lender

Q: Will this proposed borrowing be through the State Revolving Fund ("SRF")?

A: The borrowing will not necessarily be issued through SRF. While Mr. Miller testified that the bonds are intended to be issued through the SRF,[7] in response to discovery, Petitioner stated it is uncertain at this time whether the bonds may be issued through the open market or the SRF.

D. Bond Anticipation Note

Q: Does Chandler Propose issuing a Bond Anticipation Note ("BAN") in this cause?

A: Yes. Chandler expressed an intent to issue a BAN of $4,195,000, which was projected to have been issued on October 17 of 2024, prior to the OUCC filing testimony in this Cause.

Q: What are the proceeds from the BAN being used for?

A: Petitioner proposes to pay for the entirety of the Telephone Road Line Extension project ($1,025,590), a substantial preponderance of the Engineering Design, Bid and Construction Administration costs for all four projects being financed (three line extensions, Telephone Road, South State Road, and Libbert Road as well as the New Paradise Tower totaling $1,687,523)[8], all the land acquisition for the Main projects ($512,400), approximately 1/3

[7] Pet. Ex. 3, p. 10, ln. 7-8 "At present, the proposed projects are intended to be funded with two bond issues through the Indiana Drinking Water State Revolving Fund ("SRF")."

[8] There are a total of $178,300 in additional Engineering Costs being paid out of the proceeds of the 2025 Bonds. Therefore over 90% of the $1,865,823 in total Engineering Non-Construction Costs are funded from the BAN proceeds.

of the land acquisition costs for the treatment plant and tower ($680,667)[9] and $288,820 in Legal, Financial Advisory, Bond Issuance and Miscellaneous Costs.

Q: Is the issuance of a BAN appropriate in this case?

A: No. The BAN would finance a project that is nominally being submitted for a prudency review by the Commission in this case. Therefore, before any possibility of a review by the OUCC's engineering staff or by the Commission on the prudency and reasonableness of this project, the funds for the project will have already been borrowed and the project may very well be complete by the time of an order in this case. Once money is spent on projects that have not gone through this review process, it becomes more difficult to reject an unreasonable or imprudent project as money has already been committed, and assets have already been accumulated. Costs of issuing the BANs also must be borne regardless of the reasonableness of the ultimate projects they are meant to finance.

Q: What are the costs to issue Chandler's BAN?

A: The costs Chandler incurred to issue the BAN are not clear. Chandler's case includes an allocation of $288,820 for Allowance for Legal, Financial Advisory, Bond Issuance and Miscellaneous costs for the BAN. The OUCC asked how this amount was determined (OUCC DR Q 2-1, OUCC Attachment SD-2). Chandler estimated the overall cost of Allowance for Legal, Financial Advisory, Bond Issuance and Miscellaneous costs at 10% of a previous estimate of the cost of the projects to be financed. Chandler then allocated the amount among the different bond issuance based on the size of the issuance rather than the costs actually incurred as a result of that financing. Therefore the $288,820 does not

[9] $680,667 of these costs are being funded from the BAN proceeds, and $1,349,980 from the 2025 Bond issuance, which represents 33.52% from the BAN proceeds.

actually reflect Chandler's additional cost of issuing the BAN. Chandler's Accounting Report indicated $209,167 of estimated interest will also be incurred on this BAN.[10]

Q: Do you propose to reject the BAN and the reimbursement of the BAN with the requested Bond issuances?

A: No. I would normally refrain from recommending debt authorization for projects where funding has already taken place and the decision is in essence irrevocable, but in this case, the BAN must be refinanced at the time of the issuance of the 2025 bonds. I therefore recommend approval of the relevant amount of debt authority to repay the BAN ($4,195,000). I do reject including the interest as a separate cost in the amortization tables used to determine the revenue requirement, which I address below.

Q: Do you agree with Petitioner's request for authority to borrow $15,155,000?

A: Yes. I recommend $15,155,000 should be approved as a debt authorization. However, the ultimate borrowing should align with the actual costs, and this includes the actual costs for both the projects and the actual costs for Legal, Financial Advisory and Bond Issuance. Due to the lack of precision in the cost estimates for the various fees, it is critical for a process that incorporates actual costs into the true-up of rates.

III. PHASING IN OF RATES AND ISSUES WITH PETITIONER'S PROPOSAL

Q: What is the time period for the different phases for debt service and debt service reserve costs that Petitioner has proposed for the setting of rates?

A: A significant problem with Petitioner's case is that the dates it used for different calculations are not consistent, and there is a misalignment of costs and revenues. The table below shows the time periods Petitioner used for each segment of the revenue requirement. The relevant dates for bond year calculations are September 1 and August

[10] See page 8 of the Accountant's Report included as an attachment SAM-2 in Mr. Miller's testimony.

31. The phases will be in effect on approximately August 16 of the given year.[11]

	Phase I	Phase II	Phase III
Approximate Dates in effect	Aug 2025-Aug 2026	Aug 2026-Aug 2027	Aug 2027-Aug 2030
Debt Service Revenue Requirement-Proposed Debt	Sep 2024-Aug 2025	Sep 2025-Aug 2026	Sep 2026-Aug 2031
Debt Service Revenue Requirement-Existing Debt	Sep 2025-Aug 2030	Sep 2025-Aug 2031	Sep 2025-Aug 2032
Debt Service Reserve Revenue Requirement-Existing Debt	Apr 2023-Apr 2028	Apr 2023-Apr 2028	Apr 2023-Apr 2028
Debt Service Reserve Revenue Requirement-Proposed Debt	Sep 2025-Aug 2030	Sep 2025-Aug 2030	Sep 2025-Aug 2030

Petitioner bases the debt service costs in Phase I on the cost of the debt in the year prior to Phase I. Petitioner's proposed Phase I debt service revenue requirement will not meet Petitioner's proposed Phase I debt costs because the cost of the new debt only reflects the interest cost on the BAN (total balance of $4.195 million) in the year prior to the order. However, the actual costs incurred will be based on the full interest on the full borrowing up to $15.155 million. This same issue occurs in Phase II, which sets revenues based on the year after the order is issued (interest only period on $15.155 million in borrowing) while the costs to be incurred are of the full principal payment on the authorized borrowing ($15.155 million). Petitioner's proposal for its debt service revenue requirement results in an under-collection of approximately $595,000 in Phase I and $225,335 in Phase II. The under-collection of debt service in Phase I and collecting less than its full depreciation expense ($415,000 of approximately $1 million in Phase I) suggests Chandler will have a lack of available cash to pay necessary expenses. There are other issues that arise from the structure of how Petitioner structured the rates, but these do not imperil the financial integrity of the Petitioner. Even in situations where the financial impact is not material, it

[11] This case was filed on September 16, 2024. Ten months from filing is July 16, 2025, and allowing for 30 days from this date for potential appeals gives a date for the initiation of rates of August 16, 2025. Phase II would begin 12 months after this date and Phase III would begin 12 months after Phase II. It is assumed that Phase III will be in place for three years to provide a five-year life of rates. Petitioner calculated Debt Service Reserve for existing debt by taking the existing debt payments beginning on April 21, 2023, which continue for 5 years ending April 20, 2028.

is not good practice to mix and match different time periods for the calculation of different expenses. A material impact can unduly increase rates or deprive the utility of revenue it needs to operate well. For instance, including the existing debt service reserve requirement for the life of the rates, which is either until August 2030 (by the OUCC's assumption of 5-year life of rates) or August 2032 (based on Petitioner's calculation of the debt service revenue requirement in Phase III for existing debt), would result in a significant overcollection of the existing debt service reserve. Since the $100,320 cost would be collected for either five or seven years after the order is issued, when this expense has been collected since April of 2023 and will cease to be an expense approximately six months into Phase III rates, or in April of 2028.

Q: Is it the OUCC's position that Petitioner will not have an appropriate level of cash in Phase I or Phase II to meet its debt service requirements?

A: No. The OUCC does not necessarily know all the cash to which Petitioner has access. The OUCC was initially unaware, for instance, of $3 million in available funds from borrowings that took place in 2023. The existence of this amount of cash indicates Petitioner may have other resources to pay these costs. Therefore, I accept Petitioner's proposed rate increase. However, I do set forth the debt service costs I believe will actually be incurred in the each Phase.

Q: Has the OUCC's disallowance of recovery of Chandler's BAN's costs resulted in a recommended lowering of authorized rates in Phase I and Phase II?

A: No. Because the Petitioner is not requesting to collect the full amount of allowable depreciation expense in Phase I and II, the OUCC is offsetting the decreased requested and adjusted debt service costs with an increased depreciation expense in both Phase I and Phase II to maintain the requested rate increases. Phase III does not have this adjustment factor. The OUCC is recommending that the Petitioner receive the amount of revenue requested in Phase I and II but allocated to different components of its total revenue requirement. It is only in Phase III where the recommended revenue differs on an overall basis from that of the Petitioners request. OUCC witness Thomas Malan addresses this subject in his testimony.

Q: How do your recommendations affect Phase III rates?

A: I accept the majority of the Petitioner's assumptions regarding the interest rates (accept), total amount (accept), amount per series (accept) and term (accept), but I disagree on whether the Series B bond should be wrapped, and instead believe it should be a standard amortization (level payments) to ensure intergenerational equity and to provide rate transparency. The additional expense during the life of these rates from this specific change (i.e., not wrapping) is something that is being compensated for in Phase II with lower Depreciation spend to maintain the preferred 15.38% increase in this phase.[12] The OUCC's proposed rates in Phase III are higher due to this proposal than they would otherwise be by approximately $100,000 overall.

Q: Are there any other assumptions you made when addressing the debt service revenue requirement?

A: Yes. I made the simplifying assumption that the Phases will begin on September 1, of 2025 (for Phase I), 2026 (for Phase II) and 2027 (for Phase III). Ten months from the date of filing is July 16, 2025. An assumed September 1 start date for rates simplifies our calculations significantly because this is a date on which bond payments will be due each year (as well as March 1). By assuming September 1, it is not necessary to make any

[12] Series B cash flows are the same in the first year of issuance regardless of whether the bond is level payments or wrapped because both scenarios incorporate an interest only period of one year.

adjustments for the month or so that would otherwise need to be considered. This assumption is consistent with Petitioner's methodology, since the Petitioner also based the debt service revenue requirement on full bond years of September through August.

IV. DEBT SERVICE REVENUE REQUIREMENT

A. Introduction

Q: What revenue requirement is Petitioner requesting?

A: Petitioner requests a debt service revenue requirement of $1,720,199 in Phase I (2025), $2,314,289 in Phase II (2026), and $2,539,624 in Phase III (2027). Of this amount, $1,564,918 is for outstanding existing debt, and the remainder is for new debt.

Q: Do you agree with Petitioner's proposed debt service revenue requirement?

A: No. I accept with caveats the calculation of the debt by phase, as Petitioner is not reflecting costs appropriately by Phase. I accept Petitioner's interest rate assumptions. I accept Petitioner's proposal to not adjust the baseline cost of the existing debt in each phase because the baseline cost does not change significantly over the life of the rates. But I disagree with the structure of Chandler's proposed debt, and more particularly, its decision to wrap its 2025 Series B bond.

Q: How does Chandler's Phase I rates relate to its 2025 bond year?

A: A Bond Year refers to the twelve-month period beginning in this case September 1. When I refer to the 2025 Bond Year, I mean September 1, 2025 through August 2026. Payments for Chandler's bonds, including the 2025 Series A and B bonds proposed in this case, take place on September 1 and March 1 of each year. Chandler's 2024 Bond Year overlaps substantially with Phase I rates and is the basis for Chandler's debt service calculations.

B. <u>2025 Series B Bond</u>

Q: What are the costs and benefits of changing the structure of the 2025 Series B bond from a wrapped structure to one with level payments?

A: Level payments will align the recovery of the costs with the generation of customers that is served by the investment. The cost is higher in each year from the issuance date through late 2052. It substantially reduces the costs from late 2052 through 2060, as compared to Petitioner's proposal, because for practical purposes all principal payments on this bond take place after September of 2052.[13] The effect of this change in the life of these rates may be seen visually in table SD-1:

Table SD-1

Date	Proposed by Chandler (with Wrapping)	Proposed by OUCC (Level Amortization)	Difference	Annual Difference
3/1/2025	$ -	$ -	$ -	
9/1/2025	$ -	$ -	$ -	
3/1/2026	$ 172,418.53	$ 172,418.53	$ -	
9/1/2026	$ 180,438.00	$ 180,438.00	$ -	$ -
3/1/2027	$ 181,438.00	$ 223,901.69	$ 42,463.69	
9/1/2027	$ 181,413.60	$ 223,901.69	$ 42,488.09	$ 84,951.79
3/1/2028	$ 181,389.20	$ 223,901.69	$ 42,512.49	
9/1/2028	$ 181,364.80	$ 223,901.69	$ 42,536.89	$ 85,049.39
3/1/2029	$ 181,340.40	$ 223,901.69	$ 42,561.29	
9/1/2029	$ 181,316.00	$ 223,901.69	$ 42,585.69	$ 85,146.99
3/1/2030	$ 181,219.60	$ 223,901.69	$ 42,682.09	

As can be seen, not wrapping the debt increases the costs in the life of these rates by $0 in Phase I (when it is interest only) and by approximately $85,000 per year in

[13] There are nominal principal payments of $1,000 per six month period starting with the payment in March of 2027, This results in $52,000 of total principal payments until principal payments begin in earnest with the March of 2053 payment, when it begins at $832,000 in the first year of material principal payments.

subsequent years.[14] As stated earlier, this additional cost now reduces costs by approximately $735,000 annually in 2053 through 2060 when the bond is paid off.

C. Phase I rates

Q: How did Petitioner determine the Phase I debt service revenue requirement?

A: As clarified in response to OUCC Data Request Q 2-5 (included in OUCC Attachment SD-2), Petitioner used the total cost for debt of $1,720,199.46, and considered the difference between this number and the $1,564,918 for existing debt as the amount for the new debt. Therefore, the cost of new debt is $155,281.

Q: Do you accept Petitioner's estimate of the Phase I debt service revenue requirement?

A: No. The correct debt service revenue requirement for new debt should be $0.00 in Phase I. As I noted above, for purposes of determining the requested revenue requirement I accept Petitioner's stance on the timing of the costs considered. Petitioner is requesting the debt service revenue requirement be based upon the time period of September 1, 2024 through August 31, 2025. New bonds are projected to be issued shortly after the receipt of the order, on September 9, 2025, which is after the time period for which the debt service revenue requirement period the Petitioner proposes has ended. The only cost for new debt that is included in the time period of September 2024 through August 2025 is interest on the BAN. To the best of my knowledge, the OUCC has not granted a revenue requirement for a short-term debt for which no permission was sought or granted. I do not recommend doing so in this case.

[14] Since the maximum payment also increases (specifically the payment in Bond Year 2027), the debt service reserve also increases. This increase is approximately $17,000 in this case.

Q: Does $0.00 accurately reflect the costs that will be incurred by new debt in Phase I of these rates?

A: No. Without the wrapping of Series B debt and assuming proposed interest rate, term and borrowing amount, the actual cost incurred by the Series 2025-A and Series 2025-B bonds between September 1, 2025 and August 31, 2026 will be $723,129.24 over the 12 months that Phase I will be in effect.[15]

D. Phase II rates

Q: How did Petitioner determine the Phase II debt service revenue requirement?

A: As clarified in response to OUCC Data Request Q 2-5 (OUCC Attachment SD-2), Petitioner calculated the difference between total cost for debt of $2,314,289 and the cost of existing debt of $1,564,918 making the cost of new debt $749,371.

Q: Do you accept Petitioner's estimate of the Phase II debt service revenue requirement?

A: No. The correct debt service revenue requirement for new debt should be $723,129.24 in Phase II. As in Phase I, I accept Petitioner's position on the timing of the costs considered. Petitioner requests the debt service revenue requirement to be based on September 1, 2025 through August 31, 2026, which encompasses the interest only period on the new bond issuances (Both Series A and B). As in Phase I, my recommendation differs from Chandlers proposal to include interest on the BAN, in the amount of $26,219.75 in Phase II, which should not be allowed.[16]

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[15] The structure of the Series B bonds has no impact on the cost in this time period, as both scenarios use an interest only period for the first year.

[16] There is no adjustment needed for a level payment structure of the Series B bond, since it is interest only for the first year and thus identical to the payments of the wrapped structure for this time period.

Q: Does $723,129.24 accurately reflect the costs that will be incurred by new debt in Phase II of these rates?

A: No. I calculated $1,060,636.59 as the actual costs over the 12 months that Phase II will be in effect. This is the amount incurred by the Series 2025-A and Series 2025-B bonds between September 1, 2026 and August 31, 2027. This cost assumes Petitioner's proposed interest rate, term and borrowing amount with a level payment for Series B (i.e., without wrapping). The difference between my recommended debt service revenue requirement of $723,129.24 and the actual costs of $1,060,636.59 is due to principal payments beginning on the Series A bonds and B series B bonds when the interest only period ends, which is projected to occur on August 31, 2026.

E. <u>Phase III rates</u>

Q: How did Petitioner determine the Phase III debt service revenue requirement?

A: As clarified in response to OUCC Data Request Q 2-5 (OUCC Attachment SD-2), Petitioner calculated the difference between the total cost for debt of $2,539,624 and the cost of existing debt of $1,564,918 making the cost of new debt $974.706.[17] Petitioner determined the overall cost by taking the average combined debt service for the five bond years ending September 1, 2031.

Q: Do you accept Petitioner's estimate of the Phase III debt service revenue requirement?

A: No. Because of the higher immediate costs caused by not wrapping the Series B bond and because I used four years instead of five years to determine the average debt service, I calculated a debt service expense for Phase III of $1,059,806.19.

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[17] There is a slight discrepancy in the Petitioners response to Data Request 2-5 and the above amount for total cost of debt service. I do not believe the difference is material.

Q: Why did you use four years to average debt service costs to calculate the Phase III revenue requirement?

A: I consider the appropriate life of rates to be five years, which results in a five-year period of September 1, 2025 through August 31, 2030. Because I assume Phase II will end on August 31, 2026 as proposed by Petitioner, it was appropriate to use the four-year average of payments through 2030, rather than the five years through 2031. Based on a life of rates of five years from the date of the order, $1,059,806.19 is the appropriate cost that should be recovered through the debt service revenue requirement.

F. <u>Summary</u>

Q: Please summarize your recommendations.

A: The two tables below incorporate my recommendations. This information is also included as the tab "Bond Payments by Year" in OUCC Attachment SD-1. Table SD-2 shows the payments for the various bonds by year.

Table SD-2

Date	Existing as Requested	Existing	BAN	2025-A	2025-B	Total	Total By Bond Year
3/1/2025	$ 782,459	$ 754,885	$ 78,074			$ 832,959	
9/1/2025	$ 782,459	$ 782,366	$ 104,875			$ 887,241	$ 1,720,199
3/1/2026	$ 782,459	$ 782,444	$ 26,219	$ 180,929	$ 172,419	$ 1,162,010	
9/1/2026	$ 782,459	$ 782,496		$ 189,344	$ 180,438	$ 1,152,278	$ 2,314,289
3/1/2027	$ 782,459	$ 782,486		$ 306,344	$ 223,902	$ 1,312,732	
9/1/2027	$ 782,459	$ 782,855		$ 306,489	$ 223,902	$ 1,313,246	$ 2,625,978
3/1/2028	$ 782,459	$ 782,139		$ 305,561	$ 223,902	$ 1,311,602	
9/1/2028	$ 782,459	$ 782,351		$ 305,584	$ 223,902	$ 1,311,837	$ 2,623,438
3/1/2029	$ 782,459	$ 782,479		$ 305,534	$ 223,902	$ 1,311,915	
9/1/2029	$ 782,459	$ 782,520		$ 306,411	$ 223,902	$ 1,312,833	$ 2,624,748
3/1/2030	$ 782,459	$ 782,475		$ 306,190	$ 223,902	$ 1,312,567	
9/1/2030	$ 782,459	$ 782,344		$ 305,896	$ 223,902	$ 1,312,142	$ 2,624,710
3/1/2031	$ 782,459	$ 782,884		$ 305,529	$ 223,902	$ 1,312,314	
9/1/2031	$ 782,459	$ 782,678		$ 306,089	$ 223,902	$ 1,312,669	$ 2,624,983

Table SD-3 shows the revenue requirement by year.

Table SD-3

Phase I	Phase II	Phase III	
$ 1,564,918	$ 2,288,047	$ 2,624,724	Total
$ 1,564,918	$ 1,564,918	$ 1,564,918	Existing
$ -	$ 723,129	$ 1,059,806	New

In summary, my recommendation for the revenue requirement for the new debt is $0.00 in Phase I, $723,129 in Phase II, and $1,059,806 in Phase III.

V. DEBT SERVICE RESERVE

Q: What is Chandler's request for the debt service reserve revenue requirement?

A: Chandler proposes $295,413 (consisting of $100,320 for outstanding debt and $195,093 for proposed debt) in each phase of its rates.

Q: How should the debt service reserve costs be calculated?

A: The debt service reserve costs should be calculated by taking the projected balance that will be in effect when the new debt is issued, and the debt service reserve balances required after the new debt is issued. This will be equivalent to the cost of funding the debt service reserve over the life of rates.

Q: Is this the approach that Chandler took in its proposal?

A: No. Chandler determined the debt service reserve payment that is currently being made for the 2023 series bonds, which is $8,360 per month. This is an annualized amount of $100,320. Chandler assumes this payment will continue through the life of the rates (which based on its calculation of the debt service revenue requirement for Phase III, is projected to go through September 1, 2031). This payment will actually go for five years and will end on April of 2028.[18] Chandler then proceeds to take the amount necessary for the debt service reserve after the new debt is issued of $2,541,026, subtracts the amount that would be funded by the existing debt payments of $1,565,562, and arrives at a total of $975,464 that must be funded over the five years after the debt is issued. In other words, Chandler uses the delta between the previous maximum payment and the proposed maximum payment, but this assumes that the timelines to fund each bucket (the existing payments and the payments to fund the required balances associated with the new debt) would be the same, and they are not.

Q: What is the correct balance of the debt service reserve prior to the issuance of the debt?

A: The balance is estimated at $1,425,574. This may be seen in Table SD-4 below. Per discovery response for Q-2-3 (found in OUCC Attachment SD-2), the balance was $1,287,558.14 as of September 30, 2024. There are current payments of $8,360 per month to fund this reserve. Also, interest is being earned on the balance of 4.81% as of September 30, 2024 (per discovery response Q-2-3, found in OUCC Attachment SD-2). As of July 2025, the balance is estimated to be $1,425,574.[19]

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[18] The date of this payment and the details may be found in the Accountants Report, page 17, note 4. The Phase III life of rates may be found in the response to discovery question 2-5, found in OUCC Attachment SD-2.
[19] I am using July as the end point even though the Phase I rates will be set (and thus Debt Service Reserve Revenue Requirement will be collected) slightly later.

Table SD-4

Date	Beg. Balance	Deposits	Interest	Ending Balance
1-Oct-24	$ 1,287,558.14	$ 8,360.00	$ 5,194.47	$ 1,301,112.61
1-Nov-24	$ 1,301,112.61	$ 8,360.00	$ 5,248.80	$ 1,314,721.41
1-Dec-24	$ 1,314,721.41	$ 8,360.00	$ 5,303.35	$ 1,328,384.77
1-Jan-25	$ 1,328,384.77	$ 8,360.00	$ 5,358.12	$ 1,342,102.88
1-Feb-25	$ 1,342,102.88	$ 8,360.00	$ 5,413.11	$ 1,355,875.99
1-Mar-25	$ 1,355,875.99	$ 8,360.00	$ 5,468.31	$ 1,369,704.30
1-Apr-25	$ 1,369,704.30	$ 8,360.00	$ 5,523.74	$ 1,383,588.04
1-May-25	$ 1,383,588.04	$ 8,360.00	$ 5,579.39	$ 1,397,527.44
1-Jun-25	$ 1,397,527.44	$ 8,360.00	$ 5,635.27	$ 1,411,522.70
1-Jul-25	$ 1,411,522.70	$ 8,360.00	$ 5,691.36	$\boxed{\$ 1,425,574.06}$

$	2,625,977.71	Maximum Payment-Approx.
$	1,425,574.06	DSR Balance-Time of Order
$	1,200,403.64	Required Funding
$	240,080.73	Required Annual Funding (5 Years)

Q: What is the correct debt service reserve cost?

A: The maximum payment (as can be seen in Table SD-2 above) is $2,625,978. The balance as of the time of the order will be approximately $1,425,574, therefore there is $1,200,404 that needs to be funded over five years, which is a $240,080.73 annual cost.[20]

Q: Do you agree with Petitioner's proposed debt service reserve revenue requirement of $ $295,413$**?**

A: No. The proper debt service reserve funding requirement is $1,200,404 making the annual debt service reserve revenue requirement $240,081 annually for the five years of rates. There are two reasons for difference between Petitioner's proposal and my own. First, changing the structure of Series B from a wrapped to a level payment increases the

[20] Neither of our analyses do not take into account the impact of interest earned on the balances after the issuance of the debt. At an almost 5% return on balances of seven figures, this becomes a significant source of funding, although since the rates in the future are variable it is difficult to calculate with certainty.

maximum payment that must be funded by the debt service reserve. Second, Petitioner overstated the amount of revenue required to fund the existing 2023 Bond reserve.

Q: How is the debt service reserve revenue requirement determined?

A: SRF requires an ultimate balance equal to the maximum annual payment. Because there is a current balance of the debt service reserve in this case, the amount of this balance when the debt service reserve payments are initiated should be subtracted from this ultimate required balance. Because SRF allows five years to fund this required balance, the annual revenue requirement should be the required amount divided by five.

Q: Please explain how a level funding structure on the 2025 Series B bond increases the cost of debt service reserve funding.

A: Debt Service Reserves with the SRF are determined by setting aside the maximum annual payment, for which the SRF allows five years to reach this level of funding. The maximum payment is in the year ending September 1, 2027, regardless of whether the structure of the loan has been wrapped. The OUCC having proposed a level payment structure, the payment in the year ending September 1, 2027 is increased, and hence the total amount of funding that is required is also increased.

Q: Should there be any restrictions on Petitioner's proposed debt service reserve?

A: Yes. Petitioner's debt service reserve should be placed in a restricted account, and Petitioner should notify the Commission and the OUCC if it spends any funds from its debt service reserves for any reason other than to make the last payment on its current or proposed debt issuances. Petitioner should be required to provide a report to the Commission and the OUCC within five (5) business days of any such transaction. The report should (1) state how much Petitioner spent from its debt service reserve, (2) explain why it spent funds from its debt service reserve, (3) provide a cite to any applicable loan documents that allow it to spend funds from its debt service reserve, (4) describe its plans to replenish its debt service reserve, and (5) describe any actions such as cost-cutting it has implemented to forestall spending funds from its debt service reserve.

Q: After five years, will Petitioner need to continue funding its debt service reserve?

A: No. It will be fully funded after five years. This cost will not be incurred five years from the date of the bond issuance, which is generally consistent with the five years of the expected life of rates. At this time, the expense no longer occurs and there will be a mismatch between revenues and the costs for the debt service reserve. This is a cost of approximately a quarter million a year, which is approximately 3.5% of total revenue, which is material. Therefore, Chandler's rates should be reduced by the cost of the debt service reserve revenue requirement, and a new tariff should be issued reflecting this adjustment at this time.

VI. TRUE-UP AND CONDITIONS

Q: Should Petitioner be required to true-up its proposed annual debt service once the interest rates on the proposed debt are known?

A: Yes. The precise interest rates, borrowing amount and annual debt service will not be known until Petitioner's debt has been issued. Therefore, Petitioner's rates should be trued-up to reflect the actual cost of the debt. I recommend the Commission require Petitioner to file a report within thirty (30) days of closing on each long-term debt issuance explaining the terms of the new loan, the balance actually borrowed, the amount of debt service reserve required, bid tabulations for any projects for which these are available at the time of the true-up, and an itemized account of all issuance costs (such as bond counsel, legal, and financial advising fees), including issuance costs actually incurred to that date. The report should include a revised tariff, amortization schedule and also calculate the rate impact in a manner similar to the OUCC's schedules. Further, because collection of revenue will occur prior to and irrespective of the date of issuance of the bonds, protections should be put in place to ensure that if bonds are not issued promptly, ratepayers are not harmed and revenues are not misaligned with costs. Therefore, all collections for the debt service revenue requirement and the debt service reserve revenue requirement for the new bonds that take place more than two months after the date of the order should be placed in a restricted account and used to pre-pay the debt service reserve. If the borrowing has not taken place by the initiation of Phase II (1 year after the order) then the Phase II tariff should reflect no expense for the debt service or debt service reserve associated with the new debt. This amount should not be collected until 30 days prior to the issuance of the debt, and a true-up report should be issued 30 days after this issuance. If the debt is not issued in its entirety at the same time (as was unexpectedly the case in the last Cause), the same procedures should be followed for each issuance, to reflect only the partial expenses.

Q: How should disputes regarding Petitioner's true up report be identified?

A: The OUCC should have no less than twenty-one (21) days after service of the true-up to challenge Petitioner's proposed true-up. Petitioner should similarly have twenty-one (21) days to file a response to the OUCC. Thereafter, the Commission should resolve any issue raised through a process it deems appropriate. Any true-up report should state the time frames for objections or responses.

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

A: Yes. If both parties state in writing to the Commission that the increase or decrease indicated by the report need not occur because the increase or decrease would be immaterial, the true-up need not be implemented.

Q: What other conditions should be placed on Petitioner's proposed debt issuance?

A: Financing authority should not continue indefinitely. Petitioner is expecting to complete its requested borrowing in September 2025. Any financing authority not used by Petitioner should expire at the end of 2026 (approximately 15 months after the current expectation for when the debt will be issued).

Q: Are the requirements for the true-up different if the bond issuance is an open market transaction rather than one with the SRF?

A: Yes. SRF funding is subsidized, and we may count on the interest rate to be reasonable. An open market financing does not enjoy the same assumption. Also, there are complexities with an open market issuance that must be clarified so that the borrowing does not exceed the intended authority.[21] If an open market financing is pursued, Petitioner should be prepared to explain and show how such a borrowing is equal to or better than a financing with the SRF including consideration of the fees and interest rates.

Q: What is the debt authority if an open market transaction is pursued?

A: It is the same as an SRF financing. An open market transaction may be issued at a premium, in which case more cash is raised than the par amount of the bonds. This occurs if the interest rates paid are higher than the current market rate of interest. The relevant debt authority refers to the sources of funds, and not the par amount of the

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[21] In response to discovery (Data Request Response 2-1) Petitioner stated "…the Bonds are anticipated to be issued in Fall 2025 and it is uncertain whether they will be issued through SRF or Open Market."

bonds. Small deviations may be allowed but amounts of greater than 1% of the total should result in reduced par amounts of borrowing. As such, for a borrowing of $15.0 million, a total sources of funds of $15.15 million (an additional $150,000) would be considered appropriate and acceptable by the OUCC. However, if an open market issuance borrows the debt service reserve, this amount would not be counted towards the total debt authority.

VII. OUCC RECOMMENDATIONS

Q: Please summarize your recommendations to the Commission in this cause.

A: I recommend the following:

1. The Commission grant a total debt authorization of $15,155,000.
2. The Commission order that the Series B bond be issued with a level amortization structure.
3. The Commission grant an existing debt service revenue requirement for new debt of $1,564,918 in Phase I, Phase II and Phase III.
4. The Commission establish a Phase I debt service revenue requirement for new debt of $0.00.
5. The Commission establish a Phase II debt service revenue requirement for new debt of $723,129.
6. The Commission establish a Phase III debt service revenue requirement for new debt of $1,059,806.
7. The Commission grant a debt service reserve revenue requirement of $240,081 in Phase I, Phase II and Phase III.

8. The Commission require a true-up process that necessarily incorporates actual project costs and as discussed above.
9. The Commission require a new tariff to be filed in approximately five years when the debt service reserve has been fully funded.
10. The Commission require a reserve account to be set-up for any revenue collection of the debt service and debt service reserve if the debt is not issued promptly as discussed above.

Q: Does this conclude your testimony?

A: Yes.

Appendix A

Q: Please describe your educational background.

A: I graduated from Indiana University with a degree in Biology, a minor in Economics and a certificate from the Liberal Arts and Management Program (LAMP) which is an honors certificate program through the Kelley School of Business and the College of Arts and Sciences, at the time restricted to twenty-five (25) students per year. I received my MBA from Indiana University with a concentration in finance. I am a member of Phi Beta Kappa honor society for my undergraduate work and Beta Gamma Sigma honor society for my master's program. I have been a member of Mensa for a number of years.

Q: Please describe your work experience.

A: My first jobs after graduating with my undergraduate degree were in New York in finance at Grant's Interest Rate Observer, which is a financial newsletter and Lebenthal and Co., which was a municipal bond brokerage. I worked at and ultimately owned RCI Sales in Indianapolis, which was a manufacturer representative/distributor in commercial and institutional plumbing, for a number of years, leaving when I sold the company and merged it into a competitor. After receiving my MBA, I worked at Amazon as a financial analyst in their fulfillment division.

Q: How long have you been at the OUCC?

A: I have been in the Water/Wastewater Division since December 2019. I was a Utility Analyst II until May 2022, when I was promoted to Senior Utility Analyst. My focus is financial issues, such as financings, ROE's, capital structures, and the like.

Q: Have you previously testified before the Indiana Utility Regulatory Commission ("Commission")?

A: Yes, I have testified before the commission regarding various aspects of finance.

AFFIRMATION

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

By: Shawn Dellinger, Senior Utility Analyst
Cause No. 46124

Office of Utility Consumer Counselor (OUCC)

Date: December 18, 2024

OUCC ATTACHMENT SD-1
IS FILED AS AN EXCEL DOCUMENT

CAUSE NO. 46124

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST TO THE TOWN OF CHANDLER, INDIANA

CAUSE NO. 46124

OUCC Data Request Set No. 2 **Date: October 10, 2024**

PETITIONER'S RESPONSE TO
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S
SECOND SET OF DATA REQUESTS

Petitioner, Town of Chandler, Indiana (hereinafter "Petitioner" or "Chandler"), in response to the Indiana Office of Utility Consumer Counselor's Second Set of Data Requests ("Requests"), hereby responds as follows:

I. General Objections.

1. The responses provided to the Requests have been prepared pursuant to a reasonable and diligent investigation and search conducted in connection with the Requests in those areas where information is expected to be found. To the extent the Requests purport to require more than a reasonable and diligent investigation and search, Petitioner objects on grounds that they include an undue burden or unreasonable expense.

2. Petitioner objects to the Requests to the extent they seek documents or information that are not relevant to the subject matter of this proceeding, including, but not limited to, information that does not directly impact the determination of just and reasonable rates. Such requests are not reasonably calculated to lead to the discovery of admissible evidence and are therefore overly broad and unduly burdensome.

3. Petitioner objects to the Requests to the extent they seek an analysis, calculation, or compilation which has not already been performed and which Petitioner objects to performing. Petitioner also objects to the Requests to the extent they seek information not maintained by Petitioner in the ordinary course of business or require the creation of new compilations or analyses. Such requests impose an undue burden because Petitioner is not obligated to create new documents or analyses solely for the purpose of responding to discovery.

4. Petitioner objects to the Requests to the extent they are vague and ambiguous and provide no basis from which Petitioner can determine what information is sought.

5. Petitioner objects to the Requests to the extent it purports to require production of (a) multiple copies of the same document; (b) additional copies of the same document merely

because "alterations, notes, comments, or other material" appear thereon when such other material is not material or relevant; and (c) copies of the same information in multiple formats on the grounds that it is irrelevant, overbroad, unreasonably burdensome and not required by the Commission rules and inconsistent with practice in Commission proceedings.

6. Petitioner objects to Paragraph C of the "Definitions and Instructions" on the grounds that it is overboard, unreasonably burdensome, and largely irrelevant to the subject matter of this proceeding.

7. The responses constitute the corporate responses of Petitioner and contain information gathered from a variety of sources. Petitioner objects to the Requests to the extent they request identification of and personal information about all persons who participated in responding to each data request on the grounds that it is overbroad, unreasonably burdensome, and irrelevant given the nature and scope of the requests and the many people who may be consulted about them. Petitioner further objects to the Requests to the extent they purport to require identification of a witness who can answer questions regarding the substance of or origination of information supplied in each response on the ground that Petitioner has no obligation to call witnesses to testify as to information provided in discovery.

8. Petitioner objects to the Requests to the extent they seek information that is subject to attorney-client privilege, work product doctrine, or other applicable privileges. This includes any analysis, opinions, or internal communications made with legal counsel for the purpose of rendering legal advice. Petitioner will redact or withhold any documents that contain privileged information and provide a privilege log if necessary.

9. Petitioner assumes no obligation to supplement these responses except to the extent required by Ind. Tr. R. 26(E) (1) and (2) and objects to Paragraphs F and G of the "Definitions and Instructions" to the extent they purport to impose any greater obligation. Petitioner denies that Ind. Tr. R. 26(E)(3) applies to the Requests.

Without waiving these objections, Petitioner responds to the Requests in the manner set forth below.

II. <u>Data Request Responses</u>.

Q-2-1: Please refer to page 6 of 37 of Attachment SAM-2, Accountants Report, Schedule of Estimated Project Costs and Funding (Testimony of Scott Miller).

a. Please explain how the $288,820 (BAN portion) of the Allowance for Legal, Financial Advisory, Bond Issuance and Miscellaneous Costs was determined. Identify all assumptions and inputs and show calculations.

b. Please explain how the $984,720 (Bonds portion) of the Allowance for Legal, Financial Advisory, Bond Issuance and Miscellaneous Costs was determined. Identify all assumptions and inputs and show calculations.

c. Please identify any anticipated rate case expense from this Cause not included in Allowance for Legal, Financial Advisory, Bond Issuance and Miscellaneous Costs.

A-2-1: The amount included as allowance for legal, financial advisory, bond issuance and miscellaneous costs ("COI") was estimated for the BANs and Bonds based on 10% of the total preliminary estimated project costs ($1,273,540) and then allocated pro-rata between the BANs and Bonds based on the preliminary estimates of sizing. It includes costs for bond counsel, local counsel, lender's counsel, financial advisory, underwriter's discount, credit rating fees, registrar & paying agent fees and rate case costs. It is too early to estimate with accuracy the components for costs of issuance as the Bonds are anticipated to be issued in Fall 2025 and it is uncertain whether they will be issued through SRF or Open Market. The estimated project costs have increased since the preliminary estimates that the 10% was based on. To lessen the impact of those project cost increases, the allowance for COI was not increased with the increased estimated project costs. As a result, the estimated allowance for COI is less than 10% of the current estimated project costs.

Additionally, Chandler's rate tariff will be subject to true-up based on the actual financing once the Bonds are issued. Chandler will not seek to finance legal, financial advisory, bond issuance and miscellaneous costs that it does not actually incur.

Q-2-2: Please refer to page 6 of 37 of Attachment SAM-2, Accountants Report, Schedule of Estimated Project Costs and Funding (Testimony of Scott Miller).

a. Please identify and quantify all actual or estimated costs used as inputs to estimate the Engineering Design, Bid and Construction Administration cost estimates for each bond issuance (BAN and Bonds).

b. For each input, identify the project.

A-2-2: See pages 1-5 of the Accounting Workpapers filed on September 25, 2024, which contains the basis of the costs included in the Estimated Project Costs and Funding. Also see Pete Wamsley's Testimony and Exhibits for more detailed information.

Q-2-3: Please reference Attachment SAM-2, Accountants Report, Pro Forma Annual Revenue Requirements and Annual Operating Receipts, page 20 of 37, notes 4 and 5 (Testimony of Scott Miller).

a. State the current debt service reserve balance, identifying the date the balance was measured.

b. Please state the current interest rate or rates on these balances

A-2-3: Attached as Exhibit DR 2-3 is the September 2024 Bank Statement for Chandler's Debt Service Reserve Fund.

a. The balance of Chandlers debt service reserve fund was $1,287,558.14 as of September 30, 2024.

b. The market yield on Chandler's debt service reserve fund was 4.81% as of September 30, 2024.

Q-2-4: Mr. Miller testified that "To estimate the pooled program interest rate, we have assumed current market conditions based on interest rates SRF offered for its pooled financings closing in May and June 2024 and added approximately 100 basis points to arrive at an estimated rate of 4.88 percent for the proposed bonds." (Mr. Miller's testimony, page 12, lines 10-13.) Please identify and describe the loans "SRF offered for its pooled financings closing in May and June 2024" including the interest rate, the amount borrowed, the borrower, the maturity and any terms of the borrowing that would materially affect the interest rate.

A-2-4: The following are two examples of SRF pooled financings closing in May and June 2024:

a. Bedford sewer issued $8,340,000, which closed on May 24, 2024, with final maturity on January 1, 2045, at an interest rate of 3.46%

b. Peru sewer issued $39,260,000 which closed on June 6, 2024, with final maturity on January 1, 2054, at an interest rate of 2.93%. The 2.93% reflects a blended interest rate of traditional and pooled funds. Prior to the decision to blend the interest rate, the pooled financing portion of this issue reflected an interest rate of 4.38%

Baker Tilly has frequent communications with SRF on the pricing of bond issues through the SRF traditional and pooled programs. Recently, SRF provided Baker Tilly with a shadow pricing scale for pooled loans that will be closing in the current quarter, which we have attached as Exhibit DR 2-4. Furthermore, Chandler's rate tariff will be subject to true-up based on the final interest rates.

Q-2-5: Please reference Attachment SAM-2, Accountants Report, Pro Forma Annual Revenue Requirements and Annual Operating Receipts, page 20 of 37, note 3 (Testimony of Scott Miller).

a. Please confirm that the amount of debt service proposed in each Phase is not cost based.

b. Please state the estimated debt service cost to be incurred in each Phase.

c. Please identify, quantify, and explain the inputs used to arrive at the estimated cost for debt service in each phase

A-2-5:

a. The amount of debt service proposed in each phase is cost based. It is broken out into outstanding and proposed debt service. Outstanding debt service for each phase is equal to the average annual debt service for the five bond years ending September 1, 2030, or $1,564,918. See page 32 of Attachment SAM-2. The proposed annual debt service is the incremental amount of proposed debt service above the outstanding debt service. The amount of total proposed debt service for each respective phase is shown on the Schedule of Proposed Combined Bond Amortization on page 8 of Attachment SAM-2. For Phases I and II, it is set equal to the proposed annual combined debt service for the bond year ending September 1, 2025 ($1,720,199) and September 1, 2026 ($2,314,289), respectively. For Phase III, it is set equal to the proposed average annual combined debt service for the five bond years ending September 1, 2031 ($2,539,624).

b. Estimated debt service to be incurred in Phase I is the proposed annual combined debt service for bond year ending September 1, 2025 ($1,720,199). Estimated debt service to be incurred in Phase II is the proposed annual combined debt service for bond year ending September 1, 2026 ($2,314,289). Estimated debt service to be incurred for Phase III is based on the proposed average annual combined debt service for the five bond years ending September 1, 2031 ($2,541,026). See page 8 of Attachment SAM-2.

c. See A-2-5(a).

Additionally, Chandler's rate tariff will be subject to true-up based on the actual annual debt service payments once the Bonds are issued.

BNY MELLON
The Bank of New York Mellon Trust Company, N.A.

Exhibit DR 2-3

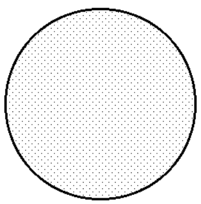
Account Statement

Statement Period 09/01/2024 Through 09/30/2024

Account 00143887 Base Currency = USD
SRF CHANDLER DW DSR FUND

CLIENT SERVICE MANAGER: DERICK RUSH
BNYM CORPORATE TRUST
55 MONUMENT CIRCLE, SUITE
INDIANAPOLIS, IN 46204
317-637-7778
DERICK.RUSH@BNYMELLON.COM

Account Overview



Percent of all Investments	Asset Classification	Market Value
100%	CASH AND SHORT TERM	1,287,558.14
100%	**TOTAL OF ALL INVESTMENTS**	**1,287,558.14**

Summary of Assets Held by Asset Classification

Asset Classification	Market Value	Cost	Accrued Income	Estimated Annual Income	Market Yield
CASH AND SHORT TERM	1,287,558.14	1,287,558.14	0.00	61,891.21	4.81 %
ACCOUNT TOTALS	**1,287,558.14**	**1,287,558.14**	**0.00**	**61,891.21**	**4.81 %**

Summary of Cash Transactions by Transaction Category

	Current Period			Year-to-Date	
Transaction Category	Income	Principal	Realized Gains/Losses	Income	Principal
OPENING BALANCE	**0.00**	**0.00**		**0.00**	**0.00**
DIVIDENDS	5,519.58	0.00	0.00	41,756.31	0.00
INTEREST	0.00	0.00	0.00	4,767.84	0.00
OTHER CASH ADDITIONS	0.00	8,360.00	0.00	0.00	111,612.00
PURCHASES	5,519.58 -	8,360.00 -	0.00	46,524.15 -	111,612.00 -

BNY MELLON
The Bank of New York Mellon Trust Company, N.A.

Statement Period 09/01/2024 Through 09/30/2024
Account 00143887 Base Currency = USD
SRF CHANDLER DW DSR FUND

Summary of Cash Transactions by Transaction Category - Continued

	Current Period			Year-to-Date	
Transaction Category	**Income**	**Principal**	**Realized Gains/Losses**	**Income**	**Principal**
CLOSING BALANCE	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

The above cash transactions summary is provided for information purposes only and may not reflect actual taxable income or deductible expenses as reportable under the Internal Revenue Code.

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BNY MELLON
The Bank of New York Mellon Trust Company, N.A.

Statement Period 09/01/2024 Through 09/30/2024
Account 00143887 Base Currency = USD
SRF CHANDLER DW DSR FUND

Statement of Assets Held by Asset Classification

Shares/Par Value	Asset Description	Market Price	Market Value	Cost	Average Cost	Accrued Income	Estimated Income	Market Yield
CASH AND SHORT TERM								
1,145,940.360	DREYFUS GOV SEC CM INST 227 CUSIP: X9USDFUGO	1.00000	1,145,940.36	1,145,940.36	1.00000	0.00	55,083.83	4.81%
141,617.780	DREYFUS GOVT SECURITIES CM 227 CUSIP: X9USDFUGO	1.00000	141,617.78	141,617.78	1.00000	0.00	6,807.38	4.81%
Total CASH AND SHORT TERM			**1,287,558.14**	**1,287,558.14**		**0.00**	**61,891.21**	**4.81%**
ACCOUNT TOTALS			**1,287,558.14**	**1,287,558.14**		**0.00**	**61,891.21**	**4.81%**

Total Market Value Plus Total Accrued Income 1,287,558.14

Statement of Transactions by Transaction Date

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
09/01/24	**ACCOUNT OPENING PERIOD BALANCE**	**0.00**	**0.00**	**1,273,678.56**	
09/04/24	Purchase DREYFUS GOVT SECURITIES CM 227 TRADE DATE 09/04/24 SET/DATE 09/04/24 CUSIP X9USDFUGOI 5,519.580 SHARES	5,519.58-	0.00	5,519.58	0.00
09/04/24	Dividend DREYFUS GOV SEC CM INST 227 TRADE DATE 09/04/24 SET/DATE 09/04/24 CUSIP X9USDFUGO	5,519.58	0.00	0.00	0.00
09/04/24	**ACCOUNT CLOSING DAILY BALANCE**	**0.00**	**0.00**	**1,279,198.14**	**0.00**
09/11/24	Purchase DREYFUS GOV SEC CM INST 227 TRADE DATE 09/11/24 SET/DATE 09/11/24 CUSIP X9USDFUGO 8,360.000 SHARES	0.00	8,360.00-	8,360.00	0.00
09/11/24	Cash Credit ORD CUST: 8900626003 DDA DEBIT TO CREDIT IMMS BN-BRC-7E CORP ORD INST: BNYMELLON GLOBAL CORPORATE TRUST MATTHEW KUPER DETAIL: CHANDLER DSR PYMT VIA ACH BNY CUST RRN - F5S24091111 DETAIL: 89500 DETAIL: /BNF/CHANDLER DSR PYMT VIA ACH B NY CUST RRN - F5S240FTS:F5S2409111189500	0.00	8,360.00	0.00	0.00

BNY MELLON
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Statement Period 09/01/2024 Through 09/30/2024
Account 00143887 Base Currency = USD
SRF CHANDLER DW DSR FUND

Statement of Transactions by Transaction Date - Continued

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
09/11/24	**ACCOUNT CLOSING DAILY BALANCE**	**0.00**	**0.00**	**1,287,558.14**	**0.00**
09/30/24	**ACCOUNT CLOSING PERIOD BALANCE**	**0.00**	**0.00**	**1,287,558.14**	**0.00**

Cumulative realized capital gain and loss position from 12/31/2023 for securities held in principal of account:

Short Term: 0.00 * Long Term: 0.00 *

* The above gain and loss position does not include transactions where tax cost information is incomplete or unavailable.

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Cash and securities set forth on this Account Statement are held by The Bank of New York Mellon, an affiliate of The Bank of New York Mellon Trust Company, N.A. In addition, The Bank of New York Mellon Trust Company, N.A. may utilize subsidiaries and affiliates to provide services and certain products to the Account. Subsidiaries and affiliates may be compensated for their services and products.

The value of securities set forth on this Account Statement are obtained by The Bank of New York Mellon Trust Company, N.A., from its affiliate, The Bank of New York Mellon which determines such values for Corporate Trust on the basis of market prices and information obtained by The Bank of New York Mellon from unaffiliated third parties (including independent pricing vendors) ("third party pricing services"). The Bank of New York Mellon has not verified such market values or information and makes no assurances as to the accuracy or correctness of such market values or information or that the market values set forth on this Account Statement reflect the value of the securities that can be realized upon the sale of such securities. In addition, the market values for the securities set forth in this Account Statement may differ from the market prices and information for the same securities used by other business units of The Bank of New York Mellon Trust Company, N.A., The Bank of New York Mellon or their respective subsidiaries or affiliates based upon market prices and information received from other third party pricing services utilized by such other business units. Corporate Trust does not compare its market values with those used by, or reconcile different market values used by, other business units of The Bank of New York Mellon Trust Company, N.A., The Bank of New York Mellon or their respective subsidiaries or affiliates. Neither The Bank of New York Mellon Trust Company, N.A. nor The Bank of New York Mellon shall be liable for any loss, damage or expense incurred as a result of or arising from or related to the market values or information provided by third party pricing services or the differences in market prices or information provided by other third party pricing services.

Q-4-1: Please explain why all the funds borrowed in the 2023 bonds were not used for the capital projects identified in Petitioner's prior rate case.

A-4-1: The funds borrowed in the 2023 bonds were not fully expended on the capital projects identified in the Petitioner's prior rate case due to significant cost savings realized during the execution of the projects. These savings, outlined below, stemmed from efficiencies in both construction and non-construction aspects of the projects:

1. **Bell Road Project Savings**. The Bell Road project resulted in savings of approximately $495,000, attributed to both construction savings and non-construction savings. The winning bid was $270,000 under the engineer's estimate. Moreover, an additional $225,000 was saved because the contractor employed a single crew instead of two, as originally anticipated. This reduced the scope of necessary inspections, which were initially planned to accommodate two crews for parts of the project.

2. **Downtown Project Savings**. Savings for the Downtown Project were achieved in non-construction costs due to the contractor completing the project ahead of schedule, allowing for inspection to be carried out by one inspector instead of two, which resulted in reduced inspection costs.

3. **Transmission Main Savings**. The Transmission Main project realized savings across three key areas:

    a. Construction Savings: Value engineering (VE) innovations resulted in savings of approximately $430,000. Specifically: (i) native bedding was used in place of imported gravel bedding; (ii) minimal use of allowances was necessary—an allowance for potential increases in ductile iron pipe costs was included due to trends observed during the design phase, but material prices stabilized after bidding, reducing the need to draw on this allowance; and (iii) additional allowances for crop damage compensation and landscaping were minimized because the contractor reduced surface impacts and scheduled work outside the growing season, thereby limiting expenses.

    b. Non-Construction Savings: By completing the project several months ahead of schedule, inspection costs were significantly reduced.

    c. Land Acquisition Savings: The number of parcels affected by the project was minimized by successfully negotiating easements with large-acreage property owners. This approach avoided the higher costs associated with negotiating with multiple smaller parcel owners and reduced overall acquisition expenses.

These cost savings across all three projects demonstrate prudent management of bond funds and project efficiencies. As a result, not all the funds borrowed under the 2023 bonds were required for the originally anticipated expenses.