

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF SOUTH BEND,)
INDIANA FOR AUTHORITY TO ISSUE)
BONDS, NOTES, OR OTHER OBLIGATIONS)
AND FOR APPROVAL OF MODIFICATIONS,)
AS APPROPRIATE TO PETITIONER'S WATER)
LINE INSURANCE PROGRAM)

CAUSE NO. 44138

APPROVED: APR 25 2012

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Loraine L. Seyfried, Chief Administrative Law Judge

On December 30, 2011, the City of South Bend, Indiana ("Petitioner") filed its Petition with the Commission seeking financing authority for the construction of various improvements to Petitioner's waterworks system. Petitioner prefiled testimony and exhibits constituting its case-in-chief on December 30, 2011. Petitioner also requested authority to expand its Water Line Insurance Program ("WLIP") to all of its customers located outside the South Bend city limits, but subsequently withdrew that request on February 24, 2012.

On March 8, 2012, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Edward R. Kaufman and Jeffrey A. Fish.

An evidentiary hearing was held pursuant to proper legal notice on April 10, 2012 at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. There were no intervenors, and the hearing proceeded solely on the issue of Petitioner's request for approval to issue waterworks revenue bonds.

Based upon the applicable law and evidence herein, and being duly advised in the premises, the Commission now finds:

1. Notice and Jurisdiction. Due, legal and timely notice of the public hearing held in this Cause was given and published as required by law. Petitioner owns and operates a "municipally owned utility" as that phrase is used in Ind. Code § 8-1-2-1(h) and is subject to the jurisdiction of the Commission in the manner and to the extent provided by laws of the State of Indiana. Ind. Code §§ 8-1.5-2-18 and -19 provide the Commission may authorize a municipality to issue bonds to pay for improvements to its utility. Accordingly, the Commission has jurisdiction over Petitioner and the subject matter of the Petition.

2. Petitioner's Characteristics. Petitioner is a municipality that owns and operates plant and equipment within the State of Indiana for the production, transmission, delivery, and furnishing of water to the public within and around the City of South Bend, Indiana.

3. **Relief Requested.** Petitioner seeks approval to issue waterworks revenue bonds (“2012 Bonds”) in an amount not to exceed \$8,300,000, which will be used to fund necessary extensions, replacements and improvements to its waterworks system.

4. **Evidence of the Parties.** The evidence of record shows that Petitioner has planned a number of improvements to its utility (the “Projects”) to be funded by the issuance of the 2012 Bonds. Below is a listing and general description of the planned improvements as set forth in the evidence of record.

(a) **Pinhook Water Treatment Plant Upgrade:** The proposed project will redesign the chemical feed system, replace filter media for greater capacity and redesign the aeration basin to address issues related to the findings in the Arsenic Removal Study of the Petitioner’s Water Treatment Plants (“WTPs”). After review of the report’s recommendations, Petitioner selected a plan to reduce or eliminate pumpage from those wells that have higher concentrations of arsenic at the Edison, North and Pinhook well fields. Petitioner determined that the Pinhook WTP has the capacity to offset the reduced production of the Edison WTP. From that determination, Petitioner developed the Pinhook Water Treatment Assessment plan.

(b) **Water Main Improvements:** The proposed projects will improve water mains on South Bend Avenue from Twyckenham to Eddy Street and Bailey and Burdette to Legacy Court. Additionally, water mains will be replaced on Ewing Avenue from Locust Road to Walnut and under the railroad tracks on 30th Street. A new main will also connect the South Well field to the South Pressure Zone. Lastly, it will create a new well in the Cleveland Road North well field.

(c) **Pressure Reducing Valve (PRV) Station Modifications:** The proposed project will modify four PRV stations to better provide water from higher pressure systems to lower pressure systems.

(d) **Capital Improvement Purchases:** The proposed project includes the purchase of a hydro-excavation truck and Automatic Meter Reading (“AMR”) meters.

(e) **Security System Upgrades:** The proposed project will improve security by upgrading security systems at water production and storage facilities.

Petitioner’s evidence also contained balance sheets for Petitioner’s utility, an estimated amortization schedule for the 2012 Bonds and other financial data showing that Petitioner’s current rates are sufficient to pay for the operation, maintenance and depreciation of Petitioner’s utility, as well as to pay the principal and interest of the 2012 Bonds and previously issued indebtedness. According to John R. Skomp, a Certified Public Accountant, Petitioner demonstrates a debt service coverage ratio of at least one hundred twenty-five percent (125%) of the maximum annual debt service on Petitioner’s outstanding bonds and the proposed bonds. Mr. Skomp provided an exhibit showing that Petitioner is calculated to have a debt service coverage ratio of approximately one hundred sixty-seven percent (167%) if the 2012 Bonds and other proposed bonds are issued.

The OUCC’s witness, Edward R. Kaufman, testified that the OUCC supports the proposed issuance of the 2012 Bonds. In his testimony, Mr. Kaufman requested Petitioner provide a report to the Commission and the OUCC within two (2) weeks after closing on its

proposed loan. He indicated the report should describe the actual terms of the loan and include an amortization schedule. Additionally, Mr. Kaufman requested Petitioner provide a report to the Commission and the OUCC within five (5) business days if it spends any of the funds from any of its debt service reserve(s) for any reason other than to make the last payment on the debt service reserves' respective loan. The report should include information regarding how much Petitioner is spending from its debt service reserve(s), why it is spending funds from its debt service reserve(s), any applicable loan documents that allow it to spend funds from its debt service reserve(s), its plans to replenish its debt service reserve(s), and any cost cutting activities Petitioner has implemented to forestall spending from its debt service reserve(s).

The OUCC's witness, Jeffrey A. Fish, testified that Petitioner's planned capital improvements are reasonable and necessary. Additionally, Mr. Fish testified Petitioner's capital purchases and security system upgrades will enhance preventative maintenance, promote water conservation, and improve security. Mr. Fish recommended the Commission approve Petitioner's request for funding of the Projects. In his testimony, Mr. Fish recommended Petitioner submit a post-project report to the Commission and the OUCC within twelve (12) months after it completes the Pinhook and Water Main Improvements. Mr. Fish suggested the report compare the current distribution system model to the post-project distribution system model and the current Pinhook treatment capacity to the post-project Pinhook treatment capacity.

Petitioner did not file any rebuttal to the OUCC's prefiled testimony.

5. Commission Findings. Based on the evidence presented, the Commission finds that the proposed Projects will serve the public interest by improving water quality and the efficiency of Petitioner's water utility. The Commission further finds that Petitioner's proposed method of paying for these improvements is reasonable. Accordingly, we find Petitioner should be authorized to issue up to \$8,300,000 in waterworks revenue bonds payable over a term not to exceed twenty (20) years. We further find that the post-closing submissions recommended by the OUCC are reasonable and should be filed by Petitioner.

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

1. The City of South Bend, Indiana, shall be and hereby is authorized to issue the 2012 Bonds in the principal amount not to exceed \$8,300,000 in accordance with the provisions and for the purposes described herein.

2. Within fourteen (14) days of completing the financing approved in this Order, Petitioner shall file a written report with the Commission and the OUCC in this Cause that sets forth the actual terms of the loan and includes an amortization schedule. As recommended by the OUCC, Petitioner shall also submit under this Cause the following: a debt service reserve(s) report, as applicable; the distribution system model comparison report; and the Pinhook treatment capacity report.

3. In accordance with Ind. Code § 8-1-2-85, Petitioner shall within thirty (30) days of receipt of the bond proceeds authorized herein submit to the Secretary of the Commission a

fee of twenty-five cents (\$0.25) for each \$100 of the 2012 Bonds issued to be paid into the State Treasury and deposited into the Commission public utility fund.

4. 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	\$ 516.17
OUCG Charges	\$3,584.07
Legal Advertising Charges	\$ 176.68
TOTAL	\$4,276.92

5. This order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: APR 25 2012

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



Brenda A. Howe
Secretary to the Commission