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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF PETERSBURG, INDIANA FOR AUTHORITY TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS, FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE, AND FOR APPROVAL OF NEW SCHEDULE OF RATES AND CHARGES APPLICABLE THERETO	)	CAUSE NO. 43757 **FINAL ORDER** APPROVED: MAY 11 2010

BY THE COMMISSION:
David E. Veleta, Administrative Law Judge

On August 7, 2009, the City of Petersburg Municipal Water Utility ("Petitioner" or "City") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") seeking authority to issue bonds, notes or other obligations, and for approval of a new schedule of rates and charges for water service in two phases.

Pursuant to notice duly provided as required by law, the Commission conducted a prehearing conference on September 10, 2009, and issued a Prehearing Conference Order on September 16, 2009. On October 7, 2009, Petitioner prefiled its testimony and exhibits constituting its case-in-chief. On January 6, 2010, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony and exhibits constituting its case-in-chief. On January 28, 2010, the OUCC and City filed a *Joint Stipulation and Settlement Agreement* ("Joint Stipulation").

Pursuant to notice duly published as required by law, a public Evidentiary Hearing was held in this Cause on February 3, 2010 at 9:30 a.m. in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. Proofs of publication of the notice of the Evidentiary Hearing were incorporated into the record and placed into the official files of the Commission. Petitioner and the OUCC attended the Evidentiary Hearing at which the prefiled testimony was admitted into the record. No members of the public attended the hearing or otherwise sought to testify. On February 4, 2010, the OUCC submitted its Late-Filed Exhibit ERK-4, an amortization schedule prepared by OUCC witness Edward R. Kaufman. On March 3, 2010, Petitioner filed its Late-Filed Exhibit, a revised ordinance adopted by the City on March 1, 2010. This ordinance would implement the Phase I and II rates, and the tap fee requested. Petitioner stated that "[r]ather than blend[] the two variances into an average fee, the [City] has chosen to apply the lesser fee to both types of taps." Petitioner's Late-Filed Ex. 1. Neither party objected to the admission of these late-filed exhibits, and we hereby find that they are admitted into evidence and made a part of the record of this Cause.

The Commission, having examined and considered all of the evidence of record and now being fully advised, finds as follows:

1. **Notice and Jurisdiction.** Proper legal notice of the hearings held herein was published as required by law. Petitioner is a municipally owned utility within the meaning of the Public Service Commission Act, as amended, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana. The Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner owns and operates a municipal water works facility serving retail customers located within the corporate boundaries of the City as well as unincorporated areas of Pike County.

3. **Relief Requested.** Petitioner requests authority to issue bonds to finance improvements to its infrastructure and for authority to increase its rates and charges in two phases. The City wishes to issue $1.445 million to finance the construction of new water mains, the addition of a stand-by generator and replacement of the electrical system at Petitioner's well field, the replacement of the electrical system, back wash and filter valves at the water treatment plant. Petitioner provided evidence that Ordinance 2009-10 was approved on September 21, 2009 authorizing the proposed bond issue (Petitioner's Exhibit JWC-2).

4. **Test Year.** The test year used by Petitioner for determining Petersburg's annual revenue requirements in this Cause was the twelve (12) months ending December 31, 2008. The financial data for such test year, when adjusted for changes as provided in the Prehearing Conference Order, fairly represents the annual operations of Petitioner. We conclude, therefore, that such test year is a proper basis for fixing new rates for Petitioner and testing the effects thereof.

5. **Summary of the Evidence.** *A. Petitioner's Evidence.* Petitioner's witness Brian Bullock of Midwestern Engineers testified that Petitioner's aging infrastructure is the cause for the needed improvements. Mr. Bullock testified that Petitioner has four wells with a total capacity of 2,400 gallons per minute ("gpm") or 3.5 million gallons per day ("mgd") with one well out of service. He stated that wells are cleaned and inspected every four years. He further stated that the water treatment plant ("WTP"), which was designed to treat water from the White River, now treats water from the well field. The WTP was renovated in 1979 to its current design capacity of 2.0 mgd, and operates at 72% of its capacity during peak demand periods. He testified that a back-up power generator was recently installed.

Mr. Bullock stated that Petitioner has two elevated storage tanks, with a combined storage capacity of 1.1 million gallons. Petitioner's distribution system consists of 25.6 miles of 2 thru 12-inch mains; 18% of the total linear footage of main is 2-inch galvanized. In 2008, Petitioner received a grant from the Indiana Office of Community and Rural Affairs to replace approximately 6,200 feet of the galvanized mains. The remaining pipe consists of cast iron, asbestos cement and PVC.

Mr. Bullock's PER described the proposed project. It consists of replacing 2-inch water mains with new 4 or 6-inch PVC water mains equipped with hydrants, valves and associated equipment. The mains will be installed in the right-of-way or private easements. In addition, backwash and filter valves, and electrical systems at the WTP will be replaced, and electrical systems at the wellfields will be replaced. In addition, a new stand-by generator will be installed at the well field. High service pumps that are no longer in use will be removed.

Mr. Bullock testified that the proposed project is necessary for a number of reasons. For example, Petitioner has experienced leaks on its 2-inch galvanized water mains; mains are old and have insufficient ground cover; and leaks contribute to low pressure and the potential for contamination. Petitioner does not have back-up power at the well field as required by the Ten States Standards Recommended Standards for Wastewater Facilities ("Ten States Standards"). The age of the backwash and filter valves at the WTP and the electrical systems at WTP and well field necessitate replacement.

Mr. Bullock stated that the benefits of the proposed project are that it is the lowest cost solution to meet Petitioner's long term needs; it will insure delivery of safe and reliable service; reduce leaks to minimize maintenance costs and contamination risks; and improve hydraulics and enhance fire flow coverage. In addition, Petitioner will be in compliance with the requirements of the Ten State Standards as well as other set of standards. Mr. Bullock stated that construction may begin four months after Commission approval with substantial completion within six months.

Petitioner's witness John M. Seever, a partner with H.J. Umbaugh & Associates, described Petitioner's financing plan. Petitioner is requesting approval to issue up to $1,445,000 in revenue bonds for a term of twenty years. Mr. Seever stated that Petitioner's proposed bond issuance is a reasonable method of funding expenditures for Petitioner's improvement projects. He noted that the proposed bonds are to be issued for a term of twenty years, and that it is anticipated the improvements funded by the bond issue will benefit customers well into the future and specifically during the time the proposed bonds will be outstanding.

A. OUCC's Evidence. Mr. Charles Patrick testified on behalf of the OUCC. He stated that Petitioner proposes a two phase increase; Phase I would be 52.24%, and Phase II 3.14%, for an overall increase of 57.71% or $305,265. Mr. Patrick noted that Petitioner also requested financing authority of $1.445 million, and Petitioner's Ordinance No. 2009-10 authorized the issuance of revenue bonds not to exceed $1.59 million.

Mr. Patrick testified that the OUCC recommends a 59.66% or $319,916 overall increase in two phases – Phase I at 54.5%, Phase II at 3.34% and financing approval of up to $1.445 million. The sum of the two phase percentage increases is less than the overall percentage increase because the increases are cumulative; the Phase II rate increase is applied to revenues already increased by Phase I. Petitioner's and the OUCC's proposed rate increases are computed based upon the revenue requirements less certain operating revenues and interest income as shown below:

Revenue Requirements:	Per Petitioner Phase I	Per Petitioner Phase II	Per OUCC Phase I	Per OUCC Phase II
Depreciation	$ 94,928	$ 123,828	$94,870	$122,118
Cash Operating Disbursements	474,545	474,545	482,206	486,299
Payment in Lieu of Taxes	18,937	18,937	18,937	18,937
Debt Service (Outstanding Debt)	132,983	132,983	132,983	132,983
Debt Service (Proposed Debt)	88,580	88,580	99,932	99,932
Debt Service Reserve	17,716	17,716	15,900	15,900
Total Revenue Requirements	827,689	856,589	844,828	876,169
Less: Interest Income	14,376	14,376	14,376	14,376
Other Revenues	2,117	2,117	1,386	1,386
Net Revenue Requirements	811,196	840,096	829,066	860,407
Less: Revenues at Current Rates	492,445	749,501	536,273	828,554
Less: Fire protection	42,940	65,355	4,605	4,605
Revenue Increase Required Excluding Taxes	275,811	25,240	288,188	27,248
Add: Utility Receipts Tax	3,861	353	4,093	387
Net Revenue Increase Required	$ 279,672	$ 25,593	$ 292,281	$ 27,635
Recommended Percentage Increase	52.2%	3.1%	54.50%	3.34%

The OUCC proposed an additional revenue adjustment of $1,625 to account for the requested increase in Petitioner's tap fee charge. The OUCC also proposed several operation and maintenance expense adjustments that differed from Petitioner's:

Operating Expense Adjustments	**Per Petitioner**	**Per OUCC**
Salaries & Wages - Employees	$ 5,046	$ 17,076
Salaries & Wages - Directors	100	160
Salaries & Wages - Attorney	24	175
Maintenance	54,034	54,034
Insurance	210	(342)
Employee Pension and Benefits	6,427	7,420
Non-Recurring and Capital	(103,596)	(109,264)
Depreciation	-	27,190
Payroll Taxes	72	996
Utility Receipts Tax	-	4,479
State Board of Account Fees	-	(276)
Total Operating Expense Adjustments	$ (37,683)	$ 1,648

Mr. Patrick noted that Petitioner's salary and wage adjustment was based on the City's 2008 ordinance for 2009 wages. The OUCC's adjustment is based on the City's 2009 ordinance for 2010 wages. A vacant position was also filled by Petitioner and is included in the OUCC's adjustment. He further stated that Petitioner's adjustment was based on a test year insurance expense of $11,161, while the OUCC used a test year expense of $11,713. Consequently, the difference between Petitioner's employee pensions and benefits and payroll taxes is the OUCC's use of updated information.

Mr. Patrick testified that the OUCC accepted Petitioner's non-recurring and capital adjustments. The OUCC also proposed a reduction of $1,615 for capital improvements.[1] The OUCC's adjustment for depreciation includes an estimate for the proposed project and the additional capital improvements discussed above. Mr. Patrick noted that Petitioner did not include an estimated amount for the proposed project in its proposed Phase II depreciation expense amount. He also stated that the OUCC proposed an adjustment for the State Board of Accounts bi-annual audit, and that the OUCC's proposed Debt Service and Debt Service Reserve amounts are based on the recommendations of Mr. Kaufman.

Regarding the Fire Protection Surcharge, Mr. Patrick testified that the OUCC reviewed Petitioner's calculation for the proposed $2.90 per 5/8" meter surcharge and finds it consistent with Indiana Code 8-1-2-103(d). Therefore, he said that the Petitioner should be allowed to implement the charge beginning on January 1, 2011. Mr. Patrick recommended that Petitioner be required to give customers notice a month prior to adding the charge to customer invoices.

In addition, Mr. Patrick stated that the OUCC recommends Petitioner increase its tap fee from $350 to $675, and increase its bad check charge from $10 to $20. The OUCC based its adjustment on the Deputy Clerk's 2010 allocated hourly pay rate, plus a 25% allowance for employee benefits, times one hour to process a bad check. Mr. Patrick stated that Petitioner could not segregate bad check charges collected during the test year from consumption water revenues. Therefore, he stated that the OUCC recommends that the Commission require Petitioner to segregate these revenues on a going forward basis.

In conclusion, Mr. Patrick stated that Petitioner was unable to provide a balance sheet. The OUCC recommends Petitioner convert from using fund accounting to double entry accounting using the National Association of Regulatory Utility Commissioners ("NARUC") chart of accounts prior to filing its next rate case. In addition, Petitioner was unable to provide the cost of the assets that will be replaced by the proposed project. The OUCC recommends Petitioner develop a detailed accounting of its utility plant in service ("UPIS"), in as much detail as is available, and on a going forward basis maintain detailed, accurate UPIS records.

Mr. Roger Pettijohn, Senior Utility Analyst at the OUCC, provided testimony regarding Petitioner's system. He stated that the six main replacement projects all involve the replacement of 2-inch galvanized main with 6-inch PVC main, with the exception being the North Street project dead-ending in a 4 inch main. Mr. Pettijohn opined that galvanized mains have a reputation for being problematic, and the current mains are too small to support a hydrant for firefighting purposes. Further, he stated that maintenance is problematic given the age of the mains (approximately 60 years) and the shallow bury depth of the line (making the lines subject to freeze/thaw).

Mr. Pettijohn stated that the proposed 6-inch replacement will support fire protection and improve pressure and flow volumes. In addition, the proposed main improvements should

[1] These consisted of a $688 turbo meter; a $410 used generator; a $367 Kenwood radio/antenna, $150 for 15 meter lids and a $4,053 increase to non-recurring expenses from Indiana 15 Regional Planning Commission (grant services) and Keystone (license upgrade).

provide significant cost-benefit to customers, and homeowner insurance premiums may be reduced to those with a fire hydrant nearby; the current 2-inch water main is undersized to meet current demand and is not adequate to provide fire protection. Mr. Pettijohn recommended that the City publicize the benefits of providing fire protection and the possible impacts on insurance rates.

Further, Mr. Pettijohn testified that the main improvements account for about one-half of the $1.445 million proposed project cost. Other improvements include replacing filter valves at the treatment plant, replacing electrical switchgear at the well field and treatment plant, removing high service pumps at the treatment plant that are no longer in service, and installing stand-by (power) generation at the well field. He said that the OUCC finds the proposed improvements to be reasonable and necessary.

Mr. Edward R. Kaufman, CRRA, also offered testimony on behalf of the OUCC. He stated that the OUCC proposes that Petitioner borrow funds from the State Revolving Fund ("SRF") Loan Program. The proposed debt service of $99,932, plus the current loan of $132,983 yields $232,915 annually. Mr. Kaufman opined that if Petitioner is unable to pursue SRF funding, Petitioner's proposed annual debt service of $221,563 should be used.

Mr. Kaufman's recommendation regarding SRF funding stems from Petitioner's proposal to issue this debt on the open market at assumed interest rates that range from 5.52% to 6.52%. Mr. Kaufman testified that the SRF program is available to Petitioner at interest rates at or below 3.31%, and therefore Petitioner's proposal seems excessive. Mr. Kaufman noted that the open market issue would cost ratepayers almost $788,000 more than the SRF loan.

Mr. Kaufman noted that Petitioner explained the open market issue would allow Petitioner to "wrap" the proposed debt, which would result in a smaller rate impact than a potentially lower SRF interest rate. However, wrapping the proposed loan only saves approximately $11,350 per year for 9.5 years, but costs approximately $116,000 per year for 9 years (once principal payments are included in Petitioner's revenue requirements, assuming a 20-year loan amortization period). Mr. Kaufman opined that the Commission should not allow management discretion to charge ratepayers an additional $790,000 in avoidable interest, and Petitioner should demonstrate why it is preferable to borrow at 6.0% instead of 3.31%. Further, Mr. Kaufman noted that if Petitioner is not eligible to borrow through SRF's standard loan program, Petitioner would be eligible for SRF's pooled loan program to borrow at a "AAA" bond rating, resulting in interest rates of approximately 4.25 to 4.5%.

Regardless of the funding mechanism, Mr. Kaufman stated that a true up of the precise cost will be necessary. He noted that the funds Petitioner collects between the time rates are approved and the proposed debt closes should be placed in a segregated fund to reduce the amount of funds Petitioner borrows. He further noted that Petitioner's proposed bond issue will be interest-only until December 1, 2020 with an annual debt service of $88,580.

Relating to Petitioner's proposed debt service reserve ("DSR") amount, Mr. Kaufman testified that the proposal ignores the interest Petitioner will earn as it accumulates these funds. Based on the OUCC's proposal, Petitioner would need to accumulate $234,287 within five years after it closes on its proposed loan. He stated that Petitioner already has $135,160 built up in DSR funds. Assuming 0.5% interest in 2010, 1.0% in 2011 & 1.0% increases for the three years thereafter, Petitioner's annual DSR should be $15,900. Petitioner should begin funding its DSR monthly once rates go into place and not at the close of the loan. If Petitioner uses these funds other than to make its final payment to retire one of its bonds, Petitioner should be required to notify the IURC and OUCC as to why its DSR has become underfunded.

6. **Commission Discussion and Findings.** The parties filed their *Joint Stipulation and Settlement*, which is attached to this Order as IURC Joint Exhibit 1, agreeing to resolve issues in this case. As part of the Settlement, Petitioner accepted the OUCC's recommendation of a 59.66% or $319,916 overall increase in two phases, with Phase I at 54.5% and Phase II at 3.34%. The Petitioner also agreed to the OUCC's recommendation regarding the application of 'over-collected' debt service to the cost of the projects proposed herein. Further, Petitioner agreed that the rates and financing in this Cause be subject to true-up.

Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. 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 require that settlements be supported by probative evidence. 170 I.A.C. § 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 § 8-1-2, and that such agreement serves the public interest.

We find, based on the evidence, that Petitioner's proposed improvements are reasonably necessary for Petitioner to provide reasonable and adequate service and that the proposed method of financing these costs is reasonable. 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 its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, (*Ind. Util. Reg. Comm'n*, March 19, 1997).

A. Financing Authority. Indiana Code § 8-1.5-2-19 requires Commission approval before a municipality may issue bonds, notes, or other obligations. Petitioner requests Commission approval to issue $1.445 million in revenue bonds with a term not to exceed 20 years. Brian A.

Bullock, a registered professional engineer with Midwestern Engineers, Inc., testified that proceeds from the bonds will be used for the replacement of smaller diameter distribution mains and upgrades to the well field and water treatment plant.

The OUCC raised no objection to Petitioner's proposed projects; however, OUCC witness Edward R. Kaufman testified that Petitioner should pursue financing through the Drinking Water SRF in order to reduce interest cost over the life of the bonds. In the *Joint Stipulation*, Petitioner has agreed to this request and that Petitioner would only pursue an alternative source after determining that financing is unavailable through the SRF.

We find that the proposed method of financing the costs of the improvements requested herein, under which Petitioner will finance the improvements through the SRF to the extent financing is available from the SRF, is reasonable. We therefore find that Petitioner should be authorized to issue $1.445 million in revenue bonds, payable over a term of 20 years.

B. Aggregate Annual Revenue Requirement. In the *Joint Stipulation and Settlement Agreement*, the Parties stipulated and we find that Petitioner's aggregate annual revenue requirements are as follows:

Annual Rev. Requirements:	Phase I	Phase II
Cash operating disbursements	$501,144	$505,236
Debt service:		
Outstanding debt	132,983	132,983
Proposed debt	99,932	99,932
Debt service reserve	15,900	15,900
Replacements & improvements	94,870	122,118
Total Revenue Requirements	$844,829	$876,169

The Commission finds that the rates and charges currently in effect for services rendered by Petitioner are inadequate to provide for Petitioner's annual revenue requirement. We find that Petitioner requires an overall 54.5% increase in rates to produce a $292,281 increase in operating revenues in Phase I to meet its current revenue requirements. Upon the placement in service of the projects to be financed with the bonds we have approved and subject to the true-up report described in Paragraph 8 herein, we find that Petitioner's rates should be increased across-the-board an additional 3.34% to produce $27,635 in additional operating revenues.

Revenue Requirements:	Per Settlement Phase I	Per Settlement Phase II
Depreciation	$94,870	$122,118
Cash Operating Disbursements	482,206	486,299
Payment in Lieu of Taxes	18,937	18,937
Debt Service (Outstanding Debt)	132,983	132,983
Debt Service (Proposed Debt)	99,932	99,932
Debt Service Reserve	15,900	15,900
Total Revenue Requirements	844,828	876,169
Less: Interest Income	14,376	14,376
Other Revenues	1,386	1,386
Net Revenue Requirements	829,066	860,407
Less: Revenues at Current Rates	536,273	828,554
Less: Fire protection	4,605	4,605
Revenue Increase Required Excluding Taxes	288,188	27,248
Add: Utility Receipts Tax	4,093	387
Net Revenue Increase Required	$ 292,281	$ 27,635
Recommended Percentage Increase	54.50%	3.34%

The Parties also stipulated and the Commission finds that a new tap charge in the amount of $675 for 5/8" and ¾" services should be approved and that a bad check charge of $20 per dishonored check should be approved. Finally, the Parties have stipulated and we find that, effective January 1, 2011, Petitioner should implement a surcharge by meter size for public fire protection in lieu of directly billed hydrant charges to Petersburg, all as set forth in the proposed schedule of rates attached to the *Joint Stipulation*.

C. Over-collection of Debt Service. The OUCC noted that, given the use of SRF financing and the delay that will occur before full debt service payments are to be made, Petitioner will over-collect debt service in Phase I as a result of the rate increase authorized herein. The OUCC requested that a mechanism be established to address this over-collection issue. In the *Joint Stipulation*, Petitioner committed that it would apply the over-collection to the cost of the projects. The cost of the projects will include any additional engineering fees incurred to prepare the application to the SRF. Since the SRF is a draw loan, Petitioner can apply the over-collection and simply not draw the full amount authorized. In the alternative, Petitioner may be able to construct additional projects without borrowing more funds. The over-collection issue should be addressed as a part of the true-up filing required herein, which would reflect the actual principal amount of the borrowing. We find that the Parties' proposal to apply the over-collection to the cost of the projects to be reasonable.

D. True-Up. The actual cost of debt service will not be known precisely until sometime after Petitioner issues the bonds. With loans through SRF, a closing occurs, but the utility does not leave the closing with any cash and the total amount to be borrowed will not be known. Instead, after closing, the utility will commence construction and submit claims to the Indiana Finance Authority for payment. The total amount borrowed will not be known until the actual project costs are known and all of the draws against the loans are made.

Petitioner has agreed to true-up the actual debt service after the final draw is made. Specifically, within thirty (30) days of payment of the final draw and placement in service of the projects to be financed with the bonds we have approved, Petitioner should file a true-up report with the Commission and serve a copy thereof on the parties of record. The true-up report shall provide the following: the total project cost, the actual principal amount borrowed, the application of over-collected debt service to project costs, the interest rate, the term of the bonds, the actual average annual debt service requirements, depreciation expense on the projects financed, and the impact that any difference would have on Petitioner's metered rates. Petitioner will reflect the impact of the true-up in its Phase II tariff, to be filed simultaneously with the true-up report.

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

1. Petitioner shall be and hereby is authorized to issue waterworks revenue bonds in a principal amount not to exceed $1,445,000 for a term of twenty (20) years subject to the findings herein.

2. Petitioner is hereby authorized to increase its rates and charges for utility service in Phase I across the board by $292,281, and to place into effect new schedules of rates and charges set forth in Attachment 3 to the Joint Stipulation representing a 54.5% overall increase in its rates and charges.

3. Subject to and coincident with the filing of the true-up report described herein, Petitioner shall be and hereby is authorized to further increase its rates and charges upon placement in service of the financed projects by $27,635 and to place in effect the Phase II schedule of rates and charges set forth in Attachment 3 to the Joint Stipulation, representing a further increase of 3.34%.

4. The tap charge, bad debt charge, and surcharge by meter size for public fire protection described herein shall be and hereby are approved.

5. Petitioner shall file with the Water/Sewer Division of the Commission a tariff schedule in accordance with the Commission's Rules. Said tariff, when approved by the Water/Sewer Division, shall cancel all previously approved rates and charges and Petitioner's new charges shall be in full force and effect.

6. In accordance with I.C. § 8-1-2-85, Petitioner shall pay a fee of twenty-five cents

($0.25) for each $100 of revenue bonds issued, into the Treasury of the State of Indiana, through the Secretary of this Commission, within thirty (30) days of the receipt of the financing proceeds authorized herein.

7. In accordance with I.C. § 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days from the date of this Order, into the Treasury of the State of Indiana, through the Secretary of the Commission:

Commission Charges	$1,000.00
Reporting Charges	$ 28.34
Legal Advertising Charges	$ 107.24
OUCC Charges	$2,000.00
Total	$3,135.58

8. This Order shall be effective on and after the date of its approval.

HARDY, ATTERHOLT AND CONCUR; LANDIS AND ZIEGNER ABSENT:

APPROVED: MAY 11 2010

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission

FILED
January 28, 2010
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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JOINT
EXHIBIT No. 1
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REPORTER

PETITION OF THE CITY OF PETERSBURG, INDIANA FOR AUTHORITY TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS, FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE, AND FOR APPROVAL OF NEW SCHEDULE OF RATES AND CHARGES APPLICABLE THERETO	)	CAUSE NO. 43757

JOINT STIPULATION AND SETTLEMENT AGREEMENT BETWEEN THE CITY OF PETERSBURG MUNICIPAL WATER UTILITY AND THE OFFICE OF UTILITY CONSUMER COUNSELOR

On August 7, 2009, Petitioner, the City of Petersburg Municipal Water Utility ("Petitioner"), filed with the Indiana Utility Regulatory Commission ("Commission") its Petition in this Cause. Prior to the final public hearing in this Cause, Petitioner and the Office of Utility Consumer Counselor ("OUCC") communicated with each other regarding settlement of this Cause and have reached an agreement with respect to all the issues before the Commission. Petitioner and the OUCC stipulate and agree to the following matters:

1. The Parties stipulate and agree to the issuance by the Commission of a final order in the form attached hereto as Attachment 1 (the "Proposed Order"). Each description of an agreement by the Parties contained in the Proposed Order is incorporated herein by reference and is accepted by each of the Parties as if fully set forth herein. Solely for purposes of settlement, the Parties stipulate and agree that the terms, findings, and ordering paragraphs of the Proposed Order constitute a fair, just and reasonable resolution of the issues raised in this Cause provided they are approved by the Commission in their entirety and without modification.

2. Petitioner's Proposed Issuance Long-Term Debt. Petitioner has requested authority to issue long-term debt in aggregate principal amount of $1.445 Million. The Parties stipulate and agree that the projects and uses of funds as described on pages 4 and 5 of Petitioner's Exhibit BAB and page 5 of Petitioner's Exhibit JMS-1 (the "Projects") are reasonably necessary expenditures for Petitioner's utility system that will allow Petitioner to provide adequate and reliable water service to its customers. The Parties further stipulate and agree that Petitioner shall first attempt in good faith to secure financing through the Drinking Water State Revolving Fund ("SRF"). Petitioner shall only resort to financing through an alternative source if funding is unavailable through the SRF and after first providing thirty (30) days notice to the OUCC. The financing shall have a term of up to twenty years.

3. Amount of Stipulated Rate Increase. Petitioner has proposed to implement its rate increase in two phases, with Phase I to take effect upon the issuance of a Commission Order approving this Stipulation, and Phase II to take effect upon the filing of the true-up report provided by Paragraph 6 herein following the placement in service of the Projects. The OUCC and Petitioner stipulate and agree that Petitioner's current rates and charges should be increased immediately upon the issuance of a Commission Order by 54.5% so as to produce $292,281 in addition annual operating revenues (including Utility Receipts Tax). The OUCC and Petitioner further stipulate and agree that Petitioner should also be authorized to further increase its rates and charges commensurate with the true-up filing provided by Paragraph 6 herein by an additional 3.34% to produce an additional $27,635 in annual revenues (including Utility Receipts Tax). Petitioner's revenue requirements to which Petitioner and the OUCC stipulate and agree are set forth in the schedules attached hereto as Attachment 2. Attachment 3 consists of the schedule of rates which should be approved for Phase I and II. The parties stipulate and agree

that the rate increases provided herein are just and reasonable and should be approved. The Parties stipulate and agree the increases in Phases I and II should be across-the-board.

4. Overcollection of Debt Service. The Parties stipulate and agree that with the level of Phase I rates to be authorized herein, Petitioner will for a period of time "overcollect" its debt service requirements in that the debt service Petitioner will actually incur will be less than the debt service included in Petitioner's Phase I revenue requirements. Petitioner agrees to calculate the amount of "overcollection" in this regard and to apply the "overcollected" funds to the cost of the Projects for which financing authority is to be granted as a result of this Joint Stipulation and Settlement Agreement. For purposes of this paragraph, additional engineering costs incurred to complete application to the SRF shall be considered part of the costs of the Projects. Petitioner agrees to reflect this additional source of funding in its true-up report to be filed pursuant to Paragraph 6 herein as a reduction in the actual principle amount borrowed or as the source of financing for additional projects not included within the Projects. The maturity date for the debt will be maintained.

5. Phased Rates. The OUCC and Petitioner agree that the implementation of Petitioner's rate increase in two phases is reasonable. Ind. Code § 8-1.5-3-8(h) provides that the Commission shall grant a request by a municipal utility that an increase in rates and charges not be effective until after the occurrence of a future event, if the municipal legislative body so requests. Petitioner has presented testimony and exhibits in this Cause to support phased rates and the Petitioner and the OUCC hereby agree to phased rates.

6. True-Up. The OUCC and Petitioner agree that the actual amount of the bonds, the interest rate at which the bonds will be sold, and the actual cost of annual debt service

associated with the projects will not be known precisely until after Petitioner has made its final draw on its financing from the SRF. Since the figures are estimates rather than actual amounts, the parties agree that the Petitioner shall be required to true-up those amounts after the final draw for its project. Specifically, within 30 days of payment of the final draw and the placement in service of the Projects, the Parties agree that Petitioner should file a true-up report with the Commission and serve a copy thereof on all parties of record. The true-up report should include the same methodologies reflected in the Joint Schedules and state the following: the total project cost, the actual principal amount borrowed, the interest rate, the term of the bonds, the actual average annual debt service, the debt service revenue requirements, depreciation expense on the Projects, and the impact that any difference would have on Petitioner's rates. Petitioner agrees to reflect the results of the true-up report in its Phase II increase to be filed simultaneously with the true-up report.

7. Petitioner's proposed surcharge by meter size for public fire protection should be approved to take effect January 1, 2011, in lieu of directly billed charges to the municipality, as set forth in Attachment 2. A tap charge of $675 for 5/8" or ¾" water services and a bad check charge of $20 per dishonored check should also be approved.

8. Following the issuance of a Commission Order approving this Joint Stipulation and Settlement Agreement, Petitioner should file all Annual Reports to the Commission on an accrual basis but Petitioner should not be required to change its accounting system to double entry accounting.

9. <u>Mutual Conditions on Settlement Agreement.</u> Petitioner and the OUCC agree for purposes of establishing new rates and charges for Petitioner that the terms and conditions set

forth in this Joint Stipulation and 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 Commission order in the form attached as the Proposed Order without modification or further condition, which may be unacceptable to either party. If the Commission does not approve this Joint Stipulation and Settlement Agreement or does not issue the final order in the form attached as the Proposed Order in its entirety without modification, the entire Settlement Agreement shall be deemed withdrawn, unless otherwise agreed to by the Parties. Petitioner and the OUCC represent that there are no other agreements in existence between them relating to the matters covered by this Joint Stipulation and Settlement Agreement which in any way affect this Agreement.

10. Non-Precedential. As a condition precedent to the Joint Stipulation and 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 Joint Stipulation and Settlement Agreement or the 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 Joint Stipulation and Settlement Agreement 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. This Joint Stipulation and 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 the items resolved herein in any future

regulatory or other proceedings and, failing approval by this Commission, shall not be admissible in any subsequent proceedings.

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

Nicholas K. Kile, Attorney No. 15203-53
Hillary J. Close, Attorney No. 25104-49-B
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana, 46204
Telephone: (317) 231 7768
Facsimile: (317) 231-7433

Attorneys for Petitioner
City of Petersburg Municipal Water Utility

Jeffrey M. Reed, Esq., Attorney No. 11651-49
Indiana Office of Utility Consumer Counselor
115 W. Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF PETERSBURG, INDIANA FOR AUTHORITY TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS, FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE, AND FOR APPROVAL OF NEW SCHEDULE OF RATES AND CHARGES APPLICABLE THERETO	)	CAUSE NO. 43757

BY THE COMMISSION:
Jeffrey L. Golc, Commissioner
Lorraine Hitz-Bradley, Administrative Law Judge

On August 7, 2009, the City of Petersburg Municipal Water Utility ("Petitioner" or "City") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") seeking authority to issue bonds, notes or other obligations, and for approval of a new schedule of rates and charges for water service in two phases.

Pursuant to notice duly provided as required by law, we conducted a prehearing conference on September 10, 2009, and issued a Prehearing Conference Order on September 16, 2009. On October 7, 2009, Petitioner prefiled its testimony and exhibits constituting its case-in-chief. On January 6, 2010, the OUCC prefiled the testimony and exhibits constituting its case-in-chief. On January 28, 2010, the OUCC and City filed a Joint Stipulation and Settlement Agreement.

Pursuant to notice duly published as required by law, a public Evidentiary Hearing was held in this Cause on February 3, 2010 at 9:30 a.m. in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. Proofs of publication of the notice of the Evidentiary Hearing were incorporated into the record and placed into the official files of the

Attachment 1

Commission. Petitioner and the OUCC attended the Evidentiary Hearing at which the prefiled testimony was admitted into the record. No members of the public attended the hearing.

The Commission, having examined and considered all of the evidence of record and now being fully advised, finds as follows:

1. **Notice and Jurisdiction.** Proper legal notice of the hearings held herein was published as required by law. Petitioner is a municipally owned utility within the meaning of the Public Service Commission Act, as amended, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana. The Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner owns and operates a municipal water works facility serving retail customers located within the corporate boundaries of the City as well as unincorporated areas of Pike County.

3. **Relief Requested.** Petitioner requests authority to issue bonds to finance improvements to its infrastructure and for authority to increase its rates and charges in two phases.

4. **Test Year.** The test year used by Petitioner for determining Petersburg's annual revenue requirements in this Cause was the twelve (12) months ended December 31, 2008. The financial data for such test year, when adjusted for changes as provided in the Prehearing Conference Order, fairly represents the annual operations of Petitioner. We conclude, therefore, that such test year is a proper basis for fixing new rates for Petitioner and testing the effects thereof.

5. **Financing Authority.** Indiana Code § 8-1.5-2-19 requires Commission approval before a municipality may issue bonds, notes, or other obligations. Petitioner requests Commission approval to issue $1.445 million in revenue bonds with a term not to exceed 20 years. Brian A. Bullock, a registered professional engineer with Midwestern Engineers, Inc., testified that proceeds from the bonds will be used for the replacement of smaller diameter distribution mains and upgrades to the well field and water treatment plant.

Petitioner's witness John M. Seever, a partner with H.J. Umbaugh & Associates, described Petitioner's financing plan. Petitioner is requesting approval to issue up to $1,445,000 in revenue bonds for a term of twenty years. Mr. Seever opined that Petitioner's proposed bond issuance is a reasonable method of funding expenditures for Petitioner's improvement projects. He noted that the proposed bonds are to be issued for a term of twenty years, and that it is anticipated the improvements funded by the bond issue will benefit customers well into the future and specifically during the time the proposed bonds will be outstanding.

The OUCC raised no objection to Petitioner's proposed projects; however, OUCC witness Edward R. Kaufman testified that Petitioner should pursue financing through the Drinking Water State Revolving Fund ("SRF") in order to reduce interest cost over the life of the bonds. In the Joint Stipulation, Petitioner has agreed to this request and that Petitioner would only pursue an alternative source only after determining that financing is unavailable through the SRF.

We find, based on the evidence, that Petitioner's proposed improvements are reasonably necessary for Petitioner to provide reasonable and adequate service and that the proposed method of financing these costs, under which Petitioner will finance the improvements through the SRF to the extent financing is available from the SRF, is reasonable. We therefore find that Petitioner should be authorized to issue $1.445 million in revenue bonds, payable over a term of 20 years.

6. **Aggregate Annual Revenue Requirement.** In the Joint Stipulation and Settlement Agreement, the Parties stipulated and we find that Petitioner's aggregate annual revenue requirements are as follows:

Annual Rev. Requirements:	Phase I	Phase II
Cash operating disbursements	$501,144	$505,236
Debt service:		
Outstanding debt	132,983	132,983
Proposed debt	99,932	99,932
Debt service reserve	15,900	15,900
Replacements & improvements	94,870	122,118
Total Revenue Requirements	$844,829	$876,169

The Commission finds that the rates and charges currently in effect for services rendered by Petitioner are inadequate to provide for Petitioner's annual revenue requirement. We find that Petitioner requires an overall 54.5% increase in rates to produce a $292,281 increase in operating revenues in Phase I to meet its current revenue requirements. Upon the placement in service of the projects to be financed with the bonds we have approved and subject to the true-up report described in Paragraph 8 herein, we find that Petitioner's rates should be increased in across-the-board fashion 3.34% to produce an additional $27,635 in total operating revenues.

The Parties also stipulated and the Commission finds that a new tap charge in the amount of $675 for 5/8" and ¾" services should be approved and that a bad check charge of $20 per dishonored check should be approved. Finally, the Parties have stipulated and we find that, effective January 1, 2011, Petitioner should implement a surcharge by meter size for public fire protection in lieu of directly billed hydrant charges to Petersburg, all as set forth in the proposed schedule of rates attached to the Joint Stipulation.

7. **Over-collection of Debt Service.** The OUCC noted that, given the use of SRF financing and the delay that will occur before full debt service payments are to be made, Petitioner will over collect debt service in Phase I as a result of the rate increase authorized herein. The OUCC requested that a mechanism be established to address this over collection issue. In the Joint Stipulation, Petitioner committed that it would apply the over collection to the cost of the projects. The cost of the projects will include any additional engineering fees incurred to prepare the application to the SRF. Since the SRF is a draw loan, Petitioner can apply the over collection and simply not draw the full amount authorized. Or Petitioner may be able to construct additional projects without borrowing more funds. The over collection issue should be addressed as a part of the true-up filing required herein, which would reflect the actual principal amount of the borrowing. We find that the Parties' proposal to apply the over collection to the cost of the projects in this fashion to be reasonable.

8. **True-Up.** The actual cost of debt service will not be known precisely until sometime after Petitioner issues the bonds. With loans through SRF, a closing occurs, but the utility does not leave the closing with any cash and the total amount to be borrowed will not be known. Instead, after closing, the utility will commence construction and submit claims to the Indiana Finance Authority for payment. The total amount borrowed will not be known until the actual project costs are known and all of the draws against the loans are made. Petitioner has agreed to true-up the actual debt service after the final draw is made. Specifically, within 30 days of payment of the final draw and placement in service of the projects to be financed with the bonds we have approved, Petitioner should file a true-up report with the Commission and serve a copy thereof on the parties of record. The true-up report shall provide the following: the

total project cost, the actual principal amount borrowed, the application of over collected debt service to project costs, the interest rate, the term of the bonds, the actual average annual debt service requirements, depreciation expense on the projects financed, and the impact that any difference would have on Petitioner's metered rates. Petitioner will reflect the impact of the true-up in its Phase II tariff, to be filed simultaneously with the true-up report.

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

1. Petitioner shall be and hereby is authorized to issue waterworks revenue bonds in a principal amount not to exceed $1,445,000 for a term of twenty (20) years subject to Finding Paragraph 5.

2. Petitioner is hereby authorized to increase its rates and charges for utility service in Phase I across the board by $292,281, and to place into effect new schedules of rates and charges set forth in Attachment 3 to the Joint Stipulation representing a 54.5% overall increase in its rates and charges.

3. Subject to and coincident with the filing of the true-up report described in Finding Paragraph 8, Petitioner shall be and hereby is authorized to further increase its rates and charges upon placement in service of the financed projects by $27,635 and to place in effect the Phase II schedule of rates and charges set forth in Attachment 3 to the Joint Stipulation, representing a further increase of 3.34%.

4. The tap charge, bad debt charge, and surcharge by meter size for public fire protection described in Finding Paragraph 6 shall be and hereby are approved.

5. Petitioner shall file with the Gas/Water/Sewer Division of the Commission a tariff schedule in accordance with the Commission's Rules. Said tariff, when approved by the Gas/Water/Sewer Division, shall cancel all previously approved rates and charges and Petitioner's new charges shall be in full force and effect.

6. In accordance with Ind. Code § 8-1-2-85, Petitioner shall pay a fee of twenty-five cents ($0.25) for each $100 of revenue bonds issued, into the Treasury of the State of Indiana, through the Secretary of this Commission, within thirty (30) days of the receipt of the financing proceeds authorized herein.

7. 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, into the Treasury of the State of Indiana, through the Secretary of the Commission:

Commission Charges	$1,000.00
Reporting Charges	
Legal Advertising Charges	
OUCC Charges	$2,000.00
Total	

8. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, ATTERHOLT, LANDIS, AND ZIEGNER CONCUR:
APPROVED:

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

Nancy E. Manley
Secretary to the Commission

INDS01 NKK 1177604v1

PETERSBURG (INDIANA) MUNICIPAL WATER UTILITY

COMPARISON OF PETITIONER'S AND OUCC'S REVENUE REQUIREMENTS
CAUSE NUMBER 43757

	Phase I		
	Original Request Per Petitioner	Rebuttal Per OUCC	Settlement
Annual Revenue Requirements:			
Cash operating disbursements	$493,482	$501,144	$501,144
Debt service:			
Outstanding debt	132,983	132,983	132,983
Proposed debt	88,580	99,932	99,932
Debt service reserve	17,716	15,900	15,900
Replacements and improvements	94,928	94,870	94,870
Total Revenue Requirements	827,689	844,829	844,829
Less interest income	(14,376)	(14,376)	(14,376)
Less other operating receipts	(2,117)	(1,386)	(1,386)
Net Revenue Requirements	$811,196	$829,067	$829,067
Annual Revenues:			
Metered water receipts	$492,445	$492,445	$492,445
Unmetered water receipts		887	887
Fire protection	42,940	42,941	42,941
Tap and reconnect fees		4,605	4,605
Total Revenues	$535,385	$540,878	$540,878
Additional Revenues Required	$275,811	$288,189	$288,189
Additional utility receipts tax	3,861	4,092	4,092
Total	$279,672	$292,281	$292,281
Approximate Across-the-Board Percentage Increase Required	52.24%	54.50%	54.50%
Resulting Approximate average monthly residential bill for 5,000 gallons (presently $13.25)	$20.15	$20.47	$20.47

Attachment 2

PETERSBURG (INDIANA) MUNICIPAL WATER UTILITY

COMPARISON OF PETITIONER'S AND OUCC'S REVENUE REQUIREMENTS
CAUSE NUMBER 43757

	Phase II (Subject to True-Up)		
	Original Request Per Petitioner	Rebuttal Per OUCC	Settlement
Annual Revenue Requirements:			
Cash operating disbursements	$493,482	$505,236	$505,236
Debt service:			
Outstanding debt	132,983	132,983	132,983
Proposed debt	88,580	99,932	99,932
Debt service reserve	17,716	15,900	15,900
Replacements and improvements	123,828	122,118	122,118
Total Revenue Requirements	856,589	876,169	876,169
Less interest income	(14,376)	(14,376)	(14,376)
Less other operating receipts	(2,117)	(1,386)	(1,386)
Net Revenue Requirements	$840,096	$860,407	$860,407
Annual Revenues:			
Metered water receipts	$749,501	$760,839	$760,839
Unmetered water receipts		1,370	1,370
Fire protection	65,355	66,345	66,345
Tap and reconnect fees		4,605	4,605
Total Revenues	$814,856	$833,159	$833,159
Additional Revenues Required	$25,240	$27,248	$27,248
Additional utility receipts tax	353	387	387
Total	$25,593	$27,635	$27,635
Approximate Across-the-Board Percentage Increase Required	3.14%	3.34%	3.34%
Resulting Approximate average monthly residential bill for 5,000 gallons (presently $13.25)	$20.75	$21.15	$21.15

PETERSBURG (INDIANA) MUNICIPAL WATER UTILITY

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

(A) Monthly Consumption (per 1,000 gallons):		Present (1)	Proposed Phase I (2)	Proposed Phase II (3)
First	5,000 gallons	$2.65	$4.09	$4.23
Next	10,000 gallons	2.39	3.69	3.81
Next	15,000 gallons	2.13	3.29	3.40
Next	30,000 gallons	1.85	2.86	2.96
Over	60,000 gallons	1.61	2.49	2.57

(B) Minimum Charge per Month:		Gallons Allowed	Present (1)	Phase I (2)	Phase II (3)
3/4	inch meter or less	2,856	$7.57	$11.68	$12.08
1	inch meter	5,007	13.27	20.48	21.18
1 1/4	inch meter	8,021	20.47	31.60	32.66
1 1/2	inch meter	10,028	25.27	39.00	40.31
2	inch meter	15,039	37.23	57.48	59.38
3	inch meter	30,071	69.23	106.90	110.46
4	inch meter	50,116	106.31	164.23	169.79

(C) Fire Protection:

		Present (1)	Phase I (2)	Phase II (3)
Municipal fire hydrant (Per Annum) (Until December 31, 2010)		$265.64	$410.41	$424.12
Private fire hydrant (Per Annum)		265.64	410.41	424.12
Public fire protection: (Per Month) (Beginning January 1, 2011)				
5/8	inch meter		$2.90	$3.00
3/4	inch meter		4.35	4.50
1	inch meter		7.26	7.50
1 1/4	inch meter		11.61	12.00
1 1/2	inch meter		14.51	15.00
2	inch meter		23.22	24.00
3	inch meter		43.54	44.99
4	inch meter		72.56	74.99
6	inch meter		145.13	149.97
8	inch meter		232.20	239.96
10	inch meter		333.79	344.94

(1) Pursuant to IURC Cause No. 41185 approved September 2002.
(2) Proposed rates and charges represent a 54.5% across-the-board increase in present rates and charges.
(3) Proposed rates and charges represent an additional 3.34% across-the-board increase above Phase I proposed rates and charges.

(Continued on next page)

Attachment 3

PETERSBURG (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

		Present (1)	Proposed Phase I (2)	Proposed Phase II (3)
(C) Fire Protection: (Cont'd)				
Private sprinklers: (Per Annum)				
1	inch connection	$4.40	$6.80	$7.03
1 1/4	inch connection	6.80	10.51	10.86
2	inch connection	17.46	26.98	27.88
3	inch connection	39.31	60.73	62.76
4	inch connection	69.97	108.10	111.71
6	inch connection	157.39	243.17	251.29
8	inch connection	279.74	432.20	446.64
(D) Wholesale Rate per Month:				
First	100,000 gallons (minimum)	$167.36	$258.57	$267.21
Over	100,000 gallons, per 1,000 gallons	1.05	1.62	1.67
(E) Raw Water Rate per Month:				
All consumption, per 1,000 gallons		$0.15	$0.23	$0.24
(F) Tap Fee:		Per Tap	Per Tap	Per Tap
3/4	inch or less	$350.00	$675.00*	$675.00*

* If tap is on the same side of the road as the City main; $675.00 plus $7.00 per foot road crossing charge if a road crossing is required.

All taps requiring a meter larger that 3/4 inch shall be charged the actual cost of installation including labor, materials, and equipment, but not less that the charge of a 3/4 inch meter.

(G) Temporary Users:

Water furnished to temporary users such as contractors, etc. shall be charged the above rates based upon gallonage consumption estimated by the Waterworks Superintendent.

	Present (1)	Phase I (2)	Phase II (3)
(H) Turn-off Fee	$10.00	$10.00	$10.00
(I) Turn-on Fee	$20.00	$20.00	$20.00
(J) Bad Check Charge	$10.00	$20.00	$20.00

(K) Collection or Deferred Payment Charge:

A water service bill which has remained unpaid for a period of more than fifteen days from the due date thereof as stated in such bill, shall be subject to a collection or deferred payment charge of 10% on the first $3.00 and 3% on the excess over $3.00.

(1) Pursuant to IURC Cause No. 41185 approved September 2002.
(2) Proposed rates and charges represent a 54.5% across-the-board increase in present rates and charges.
(3) Proposed rates and charges represent an additional 3.34% across-the-board increase above Phase I proposed rates and charges.