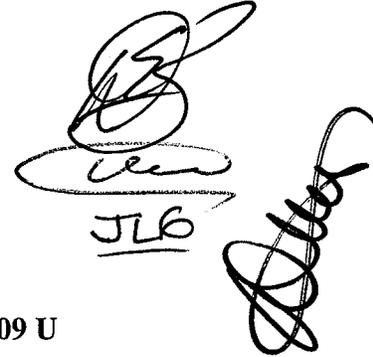


ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION



IN RE THE MATTER OF THE PETITION OF )  
AQUA INDIANA, INC. DARLINGTON WATER )  
DIVISION FOR A NEW SCHEDULE OF RATES )  
AND CHARGES FOR WATER SERVICE WITHIN )  
MONTGOMERY COUNTY, INDIANA )

CAUSE NO. 43609 U

FINAL ORDER

APPROVED:

JUN 1 0 2009

BY THE COMMISSION:

Jeffrey L. Golc, Commissioner

Lorraine Hitz-Bradley, Administrative Law Judge

On November 14, 2008, Aqua Indiana, Inc. - Darlington Water Division ("Petitioner") filed its application for a change in rates and charges (the "Application") pursuant to the provisions of Indiana Code § 8-1-2-61.5 and 170 I.A.C. § 14-1. As required by 170 I.A.C. § 14-1-2(a), Petitioner filed on December 1, 2008 proofs of the notice it published describing the filing of the Application. Petitioner's December 1, 2008 filing also contained a copy of the letter it sent to its customers describing the Application and relief requested.

On December 8, 2008, the Commission received a letter from the Town Council of the Town of Darlington, Indiana requesting a public hearing in this Cause. On December 16, 2008, the presiding officers granted the Town's request and, pursuant to notice required by law, conducted a field hearing in this Cause on February 2, 2009. Approximately 140 persons attended the scheduled field hearing. Twelve customers presented oral testimony and twenty-five provided written comments. The record of the field hearing was left open in order to allow the Office of Utility Consumer Counselor ("OUCC") to submit additional written comments it may receive subsequent to the field hearing into the record. On March 2, 2009, the OUCC filed a report with the Commission (the "Report") as required by 170 I.A.C. § 14-1-4. The Report discussed and made several recommendations to the Commission concerning the relief requested by Petitioner. The Report also submitted for the record written comments that the OUCC received relative to the Application.

Petitioner and the OUCC filed a Joint Stipulation and Agreement with the Commission on March 27, 2009 (the "Settlement Agreement"). As allowed by 170 I.A.C. § 14-1-4, Petitioner also filed on March 27, 2009 notice of its intention not to respond to the OUCC's Report. Petitioner filed on April 28, 2009 its *Submission of Additional Information in Support of Proposed Fire Protection Rates*.

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

1. Statutory Notice and Commission Jurisdiction. Information presented by Petitioner in this Cause establishes that legal notice of the filing of the Application was published in accordance with law and that Petitioner gave proper notice to its customers of the nature and extent of the relief it is seeking. Therefore, due legal and timely notice of the matters in this case was given

and published as required by law.

Additionally, as the Petitioner's information and the parties' Settlement Agreement show, Petitioner is a for-profit corporation and an Indiana public utility. Further, Petitioner primarily provides water utility service to fewer than 5,000 retail customers and does not extensively serve another utility. Accordingly, the provisions of 170 I.A.C. § 14-1-2(a)(5) and (6) are not applicable to the Application and Petitioner is entitled to request an increase in its rates and charges for service pursuant to I.C. § 8-1-2-61.5 and 170 I.A.C. § 14-1. The Commission, therefore, has jurisdiction over the parties and subject matter of this case.

2. **Petitioner's Characteristics.** Petitioner is an Indiana corporation and subsidiary of Aqua America, Inc., headquartered in Bryn Mawr, Pennsylvania. Petitioner provides water utility service to the public in and around the Town of Darlington in Montgomery County, Indiana as part of its "Darlington Water Division". As of June 30, 2008, Petitioner's Darlington Water Division had approximately 322 customers.

Petitioner began providing its water service upon acquiring the assets of the former Darlington Water Works Company from its then-current owner in November of 2006. The Commission reviewed and approved that purchase in Cause No. 43087. In its Order dated October 11, 2006 in that Cause, the Commission determined, among other things, that Petitioner should be allowed in the future a return on, but not of, an acquisition adjustment in the amount of \$66,262.

The assets purchased by Petitioner consisted of water production and storage facilities, water mains, meters, hydrants, equipment, real estate, easements and permits. A small underground booster pump serving 12 customers in the southeast portion of the system also was included in the purchased distribution assets. Since acquiring those assets, however, Petitioner has made significant improvements to them; most notably the installation of a refurbished 100,000-gallon elevated storage tank to replace a storage tank that had been among the assets purchased in 2006. Petitioner incurred in excess of \$620,000 in connection with the replacement of the storage tank, as well as for an associated main replacement project.

As allowed by the Commission's October 11, 2006 Order, Petitioner presently applies the same rates and charges and the same rules and regulations for service that were in effect at the time of Petitioner's acquisition of Darlington Water Company's assets in 2006. Those rates and charges originally were established pursuant to the Commission's September 18, 1991 Order in Cause No. 39173.

3. **Positions of the Parties.**

A. **Petitioner's Application.** Petitioner requests in the Application to implement a new schedule of rates and charges to increase its annual operating revenue by approximately \$148,513. The proposed new monthly rates and charges also reflect a reduction in the minimum water allowance used for calculating a customer's monthly bill from 6,000 to 3,000 gallons per month, as well as the reduction from six to two the number of rate blocks applicable to consumption in excess of the monthly minimum. Petitioner proposed the reduction in the allowance in order to eliminate an inconsistency in its current monthly recurring rates and to move toward having customer bills reflect actual water usage. According to Petitioner, its proposed reduction in the monthly allowance

to 3,000 gallons would promote more efficient water usage among its customers and reflects a transitional step toward the eventual elimination of the allowance in a future rate case.

Petitioner also proposed an increase and other changes in the non-recurring fees and charges it collects. According to Petitioner, with increasing hourly wage rates, health insurance costs, other employee benefit costs, transportation costs, as well as material costs, it is necessary to propose new and increased non-recurring fees and charges. The non-recurring fees and charges that Petitioner is proposing to implement for its Darlington Water Division are as follows:

Tap Charges:

Connection Size	Short Side Tap	Long Side Tap
3/4"	\$1,020	\$1,360
1"	\$1,085	\$1,435
1-1/2"	\$1,840	\$2,545
2"	\$2,005	\$2,765
Larger than 2"	Actual Cost	Actual Cost

Disconnect/Reconnect Fee	\$45.00
Returned Check Charge	\$35.00
Late Fee	2 percent per month of past due balance

The proposed non-recurring charges are intended to generate approximately \$1,500 in additional annual operating revenues.

According to Petitioner, the recurring and non-recurring rates and charges it proposes will provide it an opportunity to realize adequate operating income and earn a return equal to that available on other investments of comparable risk. The proposed recurring and non-recurring rates and charges also will permit Petitioner to obtain reasonable additional capital necessary to enable Petitioner to render adequate, reliable and safe water service to its customers.

B. **OUCG's Report.** The OUCG recommends in the Report that the Commission approve the proposed new and increased non-recurring charges, but authorize implementation of a smaller-than-requested increase in Petitioner's recurring monthly rates. Further, while the OUCG agreed with Petitioner's proposal to reduce the number of rate blocks from six to two, the OUCG recommended that the Commission maintain Petitioner's minimum water allowance at 6,000 gallons per month. As the OUCG explained, customer feedback indicates that Petitioner's customers want to keep the current 6,000 gallon minimum allowance and, while not taking a position concerning the 6,000 gallon minimum allowance for purposes of future rate cases, the OUCG did not believe customers would receive the message of promoting more efficient water usage through Petitioner's proposed rate structure, due to the scope of the increase needed at this time attributable to Petitioner's capital improvements. Under the OUCG's recommendations, Petitioner would be allowed rates and charges intended to increase its total annual operating revenue by approximately \$139,720.

4. **Field Hearing.** As noted above, approximately 140 persons attended the scheduled

field hearing, which is a sizable portion of Petitioner's customer base. Twelve customers presented oral testimony and twenty-five provided written comments. Copies of the written comments are attached to the OUCC's Report. As reflected in the OUCC's Report, the consensus of those who spoke at the field hearing expressed appreciation for the improvements Petitioner has made to the system serving them and its entitlement to earn a return on that investment. However, those testifying at the field hearing generally believed that current economic conditions in the area made it a bad time for an increase in rates, and indicating that the requested increase was too great. Those testifying also expressed the view that the minimum water allowance of 6,000 gallons per month should remain unchanged. A number of the written comments received by the OUCC also argued against reducing the minimum allowance as Petitioner has proposed.

5. **Settlement Agreement.** The Settlement Agreement between the parties recites that it addresses all of the issues before the Commission in this Cause:

A. **Test Year.** The period used by both Petitioner and the OUCC for determining Petitioner's revenues and expenses recently incurred in providing potable water service to its customers was the twelve months ended June 30, 2008. The parties request that we find this same twelve month period, with adjustments for changes that are fixed, known and measurable, is sufficiently representative of Petitioner's normal operations to provide reliable information for ratemaking purposes.

B. **Rate Base & Fair Return.** The Settlement Agreement reflects the parties' agreement that the original cost depreciated value of Petitioner's utility properties used and useful for the convenience of the public as of September 30, 2008 is \$954,528 and, for purposes of this proceeding only, that amount also is the fair value of those properties. After provision for working capital of \$10,586, the parties agree that Petitioner's fair value rate base is \$965,114. Petitioner and the OUCC also agree that a rate of return of 8.375%, the derivation of which is shown in the OUCC's Report on Schedule 8, page 1 of 1, will adequately and fairly compensate Petitioner for its investments, while maintaining Petitioner's financial viability. As shown in the OUCC's Report on Schedule 1, page 1 of 3, and in the chart below, applying the above-stated rate of return to Petitioner's fair value rate base of \$965,114 would result in a fair return of \$80,830.

Revenue Requirement	
Rate Base	\$965,114
Times: Weighted Cost of Capital	8.38%
Net Operating Income Required	<u>80,830</u>
Less: Adjusted Net Operating Income	<u>(169)</u>
Additional NOI Required	80,999
Gross Revenue Conversion Factor	<u>1.725</u>
Recommended Revenue Increase	<u><u>\$139,720</u></u>

C. **NOI at Present Rates.** The Settlement Agreement recites, consistent with the supporting calculations appearing in the OUCC's Report on Schedule 4, page 1 of 1, that Petitioner's pro forma net operating income under its present rates is (\$169). According to the parties, that amount is insufficient to provide a fair return on the fair value of its properties used and useful in providing water service for the convenience of the public. That amount is also insufficient

to provide a fair return on the value of its properties used and useful in providing water service for the convenience of the public, and is therefore unjust and unreasonable and should be increased.

D. **Allowed Rate Increase.** The parties agree Petitioner's current rates and charges for service should be increased so as to produce additional operating revenues of \$139,720 and total pro forma operating revenues of \$258,250. Those amounts, as shown in the OUCC Schedule 4, page 1 of 1, reflect the effect of additional revenue on federal and state income taxes, Indiana utility receipts tax and the Commission's fee. The parties further agree that, giving appropriate weight to the need for Petitioner to discharge its public duties and to earn a return commensurate with that earned by enterprises of corresponding risk, the Commission should find that rates and charges estimated to produce total pro forma operating revenues of \$258,250 are just and fair and will allow Petitioner the opportunity to earn a reasonable return on its property dedicated to providing water service to the public. This revenue is reasonably estimated to allow Petitioner the opportunity to earn net operating income of \$80,830 as follows:

Operating Revenues	\$ 258,250
Operations and Maintenance	96,732
Taxes Other Than Income	26,926
Depreciation	17,259
Income Taxes - Federal	28,583
Income Taxes - State	7,920
Total Operating Expenses	<u>177,420</u>
Net Operating Income	<u><u>\$ 80,830</u></u>

E. **Non-Recurring Charges.** The parties proposed a schedule of non-recurring charges with differing prices for "short side" and "long side" taps. To eliminate any penalty that might occur as a result of a potential customer being located on the other side of the street from Petitioner's distribution main, the Commission has modified the parties' agreement to average the charges. Therefore, the non-recurring charges under Petitioner's new rates shall be as follows:

<u>Tap Charges</u>	
3/4" connection	\$1,190
1" connection	\$1,260
1 1/2" connection	\$2,193
2" connection	\$2,385
Larger than 2" connection	Actual cost
Disconnect/Reconnect Fee	\$45.00
Returned Check Charge	\$35.00

Regarding late fees, the parties agreed to a late fee of 2% per month of the past due balance. However, this is inconsistent with Commission rules. The rule for late fees on delinquent bills for water utilities is set forth at 170 I.A.C. § 6-1-13. That rule states that if a bill is not paid within seventeen (17) days after being mailed, it is then delinquent; a late charge may then be added in the

amount of ten (10) percent of the first three (3) dollars and three (3) percent of the excess of three dollars. The parties' agreement as to late fees is therefore modified to be consistent with 170 I.A.C. § 6-1-13.

F. **New Rates and Charges.** The parties have proposed for approval a new schedule of rates and charges for Petitioner that is consistent with the findings contained in Paragraph 5(D) above. A copy of the proposed schedule appears as Joint Settlement Exhibit 1 to the Settlement Agreement. The parties request the Commission to find the rates, charges and other terms contained in Joint Settlement Exhibit 1 are sufficient to produce the results described in Paragraph 5(D) above and are each otherwise fair, just, reasonable and non-discriminatory.

G. **Additional Agreements of the Parties.** The Settlement Agreement also contains Petitioner's agreement that it will not file a rate case under I.C. § 8-1-2-61 or I.C. § 8-1-2-61.5 within three (3) years of the date the Commission issues its Final Order in this Cause; provided, however, Petitioner may file a rate case (i) pursuant to I.C. § 8-1-2-113; (ii) if needed to comply with requirements imposed by a court or environmental regulatory agency having jurisdiction over Petitioner or its facilities; or (iii) with the prior written approval of the OUCC. Further, the parties agreed that any portion of the \$27,970 in rate case expenses allowed in this case, which expenses are being amortized for recovery over five years as shown on the OUCC's Schedule 6, page 2 of 4, that has not been recovered at the time Petitioner files its next rate case (whether filed under I.C. § 8-1-2-61 or I.C. § 8-1-2-61.5) should be added to and treated for all purposes as part of the rate cases expense allowed in that next rate case.

H. **Effect of Settlement.** The Settlement Agreement states the parties agree that the terms and conditions set forth in it represent a fair, reasonable and just resolution of all the issues in this Cause. The Settlement Agreement further provides that it shall not be construed 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 before any court of competent jurisdiction on these particular issues.

6. **Commission Findings.** Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406, [Ind. 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. 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. Pub. Serv. Co.*, 582 N.E.2d 330, 331 [Ind. 1991]). The Commission's own procedural rules also require that settlements be supported by probative evidence. 170 I.A.C. § 1-1.1-17(d).

The evidence shows that there was no dispute between the parties that, due to major capital improvements made by Petitioner, an increase of the operating revenue generated by its recurring charges was necessary in order for Petitioner to have an opportunity to earn a fair return. The parties also agreed from the outset on most of the revenue and expense determinations needed to establish

the appropriate amount of additional operating revenue Petitioner is entitled to receive in order to earn that fair return. In regard to those few revenue and expense matters where the parties did not initially agree, Petitioner has accepted the OUCC's position on those matters, which are described and supported in the OUCC's March 2, 2009 Report. As a result, the Settlement Agreement reflects the position of the OUCC expressed in its March 2, 2009 Report that Petitioner should be allowed to implement a new schedule of rates and charges that will allow it to increase its annual operating revenue by \$139,720, with the total annual operating revenue generated by Petitioner's recurring rates and charges being \$258,250.

The OUCC's Report also included cost or other information developed by the Petitioner and supporting the requested increase to Petitioner's "Tap Charges" and "Disconnect/Reconnect Fee", as well as the amount of Petitioner's new "Returned Check Charge" and "Late Fee". Based on this information, the OUCC agreed in its Report with the type and amount of the nonrecurring charges that Petitioner had proposed, which agreement also is reflected in the parties' Settlement Agreement. As noted above, we have modified the Settlement Agreement to show averaged amounts for tap fees, and have changed the late fee provision to be consistent with the Commission's rules. With these revisions, we concur with the non-recurring fees in the parties' settlement.

The Settlement Agreement also reflects the OUCC's agreement with Petitioner's proposal to reduce the number of rate blocks used as part of Petitioner's recurring rates from six to two. However, Petitioner's proposal to reduce its monthly minimum allowance from 6,000 to 3,000 gallons is not part of the Settlement Agreement. Instead, the Settlement Agreement reflects that the monthly minimum allowance will remain at 6,000 gallons. There had been substantial opposition to any change in the monthly minimum allowance at the field hearing conducted in this Cause and in the comments received by the OUCC subsequent to the field hearing. Moreover, the OUCC expressed the view that customers would not receive the message that Petitioner's proposed rate structure intended to promote conservation and more efficient water usage, given the magnitude of the increase in operating revenue.

The Settlement Agreement also reflects that because of the large increase in Petitioner's recurring rates and charges, and as a protection for customers from another rate increase in the near future, Petitioner has agreed not to initiate a new rate case for three years from the date of this Order, absent exceptional circumstances. The Settlement Agreement also reflects that Petitioner plans to continue to make capital improvements to its system that may require it to seek an additional rate increase shortly after the expiration of the three-year moratorium and before it has recovered the legal, accounting and other expenses associated with this Cause. Petitioner initially had proposed to amortize those rate case expenses over three years, which would be coincident with the agreed upon moratorium on the filing of a new rate case. However, by agreeing to the five-year amortization of those expenses proposed by the OUCC, it is possible Petitioner may not have an opportunity to recover those expenses before a new rate case is filed. Accordingly, the parties have agreed in the Settlement Agreement that, if any portion of the rate case expenses allowed in this Cause have not been recovered at the time Petitioner files its next rate case, the amount of the unrecovered expense amortization should be added to and treated for all purposes as part of the rate case expense allowed in that next rate case.

Based on the above, we find that the Settlement Agreement is reasonable, that its terms are

in the public interest, and that it represents a desirable and lawful resolution of the matters at issue in this proceeding. The Settlement Agreement should be approved, subject to the modifications made herein. Further, with regard to future use, citation, or precedent of the Settlement Agreement, we find that our approval of the terms of the Settlement Agreement should be construed in a manner consistent with our finding *In Re Richmond Power & Light*, Cause No. 40434 (approved Mar. 19, 1997).

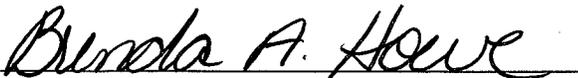
**IT IS, THEREFORE, ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. The Settlement Agreement, a copy of which is attached to this Order, is hereby accepted and approved with the modifications noted in Paragraph 6 of this Order.
2. Consistent with Finding No. 5(B) of this Order, Petitioner shall and is hereby authorized to increase its schedule of water rates and charges by \$139,720 so as to produce total annual operating revenues of \$258,250.
3. Petitioner shall file with the Water/Sewer Division of the Commission a new schedule of rates and charges consistent with Finding No. 5 of this Order, which schedule of rates and charges shall be effective on and after the date of its approval
4. The parties shall comply fully with the agreements described in Finding No. 5 of this Order.
5. This Order shall be effective on and after the date of its approval.

**HARDY, GOLC, LANDIS AND ZIEGNER CONCUR:**

APPROVED: JUN 10 2009

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

  
Brenda A. Howe  
Secretary to the Commission

COPY

FILED

STATE OF INDIANA

MAR 27 2009

INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY  
REGULATORY COMMISSION

IN THE MATTER OF PETITION OF	)	
AQUA INDIANA, INC. - DARLINGTON.	)	
WATER DIVISION FOR NEW SCHEDULE	)	CAUSE NO. 43609-U
OF RATES AND CHARGES FOR WATER	)	
SERVICE WITHIN MONTGOMERY	)	
COUNTY, INDIANA	)	

**JOINT STIPULATION AND AGREEMENT**

On November 14, 2008, Aqua Indiana, Inc. – Darlington Water Division (“Petitioner”) filed its application for a change in rates and charges pursuant to the provisions of Indiana Code § 8-1-2-61.5 and 170 IAC 14-1 (the “Application”).

Petitioner requested in the Application authority to increase its recurring monthly rates, increase its existing non-recurring charges and to implement two new non-recurring charges. Petitioner also requested authority to reduce the minimum water allowance used for calculating a customer’s monthly bill from 6,000 to 3,000 gallons per month and, in order to simplify its rate structure, to reduce from six to two the number of rate blocks applicable to consumption above the monthly minimum allowance. The relief Petitioner seeks in the Application is to increase its total annual operating revenues by \$148,513.

The Indiana Office of Utility Consumer Counselor (“OUCC”) reviewed the Application, met with and requested additional information from Petitioner and, as required by 170 IAC 14-1-4, participated at a field hearing conducted in this Cause on February 2, 2009. On March 2, 2009, the OUCC filed a report with the Commission addressing the relief requested by Petitioner. The Report contained the OUCC’s recommendation that the Commission authorize implementation of a smaller than

requested increase in Petitioner's overall recurring monthly rates. The OUCC also recommended the Commission approve the proposed new and increased non-recurring charges. Further, while the OUCC agreed with Petitioner's proposal to reduce the number of rate blocks from six to two, the OUCC recommended that the Commission maintain Petitioner's minimum water allowance at 6,000 gallons per month. Under the OUCC's recommendations, Petitioner would be allowed to increase its total annual operating revenues by approximately \$139,720.

Following negotiations, Petitioner and the OUCC (collectively, the "Parties") reached an agreement with respect to all the issues before the Commission, including without limitation as follows:

1. Compliance with Regulatory Requirements. Petitioner is a public utility providing water utility service to fewer than 5,000 retail customers and does not extensively serve another utility. Also, Petitioner is not a not-for-profit utility, conservancy district or municipal utility and, accordingly, the provisions of 170 IAC 14-1-2(a)(5) and (6) are not applicable to the Application. Petitioner is entitled to request an increase in its rates and charges for service pursuant to, and the Application satisfies all of the requirements of, Indiana Code § 8-1-2-61.5 and 170 IAC 14-1.

2. Acceptance of OUCC Presentation. Petitioner accepts the financial presentation designated as "Per OUCC" that is set forth in the schedules attached to the Report of the Indiana Office of Utility Consumer Counselor filed in this cause on March 2, 2009; provided, however, Petitioner's acceptance of the OUCC's presentation is limited to this cause only. It should not be deemed, and does not constitute, Petitioner's

acceptance of the OUCC's presentation for purposes of another cause or for any other matter unrelated to this cause.

3. Test Year. The period used for determining the revenues and expenses incurred by Petitioner to provide water utility service was the twelve months ended June 30, 2008. With revenue and expense adjustments for changes that were fixed, known and measurable for ratemaking purposes and occurring before June 30, 2009, this test year is sufficiently representative of Petitioner's normal operations to provide reliable information for ratemaking purposes.

4. Rate Base.

A. Petitioner's utility properties used and useful for the provision of water utility service to the public are properly valued for purposes of this proceeding as of September 30, 2008.

B. The original cost depreciated value of Petitioner's utility properties used and useful for the provision of water utility service is approximately \$954,528.

C. The regulatory fair value of Petitioner's utility properties used and useful for the provision of water utility service for purposes of this Cause is the same as its original cost depreciated value adjusted for working capital of \$10,586. The regulatory fair value rate base of Petitioner's water utility is approximately \$965,114 for purposes of this proceeding.

5. Allowed Return. A rate of return of 8.375% will adequately and fairly compensate Petitioner for its investments, while maintaining Petitioner's financial viability. Applying that rate of return to Petitioner's fair value rate base of \$965,114 would generate for Petitioner a fair return of \$80,828.

6. Operating Results at Present Rates. Petitioner's total pro forma operating revenues at present rates is \$118,530 for purposes of this proceeding. With pro forma present total operating expenses at \$118,699, which includes without limitation an amortization of rate case expenses of \$5,594, Petitioner's pro forma net operating income under present rates for purposes of this proceeding is (\$169). This net operating income amount is insufficient to cover Petitioner's necessary and reasonable operating expenses and provide the opportunity to earn the fair return to which Petitioner is lawfully entitled. The return earned by Petitioner on its utility plant in service is below the level required to provide revenues that will enable it to continue to attract capital required for additions, replacements, and improvements at a reasonable cost; to maintain and support its credit; to assure confidence in its financial soundness; and to earn a return on the regulatory fair value of its plant and properties dedicated to provide service to and for the public equal to that available on other investments of comparable risk. Based on Petitioner's current investment in plant and its ongoing operating expenses, Petitioner's existing rates and charges are unjust, unreasonable, insufficient and confiscatory and should be increased.

7. Allowed Increase. Petitioner's current rates and charges for service should be increased so as to produce additional operating revenues of \$139,720 and total pro forma operating revenues of \$258,250. The amount of that proposed increase reflects the effect of the increased revenue on federal and state income taxes, Indiana gross receipts tax and the Commission's fee. Giving appropriate weight to the need for Petitioner to discharge its public duties and to earn a return commensurate with that earned by enterprises of corresponding risk, the Commission should find that rates and charges estimated to produce such operating revenues are just and fair and should allow

Petitioner the opportunity to earn a reasonable return on its property dedicated to providing water service to the public.

8. New Schedule of Rates. In order to implement the allowed increase in revenues described in Paragraph 7 above, Petitioner shall file a new schedule of rates and charges in the form set forth on Joint Settlement Exhibit 1 and, upon its approval, cancel its currently existing schedule of rates and charges. The Commission should find that the rates, charges, fees and other terms provided for in the schedule attached as Joint Settlement Exhibit 1 are sufficient to produce the results described in Paragraph 7 above and are otherwise fair, just, reasonable and non-discriminatory.

9. Other Covenants of the Parties.

A. Rate Moratorium. The increase in annual operating revenues that the Parties have agreed should be allowed by the Commission is significant. In order to assist customers by lessening the prospect of another rate increase in the foreseeable future, Petitioner shall not file a rate case under Ind. Code § 8-1-2-61 or Ind. Code § 8-1-2-61.5 within three (3) years of the date the Commission issues its Final Order in this Cause; provided, however, Petitioner may file a rate case (i) pursuant to Ind. Code § 8-1-2-113; (ii) if needed to comply with requirements imposed by a court or environmental regulatory agency having jurisdiction over Petitioner or its facilities; or (iii) with the prior written approval of the OUCC.

B. Rate Case Expenses. Petitioner may be required to make additional capital improvements to its system beyond those reflected in this Cause. Depending on the timing of those improvements and other factors, it may be necessary for Petitioner to file a new rate case shortly after the expiration of the three-year moratorium described in

Section 9(A) and before it has recovered all of the agreed-upon rate case expenses (\$27, 970), which the Parties have agreed should be amortized and recovered over five (5) years. Consequently, in order to avoid adversely affect Petitioner's financial position through a write-off of the unrecovered rate case expenses or otherwise, any portion of the rate case expenses allowed in this case that have not been recovered at the time Petitioner files its next rate case (whether filed under Ind. Code § 8-1-2-61 or Ind. Code § 8-1-2-61.5) should be added to and treated for all purposes as part of the rate cases expense allowed in that next rate case.

10. Waiver of Hearing and Admission of Evidence. The Parties hereby waive any right they may have to request a public hearing in this cause. If an evidentiary hearing is held, the OUCC stipulates to the admission into evidence of the Application and waive any cross-examination of Petitioner's witnesses. Similarly, Petitioner stipulates to the admission into evidence of the OUCC's Report and waives any cross-examination of the OUCC's witnesses at any evidentiary hearing in this cause. The Parties shall jointly sponsor this Settlement Agreement and Joint Settlement Exhibit 1 at any evidentiary hearing in this cause.

11. Mutual Conditions on Settlement Agreement. The Parties agree that the terms and conditions set forth in this Settlement Agreement are supported by the evidence and based on the Parties' independent review of the evidence, represent a fair, reasonable and just resolution of all the issues in this Cause, subject to their incorporation in a Final Order in the form attached as Joint Settlement Exhibit 2 without modification or further condition, which may be unacceptable to either party. If the Commission does not approve this Settlement Agreement in its entirety and incorporate it into a Final Order

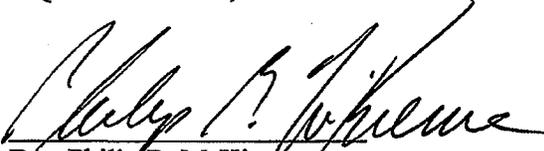
as provided above, it shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Parties. The Parties represent that there are no other agreements in existence between them relating to the matters covered by this Settlement Agreement.

12. Non-Precedential. As a condition precedent to the Settlement Agreement, the Parties condition their agreement on the Commission providing assurance in the Final Order issued herein that it is not the Commission's intent to allow this Settlement Agreement or the Final Order approving it to be used as an admission or as a precedent against the signatories hereto except to the extent necessary to enforce the terms of the Settlement Agreement. The Parties agree that this Settlement Agreement shall not be cited as precedent by either party against the other or be deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or before any court of competent jurisdiction on these particular issues. This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein is without prejudice to and shall not constitute a waiver of any position that either of the Parties may take with respect to any or all of the items resolved herein in any future regulatory or other proceedings and, failing approval by the Commission, shall not be admissible in any subsequent proceedings.

13. Authority to Stipulate. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients who will be bound thereby.

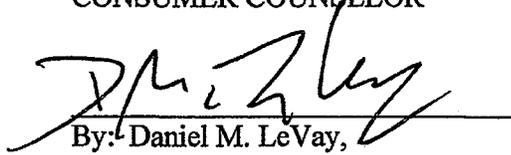
Respectfully submitted,

AQUA INDIANA, INC.



By: Philip B. McKiernan  
Attorney for Aqua Indiana, Inc.

INDIANA OFFICE OF UTILITY  
CONSUMER COUNSELOR



By: Daniel M. LeVay,

# Joint Settlement Exhibit 1

## DARLINGTON WATER DIVISION

DARLINGTON, INDIANA

### SCHEDULE OF RATES AND CHARGES

#### I. General Service Rates

##### A. General Service Rates

The rates for General Service, other than Fire Hydrants, shall consist of a Customer Charge and a Usage Charge.

##### B. Customer Charge

The following Customer Charge, varying with the size of the meter, is applicable regardless of usage of water:

Meter Size	Minimum Gallons	Monthly Minimum
5/8" and 3/4"	6,000	\$49.82
1"	6,000	\$100.00
1-1/2"	6,000	\$150.00
2"	6,000	\$200.00
3"	6,000	\$300.00
4"	6,000	\$400.00

##### C. Usage Charge

For use of and service rendered in the service area by the Darlington Water Division based on the use of water supplied by said water system:

Water Consumption	Rate Per
Per Month	1,000 Gallons
6,001 to 20,000 gallons	\$11.300
All usage over 20,000 gallons	\$7.500

##### D. Fire Hydrants

Fire Protection Fee (per month):	\$1,190.00
Additional fee per new hydrant added (per unit per month):	\$50.00
Private hydrant fee (per unit per month):	\$50.00

#### II. Non-Recurring Charges for Utility Services

A. Tap Charges	Short Side Tap	Long Side Tap
3/4" Connection	\$1,020	\$1,360
1" Connection	\$1,085	\$1,435
1 1/2" Connection	\$1,840	\$2,545
2" Connection	\$2,005	\$2,765
Larger than 2" Connection	Actual Cost	Actual Cost
B. Disconnect/Reconnect Fee	\$45.00	
C. Returned Check Charge	\$35.00	
D. Late Fees	2% per month of past due balance	

Effective:

Joint Settlement Exhibit 1

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF PETITION OF )  
AQUA INDIANA, INC. - DARLINGTON. )  
WATER DIVISION FOR NEW SCHEDULE ) CAUSE NO. 43609-U  
OF RATES AND CHARGES FOR WATER )  
SERVICE WITHIN MONTGOMERY )  
COUNTY, INDIANA )

**BY THE COMMISSION**

Jeffrey L. Golc, Commissioner  
Lorraine Hitz-Bradley, Administrative Law Judge

On November 14, 2008, Aqua Indiana, Inc. -- Darlington Water Division ("Petitioner") filed its application for a change in rates and charges (the "Application") pursuant to the provisions of Indiana Code § 8-1-2-61.5 and 170 IAC 14-1. As required by 170 IAC 14-1-2(a), Petitioner filed on December 1, 2008 proofs of the notice it published describing the filing of the Application. Petitioner's December 1, 2008 filing also contained a copy of the letter it sent to its customers describing the Application and relief requested.

On December 8, 2008, the Commission received a letter from the Town Council of the Town of Darlington, Indiana requesting a public hearing in this Cause. On December 16, 2008, the presiding officers granted the Town's request and, pursuant to notice required by law, conducted a field hearing in this Cause on February 2, 2009. Approximately 140 persons attended the scheduled field hearing. Twelve customers presented oral testimony and twenty-five provided written comments. The record of the field hearing was left open in order to allow the OUCC to submit additional written comments it may receive subsequent to the field hearing into the record.

## Joint Settlement Exhibit 2

On March 2, 2009, the OUCC filed a report with the Commission (the "Report") as required by 170 IAC 14-1-4. The Report discussed and made several recommendations to the Commission concerning the relief requested by Petitioner. The Report also submitted for the record written comments that the OUCC received relative to the Application.

Petitioner and the OUCC filed a Joint Stipulation and Agreement with the Commission on \_\_\_\_\_, 2009 (the "Settlement Agreement"). As allowed by 170 IAC 14-1-4, Petitioner also filed on \_\_\_\_\_, 2009 notice of its intention not to respond to the OUCC's Report.

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

1. **Statutory Notice and Commission Jurisdiction.** Information presented by Petitioner in this Cause establishes that legal notice of the filing of the Application was published in accordance with law and that Petitioner gave proper notice to its customers of the nature and extent of the relief it is seeking. Therefore, due legal and timely notice of the matters in this case was given and published as required by law.

Additionally, as the Petitioner's information and the parties' Settlement Agreement show, Petitioner is a for-profit corporation and an Indiana public utility. It is not a not-for-profit utility, conservancy district or municipal utility. Further, Petitioner primarily provides water utility service to fewer than 5,000 retail customers and does not extensively serve another utility. Accordingly, the provisions of 170 IAC 14-1-2(a)(5) and (6) are not applicable to the Application and Petitioner is entitled to request an increase in its rates and charges for service pursuant to Indiana Code 8-1-2-61.5 and 170 IAC 14-1. The Commission, therefore, has jurisdiction over the parties and subject matter of this case.

2. **Petitioner's Characteristics.** Petitioner is an Indiana corporation and subsidiary

## Joint Settlement Exhibit 2

of Aqua America, Inc., which is headquartered in Bryn Mawr, Pennsylvania. Petitioner provides water utility service to the public in and around the Town of Darlington in Montgomery County, Indiana as part of its "Darlington Water Division". As of June 30, 2008, Petitioner's Darlington Water Division had approximately 322 customers.

Petitioner began providing its water service upon acquiring the assets of the former Darlington Water Works Company from its then current owner in November of 2006. The Commission reviewed and approved that purchase in Cause No. 43087. In its Order dated October 11, 2006 in that Cause, the Commission determined, among other things, that Petitioner should be allowed in the future a return on, but not of, an acquisition adjustment in the amount of \$66,262.

The assets purchased by Petitioner consisted of water production and storage facilities, water mains, meters, hydrants, equipment, real estate, easements and permits. A small underground booster pump serving 12 customers in the southeast portion of the system also was included in the purchased distribution assets. Since acquiring those assets, however, Petitioner has made significant improvements to them; most notably the installation of a refurbished 100,000-gallon elevated storage tank to replace a storage tank that had been among the assets purchased in 2006. Petitioner incurred in excess of \$620,000 in connection with the replacement of the storage tank, as well as for an associated main replacement project.

As allowed by the Commission's October 11, 2006 Order, Petitioner presently applies the same rates and charges and the same rules and regulations for service that were in effect at the time of Petitioner's acquisition of Darlington Water Company's assets in 2006. Those rates and charges originally were established pursuant to the Commission's September 18, 1991 Order in Cause No. 39173.

3. **Positions of the Parties.**

A. **Petitioner's Application.** Petitioner requests in the Application to implement a new schedule of rates and charges to increase its annual operating revenue by approximately \$148,513. The proposed new monthly rates and charges also reflect a reduction in the minimum water allowance used for calculating a customer's monthly bill from 6,000 to 3,000 gallons per month, as well as the reduction from six to two the number of rate blocks applicable to consumption in excess of the monthly minimum. Petitioner proposed the reduction in the allowance in order to eliminate an inconsistency in its current monthly recurring rates and to move toward having customer bills reflect actual water usage. According to Petitioner, its proposed reduction in the monthly allowance to 3,000 gallons would promote more efficient water usage among its customers and reflects a transitional step toward the eventual elimination of the allowance in a future rate case.

Petitioner also proposed an increase and other changes in the non-recurring fees and charges it collects. According to Petitioner, with increasing hourly wage rates, health insurance costs, other employee benefit costs, transportation costs, as well as material costs, it is necessary to propose new and increased non-recurring fees and charges. The non-recurring fees and charges that Petitioner is proposing to implement for its Darlington Water Division are as follows:

Tap Charges:

Connection Size	Short Side Tap	Long Side Tap
3/4"	\$1,020	\$1,360
1"	\$1,085	\$1,435
1-1/2"	\$1,840	\$2,545
2"	\$2,005	\$2,765
Larger than 2"	Actual Cost	Actual Cost

Disconnect/Reconnect Fee \$45.00

**Joint Settlement Exhibit 2**

Returned Check Charge	\$35.00
Late Fee	2 percent per month of past due balance

The proposed non-recurring charges are intended to generate approximately \$1,500 in additional annual operating revenues.

According to Petitioner, the recurring and non-recurring rates and charges it proposes will provide it an opportunity to realize adequate operating income and earn a return equal to that available on other investments of comparable risk. The proposed recurring and non-recurring rates and charges also will permit Petitioner to obtain reasonable additional capital necessary to enable it to render adequate, reliable and safe water service to the public served by it.

B. **OUCC's Report.** The OUCC recommends in the Report that the Commission approve the proposed new and increased non-recurring charges, but authorize implementation of a smaller than requested increase in Petitioner's recurring monthly rates. Further, while the OUCC agreed with Petitioner's proposal to reduce the number of rate blocks from six to two, the OUCC recommended that the Commission maintain Petitioner's minimum water allowance at 6,000 gallons per month. As the OUCC explained, customer feedback indicates that Petitioner's customers want to keep the current 6,000 gallon minimum allowance and, while not taking a position concerning the 6,000 gallon minimum allowance for purposes of future rate cases, the OUCC did not believe customers would receive the message of promoting more efficient water usage through Petitioner's proposed rate structure due to scope of the increase needed at this time due to Petitioner's capital improvements. Under the OUCC's recommendations, Petitioner would be allowed rates and charges intended to increase its total annual operating revenue by approximately \$139,720.

## Joint Settlement Exhibit 2

4. **Field Hearing.** As noted above, approximately 140 persons attended the scheduled field hearing, which is a sizable portion of Petitioner's customer base. Twelve customers presented oral testimony and twenty-five provided written comments. Copies of the written comments are attached to the OUCC's Report. As reflected in the OUCC's Report, the consensus of those who spoke at the field hearing expressed appreciation for the improvements Petitioner has made to the system serving them and its entitlement to earn a return on that investment. However, those testifying at the field hearing generally believed that current economic conditions in the area made it a bad time for an increase in rates and requested increase was too great. Those testifying also expressed the view that the minimum water allowance of 6,000 gallons per month should remain unchanged. A number of the written comments received by the OUCC also argued against reducing the minimum allowance as Petitioner has proposed.

5. **Settlement Agreement.** The Settlement Agreement between the parties recites that it addresses all of the issues before the Commission in this Cause:

A. **Test Year.** The period used by both Petitioner and the OUCC for determining Petitioner's revenues and expenses recently incurred in providing sewer disposal service to its customers was the twelve months ended June 30, 2008. The parties request that we find that this same twelve month period, with adjustments for changes that are fixed, known and measurable, are sufficiently representative of Petitioner's normal operations to provide reliable information for ratemaking purposes.

B. **Rate Base & Fair Return.** The Settlement Agreement reflects the parties' agreement that the original cost depreciated value of Petitioner's utility properties used and useful for the convenience of the public as of September 30, 2008 is \$954,528 and, for purposes

## Joint Settlement Exhibit 2

of this proceeding only, that amount also is the fair value of those properties. After provision for working capital of \$10,586, the parties agree that Petitioner's fair value rate base is \$965,114.

Petitioner and the OUCC also agree that a rate of return of 8.375%, the derivation of which is shown in the OUCC's Report on Schedule 8, page 1 of 1, will adequately and fairly compensate Petitioner for its investments, while maintaining Petitioner's financial viability. As shown in the OUCC's Report on Schedule 1, page 1 of 3, applying the above-stated rate of return to Petitioner's fair value rate base of \$965,114 would result in a fair return of \$80,828.

C. **NOI at Present Rates.** The Settlement Agreement recites, consistent with the supporting calculations appearing in the OUCC's Report on Schedule 4, page 1 of 1, that Petitioner's pro forma net operating income under its present rates is (\$169). According to the parties, that amount is insufficient to provide a fair return on the fair value of its properties used and useful in providing sewer service for the convenience of the public, and is therefore unjust and unreasonable and should be increased.

D. **Allowed Rate Increase.** The parties agree Petitioner's current rates and charges for service should be increased so as to produce additional operating revenues of \$139,720 and total pro forma operating revenues of \$258,250. Those amounts, as shown in the OUCC Schedule 4, page 1 of 1, reflect the effect of additional revenue on federal and state income taxes, Indiana gross receipts tax and the Commission's fee. The parties further agree that, giving appropriate weight to the need for Petitioner to discharge its public duties and to earn a return commensurate with that earned by enterprises of corresponding risk, the Commission should find that rates and charges estimated to produce total pro forma operating revenues of \$258,250 are just and fair and will allow Petitioner the opportunity to earn a reasonable return on its property dedicated to providing water and sewer service to the public.

## Joint Settlement Exhibit 2

E. **New Rates and Charges.** The parties have proposed for approval a new schedule of rates and charges for Petitioner that is consistent with the findings contained in Paragraph 5(D) above. A copy of the proposed schedule appears as Joint Settlement Exhibit 1 to the Settlement Agreement. The parties request the Commission to find the rates, charges and other terms contained in Joint Settlement Exhibit 1 are sufficient to produce the results described in Paragraph 5(D) above and are each otherwise fair, just, reasonable and non-discriminatory.

F. **Additional Agreements of the Parties.** The Settlement Agreement also contains Petitioner's agreement that it will not file a rate case under Ind. Code § 8-1-2-61 or Ind. Code § 8-1-2-61.5 within three (3) years of the date the Commission issues its Final Order in this Cause; provided, however, Petitioner may file a rate case (i) pursuant to Ind. Code § 8-1-2-113; (ii) if needed to comply with requirements imposed by a court or environmental regulatory agency having jurisdiction over Petitioner or its facilities; or (iii) with the prior written approval of the OUCC. Further, the parties agreed that any portion of the \$27,970 in rate case expenses allowed in this case, which expenses are being amortized for recovery over five years as shown on the OUCC's Schedule 6, page 2 of 4, that has not been recovered at the time Petitioner files its next rate case (whether filed under Ind. Code § 8-1-2-61 or Ind. Code § 8-1-2-61.5) should be added to and treated for all purposes as part of the rate case expense allowed in that next rate case.

G. **Effect of Settlement.** The Settlement Agreement states the parties agree that the terms and conditions set forth in it represent a fair, reasonable and just resolution of all the issues in this Cause. The Settlement Agreement further provides that it shall not be construed 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 before any court of competent jurisdiction on these particular issues.

6. **Commission Findings.** Settlements presented to the Commission are not ordinary contracts between private parties. United States Gypsum, Inc. v. Indiana Gas Co., 735 N.E. 2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement “loses its status as a strictly private contract and takes on a public interest gloss.” Id. (quoting Citizens Action Coalition v. PSI Energy, 664 N. E. 2d 401, 406, (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” Citizens Action Coalition, 664 N.E. 2d at 406. Furthermore, any Commission decision, ruling, or order – including the approval of a settlement – must be supported by specific findings of fact and sufficient evidence, United States Gypsum, 735 N.E. 2d at 795 (citing Citizens Action Coalition v. Public Service Co., 582 N. E. 2d 330, 331 (Ind. 1991)). The Commission’s own procedural rules also require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d).

The evidence shows that there was no dispute between the parties that, due to major capital improvements made by Petitioner, an increase the operating revenue generated by its recurring and non-recurring charges was necessary in order for Petitioner to have an opportunity to earn a fair return. The parties also agreed from the outset on most of the revenue and expense determinations needed to establish the appropriate amount of additional operating revenue Petitioner is entitled to receive in order to earn that fair return. In regard to those few revenue and expense matters where the parties did not initially agree, Petitioner has accepted the OUCC’s position on those matters, which are described and supported in the OUCC’s March 2, 2009 Report. As a result, the Settlement Agreement reflects the position of the OUCC expressed in its March 2, 2009 Report that Petitioner should be allowed to implement a new schedule of rates

## Joint Settlement Exhibit 2

and charges that will allow it to increase its annual operating revenue by \$139,720, with the total annual operating revenue generated by Petitioner's recurring and non-recurring rates and charges being \$258,250.

The OUCC's Report also included cost or other information developed by the Petitioner and supporting the requested increase to Petitioner's "Tap Charges" and "Disconnect/Reconnect Fee", as well as the amount of Petitioner's new "Returned Check Charge" and "Late Fee". Based on this information, the OUCC agreed in its Report with the type and amount of the non-recurring charges that Petitioner had proposed, which agreement also is reflected in the parties' Settlement Agreement.

The Settlement Agreement also reflects the OUCC's agreement with Petitioner's proposal to reduce the number of rate blocks used as part of Petitioner's recurring rates from six to two. However, Petitioner's proposal to reduce its monthly minimum allowance from 6,000 to 3,000 gallons is not part of the Settlement Agreement. Instead, the Settlement Agreement reflects that the monthly minimum allowance will remain at 6,000 gallons. There had been substantial opposition to any change in the monthly minimum allowance at the field hearing conducted in this Cause and in the comments received by the OUCC subsequent to the field hearing. Moreover, the OUCC expressed the view that, given the magnitude of the increase in operating revenue appropriate given the capital improvements Petitioner has made, customers would not receive the message that Petitioner's proposed rate structure intended to convey, *i.e.*, promotion of conservation and more efficient water usage.

Finally, the Settlement Agreement reflects that, given the magnitude of the increase in Petitioner's recurring and non-recurring rates and charges that it calls for the Commission to approve and in order to assist customers by lessening the prospect of another rate increase in the

## Joint Settlement Exhibit 2

foreseeable future, Petitioner has agreed not to initiate a new rate case for three years from the date of this Order absent exceptional circumstances. The Settlement Agreement also reflects that Petitioner has plans to continue to make capital improvements to its system that may require it to seek an additional rate increase shortly after the expiration of the three-year moratorium and before it has recovered the legal, accounting and other expenses associated with this Cause. Petitioner initially had proposed to amortize those rate case expenses over three years, which would be coincident with the agreed upon moratorium on the filing of a new rate case. However, by agreeing to the five-year amortization of those expenses proposed by the OUCC, it becomes possible that Petitioner may not have an opportunity to recover those expenses before a new rate case is needed. Accordingly, the parties have agreed in the Settlement Agreement that, if any portion of the rate case expenses allowed in this Cause have not been recovered at the time Petitioner files its next rate case, the amount of the unrecovered expense amortization should be added to and treated for all purposes as part of the rate cases expense allowed in that next rate case.

Based on the above, we find that the Settlement Agreement is reasonable, that its terms are in the public interest, and that it represents a desirable and lawful resolution of the matters at issue in this proceeding. The Settlement Agreement should be approved in its entirety. Further, with regard to future use, citation, or precedent of the Settlement Agreement, we find that our approval of the terms of the Settlement Agreement should be construed in a manner consistent with our finding in *In Re Richmond Power & Light*, Cause No. 40434 (approved March 19, 1997).

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

**Joint Settlement Exhibit 2**

1. The Settlement Agreement, a copy of which is attached to this Order, is hereby accepted and approved in its entirety and without modification.
2. Consistent with Finding No. 5(B) of this Order, Petitioner shall and is hereby authorized to increase its schedule of water rates and charges by \$139,720 so as to produce total annual operating revenues of \$258,250.
3. Petitioner shall file with the Water/Sewer Division of the Commission a new schedule of rates and charges consistent with Finding No. 5(E) of this Order, which schedule of rates and charges shall be effective on and after the date of its approval.
4. The parties shall comply full with the agreements described in Finding No. 5(F) of this Order.
5. In accordance with Ind. Code 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days from the date of this Order to the Secretary of the Commission, as well as any additional costs which were or may be incurred in connection with this Cause:

Commission Charges	\$ _____
OUCG Charges	\$ _____
6. This Order shall be effective on and after the date of its approval.

**HARDY, GOLC, LANDIS, SERVER AND ZIEGNER CONCUR:**

APPROVED: \_\_\_\_\_

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

\_\_\_\_\_  
Brenda A. Howe  
Secretary to the Commission