## **ORIGINAL**

#### STATE OF INDIANA

#### INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE	<b>.</b> .
BROWN COUNTY WATER UTILITY, INC. FOR	CAUSE NO. 43203
APPROVAL OF A NEW SCHEDULE OF WATER	<b>(.</b> )
RATE AND CHARGES AND TO INCUR FINANCING	APPROVED:
INDEBTEDNESS	) OCT 1 7 2007

#### BY THE COMMISSION:

David E. Ziegner, Commissioner Aaron A. Schmoll, Administrative Law Judge

On January 2, 2007, the Brown County Water Utility ("Petitioner") filed a Petition for approval of a new schedule of water rates and charges and to incur financing indebtedness. Pursuant to notice, the Indiana Utility Regulatory Commission ("Commission") conducted a Prehearing Conference on February 9, 2007, in Room E306 of the Indiana Government Center South, 302 West Washington Street, Indianapolis, Indiana. A Prehearing Conference Order was issued on February 14, 2007. Petitioner prefiled its case-in-chief on March 19, 2007, and the Office of the Utility Consumer Counselor prefiled its testimony on June 7, 2007.

On June 21, 2007, the Parties filed a Joint Stipulation and Settlement Agreement ("Joint Stipulation") along with supporting testimony and schedules. Thereafter, Petitioner also filed responses to questions the Commission issued by Docket Entry on June 20, 2007.

Pursuant to notice as provided by law, an evidentiary hearing was convened on June 26, 2007 at 10:00 a.m. in Room 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. At the June 26, 2007 hearing, the parties' evidence was offered and admitted into the evidentiary record of this proceeding, without objection. One member of the public was present at the hearing.

On July 3, 2007, Petitioner filed responses to Commission questions presented in its June 26, 2007 Docket Entry. On July 9, 2007, the OUCC filed the written comments of Scott Slater.

Based upon the applicable law and the evidence of record in this Cause, the Commission now finds that:

- 1. <u>Notice and Jurisdiction</u>. Petitioner is a public utility organized and existing under the laws of the State of Indiana and is subject to the jurisdiction of this Commission under Indiana law including, without limitation, Ind. Code 8-1-2-1, and other applicable provisions of Ind. Code 8-1-2, *et seq*. Notice of the prehearing conference and the evidentiary hearing was provided as required by law. The Commission has jurisdiction over the Petitioner and the subject matter of this Cause.
- 2. <u>Petitioner's Characteristics.</u> Petitioner is an Indiana not-for-profit corporation organized and existing by virtue of the laws of the State of Indiana for the purpose of providing a

water works system to serve the members of the corporation in Brown County, Indiana. Petitioner owns and operates plant and equipment within the State of Indiana for the production, transmission, delivery, and furnishing of water to the public within and around Brown County, Indiana. Petitioner's existing schedule of water rates and charges was approved by the Commission on August 24, 2000, in Cause No. 41712.

- 3. <u>Test Year.</u> The test year used by Petitioner for determining Petitioner's annual revenue requirement in this Cause was the 12 months ended December 31, 2006, with adjustments for changes which are fixed, known, and measurable and which will occur within 12 months following the end of the test year. We find this test year to be sufficiently representative of Petitioner's ongoing operations to use for ratemaking purposes.
- 4. Relief Requested. Petitioner has requested approval of a new schedule of water rates and charges and authority to finance the construction of certain improvements to its facilities by the issuance of indebtedness. Petitioner proposes to borrow \$6,649,000 from the United States Department of Agriculture Rural Development Agency ("USDA-RDA") for the construction of plant improvements.

Petitioner has requested an increase in its rates and charges in the total amount of 48.7%. Petitioner has additionally requested permission to unify its two rate divisions. Currently, customers in the Northern Division are charged slightly less than customers in the Southern Division.

Petitioner and the OUCC have stipulated that rates will increase 44.32% and will be implemented in two increments, with Phase I to occur upon issuance and compliance by Petitioner with the Commission's order granting the requested relief, prior to Petitioner incurring the requested additional long-term debt for planned capital improvement projects. Phase I rates will cover increased operating expenses incurred since Petitioner's last rate case order.

The Phase II rate increase would occur, pursuant to the stipulation of Petitioner and the OUCC, no earlier than sixty (60) days before the closing date for Petitioner's new USDA-RDA loan. The Phase II rate increase will cover increased debt service and debt service reserve on the new indebtedness.

- 5. <u>Petitioner's Proposed Capital Improvement Projects.</u> Petitioner requests authority to incur long-term indebtedness in the form of a loan in the amount of \$6,649,000 from USDA-RDA, to finance construction of a new treatment plant, well field expansion, a clear well, elevated storage tank and all other necessary appurtenances thereto, which improvements will allow Petitioner to continue to provide adequate and reliable service to its customers.
- 6. <u>Petitioner's Revenue Requirements.</u> Petitioner and the OUCC have stipulated that the Commission should accept and approve an agreed two-increment rate increase instead of the single-increment rate increase originally proposed by Petitioner or the three-increment increase proposed by the OUCC. Petitioner and the OUCC have stipulated and we now find that Petitioners' pro forma revenue requirement elements, under the agreed two-increment rate increase are as follows:

	Phase 1	Phase 2	Total Increase
Pro-Forma Revenue Requirements			
Operation and Maintenance Expenses	\$1,853,347	\$1,899,970	\$1,899,970
Amortization Expense	11,306	11,306	11,306
Taxes other than Income	32,784	32,784	32,784
Historical Extensions & Replacements	354,132	354,132	354,132
Debt Service – Revenue Bonds Series 1996 - G	204,487	204,487	204,487
Debt Service - Build Indiana Funds	(191,275	191,275	191,275
Debt Service – SRF	270,615	270,615	270,615
Debt Service – Rural Development (Proposed)	0	372,339	372,339
Debt Service Reserve	0	34,530	34,530
Working Capital	21,302	22,468	22,468
Pro-Forma Revenue Requirements	\$2,939,248	\$3,393,906	\$3,393,906
Less: Town of Nashville - Facility Charges	135,168	135,168	135,168
Other Operating Revenues	42,656	42,656	42,656
Recurring Interest Income	36,372	36,372	36,372
Adjusted Pro-Forma Revenue Requirements	\$2,725,052	\$3,179,710	\$3,179,710
Less: Present Rate Revenues	2,203,228	2,725,052	2,203,228
Increase Required - \$	\$521,824	\$454,658	\$976,482
Increase Required - %	23.68%	16.68%	44.32%

The parties have agreed that Petitioner's *pro forma* present rate revenues total \$2,203,228. The Commission finds that the rates and charges currently in effect for services rendered by Petitioner are not adequate to provide for Petitioner's annual revenue requirement and should be increased. We find that Petitioner should be authorized to increase its rates by 23.68% to produce an additional \$521,824 in annual revenue in Phase I and an additional \$454,658 in revenue in Phase II, for a total of \$976,482 in additional annual revenue, yielding total annual revenue of \$3,179,710 after the second rate increment is implemented.

<sup>7.</sup> Other Matters. The Parties also reached agreement on several other matters, as set forth below:

A. Petitioner agreed to provide a copy of its most recent trust fund statement to the Director of the OUCC's Water/Wastewater Division before this Settlement Agreement is filed.

- B. Petitioner agreed to make good faith efforts to meet the new, updated schedule for using the proceeds of the 2002 State Revolving Fund (SRF) loan to complete certain capital improvement projects authorized in Petitioner's last rate case. (See Exhibit C to the Parties' Stipulation and Settlement Agreement. A copy of the Stipulation and Settlement Agreement, marked as "Attachment 1," is attached to and made a part of this Order.)
- C. Petitioner agreed to submit quarterly reports to the Director of the OUCC Water/Wastewater Division showing the dates and amounts drawn down from Petitioner's 2002 SRF loan, the dates and amounts of payments by Petitioner for the capital improvement projects funded through that loan, and the dates and amounts of principal and interest payments (or repayments) from Petitioner to the SRF.
- D. Petitioner agreed to file an updated amortization schedule for the SRF loan within seven (7) days after all SRF loan proceeds are drawn down.
- E. Petitioner agreed to notify the IURC and OUCC within 1 week of receiving any notice of the SRF withdrawing or otherwise restricting the use of the 2002 loan proceeds. In that event, Petitioner agreed to promptly file a revised tariff with the IURC within 1 week of receiving notice of the SRF's loan withdrawal or cancellation. Petitioner's revised tariff shall reduce rates by the same dollar amount as the reduction in Petitioner's annual debt service associated with the 2002 SRF loan. The Settling Parties agreed that the revised tariff will be deemed approved by the Commission upon filing and will take effect immediately, without requiring an evidentiary hearing or other IURC review, unless otherwise agreed by the Settling Parties.
- F. Petitioner agreed to a "true-up" process, to be implemented after Petitioner closes on its new USDA-RDA loan to identify any differences between projected and actual project costs or projected and actual debt service and debt service reserve requirements after the USDA-RDA loan is issued. Petitioner agreed to file a true-up report with the IURC within 30 days of its USDA-RDA closing date. The true-up report shall state the actual interest rate and amount borrowed, along with an updated amortization schedule.

Petitioner agreed that it will collect more money for debt service on its 2002 SRF loan after the date of the Final Order approving this Settlement Agreement than Petitioner will be required to pay to the SRF during that time. Therefore, as part of the true-up process, Petitioner also agreed to apply any excess funds it collects for debt service on the SRF loan to the debt service reserve requirement for the new USDA-RDA loan being authorized in this proceeding.

After applying any excess debt service dollars related to the SRF loan to Petitioner's debt service reserve requirement for the new USDA-RDA loan authorized herein, the true-up process shall continue as follows. If Petitioner's actual project costs and actual financing costs for projects covered by the proposed new USDA-RDA loan materially differ from those included in Petitioner's proposed bond amortization schedule for that loan, then Petitioner shall file a revised tariff with the IURC within fifteen (15) days of filing its true-up report, giving effect to any material changes in debt service identified in the agreed true-

up process. (Copies of any revised tariff filings shall also be served on the OUCC.) The Settling Parties agreed that the revised tariff will be deemed approved by the Commission upon filing and will take effect immediately, without requiring an evidentiary hearing or other Commission review, unless otherwise agreed by the Settling Parties.

- G. Petitioner agreed to file an annual report with the Commission in February of each year, outlining the status of each of the capital improvement projects funded under the SRF loan approved in Cause No. 41712 and the USDA-RDA loan approved in this proceeding. Each annual report shall include the estimated cost of each project, the actual cost of each project to date, the total cost of each project when completed, the projected completion date of each project, and the actual completion date of each project, when concluded.
- H. Petitioner agreed to provide copies of future Indiana Department of Environmental Management (IDEM) compliance letters to the Commission and to the OUCC for each of the remaining grid areas still covered by IDEM's moratorium on new service connections within one (1) week of each new grid area being released from that moratorium.
- I. Petitioner agreed to deposit all funds collected through rates for future tank maintenance and refurbishments in a dedicated, restricted account to be used only for tank maintenance and refurbishments, unless a future, unexpected emergency requires Petitioner to use those funds to meet debt service, debt service reserve, debt coverage, or other emergency revenue requirement elements agreed upon at that time by the Settling Parties, without requiring further approval by the IURC.
- J. Petitioner agreed to form a Water Conservation Committee to develop a 5-year water conservation and efficient use plan or program that meets Environmental Protection Agency (EPA) guidelines, to be submitted to the OUCC within a year of the Commission's Final Order in this proceeding.
- K. To promote early detection of leaks in its system, Petitioner agreed to continue a regular line-walking program and to install additional flow meters on major routes to facilitate immediate corrective action when significant leaks occur. Petitioner's water conservation plan should include a schedule for future planned leak prevention and detection activities. Petitioner also agreed to submit information to the OUCC on a quarterly basis showing the monthly percentage of unaccounted-for-water during the most recent 6 months.
- L. During the life of these rates, Petitioner agreed to use a 12-year cycle (instead of a 7-year cycle) for recovering meter replacement costs.
- **8. <u>Discussion and Findings.</u>** The Commission finds that the Joint Stipulation provides a reasonable compromise on many of the issues raised in the OUCC's prefiled testimony.

In addition, Petitioner's responses to the June 20, 2007 and July 3, 2007 Docket Entries addressed several issues relating to Petitioner's maintenance practices and maintenance expenses that the Commission finds appropriate for further follow-up. Petitioner indicated that while it

utilizes competitive bidding, bids for maintenance work have been higher than the price charged by the contractor typically chosen for the work. Second, Petitioner indicated that its vehicle replacement schedule is typically two to three years, but it has recently changed its fleet to a different automaker. Third, Petitioner indicated that the production level of one of its wells had dropped below acceptable levels before rehabilitation efforts were undertaken. Fourth, Petitioner provided maintenance recommendations for its well pumps and motors. Finally, Petitioner indicated that the current filters experience iron breakthrough for unknown reasons.

Based on these responses, and in order to insure that Petitioner provides reliable and efficient water service, through its existing plant and proposed new facilities, the Commission finds that Petitioner shall meet the following requirements as a condition of the Commission's approval of the Joint Stipulation:

- A. Petitioner shall seek competitive bids for all non-emergency maintenance activity costing or expected to cost over \$5,000.00.
- B. Petitioner shall provide justification for its vehicle replacement policies in Petitioner's next rate case.
- C. Petitioner shall annually overboard test all wells in order to establish the optimum cleaning cycles for each well. Petitioner shall annually file, under this Cause, the results of its annual tests and the change from the prior year's test results until Petitioner's next rate case.
- D. Petitioner shall develop a preventative maintenance schedule for all wells, pumps, filters, and motors. Petitioner shall annually file, under this Cause, its preventative maintenance activities, including any unscheduled maintenance exceeding \$1,000.00 until Petitioner's next rate case. This maintenance log shall include, for each item, the date on which maintenance occurred, the item on which maintenance was performed, the type of maintenance performed, the individual or entity that performed the maintenance, and the cost of the maintenance performed.
- E. Petitioner shall inspect all filters bi-annually, at a minimum, and shall annually file, under this Cause, an inspection report indicating the date of inspection, the filter inspected, condition of the filter at the time of inspection, and any recommended actions. Petitioner shall continue to file its inspection report until Petitioner's next rate case.

Further, Paragraphs 3(E) and 3(F) of the Joint Stipulation propose that revised tariff filings will be "deemed approved by the Commission upon filing." Such terms are inconsistent with Indiana Code Section 8-1-2-42(a), which requires that changes in utility schedules may only be made upon filing and approval by the Commission. Accordingly, Paragraphs 3(E) and 3(F) of the Joint Stipulation shall be modified so that revised schedules shall be filed with the Water/Sewer Division of the Commission and shall be effective upon Commission approval.

With these modifications, the Commission finds the Joint Stipulation to be in the public interest and should be approved. (A copy of the Stipulation and Settlement Agreement is attached to this Order and incorporated herein by reference.) With regard to future citation of this Order, we

find that our approval herein should be construed in a manner consistent with our findings in *Richmond Power & Light*, Cause No. 40434 (IURC 3/19/97).

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

- 1. The Petitioner is hereby authorized to commence and complete all of the capital improvement projects discussed and approved in this Order. This authority is conditioned on Petitioner's compliance with commitments and project reporting requirements recommended by the OUCC, as set forth in Finding Paragraph 7, and approved and adopted in Finding Paragraph 8 of this Order.
- 2. Petitioner shall be and is hereby authorized to incur additional long-term indebtedness, not to exceed \$6,649,000, in the form of a loan from USDA-RDA.
- 3. Petitioner shall be and hereby is authorized to implement the phased-in rate increases discussed in Finding Paragraph 7 of this Order, for a total rate increase of 44.32% by the end of the two-step phase-in.
- 4. Petitioner shall file with the Water/Sewer Division of the Commission new schedules of rates and charges before placing in effect the rate increase authorized herein. Upon approval by the Water/Sewer Division, Petitioner's revised rate schedules shall immediately take effect and cancel all of Petitioner's previously approved schedules of rates and charges.
- 5. The Stipulation and Settlement Agreement shall be and hereby is approved, as modified, and Petitioner shall be and hereby is required to fulfill its obligations thereunder as ordered herein.
  - 6. This Order shall be effective on and after the date of its approval.

#### HARDY, GOLC, AND ZIEGNER CONCUR; LANDIS AND SERVER ABSENT:

APPROVED: OCT 1 7 2007

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

Brenda A. Howe

Secretary to the Commission

# OFFICIAL EXHIBITS

FILED

#### STATE OF INDIANA

JUN 2 1 2007

INDIANA UTILITY REGULATORY COMMISSION INDIANA UTILITY
REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE BROWN COUNTY WATER UTILITY, INC. FOR APPROVAL OF A NEW SCHEDULE OF WATER RATE AND CHARGES AND TO INCUR FINANCING INDEBTEDNESS.	) ) ) )	CAUSE NO. 43203 IURC PETITIONER'S
STIPIILATION AND SETTLE	MENT AG	EXHIBIT NO. E

This Stipulation and Settlement Agreement (the "Settlement Agreement") is entered into by and between the Petitioner, Brown County Water Utility, Inc., ("Brown County Water" or "Petitioner") and the Indiana Office of Utility Consumer Counselor (the "OUCC") (collectively, the "Settling Parties"). The Petitioner and the OUCC have been duly advised in the premises by their respective staff, experts, and counsel; and they each now hereby stipulate and agree, solely for the purpose of compromise and settlement, that the terms and conditions incorporated in this Settlement Agreement and the proposed final order of the Commission attached hereto as "Exhibit A" (the "Final Order"), constitute a fair, reasonable and just resolution of all issues in this proceeding, subject to their approval by the Indiana Utility Regulatory Commission (the "Commission" or "IURC"), without modification or further condition that is unacceptable to any Party.

1. The Settling Parties jointly stipulate that all testimony and exhibits prefiled in this cause be admitted into evidence without further hearing, procedure, or crossexamination; and each of the Settling Parties hereby waives its right to cross-examination or to present further evidence of any kind or nature other than evidence filed or submitted in support of this Settlement Agreement.

- 2. The Settling Parties stipulate and agree that the Commission should accept and approve the agreed revenue requirements and grant the agreed two-increment rate increase shown in "Exhibit B" to this Settlement Agreement, instead of the three-increment rate increase previously recommended by the OUCC and instead of the single-increment rate increase originally proposed by the Petitioner. The second increment of the agreed rate increase may be implemented by the Petitioner no earlier than sixty (60) days before the closing date for Petitioner's new Rural Development (RD) loan. The Settling Parties agree that the revised tariff will be subject to the Settling Parties' agreed true-up requirements discussed below.
- 3. In consideration of the OUCC agreeing to implement a two-increment rate increase, instead of the three-increment increase the OUCC previously proposed, the Petitioner agrees to meet the following additional commitments and reporting requirements:
  - A. Petitioner agrees to provide a copy of its most recent trust fund statement to the Director of the OUCC's Water/Wastewater Division before this Settlement Agreement is filed.
  - B. Petitioner agrees to make good faith efforts to meet the new, updated schedule for using the proceeds of the 2002 State Revolving Fund (SRF) loan to complete certain capital improvement projects authorized in Petitioner's

last rate case. (A copy of the agreed construction schedule is attached to this Settlement Agreement as "Exhibit C.")

- C. Petitioner agrees to submit quarterly reports to the Director of the OUCC Water/Wastewater Division showing the dates and amounts drawn down from Petitioner's 2002 SRF loan, the dates and amounts of payments by Petitioner for the capital improvement projects funded through that loan, and the dates and amounts of principal and interest payments (or repayments) from Petitioner to the SRF.
- D. Petitioner agrees to file an updated amortization schedule for the SRF loan within seven (7) days after all SRF loan proceeds are drawn down.
- E. Petitioner agrees to notify the IURC and OUCC within 1 week of receiving any notice of the SRF withdrawing or otherwise restricting the use of the 2002 loan proceeds. In that event, Petitioner agrees to promptly file a revised tariff with the IURC within 1 week of receiving notice of the SRF's loan withdrawal or cancellation. Petitioner's revised tariff shall reduce rates across-the-board by the same dollar amount as the reduction in Petitioner's annual debt service associated with the 2002 SRF loan. The Settling Parties agree that the revised tariff will be deemed approved by the Commission upon filing and will take effect immediately, without requiring an evidentiary hearing or other IURC review, unless otherwise agreed by the Settling Parties.
- F. Petitioner agrees to a "true-up" process, to be implemented after Petitioner closes on its new Rural Development (RD) loan to identify any differences between projected and actual project costs or projected and actual debt

service and debt service reserve requirements after the RD loan is issued. Petitioner agrees to file a true-up report with the IURC within 30 days of its RD closing date. The true-up report shall state the actual interest rate and amount borrowed, along with an updated amortization schedule. (Petitioner also agreed to serve copies on the OUCC.)

Petitioner also agrees that as a part of the true-up process, since it will collect more money for debt service on its 2002 SRF loan after the date of the Final Order approving this Settlement Agreement than Petitioner will be required to pay to the SRF during that time, Petitioner shall apply any excess funds collected for debt service to the debt service reserve requirement for Petitioner's new Rural Development loan being authorized in this proceeding.

After applying any excess debt service dollars related to the SRF loan to Petitioner's debt service reserve requirement for the new RD loan authorized herein, the true-up process shall continue as follows. If Petitioner's actual project costs and actual financing costs for projects covered by the proposed new RD loan materially differ from those included in Petitioner's proposed bond amortization schedule for the RD loan, then Petitioner shall file a revised tariff with the IURC within fifteen (15) days of filing its true-up report, giving effect to any material changes in debt service identified in this agreed true-up process. (Copies of any revised tariff filings shall also be served on the OUCC.) The Settling Parties agree that the revised tariff will be deemed approved by the Commission upon filing and will take effect immediately, without requiring an

evidentiary hearing or other IURC review, unless otherwise agreed by the Settling Parties.

- G. Petitioner shall file an annual report with the IURC in February of each year, outlining the status of each of the above capital improvement projects. Each annual report shall include the estimated cost of each project, the actual cost of each project to date, the total cost of each project when completed, the projected completion date of each project, and the actual completion date of each project, when concluded. (Copies of each annual report shall also be served on the OUCC.)
- H. Petitioner agreed to provide copies of future IDEM compliance letters to the IURC and the OUCC for each of the remaining grid areas still covered by IDEM's moratorium on new service connections within one (1) week of each new grid area being released from that moratorium.
- I. Petitioner agreed to deposit all funds collected through rates for future tank maintenance and refurbishments in a dedicated, restricted account to be used only for tank maintenance and refurbishments, unless a future, unexpected emergency requires Petitioner to use those funds to meet debt service, debt service reserve, debt coverage, or other emergency revenue requirement elements agreed upon at that time by the Settling Parties, without requiring further approval by the IURC.
- J. Petitioner agreed to form a Water Conservation Committee to develop a 5-year water conservation and efficient use program or plan that meets

Environmental Protection Agency (EPA) guidelines, to be submitted to the OUCC within a year of the IURC's Final Order in this proceeding.

- K. To promote early detection of leaks in its system, Petitioner agrees to continue a regular line-walking program and to install additional flow meters on major routes to facilitate immediate corrective action when significant leaks occur. The water conservation plan discussed above should include a schedule for future planned leak prevention and detection activities. Petitioner also agrees to submit information to the OUCC on a quarterly basis showing the monthly percentage of unaccounted-for-water during the most recent months.
- L. During the life of these rates, Petitioner agrees to use a 12-year cycle (instead of a 7-year cycle) for recovering meter replacement costs.
- 4. At the final evidentiary hearing, the Settling Parties will confirm their request that the Commission approve this Settlement Agreement, and all pre-filed evidence will be admitted into the evidentiary record without cross-examination. Except for any witness who will present "live" testimony in support of the Settlement Agreement and Commission approval thereof, no other witness need be present unless the Commission notifies the Settling Parties of the desire to ask questions of any specific witness(es) from the bench, whereupon any such witness(es) shall be present at the scheduled hearing.
- 5. The Settling Parties agree that the pre-filed testimony and exhibits, along with any other exhibits or live testimony that might be offered into evidence at the noticed public hearing, provide and constitute substantial and sufficient probative

evidence (170 IAC 1-1.1-17(d)) upon which the Commission can and should determine that the Settlement Agreement is reasonable, just and consistent with the purpose of Indiana Code 8-1-2 et seq.; that the Settlement Agreement serves the public interest; and that upon approval of this Settlement Agreement by the Commission's Final Order (without any material change from the proposed final order attached to this Settlement Agreement as "Exhibit A"), this proceeding will be finally decided and resolved, without any remaining right of appeal, modification or rehearing, unless otherwise agreed by the Settling Parties.

- 6. This Settlement Agreement shall not constitute nor be cited as precedent, except as necessary to enforce its terms before the Commission or in any state court of competent jurisdiction. The Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, the proposed Final Order is without prejudice to and shall not constitute a waiver of any legal position that either of the Settling Parties may take in any other regulatory proceeding(s).
- 7. Each of the undersigned represent that he or she is fully authorized to execute this Settlement Agreement on behalf of their designated clients, who agree to be bound by this Settlement Agreement.
- 8. This Settlement Agreement is contingent upon the Commission's issuance of a Final Order approving the terms of this Settlement Agreement without any material change to the proposed Final Order attached to this Settlement Agreement as "Exhibit A" that is unacceptable to either Settling Party. In the event the Commission does not approve this Settlement Agreement, or approves a modified version that is not acceptable

to either Settling Party, this Settlement Agreement shall be deemed null and void and withdrawn, unless otherwise agreed by the Petitioner and the OUCC.

ACCEPTED AND AGREED this 21st day of June, 2007.

BROWN COUNTY WATER UTILITY, INC.

By:

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THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

By:

Susan L. Macey, Utility Consumer Counselor

-and-

Karol H. Krohn, Assistant Consumer Counselor (Attorney No. 5566-82)

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#### **CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing Stipulation and Settlement Agreement has been served upon the following counsel of record in the captioned proceeding by electronic service, hand-delivery, and/or by depositing a copy of same in the United States mail, first class postage prepaid, on June 21, 2007.

Peter Campbell King CLINE, KING & KING, P.C. 1225 7th Street, Suite B P.O. Box 250 Columbus, Indiana 47202-0250 Stan B. Hirsch Attorney at Law 4911 East 56th Street Indianapolis, Indiana 46220

Karol H. Krohn, Afty! No. 5566-82 Assistant Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

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## BROWN COUNTY WATER UTILITY, INC. CAUSE NUMBER 43203

\*\*\* SETTLEMENT SCHEDULES \*\*\*

### Comparison of Petitioner's and OUCC's Revenue Requirements

			Per OUCC			
	Per	Initial Rates			Sch	OUCC
	Petitioner	& SRF	RD	Overall	Ref	More (Less)
Operating Expenses	\$ 1,970,507	\$1,853,347	\$ 1,899,970	\$ 1,899,970	4	\$ (70,537)
Taxes other than Income	32,784	32,784	32,784	32,784	4	-
Amortization	11,306	11,306	11,306	11,306	3	_
Extensions and Replacements	370,176	354,132	354,132	354,132	7	(16,044)
Working Capital	17,646	21,302	22,468	22,468	8	4,822
Debt Service	1,053,852	666,377	1,038,716	1,038,716	9	(15,136)
Debt Service Reserve	34,530		34,530	34,530	10	
Total Revenue Requirements	3,490,801	2,939,248	3,393,906	3,393,906		(96,895)
Less: Interest Income	36,372	36,372	36,372	36,372	3	
Net Revenue Requirements	3,454,429	2,902,876	3,357,534	3,357,534		(96,895)
Less: Revenues at current rates subject to increase	(2,203,228)	(2,203,228)	(2,725,051)	(2,203,228)	4	-
Other revenues at current rates	(177,824)	(177,824)	(177,824)	(177,824)	4	
Net Revenue Increase Required	\$ 1,073,377	\$ 521,823	\$ 454,658	\$ 976,481		\$ (96,895)
Recommended Percentage Increase	48.72%	23.68%	16.68%	44.32%		-4.40%

			Pro	oposed			
Current Rate for 5,000 Gallons	Pet	itioner		ial Rates & SRF	RD		JCC (Less)
Current Rate = \$45.15	\$	67.15	\$	55.85	65.17	\$	(1.98)

OUCC Schedule 1 Page 2 of 2

## BROWN COUNTY WATER UTILITY, INC. CAUSE NUMBER 43203

#### \*\*\* SETTLEMENT SCHEDULES \*\*\*

## Reconciliation of Net Operating Income Statement Adjustments \*Pro-forma Proposed Rates\*\*

·		-	Per OUCC		
	Per	Initial Rates			OUCC
	Petitioner	& SRF	RD	Overall	More (Less)
Operating Revenues					
Water Sales	\$ 14,338	\$ 14,338	\$ -	\$ 14,338	· -
Facility Charges	(5,517)	(5,517)	· _	(5,517)	-
Tap Fees	(77,308)		_	(77,308)	•
Other	(488)	(488)	-	(488)	-
Total Operating Revenues	(68,975)	(68,975)	-	(68,975)	-
O&M Expense	·•				
Payroll Expense	17,088	17,088	-	17,088	_
Insurance - Health/Life	18,927	18,927	-	18,927	_
Purchased water - Jackson County	14,984	14,984	_	14,984	<b>.</b> .
Purch Water-Indpls. Water	62,440	62,440	-	62,440	-
Insurance - Property/Liabilty	5,810	5,810	-	5,810	=
Heating	1,200	-	7,200	7,200	6,000
Purch Power New Facilities	11,440	-	11,440	11,440	-
Capital Expenditures	(16,891)	(74,803)	-	(74,803)	(57,912)
Maint Storage Facilities	37,275	49,528	8,000	57,528	20,253
-Well cleaning	22,600	2,600	2,000	4,600	(18,000)
Pump maintenance	24,621	(2,189)	5,000	2,811	(21,810)
Media filter	8,000	-	12,500	12,500	4,500
IDEM regulatory fee	124	124	-	124	-
IURC fee	775	378	483	861	86
Holiday Party	-	(3,654)	· -	(3,654)	(3,654)
Amortization Expense		_	_	- -	_
Taxes Other than Income	(1,282)	(1,282)	-	(1,282)	-
Total Operating Expenses	207,111	89,951	46,623	136,574	(70,537)
Net Operating Income	\$ (276,085)	\$ (158,925)	\$ (46,623)	\$ (205,548)	\$ 70,537

# BROWN COUNTY WATER UTILITY, INC. STATE REVOLVING FUND AND BUILD INDIANA FUND TABLE 1

	IADLE			
		PER		
		ESTIMATED		
PROJECT	T DESCRIPTION	PROJECT COST	STATUS	
A-1	HAGGARD ROAD	\$15,397	COMPLETED	
. A-1	BECKS GROVE ROAD	30,794	COMPLETED	
A-1	POPLAR GROVE ROAD	128,255	COMPLETED	
A-2	RICHARDS GROVE ROAD	91,400	COMPLETED	
A-2	CARMEL RIDGE-BEAR CREEK	159,803	COMPLETED	
A-2	BEAR CREEK-SLIPPERY ELM	208,157	COMPLETED	
A-3	SWEETWATER TRAIL	185,635	COMPLETED	
A-3	MT. MARIAH ROAD	128,091	COMPLETED	
∜A-3	PERSIMMON RIDGE ROAD	38,198	COMPLETED	
A-3	GREEN ROAD	95,315	COMPLETED	
A-3	FORD RIDGE	31,253	COMPLETED	
A-3	VAUGHT ROAD	24,111	COMPLETED	•
A-3	UPPER SALT CREEK ROAD	45,143	COMPLETED	
A-3	GOLD POINT ROAD	28,485	COMPLETED	
A-3	OFFICE BUILDING	200,000	COMPLETED	•
A-5	UPPER SALT CREEK	68,403	COMPLETED	
A-6	FRUITDALE ROAD	41,118	COMPLETED	4
A-6	SMITH ROAD	101,793	· · · · · · · · · · · · · · · · · · ·	
. A-0	SMITTINOAD	101,795	COMPLETED	·
PER EST	TIMATED PROJECT COST	\$1,621,351		
	ETED PROJECTS	ψ1,021,001		
O,OIIII EE	1125111002010			
` A-6	LAKE LEMON WATER STORAGE TANK	\$283,500	UNDER CONTRACT	
		Ψ200,000	onden don minor	IDEM Submission to Bid
A-3	MT. NEBO BOOSTER	37,800	NEARLY READY TO BID	6/30/2007
A-5	WALLOW HOLLOW ROAD	233,415	NEARLY READY TO BID	6/30/2007
A-5	CLAY LICK ROAD	194,201	NEARLY READY TO BID	6/30/2007
A-5	TIMBER CREST ROAD	176,806	NEARLY READY TO BID	6/30/2007
A-5	SALT CREEK ROAD	106,634	NEARLY READY TO BID	6/30/2007
A-5	CLAY LICK-TIMBER CREST	115,970	NEARLY READY TO BID	6/30/2007
A-0	CEAT EIGIT-TIMBERT CITEST	110,970	NEARET READT TO BID	0/30/2007
PER ES	TIMATED PROJECT COST	\$864,826		
	Y READY TO BID	ψου+,υ2υ		•
14274142,1	THE IST TO SID		•	
A-6	UNITY CHURCH-BITTERSWEET	\$574,119	90% DESIGN	9/30/2007
A-6	HOMESTEAD ROAD	88,452	90% DESIGN	9/30/2007
A-6	GATEVILLE ROAD	107,371	90% DESIGN	9/30/2007
A-6	GEORGETOWN ROAD BOOSTER	88,200	80% DESIGN	9/30/2007
A-4	GATESVILLE ROAD		1.40 P. P. B.	9/30/2007
A-4	HOOVER ROAD	68,796	0% DESIGN	
and the second of the second	·	375,430	0% DESIGN	
A-4	MT. LIBERTY ROAD HAPPY HOLLOW CAMP TRAIL	313,268	85% DESIGN	
A-4	를 가는 그리트 발표가 가운 가는 사고 있다면 보고 있는 것이 되었다. 그 가는 가는 사람들이 되었다.	112,039	85% DESIGN	
A-4	HAPPY HOLLOW TANK	403,200	0% DESIGN	경영 어디 경향로 이글이 그렇다
DED EC	TIMATED BDO JECT COST	#0 420 07F		
* * * * * * * * * * * * * * * * * * *	STIMATED PROJECT COST	\$2,130,875		
* * * * * * * * * * * * * * * * * * *	STIMATED PROJECT COST MAINING PROJECTS	\$2,130,875		
OF REM	3. "我们就是一个最后,我们就是我们的,我们就是这个人的,我们就是一个人的,我们就是一个人的。""我们就是一个人的,我们就是一个人的,我们就是一个人的,我们就	\$2,130,875 \$4,900,552		

## BROWN COUNTY WATER UTILITY, INC. UPDATED ESTIMATED CONSTRUCTION COST FOR STATE REVOLVING FUND TABLE 2

		PER:	CONSTRUCTION	
PROJEC <sup>*</sup>	T DESCRIPTION	<b>ESTIMATE</b>	ESTIMATE .	•
A-3	MT. NEBO BOOSTER	\$33,000	\$41,200	
A-5	WALLOW HOLLOW ROAD	171,600	214,500	
A-5	CLAY LICK ROAD	169,541	211,900	
A-5	TIMBER CREST ROAD	154,354	192,900	
A-5	SALT CREEK ROAD	93,093	116,400	
A-5	CLAY LICK-TIMBER CREST	101,224	126,600	
A-6	UNITY CHURCH-BITTERSWEET	501,215·	626,500	
A-6	HOMESTEAD ROAD	77,220	96,500	
A-6	GATESVILLE ROAD	93,737	117,200	
A-6	GEORGETOWN ROAD BOOSTER	77,000	96,300	
A-6	LAKE LEMON WATER STORAGE TANK	247,500	412,400	

TOTAL ESTIMATED CONSTRUCTION COST \$2,252,400

				Start	Substantial
	IDEM submittal	Bid	Award	Construction	completion
MT. NEBO BOOSTER	6/10/2007	7/16/2007	8/15/2007	9/1/2007	7/31/2008
WALLOW HOLLOW ROAD	6/10/2007	7/16/2007	8/15/2007	9/1/2007	7/31/2008
CLAY LICK ROAD	6/10/2007	7/16/2007	8/15/2007	9/1/2007	7/31/2008
TIMBER CREST ROAD	6/10/2007	7/16/2007	8/15/2007	9/1/2007	7/31/2008
SALT CREEK ROAD	6/10/2007	7/16/2007	8/15/2007	9/1/2007	7/31/2008
CLAY LICK-TIMBER CREST	6/10/2007	7/16/2007	8/15/2007	9/1/2007	7/31/2008
UNITY CHURCH-BITTERSWEET	9/30/2007	10/31/2007	11/15/2007	12/15/2007	12/15/2008
HOMESTEAD ROAD	9/30/2007	10/31/2007	11/15/2007	12/15/2007	12/15/2008
GATESVILLE ROAD	9/30/2007	10/31/2007	11/15/2007	12/15/2007	12/15/2008
GEORGETOWN ROAD BOOSTER	9/30/2007	10/31/2007	11/15/2007	12/15/2007	12/15/2008
LAKE LEMON WATER STORAGE TANK	, , , , , , , , , , , , , , , , , , , ,		6/1/2007	6/15/2007	12/15/2007

December-08 August-08 | September-08 | October-08 | November-08 Description MT. NEBO BOOSTER
WALLOW HOLLOW ROAD
CLAY LICK ROAD
TIMBER CREST ROAD
SALT CREEK ROAD
CLAY LICK-TIMBER CREST
UNITY CHURCH-BITTERSWEET
HOMESTEAD ROAD
GATESVILLE ROAD
GATESVILLE ROAD
GEORGETOWN ROAD BOOSTER
LAKE LEMON WATER STORAGE TANK Bidding Award Contract Construction Substantial completion Request IDEM review

TABLE 3

Brown County Water PER Construction Schedule

Project	Total	Estimate	d Construction	n Cost	June-07	July-07	August-07	September-07	October-07	November-07		January-08	February-08	March-08
MT. NEBO BOOSTER	-	- North Hall	\$41,200	· ·				\$2,060	\$6,180	\$6,180	\$6,180	\$4,120	\$2,060	\$2,060
WALLOW HOLLOW ROAD			\$214,500					\$10,725	\$32,175	\$32,175	\$32,175	\$21,450	\$10,725	\$10,725
CLAY LICK ROAD			\$211,900			.*		\$10,595	\$31,785	\$31,785	\$31,785	\$21,190	\$10,595	\$10,595
TIMBER CREST ROAD			\$192,900					\$9,645	\$28,935	\$28,935	\$28,935	\$19,290	\$9,645	\$9,645
SALT CREEK ROAD	17.		\$116,400					\$5,820	\$17,460	\$17,460	\$17,460	\$11,640	\$5,820	\$5,820
CLAY LICK-TIMBER CREST	5		\$126,600					\$6,330	\$18,990	. \$18,990	\$18,990	\$12,660	\$6,330	\$6,330
UNITY CHURCH-BITTERSWEET	100		\$626,500								\$31,325	\$62,650	\$31,325	\$31,325
HOMESTEAD ROAD			\$96,500		•						\$4,825	\$9,650	\$4,825	\$4,825
GATESVILLE ROAD		a file of the	\$117,200								\$5,860	\$11,720	\$5,860	\$5,860
GEORGETOWN ROAD BOOSTER			\$96,300						•		\$4,815	\$9,630	\$4,815	\$4,815
LAKE LEMON WATER STORAGE TANK	κ		\$412,400								\$20,620	\$41,240	\$20,620	\$20,620
							Subtotal	\$45,175	\$135,525	\$135,525	\$202,970	\$225,240	\$112,620	\$112,620 \$969,675
Total			\$2,252,400			F	Running Total	\$45,175	\$180,700·	\$316,225	\$519,195	\$744,435	\$857,055	\$909,073
•														
Project	-			1	April-08	May-08	June-08	July-08	August-08	September-08	October-08	November-08	December-08	Total
Project MT_NERO BOOSTER				(	April-08	May-08  \$4.120	June-08	July-08	August-08	September-08	October-08 I	November-08	December-08	Total \$41,200
MT. NEBO BOOSTER	<b>J</b>			(	\$6,180	\$4,120	\$1,236	\$824	August-08	September-08	October-08 I	November-08	December-08	
MT. NEBO BOOSTER WALLOW HOLLOW ROAD	J			(	\$6,180 \$32,175	\$4,120 \$21,450	\$1,236 \$6,435	\$824 \$4,290	August-08	September-08	October-08 1	November-08	December-08	\$41,200
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD	<b>J</b>				\$6,180 \$32,175 \$31,785	\$4,120	\$1,236 \$6,435 \$6,357	\$824	August-08	September-08	October-08 I	November-08	December-08	\$41,200 \$214,500
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD	<b>]</b>				\$6,180 \$32,175 \$31,785 \$28,935	\$4,120 \$21,450 \$21,190	\$1,236 \$6,435	\$824 \$4,290 \$4,238	August-08	September-08	October-08 I	November-08	December-08	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD	<b>]</b>				\$6,180 \$32,175 \$31,785	\$4,120 \$21,450 \$21,190 \$19,290	\$1,236 \$6,435 \$6,357 \$5,787	\$824 \$4,290 \$4,238 \$3,858	August-08	September-08	October-08 I	November-08	December-08	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD CLAY LICK-TIMBER CREST					\$6,180 \$32,175 \$31,785 \$28,935 \$17,460	\$4,120 \$21,450 \$21,190 \$19,290 \$11,640	\$1,236 \$6,435 \$6,357 \$5,787 \$3,492	\$824 \$4,290 \$4,238 \$3,858 \$2,328	August-08	September-08	October-08   1	November-08	\$6,265	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600 \$626,500
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD CLAY LICK-TIMBER CREST UNITY CHURCH-BITTERSWEET					\$6,180 \$32,175 \$31,785 \$28,935 \$17,460 \$18,990	\$4,120 \$21,450 \$21,190 \$19,290 \$11,640 \$12,660	\$1,236 \$6,435 \$6,357 \$5,787 \$3,492 \$3,798	\$824 \$4,290 \$4,238 \$3,858 \$2,328 \$2,532					\$6,265 \$965	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600 \$626,500 \$96,500
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD CLAY LICK-TIMBER CREST UNITY CHURCH-BITTERSWEET HOMESTEAD ROAD					\$6,180 \$32,175 \$31,785 \$28,935 \$17,460 \$18,990 \$62,650	\$4,120 \$21,450 \$21,190 \$19,290 \$11,640 \$12,660 \$93,975	\$1,236 \$6,435 \$6,357 \$5,787 \$3,492 \$3,798 \$125,300	\$824 \$4,290 \$4,238 \$3,858 \$2,328 \$2,532 \$93,975	\$62,650	\$18,795	\$6,265 \$965 \$1,172	\$0 \$0 \$0	\$6,265 \$965 \$1,172	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600 \$626,500 \$96,500 \$117,200
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD CLAY LICK-TIMBER CREST UNITY CHURCH-BITTERSWEET					\$6,180 \$32,175 \$31,785 \$28,935 \$17,460 \$18,990 \$62,650 \$9,650	\$4,120 \$21,450 \$21,190 \$19,290 \$11,640 \$12,660 \$93,975 \$14,475	\$1,236 \$6,435 \$6,357 \$5,787 \$3,492 \$3,798 \$125,300 \$19,300	\$824 \$4,290 \$4,238 \$3,858 \$2,328 \$2,532 \$93,975 \$14,475	\$62,650 \$9,650	\$18,795 \$2,895 \$3,516 \$2,889	\$6,265 \$965 \$1,172 \$963	\$0 \$0 \$0 \$0	\$6,265 \$965 \$1,172 \$963	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600 \$626,500 \$96,500 \$117,200 \$96,300
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD CLAY LICK-TIMBER CREST UNITY CHURCH-BITTERSWEET HOMESTEAD ROAD GATESVILLE ROAD					\$6,180 \$32,175 \$31,785 \$28,935 \$17,460 \$18,990 \$62,650 \$9,650 \$11,720	\$4,120 \$21,450 \$21,190 \$19,290 \$11,640 \$12,660 \$93,975 \$14,475 \$17,580	\$1,236 \$6,435 \$6,357 \$5,787 \$3,492 \$3,798 \$125,300 \$19,300 \$23,440	\$824 \$4,290 \$4,238 \$3,858 \$2,328 \$2,532 \$93,975 \$14,475 \$17,580	\$62,650 \$9,650 \$11,720	\$18,795 \$2,895 \$3,516 \$2,889 \$12,372	\$6,265 \$965 \$1,172 \$963 \$4,124	\$0 \$0 \$0 \$0 \$0	\$6,265 \$965 \$1,172 \$963 \$4,124	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600 \$626,500 \$96,500 \$117,200 \$96,300 \$412,400
MT. NEBO BOOSTER WALLOW HOLLOW ROAD CLAY LICK ROAD TIMBER CREST ROAD SALT CREEK ROAD CLAY LICK-TIMBER CREST UNITY CHURCH-BITTERSWEET HOMESTEAD ROAD GATESVILLE ROAD GEORGETOWN ROAD BOOSTER	≺ Sub	otal			\$6,180 \$32,175 \$31,785 \$28,935 \$17,460 \$18,990 \$62,650 \$9,650 \$11,720 \$9,630	\$4,120 \$21,450 \$21,190 \$19,290 \$11,640 \$12,660 \$93,975 \$14,475 \$17,580 \$14,445	\$1,236 \$6,435 \$6,357 \$5,787 \$3,492 \$3,798 \$125,300 \$19,300 \$23,440 \$19,260	\$824 \$4,290 \$4,238 \$3,858 \$2,328 \$2,532 \$93,975 \$14,475 \$17,580 \$14,445	\$62,650 \$9,650 \$11,720 \$9,630	\$18,795 \$2,895 \$3,516 \$2,889	\$6,265 \$965 \$1,172 \$963	\$0 \$0 \$0 \$0	\$6,265 \$965 \$1,172 \$963 \$4,124	\$41,200 \$214,500 \$211,900 \$192,900 \$116,400 \$126,600 \$626,500 \$96,500 \$117,200 \$96,300