

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)		
EDWARDSVILLE WATER CORPORATION,)	CAUSE NO. 43869	
A NONPROFIT CORPORATION, FOR)		,
AUTHORITY TO ISSUE LONG-TERM DEBT)	APPROVED: MAD A D	ን ለ 4 ል
AND FOR APPROVAL OF A CHANGE IN)	WAR U & a	4U11
RATES AND CHARGES	1		

BY THE COMMISSION:

Carolene R. Mays, Commissioner Angela Rapp Weber, Administrative Law Judge

On March 11, 2010, Edwardsville Water Corporation ("Edwardsville") filed with the Indiana Utility Regulatory Commission ("Commission") a Verified Petition ("Petition") requesting authority to adjust its existing rates and charges and to issue long-term debt. On August 6, 2010, Edwardsville prefiled the Direct Testimony and Exhibits of Scott A. Miller, a Certified Public Accountant, and Robert E. Curry, a registered Professional Engineer. On October 28, 2010, the Office of the Utility Consumer Counselor ("OUCC") filed a Notice of Settlement, which stated the OUCC and Edwardsville reached a settlement in this Cause. On November 10, 2010, the parties filed their Joint Stipulation and Settlement Agreement ("Settlement Agreement") with supporting schedules and exhibits. In support of the Settlement Agreement, the OUCC prefiled the Settlement Testimony and Exhibits of Margaret A. Stull, a Utility Analyst II in the OUCC's Water/Wastewater Division.

Pursuant to notice as prescribed by law, the Commission conducted an evidentiary hearing in this Cause on November 22, 2010 at 10:00 a.m. in Room 222 of the PNC Center, Indianapolis, Indiana. At the hearing, Edwardsville and the OUCC offered their respective testimony and exhibits, which were admitted into the record without objection. No members of the public attended or attempted to participate in the evidentiary hearing.

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

- 1. <u>Notice and Jurisdiction</u>. Due, legal, and timely notice of these proceedings was given as required by law. Edwardsville is a "public utility" as defined in Ind. Code ch. 8-1-2 and is subject to the jurisdiction of the Commission in the manner and extent provided by Ind. Code ch. 8-1-2. Accordingly, the Commission has jurisdiction in this matter.
- 2. <u>Edwardsville's Characteristics</u>. Edwardsville is a nonprofit, rural water corporation, organized and existing under the laws of the State of Indiana. Edwardsville began providing water service in the 1960s and now serves approximately 3,800 retail customers and three wholesale customers in Floyd and Harrison Counties, Indiana. In serving its customers, Edwardsville utilizes wells, a treatment plant, and water transmission, distribution, and storage

facilities.

3. Existing Rates, Test Year, and Relief Requested. Edwardsville's existing rates and charges were established by Final Order issued by the Commission on May 9, 2007 in Cause No. 43003. Edwardsville sought approval in this matter to adjust its rates. Based on a test year ending March 31, 2010, adjusted for changes which are fixed, known, measurable, and occurring within twelve months, Edwardsville proposed in its direct case to increase its rates and charges by an average of 19.5% pursuant to Ind. Code § 8-1-2-125. If approved, Edwardsville's proposed rate adjustment would increase its pro forma annual revenues by \$365,137 to achieve a total net revenue requirement of \$2,238,076.

In addition to requesting an adjustment to its rates, Edwardsville sought authority to issue long-term debt pursuant to Ind. Code § 8-1-2-79 to construct improvements to its water facilities. Specifically, Edwardsville proposed to issue debt to the United States Department of Agriculture—Rural Development ("Rural Development") in an amount not to exceed \$1,585,000. Consistent with Rural Development's guidelines, Edwardsville proposed to repay the debt over a period of not more than forty years with an average interest rate of 4.125%.

4. Edwardsville's Prefiled Direct Testimony. In his prefiled direct testimony and exhibits, Mr. Curry described Edwardsville's current water distribution, transmission, storage, and production facilities. According to Mr. Curry, Edwardsville owns and operates water mains which range in size from two to twenty inches, along with three functioning water wells, a water treatment facility, six high service pumps, two booster stations, and five above-ground storage tanks. Mr. Curry explained that many of Edwardsville's critical facilities (including its entire well field) are vulnerable to damage caused by rising flood waters from the Ohio River. In fact, flood waters, mudslides, and storms have periodically caused a loss of electricity to Edwardsville's system, limited access to its facilities, and precluded the production of water for extended periods of time. During these times of emergency, Mr. Curry testified Edwardsville relies on a back-up source of supply from Indiana-American and water from its water storage facilities.

Mr. Curry also testified that the Nance Lane Tank, one of Edwardsville's two water storage tanks, is too small, not strategically located, and near the end of its useful life. In addition, Mr. Curry noted approximately 325 customers in the southwestern portion of Edwardsville's system are experiencing exceedingly low pressure because of small diameter, "dead-end" mains in this area. Mr. Curry recommended replacement of the Nance Lane Tank with a larger, more strategically located elevated water storage tank ("New Tank") and installation of twelve inch and eight inch water transmission mains ("Water Main Improvements") along Corydon Ridge Road in the southwestern part of Edwardsville's service area.

Mr. Curry stated the New Tank would provide a number of benefits to Edwardsville's current and future customers, including addressing the pressure problems currently experienced by customers in and around the existing Nance Lane Tank and provide more water to satisfy Edwardsville's emergency standby supply. Similarly, Mr. Curry testified the Water Main Improvements would enable Edwardsville to offer adequate pressure to customers along

Corydon Ridge Road in the southwestern part of its service area. To better explain the extent of and need for the New Tank and Water Main Improvements, Mr. Curry attached as Exhibit 3 to his testimony a Preliminary Engineering Report ("PER"). The PER described in detail Edwardsville's existing facilities and usage, the need for the New Tank and Water Main Improvements, the alternatives considered, and the estimated cost of both projects. Mr. Curry said the New Tank and Water Main Improvements were reasonable and necessary for Edwardsville to provide safe, adequate service to its customers.

Mr. Scott A. Miller presented testimony and exhibits supporting Edwardsville's proposal to adjust its rates and charges and incur long-term debt. He testified his accounting firm had been retained to assist Edwardsville and its consulting engineers with the development of a cost of service study to be used as a basis to make recommendations for changes in Edwardsville's present schedule of rates and charges. Mr. Miller reduced his recommendations to writing in the form of a written accounting report, which was attached to his testimony as Exhibit 5. Mr. Miller's accounting report was organized and divided into four sections.

- A. First Section of the Accounting Report. The first section of the accounting report contained a letter describing the accounting service provided to Edwardsville. The letter explained that the report was created for submission to Commission and was to be used for that purpose only.
- B. <u>Second Section of the Accounting Report</u>. The second section contained Edwardsville's pro forma financial information. In this section Mr. Miller presented Edwardsville's schedule of estimated project costs and funding for the New Tank, schedule of amortization for the proposed waterworks loan to Rural Development, pro forma annual operation and maintenance expenses, the estimated cost of Edwardsville's capital improvement plan (i.e., the Water Main Improvements), the normalized annual revenues, and Edwardsville's pro forma annual revenue requirements and pro forma annual operating revenue. This second section showed that Edwardsville's total annual revenue requirement is \$2,238,076. This section also showed that normalized annual revenues would need to increase by 19.5% in order to meet Edwardsville's revenue requirements.
- C. Third Section of the Accounting Report. In the third section, Mr. Miller calculated Edwardsville's rates based upon the cost of serving each class of customers. Mr. Miller also presented a comparison of the present and proposed monthly bills at selected usage amounts and a schedule of proposed rates and charges. For Edwardsville to achieve the fully allocated cost-based targets compared to test year revenues, Mr. Miller's report showed that average residential and small commercial revenues would need to be increased by 19.4% and 58.9%, respectively; large commercial revenues would need to be increased by 231.2%; and wholesale revenues should be increased by 21.8%. In this particular case, the large commercial class is represented by a school customer with high seasonal usage.

Mr. Miller explained that Edwardsville's Board of Directors believed that moving to full cost-based rates at this time would place an undue burden on the school in light of the budget difficulties schools are facing and would result in "rate shock." For this reason, Edwardsville is proposed to make only a partial move to full cost-based rates for retail customers. The proposed

rates as set forth in this section will result in an approximate 90% increase to the large commercial class, which is significant but still not full cost of service. Instead, Edwardsville proposed to maintain a subsidy of approximately \$25,000 between the residential and large commercial classes. In future rate proceedings, Mr. Miller proposed that Edwardsville move to full cost-based rates for all customers.

In this section, Mr. Miller also presented information for a proposed service run fee. Currently, Edwardsville's tariff provides for a Lock-Out Fee of \$15.00. This fee is used for turn-offs and turn-ons related to non-payment of water bills. Edwardsville proposed changing the name of this fee to a Service Run Fee to encompass a broader range of events requiring Edwardsville's personnel to visit a customer's location, including turn-offs, turn-ons, customer-requested meter reads, and other similar activities. Based on current costs, Mr. Miller proposed that the fee be increased to \$25.00 as calculated on page thirty-eight in the accounting report.

- D. <u>Fourth Section of the Accounting Report</u>. The fourth section presented certain supplemental financial data for Edwardsville. Specifically, this section included the balance sheet, a comparative statement of income and retained earnings, the comparative statement of cash flows, and a schedule showing the minimum account balances required. In addition, Mr. Miller set forth schedules showing the outstanding indebtedness of the utility, along with amortization schedules.
- OUCC's Settlement Testimony. The OUCC filed the settlement testimony and 5. exhibits of Margaret A. Stull. Ms. Stull explained the agreed-upon adjustments for commercial normalization and residential growth, adjustment to expenses for salary and wages, pensions, employee insurance, purchased water, non-recurring capital expenses, periodic maintenance, Commission fee, and taxes other than income. Ms. Stull explained the parties accepted Edwardsville's proposed test year residential growth adjustment of \$46,948, and a commercial growth adjustment of \$1,961. Operating revenues at the present rates per the Settlement Agreement also included reclassifications of test year meter service charges from other revenues to metered water revenues. This adjustment was in the amount of \$378,663. Ms. Stull stated the Settlement Agreement includes Edwardsville's proposal to reverse 2009 year-end audit adjustments in the amount of \$31,587 for sales tax reclassification and water used during construction because such revenue sources are not normal or recurring. Finally, the parties agreed to an additional revenue adjustment to reflect residential growth since the end of the test year. Ms. Stull explained that from the end of the test year of March 31, 2010 through and including August 31, 2010, Edwardsville had an increase of forty customers. Assuming average usage of 5,000 gallons per month, the Settlement Agreement included an annual increase of \$16,330 to pro forma operating revenues. Based on these adjustments, Ms. Stull testified the parties agreed that the pro forma operating revenues at present rates are \$1,900,289.

Ms. Stull stated the Settlement Agreement includes Edwardsville's proposed adjustments to purchased power and accounting contractual services. Further, Ms. Stull said purchased water expense was reduced by \$1,790 to match expenses with revenues recorded during the test year. The Settlement Agreement also reflected the parties' agreement to increase by \$766 the amount of the expense for Commission fees based on pro forma operating revenues. She testified that pursuant to the Settlement Agreement, test year salaries and wages were increased by \$11,432

because Edwardsville's actual pay rates were lower than projected and because of reduced medical premium reimbursements.

Ms. Stull stated test year pension expenses were increased by \$3,243. Since Edwardsville filed its case-in-chief, additional employees became eligible for this benefit necessitating an increase to the adjustment. She stated test year employee insurance expense has increased by \$25,227 per the Settlement Agreement compared to Edwardsville's initial proposed increase of \$5,177. Ms. Stull explained that the adjustment was necessary as a result of an increase in Edwardsville's insurance premiums. The amount of the increase was minimized by the fact that Edwardsville's employees are responsible for 40% of the premiums for dependent coverage, and this reimbursement was included when calculating the pro forma insurance expense.

Ms. Stull further explained the OUCC proposed, and Edwardsville accepted, additional adjustments to purchased water expense, periodic maintenance expense, and taxes other than income. For purposes of periodic maintenance expense, the Settlement Agreement included specific language requiring Edwardsville to segregate all tank-painting funds in a restricted account to be used only for tank painting. Edwardsville may, however, seek permission to use these funds in the event that Edwardsville suffers from financial distress and is unable to make interest or principal payments on any debt issues outstanding at any time. Under such circumstances, Edwardsville has agreed to notify the OUCC and the Commission.

Ms. Stull stated the OUCC agreed that the water tank project should be completed, and that Edwardsville should be authorized to incur indebtedness in an amount not to exceed \$1,585,000. She said the Settlement Agreement further provides that Edwardsville will file a true-up report within thirty days of closing on its new loan. If the difference between Edwardsville's projected annual debt service and debt service reserve requirements would materially impact Edwardsville's rates, Edwardsville will make a revised tariff filing within thirty days of the date on which the true-up report was filed. Ms. Stull testified the Settlement Agreement further recognizes that Edwardsville shall complete each of the items listed in its capital improvement plan and should be authorized to include an amount of \$256,863 in its annual extensions and replacements budget. Finally, Ms. Stull stated the Settlement Agreement is reasonable, in the public interest, and should be approved.

6. <u>Settlement Agreement</u>. The parties submitted for the Commission's review a Settlement Agreement. A copy of the Settlement Agreement is attached to this Order and incorporated by reference. According to the parties, the Settlement Agreement fairly and reasonably resolves all issues presented in this Cause.

Pursuant to the Settlement Agreement, the parties agreed Edwardsville's revenue requirement should be increased by an average of 16.94% to produce \$319,924 in additional annual operating revenues to produce an ongoing net revenue requirement of \$2,219,832. Further, the parties agreed Edwardsville should complete construction of the New Tank and Water Main Improvement Projects and should be authorized to issue long-term debt to Rural Development in an approximate amount of \$1,585,000 (subject to a true-up of actual costs and the final interest from Rural Development). The interest rate for such long-term debt should be equal to or less than 4.5% with an amortization period not to exceed forty years. Edwardsville's

annual extensions and replacements budget should be \$256,863.

According to the Settlement Agreement, the parties agreed Mr. Miller's cost of service study complied with the principles set forth in the American Waterworks Association M-1 Manual and reasonably and rationally allocates Edwardsville's costs of serving its customer classes. Absent material changes, Edwardsville should use this cost of service study in its next rate case to further move toward the elimination of subsidies between customer classes. The parties agreed on the specific rates that should be charged to each class of Edwardsville customers.

The Settlement Agreement provided that Edwardsville should place in an interest bearing, restricted account a portion of its annual revenues to be used for tank painting. Edwardsville shall deposit into the restricted account by December 31 of each year an average annual amount of \$64,866.

Finally, pursuant to the Settlement Agreement, the parties agreed the name of Edwardsville's Lock-Out Fee should be changed to Service Run Fee, and the amount of the fee should be increased to \$25.00. Edwardsville should include in its Annual Report a section on water conservation. Edwardsville agreed to accept the OUCC's operations and maintenance expense adjustments for commercial revenue normalization, residential customer growth, salaries and wages, pensions, employee insurance benefits, purchased water, non-recurring/capital expenses, maintenance expense, Commission fees, and payroll taxes.

7. <u>Commission Findings.</u> The Commission begins with the general statement that settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Corp.*, 735 N.E.2d 790, 803 (Ind. 2009). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406.

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

Based on the evidence presented in this Cause, the Commission finds that the Settlement Agreement represents a comprehensive resolution to the issues presented in this matter, is in the public interest, and should be approved in its entirety. We find, therefore, that Edwardsville's rates should be increased by an average of 16.94%, in accordance with Exhibit B attached to the Settlement Agreement, so as to produce \$319,924 in additional annual revenues. Edwardsville's revenue requirements approved herein are summarized as follows:

Operation & Maintenance	\$	1,134,309
Taxes Other Than Income Taxes		39,136
Debt Service		770,959
Debt Service Reserve		29,948
Replacements and Improvements		256,863
Total Revenue Requirements		2,231,215
Less: Interest Income		11,383
Total Net Revenue Requirements		2,219,832
Less: Revenues at Existing Rates		1,888,613
Other Revenues at Current Rates		11,676
Revenue Increase Required		319,543
Add IURC Fee		381
Total Recommended Increase	\$_	319,924

The parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce the terms. However, with regard to future citation of the Settlement Agreement, the Commission finds that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, (*Ind. Util. Reg. Comm'n*, March 19, 1997).

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

- 1. The Joint Stipulation and Settlement Agreement is hereby approved and the terms and conditions thereof are incorporated herein as part of this Order. The parties shall comply with the provisions of the Joint Stipulation and Settlement Agreement.
- **2.** Edwardsville is hereby authorized to increase its rates and charges, including the proposed Service Run Fee, as provided in this Order.
- **3.** Edwardsville is hereby authorized to issue long-term debt as provided in this Order.
- 4. Edwardsville shall make a true-up filing with the Commission within thirty days of the closing of the financing to reflect the final cost of the projects, the actual principal amount of the bonds, the interest rate of the debt, the financing term, actual average annual debt service requirements, and the actual impact on Edwardsville's metered rates. If the actual impact on Edwardsville's metered rates is materially different than the increase approved herein,

Edwardsville shall file with the Commission's Water/Sewer Division an amended tariff within fifteen days of the filing of the true-up report consistent with the findings set forth herein. Such tariff shall be effective on and after approval of the tariff by the Water/Sewer Division.

- 5. Within thirty days of this Order Edwardsville shall file new schedules of rates and charges, consistent with this Order, with the Commission's Water/Sewer Division. New rates and charges shall be effective on and after approval by the Water/Sewer Division.
 - **6.** This Order shall be effective on and after the date of its approval.

ATTERHOLT, LANDIS, MAYS, AND ZIEGNER CONCUR; BENNETT ABSENT:

APPROVED: MAR 0 2 2011

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

STATE OF INDIANA

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INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)	
EDWARDSVILLE WATER CORPORATION,)	
A NONPROFIT CORPORATION, FOR)	CAUSE NO. 43869
AUTHORITY TO ISSUE LONG-TERM DEBT)	
AND FOR APPROVAL OF A CHANGE IN)	
RATES AND CHARGES.)	

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement ("Settlement Agreement") is entered into this 10th day of November, 2010, by and between Edwardsville Water Corporation ("Edwardsville") and the Office of the Utility Consumer Counselor ("OUCC"), who stipulate and agree for purposes of settling all matters in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of all issues in this Cause, subject to their incorporation in a final order of the Indiana Utility Regulatory Commission ("Commission").

Terms and Conditions of Settlement Agreement

- 1. <u>Requested Relief.</u> On March 11, 2010, Edwardsville initiated this Cause by filing a Petition with the Commission requesting authority to adjust its existing rates and charges and issue long-term debt. Edwardsville's existing rates were established by a final Commission order in Cause No. 43003 dated May 9, 2007.
- 2. <u>Prefiled Evidence of Parties</u>. In support of its Petition, Edwardsville filed the Prefiled Testimony and Exhibits of Robert E. Curry, P.E., and Scott A. Miller, CPA on August 6, 2010. On November 10, 2010, the OUCC prefiled the Settlement Testimony and Exhibits of Margaret A. Stull.

- 3. <u>Settlement</u>. Through analysis, discussion, and negotiation, as aided by their respective technical staff and experts, Edwardsville and the OUCC have now agreed on the terms and conditions as described herein that resolve all issues between them in this Cause.
- 4. Revenue Requirement, Rates, and Charges. The parties agree that Edwardsville should be authorized to increase its rates and charges for water service to reflect ongoing net revenue requirements in the amount of \$2,219,832, resulting in an annual increase of \$319,924 or 16.94% over Edwardsville's current revenues at existing rates. Attached to the Settlement Agreement as Exhibit A is a schedule that summarizes the agreed upon revenue requirement and resulting increase.
- 5. Operation and Maintenance Adjustments. After review and examination, Edwardsville has agreed to the OUCC's proposed adjustments for commercial revenue normalization, residential customer growth, salaries and wages, pensions, employee insurance benefits, purchased water, non-recurring/capital expenses, maintenance expense, IURC fees and payroll taxes
- 6. Authority to Issue Long-Term Debt. The parties stipulate and agree that Edwardsville should be authorized to fund construction of a new one (1) million gallon elevated storage tank (and related facilities) (collectively, the "Project") through the issuance of long-term debt to the United States Department of Agriculture Rural Development ("Rural Development"). Specifically, the parties agree that Edwardsville should be authorized to issue long-term debt to Rural Development in an amount not to exceed \$1,585,000 at an interest rate that is less than or equal to 4.5% and an amortization period not to exceed forty (40) years. Upon completion of the Project, Edwardsville will file a true-up report reflecting the actual interest rate(s), the amount borrowed, annual cost of debt service, and the cost of construction.

Edwardsville will then true-up its rates unless the OUCC agrees that such rates are not materially impacted.

- Extensions and Replacements. In its prefiled testimony and exhibits, Edwardsville proposed to use a portion of its revenues from rates to complete certain extensions and replacements to its water system. These extensions and replacements specifically include 8,850 feet of 12" inch water main, new meters, and 9,000 feet of 8" water main. The parties stipulate and agree that these projects should be completed, and Edwardsville should be authorized to include an amount in rates (in its Extensions and Replacements budget) that will enable Edwardsville to fund completion of the same. The parties agree that the appropriate amount for Edwardsville's Extensions and Replacements budget is \$256,863.
- 8. Restricted Funds. To ensure maintenance of Edwardsville's water system, Edwardsville shall place a portion of its annual revenues in a special interest bearing, restricted account. Edwardsville will make an average annual transfer of \$64,866 to this restricted account no later than December 31 of each calendar year. The annual deposited monies represent the average annual amount for tank painting. Edwardsville my withdraw funds from this restricted account to maintain and paint its water storage facilities.
- 9. <u>Cost of Service Study</u>. The parties agree that the cost of service study prepared by Edwardsville's witness, Mr. Miller, complies with the principles set forth in the American Waterworks Association M-1 Manual and establishes a reasonable, rationale basis to allocate the cost of serving Edwardsville's various classes of customers. Absent significant and material changes in Edwardsville's consumer usage characteristics, the parties agree that in its next rate case Edwardsville shall use the cost of service study that was presented in this case as the basis for additional moves toward eliminating any remaining subsidies among Edwardsville's various

customer classes. The parties further agree that <u>Exhibit B</u> attached hereto details the correct rates based on Mr. Miller's cost of service study.

- 10. Proposed Service Run Fee. Petitioner proposed as part of its evidence in this case changing the name of its current "Lock Out Fee" to a "Service Run Fee" and increasing the amount of the newly titled fee to \$25.00. The purpose of these changes is twofold. First, the intent of the new title is to broaden the applicability of the fee to include a wider range of events requiring Petitioner's personnel to visit the customer's location including turn-offs, turn-ons, customer requested meter reads and other similar activities. The second purpose of the change is to bring the amount of the fee in line with the current cost of providing these types of services to its customers. The parties hereby agree that changing the name of the existing fee to "Service Run Fee" and increasing the amount to \$25.00 is reasonable and should be approved.
- 11. <u>Water Conservation</u>. Petitioner agrees that it will include in its IURC Annual Report a section on water conservation. This section of the report shall include a description of water conservation actions undertaken by the utility during the year and planned actions for the upcoming year.
- 12. Admissibility and Sufficiency of Evidence. The parties hereby stipulate to the admission without objection of the Prefiled Direct Testimony and Exhibits of Robert Curry and Scott A. Miller, as well as the Settlement Testimony and Exhibits of Margaret Stull and John Dahlstrom. The parties further agree that such evidence constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

- Non-Precedential Effect of Settlement. The parties agree that the facts in this Cause are unique and all issues presented fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process, except as provided herein, and is without prejudice to and shall not constitute a waiver of any position that either party may take with respect to any issue in any future regulatory or non-regulatory proceeding.
- 14. <u>Authority to Execute</u>. The undersigned have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients who will hereafter be bound thereby.
- Approval of Settlement Agreement in its Entirety. As a condition of this settlement, the parties specifically agree that if the Commission does not approve this Joint Stipulation and Settlement Agreement in its entirety and incorporate it into the Final Order as provided above, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the parties. The parties further agree that in the event the Commission does not issue a Final Order in the form that reflects the Agreement described herein, the matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed to by the parties in a writing that is filed with the Commission.
- 16. <u>No Other Agreements</u>. There are no agreements in existence between the parties relating to the matters covered by this Settlement Agreement that in any way affect this Settlement Agreement.

L'Christopher Janak, Attorney No. 18499-49

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INDIANA OFFICE OF THE UTILITY

Jeffrey M. Reed, Attorney No. 11651-49 Deputy Consumer Counselor

115 West Washington Street, Suite 1500S

Office of Utility Consumer Counselor

CONSUMER COUNSELOR

Fax: (317) 232-5923

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Joint Stipulation and Settlement Agreement was served upon the following by electronic mail this $10^{\frac{1}{10}}$ day of November, 2010:

Jeffrey M. Reed Indiana Office of Utility Consumer Counselor 115 West Washington Street, Suite 1500 South Indianapolis, IN 46204 jreed@oucc.in.gov

Christopher anak

Bose McKinney & Evans LLP 111 Monument Circle, Suite 2700 Indianapolis, IN 46204 (317) 684-5000

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Comparison of Petitioner's and Settlement's Revenue Requirements

	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$ 1,181,657	\$ 1,134,309	4	\$ (47,348)
Taxes other than Income	34,470	39,136	4	4,666
Extensions and Replacements	239,818	256,863	7	17,045
Working Capital		-		-
Debt Service - Current	693,454	692,445	8	(1,009)
Debt Service - Proposed	81,797	78,514	8	(3,283)
Debt Service Reserve - Current	21,768	21,768		-
Debt Service - Proposed	8,180	8,180		
Total Revenue Requirements	2,261,144	2,231,215		(29,929)
Less: Interest Income	(11,338)	(11,383)	3	(45)
Other Income	-	-		-
Add: Other Expenses				
Net Revenue Requirements	2,249,806	2,219,832		(29,974)
Less: Revenues at current rates subject to increase	(1,872,939)	(1,888,613)	4	(15,674)
Other revenues at current rates	(11,730)	(11,676)	4	54
Net Revenue Increase Required	365,137	319,543		(45,594)
Add: Additional IURC Fee	-	381		381
Recommended Increase	\$ 365,137	\$ 319,924		\$ (45,213)
Recommended Overall Percentage Increase	19.50%	16.94%		-2.56%
Recommended Overall Percentage Increase	19.50%	16.94%		-2.56%

Pro-forma Net Operating Income Statement

	Year Ended 3/31/2010	Adjustments	Sch Ref	Pro-forma Present Rates	Adjustments	Sch Ref	Pro-Forma Proposed Rates
Operating Revenues							
Metered Water Sales	\$ 1,476,298			\$ 1,888,613	\$ 319,924	1	\$ 2,208,537
Residential Normalization		46,948	Pet				
Commercial Normalization		1,961	5-1				
Residential Growth since TY		16,330	5-2				
Reverse Audit Adjustments		(31,587)	5-3				
Reclass Meter Service Charge		378,663	5-5				
Other	326,387	83,752	5-4	11,676			11,676
Reclass Meter Service Charge		(378,663)	5-5				
Reclass 2010 Impact Fees		(19,800)	5-6				
Total Operating Revenues	1,802,685	97,604		1,900,289	319,924		2,220,213
O&M Expense	1,120,867			1,134,309			1,134,690
Salaries & Wages	•	11,432	6-1				
Pensions		3,243	6-2				
Employee Insurance		25,227	6-3				
Purchased Power		(2,193)	Pet				
Purchased Water		(1,790)	6-4				
Non-recurring / Capital Expenses		(43,468)	6-5				
Contract Charges Accounting		(10,600)	Pet				
Periodic Maintenance		30,824	6-6				
IURC Fee		767	6-7		381		
Depreciation Expense	297,561			297,561			297,561
Amortization Expense	87,504			87,504			87,504
Taxes Other than Income	33,290	5,846	6-8	39,136			39,136
Total Operating Expenses	1,539,222	19,288		1,558,510	381		1,558,891
Net Operating Income	\$ 263,463	\$ 78,316		\$ 341,779	\$ 319,543		\$ 661,322

Revenue Adjustments

(1) <u>Commercial Revenue Normalization</u>

To adjust for residential customer growth during the test year.

	Number of Customers	Customer Growth	Billings Remaining	Additional Annual Bills	Consumption (Thousands of Gallons)	Sales		
							•	
Apr-09	39				308,100	\$ 1,468		
May-09	38	(1)	1	(1)	374,300	1,750		
Jun-09	38	_	2	-	428,100	1,939		
Jul-09	37	(1)	3	(3)	474,600	2,090		
Aug-09	39	2	4	8	461,600	2,058		
Sep-09	39	-	5	-	446,100	2,040		
Oct-09	38	(1)	6.	(6)	405,100	1,847		
Nov-09	39	1	7	7	426,900	1,955		
Dec-09	41	2	8	16	371,300	1,702		
Jan-10	42	1	9	9	328,500	1,533		
Feb-10	42	-	. 10	-	458,200	1,982		
Mar-10	42	-	11	_	354,100	1,642		
	474			30	4,836,900	22,006		
	Test Year co	mmercial wa	ter revenues			\$ -		
			nmercial custo	omer billings		 474		
		-	ercial monthly			\$ 65.38		
	Times: Addi	tional comm	ercial annual	billings		 30		
			Adjustment	Increase (De	crease)		\$	1,9

Revenue Adjustments

(2)

Residential Customer Growth

To adjust for residential customer growth since the end of the test year.

Residential Customer Count August 31, 2010 3,840		
Residential Customer Count March 31, 2010 3,800	_	
Increase in Residential Customers 40	_	
Times: 12 months x 12	<u>.</u>	
Increase in residential billings	_	480
Times: Average Residential Bill (5,000 gallons)	_\$	34.02

Adjustment Increase (Decrease)

\$ 16,330

(3)

Reverse Audit Adjustments

To reverse non-recurring year end audit adjustments for ratemaking purposes.

Year End JE#109 Reconcile sales tax payable	Residential Sales	\$ (22,787)
Year End JE#121 Reclassify water used during construction	Commercial Sales	(8,800)

Adjustment Increase (Decrease)

\$ (31.587

(4) Other Revenues

To correct facilities charges recorded during the test year.

	$\mathbf{A}\mathbf{s}$	C	Correct		
	Recorded	R	evenues	D	<u>ifference</u>
March Usage recorded in April 2009 GL	\$ 101,400	\$	31,551	\$	(69,849)
April Usage recorded in May 2009 GL	126,843		31,529		(95,314)
Year End Adjustment recorded to Dec 2009 GL	(248,915)				248,915
	\$ (20,672)	\$	63,080	\$	83,752

Adjustment Increase (Decrease)

\$ 83,752

Revenue Adjustments

(5)

Reclassify Meter Service Charges

To reclassify meter service charges from other revenues to metered water sales.

Mar 2009 Consumption	Apr 2009 GL	\$ 31,551
Apr 2009 Consumption	May 2009 GL	31,529
May 2009 Consumption	Jun 2009 GL	31,569
Jun 2009 Consumption	Jul 2009 GL	31,081
Jul 2009 Consumption	Aug 2009 GL	31,610
Aug 2009 Consumption	Sep 2009 GL	31,596
Sep 2009 Consumption	Oct 2009 GL	31,605
Oct 2009 Consumption	Nov 2009 GL	31,592
Nov 2009 Consumption	Dec 2009 GL	31,605
Dec 2009 Consumption	Jan 2010 GL	31,634
Jan 2010 Consumption	Feb 2010 GL	31,648
Feb 2010 Consumption	Mar 2010 GL	 31,643
Total Test Year M	leter Service Charges	\$ 378,663

Adjustment -- Increase to Metered Water Sales

\$ 378,663

Adjustment -- (Decrease) to Other Revenues

\$ (378,663)

(6)

Reclassify Impact Fees

To reclassify 2010 impact fees as contributions-in-aid of construction.

January 2010 Deposits	.\$	4,400
February 2010 Deposits		4,400
March 2010 Deposits		11,000

Adjustment Increase (Decrease)

\$ (19,800)

Expense Adjustments

(1) Salaries & Wages

To adjust test year salaries and wages expense to reflect pro forma salaries and wages based on 2010 salary resolution approved by Board.

						Health	
	Pro Forma	Regular	OT	Regular	OT	Insurance	Pro Forma
	Rate	Hours	Hours	Pay	Pay	Reimb.	Pay
New Hire	12.50	2,080.00	207.75	26,000.00	3,895.31	-	29,895.31
Field Supervisor	17.50	2,080.00	373.00	36,400.00	9,791.25	-	46,191.25
Maint/Mapping	16.50	2,080.00	366.25	34,320.00	9,064.69	-	43,384.69
Maintenance	12.50	2,080.00	84.00	26,000.00	1,575.00	-	27,575.00
Office Manager	19.34	2,080.00	-	40,224.64	-	6,250.32	46,474.96
Office Personnel	11.50	2,080.00	18.50	23,920.00	319.13	-	24,239.13
Office Personnel	14.00	2,080.00	36.00	29,120.00	756.00	-	29,876.00
Operator	16.24	2,080.00	131.50	33,779.20	3,203.34	-	36,982.54
Plant Supervisor	18.65	2,080.00	171.75	38,792.00	4,804.71	-	43,596.71
Sr. Maintenance	17.50	2,080.00	268.75	36,400.00	7,054.69	-	43,454.69
Superintendent	27.48	2,080.00	-	57,164.44	-	7,332.96	64,497.40
Directors Fees							8,400.00
		22,880.00	1,657.50	382,120.28	40,464.12	13,583.28	444,567.68

Salaries and Wages
Add: On-Call Pay (\$50/week times 52 weeks)
Less: Test Year Capitalized Labor (meter installations, extensions (17,045)

Pro forma Salaries and Wages Expense \$430,123

Less: Test Year Salaries & Wages Expense (418,691)

Adjustment Increase (Decrease)

\$ 11,432

(2) <u>Pensions</u>

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

	Pro forma		
	Salaries		
Participating Employees:			
Field Supervisor	\$ 46,191.25		
Maint/Mapping	43,384.69		
Office Manager	40,224.64		
Office Personnel	29,876.00		
Operator	36,982.54		
Plant Supervisor	43,596.71		
Sr. Maintenance	43,454.69		
Superintendent	57,164.44		
Total Eligible Pro forma Salaries	\$	340,874.96	
Times: 5% Contribution Rate		5.0%	
Pro Forma Pension Expense			\$ 17,044
Less: Test Year Pension Expense			(13,801)

Adjustment Increase (Decrease)

\$ 3,243

Expense Adjustments

(3)

Employee Insurance Benefits

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

Dental/Vision --

November 2010 Brokers National Life premium invoice.

Life/Medical --

September 2010 Principal Life premium invoice

			De	pendent	Medical							
	Lif	fe/ADD		Life	E	mployee	D	ependent		Dental	Vision	Total
New Hire	\$	9.46	\$	2.32	-	336.72	\$	-	\$	32.50	\$ 3.50	\$ 384.50
Field Supervisor		9.46		2.32		423.87		639.49		94.00	17.90	1,187.04
Maint/Mapping		9.46		2.32		297.11		610.19		32.50	6.90	958.48
Maintenance		9.46		2.32		265.41		783.83		94.00	17.90	1,172.92
Office Manager		9.46		2.32		-		-		32.50	6.90	51.18
Office Personnel		9.46		2.32		336.72		183.81		66.00	3.50	601.81
Office Personnel		9.46		2.32	2.32 336.72					94.00	3.50	1,066.34
Operator		9.46		2.32		336.72		436.53		32.50	6.90	824.43
Plant Supervisor		9.46		2.32		336.72		-		32.50	6.90	387.90
Sr. Maintenance		9.46		2.32		336.72		1,076.02		94.00	17.90	1,536.42
Superintendent		9.46		2.32		-		-		32.50	3.50	47.78
Totals	\$	104.06	\$	25.52	\$	3,006.71	\$	4,350.21	\$	637.00	\$ 95.30	\$ 8,218.80
	Mor	nthly emp	olove	e insurano	ce ex	pense			\$	8,218.80		
		s: Bill Fe	-			1			•	10.00		
	Les	s: Emplo	vee I	Portion (4	0% c	of Dependen	t Pre	mium)		(1,740.08)		
		al Utility	-			•		,			6,488.72	
		es: 12 m	-								x 12	
	F	ro forma	emp	lovee ins	ırano	ce expense						\$ 77,865
	Pro forma employee insurance expense Less: Test Year employee insurance expense										 (52,638)	

Adjustment Increase (Decrease)

\$ 25,227

(4) Purchased Water

To adjust test year purchased water expense to reflect actual expense.

03.31.09	April 2009 GL	\$ 583.43
04.30.09	May 2009 GL	613.43
05.29.09	June 2009 GL	641.10
06.30.09	July 2009 GL	767.14
07.31.09	Aug 2009 GL	1,963.23
08.31.09	Sep 2009 GL	1,011.57
09.30.09	Oct 2009 GL	594.91
10.30.09	Nov 2009 GL	605.80
11.30.09	Dec 2009 GL	596.12
12.31.09	Jan 2010 GL	600.93
01.29.10	Feb 2010 GL	629.08
02.26.10	Mar 2010 GL	600.93
		\$ 9,207.67

Total Purchased Water Expense

Less: Test Year Purchased Water Expense per GL

\$ 9,208 (10,998)

Adjustment Increase (Decrease)

\$ (1,790)

Expense Adjustments

(5)

Non-recurring/Capital Expenses

To eliminate test year expenditures that are considered non-recurring or capital in nature.

Oct-09	Lambs Heating & A/C	Air conditioning unit	(capital)	\$ (6,385)
Jul-09	DEQ	Install meters & exhaust fan	(capital)	(1,057)
Apr-09	DEQ	Install emergency generator	(capital)	(1,500)
Jan-10	Weld-Rite Supply	Millermatic 212 Auto Set 200/208/230 V	(capital)	(1,499)
Aug-09	USA Blue Book	C7 Series Pump 100 PSI (Polyme	(capital)	(1,186)
Feb-10	DRAW	Topography Map - Riley Property	(capital)	(1,995)
Apr-09	DRAW	Prepare easements for recording (Tandy Road	(capital)	(2,010)
Feb-10	S&M Precast	Concrete tank at treatment plant	(capital)	(1,585)
May-09	H.J. Umbaugh	Arbitrage services - SRF Debt	(non-recurring)	(5,325)
Jan-10	Robert Curry & Assoc.	Water project engineering	(capital)	(4,855)
Feb-10	Robert Curry & Assoc.	Water project engineering	(capital)	(660)
Mar-10	Robert Curry & Assoc.	Water project engineering	(capital)	(2,285)
Various	Temporary Labor	Tandy waterline project	(capital)	 (13,126)

Adjustment Increase (Decrease)

\$ (43,468)

(6

Maintenance Expense

To adjust test year expense to reflect annual maintenance expenses associated with existing utility plant.

Well Cleaning	3	\$	15,000	\$ 45,000	3	\$ 15,000
Well Pumps and motors	3		7,500	22,500	3	7,500
High Service Pumps	6		3,000	18,000	3	6,000
Low Service Pumps	2		2,000	4,000	3	1,333
Filter Media Replacement	4		15,000	60,000	10	6,000
Tank Maintenance						
Farnsey Knob	570,000 Gal -	- Gro	und	65,000	15	4,333
Frank Ott	125,000 Gal -	-Ele	vated	105,000	15	7,000
Mt. Saint Francis	1,000,000 Gal	- Ele	evated	350,000	15	23,333
Edwardsville	500,000 Gal	- El	evated	153,000	15	10,200
Riley Ridge	1,000,000 Gal	- Ele	evated	300,000	15	20,000
•						

Pro formaAnnual Maintenance Expense\$ 100,699Less: Test Year Périodic Maintenance Expense(69,875)

Adjustment Increase (Decrease)

30,824

Expense Adjustments

(7) IURC Fee

To adjust test year IURC fees to reflect current fee as of July 2010.

Pro forma Present Rate Revenues Times: Current IURC Fee Pro forma IURC Fee Less: Test Year IURC Fee Expense \$ 1,900,289 0.00118925 \$ 2,260 (1,493)

34,208

Adjustment Increase (Decrease)

\$ 767

(8)
Payroll Taxes

To adjust test year payroll tax expense to reflect pro forma salaries and wages.

Pro formaSalaries and Wages (per Adjustment 6-1)\$ 447,168Times:FICA Tax Rate7.65%Pro formaFICA Tax Expense

Pro formapayroll subject to unemployment tax\$ 77,000Times:FUTA/SUTA Rate6.40%Pro formaFUTA/SUTA4,928

Pro formaPayroll Tax Expense\$ 39,136Less:Test Year Payroll Tax Expense(33,290)

Adjustment Increase (Decrease)

\$ 5,846

Extensions and Replacements

To reflect the average amount of extensions and replacements required over a five year period.

	Year 1	Year 2	Year 3	Total
Corydon Ridge Road 8850 ft. of 12" water main (Part A)	\$ 162,318	\$ 162,318	\$ 162,317	\$ 486,953
Meter Replacement Program (500 meters @ \$155)	77,500	77,500	77,500	232,500
Capitalized Labor	17,045	17,045	17,045	51,135
	\$ 256,863	\$ 256,863	\$ 256,862	\$ 770,588
Divide by 3 Years				3
Average Annual Extensions and Replacements				\$ 256,863

Debt Service

To reflect the average amount of debt service required over a five year period.

	2011	2012	2013	2014	2015	Total
1998 Tax Exempt Refunding Revenue Bonds						
1999 Tax Exempt Revenue Bonds, Series "B"	27,500	27,500	27,500	27,500	27,500	137,500
1999 Taxable Revenue Bonds, Series "C"	193,013	195,038	196,338	191,913	192,125	968,427
2005 Tax Exempt Refunding Revenue Bonds	280,338	282,338	283,623	279,273	294,485	1,420,057
2008 Taxable Revenue Bonds	108,009	107,957	108,838	108,621	108,337	541,762
Capmark Loans	82,008	82,008	82,008	82,008	66,447	394,479
Proposed Debt - \$1,585,000	65,381	81,797	81,797	81,797	81,797	392,569
(no principal payment until 2012)	\$ 756,249	\$ 776,638	\$ 780,104	\$ 771,112	\$ 770,691	\$ 3,854,794
Divide by 5 years						5
Average Annual Debt Service						\$ 770,959
Current Debt Service						\$ 692,445
Proposed Debt Service						78,514
						\$ 770,959

PRO FORMA ANNUAL OPERATING REVENUE AT ADJUSTED RATES AND CHARGES BASED UPON ALLOCATED COST OF SERVICE

		Percent of Use	Billing Determ		Allocated Cost of	Projected Revenue Under Adjusted
Residential:		of Use	Consumption (1000's of Gals)	Bills	Service Rates	Rates
Base Charge:			(,			
5/8 inch meter				45,665	\$6.44	\$294,083
l inch meter I 1/2 inch meter				50 12	14.15 27.00	708 324
1 1/2 mon moto.				•-		-2.
Volume Charge:	o "	25 (25)				1 000 014
First 15,000 Next 110,000	Gallons	95.62% 3.89%	206,191.5 8,389.6		6.35 6,30	1,309,316 52,854
Over 125,000		0.49%	1,061.8		5,80	6,158
Sub-totals		100.00%	215,642.9	45,727		1,663,443
Small Commercial Base Charge:						
5/8 inch meter				1,431	\$6.44	9,216
I inch meter				120	14,15	1,698
1 1/2 inch meter				72	27.00	1,944
2 inch meter				81	42.42	3,436
Volume Charge;						
	Gallons	46.64%	8,061.4		6.35	51,190
Next 110,000		43.81%	7,573.4		6.30	47,712
Over 125,000	Gallons	9.55%	1,651.2		5.80	9,577
Sub-totals		100.00%	17,286.0	1,704_		124,773
Large Commercial: Base Charge:						
6 inch meter				12	258,31	3,100
Volume Charge:						
,	Gallons	4.08%	180.0		6.35	1,143
Next 110,000 Over 125,000		29.31% 66.61%	1,293,4 2,939,1		6.30 5.80	8,148 17,047
Over 125,000	Gallons	00.0178	2,333.1		5.80	17,047
Sub-totals		100.00%	4,412.5	12		29,438
Wholesale:						
Town of Greenville		100.000/	04.030.0		61.71	164.006
All Gallons Service Charge		100.00%	96,038.2	12	\$1.71 7.865.00	164,225 94,380
del vice charge					1,002.00	
Sub-totals						258,605
Town of Lanesville						
All Gallons		100.00%	22,432.0	10	1.71	38,359
Service Charge				12	4,935.00	59,220
Sub-totals						97,579
Town of Elizabeth						
All Gallons		100.00%	-		1.71	0
Service Charge				12_	2,895,00	34,740
Sub-totals						34,740
Total			355,811.6	47,479		\$2,208,578
Control						\$2,208,537
Variance						\$41

COMPARISON OF ALLOCATED COST OF SERVICE WITH REVENUE UNDER ADJUSTED RATES

	Cost of	Normalized Revenue Under Existing	Increase/(I	Decrease)	Cost of	Revenue Under Adjusted	Variance B Adjusted R and Cost of	evenues	Net Increase Derived From Rates and Subsidy
Customer Classification	Service	Rates	%	Amount	Service	Rates	%	Amount	%
Residential	\$1,636,659	\$1,465,419	11.69%	\$171,240	\$1,636,659	\$1,663,443	1.64%	\$26,784	13.5%
Small Commercial	127,148	83,844	51.65%	43,304	127,148	124,773	-1.87%	(2,375)	48.8%
Large Commercial	53,248	16,346	225.76%	36,902	53,248	29,438	-44.72%	(23,810)	80.1%
Wholesale:									
Town of Greenville	251,091	201,357	24.70%	49,734	251,091	258,605	2.99%	7,514	28.4%
Town of Lanesville	105,625	84,897	24.42%	20,728	105,625	97,579	-7.62%	(8,046)	14.9%
Town of Elizabeth	34,766	36,750		(1,984)	34,766	34,740	-0.07%	(26)	5.5%
Totals	\$2,208,537	\$1,888,613	16.94%	\$319,924	\$2,208,537	\$2,208,578	0.00%	\$41_	16.94%

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

				Monthly Rate Per 1,000 Gallons				
(A)	Metered Con	nsumption		Present (1)	Proposed			
	First Over		gallons gallons	\$5.91 3.38				
	First Next Over	15,000 110,000 125,000			\$6.35 6.30 5.80			
(B)	Service Cha	rge		Per Mo	ont h			
				Present (1)	Proposed			
(C)	5/8 or 3/4 1 1 1/2 2 3 4 6 8 Sales for Re	inch meter inch meter inch meter inch meter inch meter inch meter inch meter inch meter		\$4.47 6.28 8.10 13.04 49.23 62.65 93.97 129.76	\$6.44 14.15 27.00 42.42 78.41 129.81 258.31 412.52			
	Town of Eli	zabeth:		Present (1)	Proposed			
	Monthly s	service char ate per 1,00		\$3,062.52 1.42	\$2,895.00 1.71			
	-	nesville: service char ate per 1,00		4,420.36 1.42	4 , 935.00 1.71			
		eenville: service char ate per 1,00		6,775.73 1.25	7,865.00 1.71			

(1) Current rates and charges were approved pursuant to the Order in IURC Cause No. 43003 Phase II dated May 9, 2007.

(Continued on next page)

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

					Per Annum				
Fire	Protection S	Service Charge			Present (1)	Proposed			
	Automatic	sprinklers		·					
	6 inch con	nection			\$782.63	\$915.21			
Men	nbership Fee	:			\$100.00 \$100.0				
Тар	Charge								
	5/8 inch				\$600.00	\$600.00			
	Larger than	n 5/8 inch			At Cost	At Cost			
Insufficient Funds Charge					\$25.00 \$25.0				
Lock Out Fees					\$15.00	-			
Service Run Fee						\$25.00			
Mete	er Tampering	g Fee			\$40.00 \$40.00				
Coll	ection and D	eferred Payment	Charge		10% of first \$3.00 10% of first \$3 3% of excess 3% of exc				
Syste	em Developr	ment Charge*							
	Met	er Size							
	5/8 - 3/4	inch meter			\$1,100.00	\$1,100.00			
	1	inch meter			2,750.00	2,750.00			
	1 1/2	inch meter			5,500.00	5,500.00			
	2	inch meter			8,800.00	8,800.00			
	3	inch meter			16,500.00	16,500.00			
	4	inch meter			27,500.00	27,500.00			
	6	inch meter			55,000.00	55,000.00			
	8	inch meter			88,000.00	88,000.00			

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

⁽¹⁾ Current rates and charges were approved pursuant to the Order in IURC Cause No. 43003 Phase II dated May 9, 2007.

Reconciliation of Net Operating Income Statement Adjustments *Pro-forma* Present Rates

	Per Petitioner		Per Settlement		Settlement More (Less)	
Operating Revenues						
Residential Normalization	\$	46,948	\$	46,948	\$	-
Commercial Normalization		2,671		1,961		(710)
Residential Growth since TY		-		16,330		16,330
Reverse Audit Adjustments		(31,587)		(31,587)		-
Meter Service Charge		83,752		83,752		-
Reclass 2010 Impact Fees		(19,800)		(19,800)		-
Total Operating Revenues		81,984		97,604		15,620
O&M Expense						
Salaries & Wages		33,545		11,432		(22,113)
Pensions		1,479		3,243		1,764
Employee Insurance		5,177		25,227		20,050
Purchased Power		(2,193)		(2,193)		-
Purchased Water		-		(1,790)		(1,790)
Non-recurring / Capital Expenses		(27,311)		(43,468)		(16,157)
Contract Charges Accounting		(10,600)		(10,600)		-
Periodic Maintenance		60,741		30,824		(29,917)
IURC Fee		~		767		767
Depreciation Expense		_		-		_
Amortization Expense		-		_		_
Taxes Other than Income		1,179		5,846		4,667
Total Operating Expenses		62,017		19,288		(42.720)
Total Operating Expenses		02,017		17,200		(42,729)
Net Operating Income	\$	19,967	\$	78,316	\$	58,349

COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	March 31 2010	December 31 2009	1 December 31 2008	
Utility Plant:		,		
Utility Plant in Service	\$ 14,652,577	\$ 14,637,805	\$ 14,497,303	
Construction Work in Progress	64,654	64,654	64,654	
Less: Accumulated Depreciation	(4,155,350)	(4,155,350)	(3,895,561)	
Net Utility Plant in Service	10,561,881	10,547,109	10,666,396	
Restricted Assets:				
Debt Service Fund	155,864	155,864	146,684	
Debt Service Reserve	1,088,114	979,786	862,765	
Impact Fees	261,705	241,751	215,351 ((a)
Total Restricted Assets	1,505,683	1,377,401	1,224,800	,
Current Assets:				
Cash and Cash Equivalents	295,594	277,077	376,182	
Accounts Receivable	176,135	167,144	146,285	
Materials and Supplies	73,063	74,008	77,384	
Prepaids	29,342	29,342	40,408	
Other Current Assets	449	449_		
Total Current Assets	574,583	548,020	640,259	
Deferred Debits				
Bond Issuance Costs, net	312,185	312,185	345,497	
Deferred rate case expense	-	-	49,407	
Other Deferred Debits	76,919	76,919	81,704	
Total Deferred Debits	389,104	389,104	476,608	
Total Assets	\$ 13,031,251	\$ 12,861,634	\$ 13,008,063	

⁽a) 2009 Balance of \$241,751 less calendar year 2009 Impact Fees of \$26,400 per Edwardsville Water Corp. 2009 IURC Annual Report.

COMPARATIVE BALANCE SHEET

LIABILITIES	March 31 2010	December 31 2009	December 31 2008	
Equity	<u> </u>			
Retained Earnings	\$ 2,599,626	\$ 2,454,964	\$ 2,413,623	
Paid in Capital	÷ , ,	- -	-,,	
1	2,599,626	2,454,964	2,413,623	
Contributions in Aid of Construction	4,272,658	4,252,489	4,200,538	
Long-term Debt			•	
Bonds Payable, less current portion	4,863,801	4,863,801	5,058,204	
Long-term Debt, less current portion	432,112	445,945	498,972	
Total Long-term Debt	5,295,913	5,309,746	5,557,176	
Current Liabilities				
Accounts Payable	2,760	2,760	4,226	
Current Portion of Bonds Payable	355,000	355,000	338,000	
Current Portion of Long-term Debt	57,489	57,489	54,698	
Accrued Liabilities	20,586	3,402	17,605	
Accrued Interest	43,243	43,243	45,904	
Customer Deposits	383,976	382,541	376,293	
Other Current Liabilities	863,054	844,435	836,726	
Total Liabilities	\$ 13,031,251	\$ 12,861,634	\$ 13,008,063	

COMPARATIVE INCOME STATEMENT Twelve Months Ended

•	March 31 2010	December 31 2009	December 31 2008
Operating Revenues			
Metered Water Sales			
Residential	\$ 1,277,515	\$ 1,284,931	\$ 1,336,694
Commercial	31,537	31,255	25,719
Sales for Resale	167,246	164,590	187,064
Other	326,387	394,684	394,578
Total Operating Revenues	1,802,685	1,875,460	1,944,055
Operating Expenses	410.601	44.44.7	160.000
Salaries and Wages	418,691	414,415	460,328
Employee Benefits	66,439	64,862	102,009
Purchased Water	10,998	10,397	4,813
Purchased Power	158,246	157,527	135,774
Chemicals	21,021	25,270	37,230
Materials and Supplies	168,963	208,772	170,712
Contractual Services			
Engineering	21,245	16,763	12,324
Accounting	32,531	38,851	66,266
Legal	24,732	14,029	1,132
Other	13,126	13,253	3,250
Equipment Rental	11,571	13,878	11,440
Transportation Expense	27,494	31,293	341
Insurance	50,351	50,281	46,441
Bad Debt Expense	-	-	-
Miscellaneous Expense	95,459	64,705	52,940
Total O&M Expense	1,120,867	1,124,296	1,105,000
Depreciation Expense	297,561	297,561	285,224
Amortization Expense	87,501 87,504	87,501 87,504	87,549
Taxes Other than Income	33,290	32,757	33,989
	1,539,222	1,542,118	
Total Operating Expenses	1,339,222	1,342,116	1,511,762
Net O _I Net Operating Income	263,463	333,342	432,293
Other Income (Expense)			
Interest Income	11,383	11,134	22,472
Gain (Loss) on Sale of Assets	(7,468)	(7,468)	(14,778)
Interest Expense	(307,911)	(295,667)	(281,284)
Total Other Income (Expense)	(303,996)	(292,001)	(273,590)
Net Income	\$ (40,533)	\$ 41,341	\$ 158,703