

On August 13, 2013, Fort Wayne prefiled the Settlement Testimony and Exhibits of Kerry Heid. Fort Wayne's prefiled papers included a COSS prepared by Mr. Kerry Heid and the *Addendum to the Joint Stipulation and Settlement Agreement* ("Settlement Addendum") that had been executed by all the parties in this proceeding. On the same day, New Haven and GM prefiled the settlement testimonies of Gregory T. Guerrettaz and Michael P. Gorman, respectively. On September 18, 2013, the Commission issued a Docket Entry and Fort Wayne responded on September 24, 2013.

Pursuant to notice duly published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, an evidentiary hearing was held in this Cause on Wednesday, September 25, 2013, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Fort Wayne, New Haven, General Motors, and the OUCC were present and participated. No members of the public appeared or sought to testify at the evidentiary hearing. During the hearing, Fort Wayne, New Haven, and General Motors offered their respective testimony and exhibits into the record without objection.

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

1. **Notice and Jurisdiction.** Notice of the time and place of the hearings conducted by the Commission in the second phase of this Cause was given as required by law. As noted in our October 17, 2012 Order, Fort Wayne is a municipally owned utility, subject to the Commission's jurisdiction as defined in Indiana Code §§ 8-1-2 and 8-1.5. Considering its statutory authorization and the fact that it has previously exercised jurisdiction over Fort Wayne and the relief requested in this Cause, the Commission has jurisdiction in this matter.

2. **Existing Rates and Relief Requested.** As referenced above, Fort Wayne's revenue requirement and existing Phase I rates were established by our October 17, 2012 Order. Consistent with such Order and the recently executed Settlement Addendum, Fort Wayne now seeks approval to implement its Phase II and III rate increases. In considering Fort Wayne's request, we will briefly summarize the parties' evidence below.

3. **Settlement Testimony and Exhibits.**

a. **Kerry A. Heid.** In support of its request for approval of the Settlement Addendum, Fort Wayne prefiled the testimony and exhibits of Mr. Heid. Included within Witness Heid's prefiled papers were a COSS and the Settlement Addendum executed by representatives of all the parties in this Cause. A synopsis of Mr. Heid's prefiled testimony and exhibits is as follows.

Mr. Heid initially provided an outline of his testimony, a brief history of Fort Wayne's rates and charges prior to this Cause, and the changes to the rates and charges that have occurred to date as part of the current proceeding. Mr. Heid then explained that the basic premise of a COSS is to determine the cost of providing service to each customer class. Rates are then designed to the extent practicable to recover the revenues from each customer class that match the cost of providing service to these same classes.

Mr. Heid testified that the total cost of service in his COSS is allocated to the following customer classes: residential, commercial, industrial, large industrial, wholesale, private fire protection, and public fire protection. According to Mr. Heid, the cost of service allocation results in indications of the relative cost responsibilities of each customer class. To prepare his COSS, Mr. Heid obtained data from the accounting information that formed the basis for the revenue requirement schedules as reflected in the July 3, 2012 Agreement and October 17, 2012 Order.

Mr. Heid testified that he utilized the widely used and accepted AWWA “Base-Extra Capacity” method to allocate costs to customer classes. Under the Base-Extra Capacity method, Fort Wayne’s costs are first functionalized to base, extra capacity, customer, and direct public fire protection cost functions according to the design and operation of the water system. The functionalized costs are then allocated to each customer class according to their usage and demand characteristics and other factors that establish the cost responsibility of each class.

Witness Heid explained how these cost functions are then used to allocate cost to the customer classes. For example, certain facilities are designed and operated to meet average day demands. Costs associated with these facilities, as well as variable costs, are assigned to the base cost function. Mr. Heid noted that other facilities are designed and operated to meet peak day demands. Costs associated with these facilities are assigned to the maximum day extra capacity cost function. Yet other facilities are designed and operated to meet peak hour demands. Mr. Heid explained that the costs associated with these facilities are assigned to the maximum hour extra capacity cost function. Finally, Mr. Heid described how customer costs are directly assigned to their respective cost functions – either billing-related or meters and services-related.

Witness Heid stated that the next step in a COSS is to determine the appropriate customer classes to which costs will be allocated in the COSS, including for rate design purposes. While it is not economically practical to determine cost responsibility for each individual customer, Mr. Heid believed that the cost of providing service can reasonably be determined for groups or classes of customers that have similar water usage characteristics. In this case, Mr. Heid noted that he believed that the industrial customer classification for Petitioner should be divided into two separate classifications: large industrial customers and other industrial customers.

In determining how to allocate the costs of transmission and distribution facilities, Mr. Heid noted that large volume customers tend to be served by, and should only be allocated the cost of, the larger transmission mains. Smaller customers, on the other hand, are served by, and should be allocated the cost of, both larger transmission mains and the smaller distribution mains. For purposes of the COSS in this case, Mr. Heid first consulted with Fort Wayne’s engineering staff and management and then concluded that 12” and larger mains constituted transmission mains and mains smaller than 12” in diameter consisted distribution mains. Mr. Heid cited to specific excerpts from the AWWA M1 Water Rates Manual and prior decisions from the Commission which supported his allocation of the costs associated with Fort Wayne’s transmission and distribution mains.

Mr. Heid next testified regarding how costs are functionalized to the various cost functions. Mr. Heid stated that certain costs such as base costs, customer costs, and direct public fire protection costs may be directly assigned to their respective cost functions. However, costs

related to the maximum day cost function are typically allocated between the base cost function and the maximum day cost function. Similarly, costs related to the maximum hour cost function are typically allocated among the base cost function, the maximum day cost function, and the maximum hour cost function. Once assigned or allocated to a cost function, the total of each functional cost is allocated to customer classes. In support of his allocations, Witness Heid described in detail the bases of his allocations to the various cost functions.

Mr. Heid then explained a series of schedules which presented: (i) the derivation of the maximum day and maximum hour functional cost allocation factors; (ii) a table of the functional cost allocation factors; (iii) an allocation of the rate base investment to the various cost functions; (iv) the functional cost allocation of depreciation and amortization expenses to cost functions; (v) functional cost allocation of operation and maintenance expenses to cost function; (vi) the functional allocation of taxes; (vii) the functional allocation of miscellaneous revenues and credits; and (viii) the cost of service components and miscellaneous revenues that were functionally allocated to each cost function.

Mr. Heid testified that the next step in his COSS was allocating each of the functional costs to customer classes based on the respective cost responsibilities of each customer class. Mr. Heid stated that this is accomplished by determining each customer class' relative volume, extra capacity demands, number of bills, and equivalent meters, which are collectively referred to as "Units of Service." Mr. Heid explained that these allocation factors were used to allocate each functional cost total to the various customer classes. Mr. Heid memorialized his work in this regard with a series of schedules that were attached to his testimony.

Mr. Heid next explained the meaning of the term "capacity factor" and its significance in a COSS. Mr. Heid stated that the capacity factor analysis seeks information pertaining to the customer class peak day and peak hour information. However, except for certain large customers, the sole source of data in this case to review capacity factors was Fort Wayne's monthly meter reading and billing records. Mr. Heid was able to draw general inferences as to customer class capacity factors based on this limited data by analyzing peak monthly sales by customer class. Mr. Heid noted that Appendix A of the AWWA M1 Water Rates Manual provides a methodology for performing such an estimation. Mr. Heid stated that one large industrial customer had hourly usage that facilitated the estimation of maximum day and maximum hour capacity factors for this particular customer. Another wholesale customer had daily, but not hourly, usage that similarly facilitated the estimation of maximum day capacity factors for this customer. Mr. Heid noted that he was able to judge the reasonableness of his capacity factors by using a "reasonableness" test outlined in the AWWA M1 Water Rates Manual. According to the AWWA test, the capacity factors he calculated in the COSS are reasonable.

Witness Heid stated that the next step in a COSS is to calculate the unit cost of service for each cost function. Mr. Heid calculated the unit cost of service for each cost function and attached a schedule to his testimony memorializing the calculation. Mr. Heid stated that his schedule had been prepared consistent with the AWWA M1 Water Rates Manual.

Mr. Heid next discussed the allocation of costs of service to customer classes. Mr. Heid explained a series of schedules detailing the allocated cost of service for each customer class, the comparison of customer class revenues under the Phase I and Phase II rates, and the customer class subsidies at the current Phase II rates.

Mr. Heid then testified as to the importance of the subsidy to New Haven as set forth in the July 3, 2012 Agreement (and approved in the October 17, 2012 Order). Mr. Heid testified that paragraphs 6 and 7 of the July 3, 2012 Agreement (pgs. 4-5) only require New Haven to pay the Phase I, II, and III percentage increases regardless of the results of the COSS. Mr. Heid testified if, however, the Commission-approved COSS later demonstrates that the rates paid by New Haven generate annual pro forma revenues of at least \$250,000 less than the full cost of serving New Haven, Fort Wayne would adjust New Haven's Phase II and Phase III rates to eliminate any deficiency in excess of \$250,000. Mr. Heid testified New Haven's revenue deficiency after the \$250,000 credit was \$18,275.

Mr. Heid next sponsored the Settlement Addendum, which modifies the July 3, 2012 Agreement and sets forth the agreement of the parties on the COSS and corresponding rate design. Mr. Heid noted that it is important to remember that this instant proceeding (i.e. the second half of Cause No. 44162) is for the sole purpose of preparing a COSS and corresponding rate design for the Phase II and Phase III revenue requirement. Mr. Heid stated that the parties agreed to establish the Phase III rates and charges by increasing, across-the-board with the exception of the large industrial rates, the Phase II COSS rates and charges by the percentage approved in the October 17, 2012 Order.

Mr. Heid then described the process engaged in by the parties that resulted in the execution of the Settlement Addendum. Mr. Heid testified that he initially prepared a COSS, which was distributed to the parties in hard copy on January 18, 2013. The COSS was not initially provided in electronic format because not all parties had executed confidentiality agreements. Upon execution of confidentiality agreements, an Excel version of the COSS was provided to all parties, subject to the confidentiality agreements. During the ensuing months, all parties engaged in a collaborative process, exchanging informal data requests, and making their expert technical witnesses available for questions. Then the parties exchanged comments concerning the cost of service and rate design and responded to the other parties' comments. Many issues were examined, questioned, and frequently challenged and disputed. Ultimately, the Parties reached agreements that became the basis for the Settlement Addendum. Mr. Heid noted that the collaborative process resulted in a vigorous exchange of opinion and positions over a number of months, and ultimately resulted in an arm's length compromise. Mr. Heid stated that the Settlement Addendum is a reasonable compromise on the disputed cost allocation issues and final rates and charges. Mr. Heid also stated that by executing the Settlement Addendum, the parties were able to avoid protracted and potentially expensive litigation over the COSS and rate design. Mr. Heid opined that the Settlement Addendum was beneficial to all the parties.

Mr. Heid described Fort Wayne's existing structure of water rates and charges. He noted that Fort Wayne's existing water rates and charges are based upon the size of meter serving a customer's premise and the quantity of water purchased. He noted that meters are read and bills

are rendered on a monthly basis. Wholesale service is provided to one customer, New Haven. Fort Wayne and New Haven are currently operating under a contract that has been in place for many years and that was modified and extended by the Settlement Agreement until November 1, 2016.

Included with the Settlement Addendum is a schedule setting forth the rates and charges agreed to by the parties. The schedule reflects the agreed upon rates for a large industrial customer and the wholesale customer. Mr. Heid also described exhibits that: (i) compared the customer class revenues under current rates to the proposed Phase II customer class revenues; (ii) provided the calculation of the proposed private fire service rates and charges; and (iii) provided the calculation of the proposed public fire service rates and charges. Mr. Heid also prepared schedules comparing the Phase I and proposed Phase II rates and charges, as well as a revenue proof that reflects all proposed rates and charges and compares the resulting proposed revenues to the cost of service. Finally, Witness Heid described his schedule calculating the proposed Phase III rates. The Phase III rates were derived by increasing the Phase II rates on an across-the-board basis by 5.70%, except for the agreed upon rates for large industrial customers, which was a compromise rate among the parties.

b. **Michael P. Gorman**. In its prefiling, GM presented the Settlement Testimony of Michael P. Gorman. Mr. Gorman testified regarding the procedural posture of this case, the COSS prepared by Mr. Heid, the negotiations that took place between GM and Fort Wayne over the preparation of the COSS, and the ultimate agreement on rates that was reached by all the parties. Witness Gorman opined that Fort Wayne satisfied the October 17, 2012 Order by preparing and submitting the COSS in this case. Mr. Gorman stated that Fort Wayne and GM met to discuss the inputs for the COSS and reached a compromise on some, but not all, issues. Mr. Gorman noted that GM and Fort Wayne continued to disagree with several key inputs and cost allocation included in the final COSS submitted by Fort Wayne. Mr. Gorman stated that under GM's recommended COSS inputs, large industrial users like GM would actually see a rate decrease.

Despite the disagreement over the COSS, Witness Gorman testified that all the parties in this Cause were able to reach a compromise after extensive negotiations that resulted in the rates reflected in Exhibit A of the Settlement Addendum. According to Mr. Gorman, the rates and charges agreed to in the Settlement Addendum were just, reasonable, and represented a compromise by all the parties. He further noted that by entering into the Settlement Addendum, the parties were able to avoid protracted litigation over the disputed allocation issues.

c. **Gregory T. Guerrettaz**. New Haven presented the settlement testimony of Gregory T. Guerrettaz. Mr. Guerrettaz explained that the purpose of his testimony was to support the Settlement Addendum. Mr. Guerrettaz stated that consistent with Phase I of the July 3, 2012 Agreement, New Haven will continue to not be subjected to any out of town rate or charges and its COSS increase will incorporate the \$250,000 agreed to and approved credit.

Mr. Guerrettaz noted that had the compromise on the COSS not been reached, New Haven and other parties would have proposed competing cost of service studies with different inputs, cost allocators, and class rates, which would have, in turn, led to costly and protracted

litigation. Mr. Guerrettaz stated that New Haven values the avoidance of such protracted and costly litigation, and he believed that the Settlement Addendum and the approved COSS are a measured compromise. According to Mr. Guerrettaz, New Haven supports the Commission's non-precedential approval of the Settlement Addendum and the compromise rates as determined in what is proposed to be the approved COSS.

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

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

The October 17, 2012 Order approved the agreed upon three-phase revenue increase. Phase I rates were implemented as an across-the-board increase, with Phase II and Phase III rates to be implemented based on the results of the Commission's determination of an appropriate COSS. This Order addresses the parties' agreed upon cost of service, and implements, on a cost-basis of the previously-approved Phase II and Phase III revenue increases.

In general, we find the agreed upon COSS reasonable and adequately supported by Mr. Heid, with the exception of one issue related to the outside surcharge. While Mr. Heid attempted to justify the surcharge by citing the AWWA manual, we are not convinced that the passage cited has any relevance in Indiana.

Mr. Heid stated that he allocated more functionalized costs to the outside customers because Fort Wayne built its system “for service to customers outside the City, yet the inside City customers must bear the responsibility for providing system facilities by undertaking the necessary investment.” Heid at 21. Mr. Heid's statement appears to be relying on the concept of owner versus nonowner customers of municipally-owned water utilities put forth in the AWWA M1 Manual. However, Mr. Heid provided no explanation as to what responsibilities and investments the inside city customers must bear and how, if at all, these perceived risks and responsibilities are any different than those of outside city customers. In fact, the COSS indicates

that there are in fact no differences in responsibilities or investments between inside and outside-city customers.

Under the base-extra capacity method, the customer's usage characteristics drive how the utility's revenue requirements are allocated, which is the foundation of cost-based principles. Page 157 of the AWWA M1 (Sixth edition) states that "[u]sing cost-based principles and methodologies to set rates is the most proven and accepted way to achieve equitable rates, and is considered the most defensible basis for setting rates to outside-city and contract customers."

However, with that said, we find that we can approve the settlement pursuant to our policy on gradualism. *See Citizens Gas*, Order on Rehearing, Cause No. 42767 at 18-20 (IURC, Aug. 29, 2007). Currently, outside customers may face a surcharge of up to 25%. Pursuant to the Settlement Agreement, that surcharge is reduced by 40% to a maximum of 15%. We find that our policy on gradualism provides sufficient justification for approval of the Settlement. For future rate cases, Petitioner must provide specific evidence of each and every cost allocated to outside customers in order to justify what outside surcharge, if any, is appropriate.

The uncontroverted evidence of record in this case demonstrates that the Parties have provided the Commission with sufficient information to determine that the public interest will best be served by approving the Settlement Addendum as attached hereto as Exhibit 1. The evidence further reflects that the rates set forth in Exhibit A to the Settlement Addendum are just and reasonable. Accordingly, the Commission finds that the Settlement Addendum as attached hereto as Exhibit 1 and the supporting schedules and exhibits, including specifically the rates and charges set forth in Exhibit A, should be approved in their entirety.

Finally, the Parties stipulated and agreed that the July 3, 2012 Agreement and Settlement Addendum and any resulting order in this Cause should not be construed or cited as precedent. Consequently, with regard to future citation of the Settlement Addendum, the Commission finds that the approval herein should be construed in a manner consistent with our finding in *Richmond Power and Light*, Cause No. 40434 (IURC, March 19, 1997).

5. Confidentiality. Petitioner filed a motion for protective order on August 13, 2013, which was supported by an affidavit showing documents to be submitted to the Commission were trade secret information within the scope of Ind. Code § 5-14-3-4(a)(4) and (9) and Ind. Code § 24-2-3-2. The Presiding Officers issued a Docket Entry on August 20, 2013 finding such information to be preliminarily confidential, after which such information was submitted under seal. We find all such information is confidential pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2, is exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

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

1. The Addendum to the Joint Stipulation, a copy of which is attached hereto, is hereby approved and the terms and conditions thereof are incorporated herein as part of this Order.

2. Fort Wayne shall file with the Commission's Water/Sewer Division a new tariff setting forth the rates and charges consistent with this Order. New rates and charges shall be effective on and after January 1, 2014.

3. Pursuant to Indiana Code § 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days of the date of this Order into the Treasury of the State of Indiana through the Secretary of the Commission.

Commission Charges	\$ 702.94
OUCG Charges	\$1,865.89
Legal Advertising Charges	\$ 62.53
Total	\$2,631.36

5. The information filed by Petitioner in this Cause pursuant to its Motion for Protective Order shall continue to be held confidential pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2.

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

ATTERHOLT, LANDIS, MAYS, AND ZIEGNER CONCUR:

APPROVED: DEC 18 2013

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



Brenda A. Howe
Secretary to the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF FORT WAYNE,)
INDIANA, FOR APPROVAL TO ADJUST ITS)
RATES AND CHARGES AND ISSUE BONDS)
TO PROVIDE FUNDS TO DEFEASE) CAUSE NO. 44162
EXISTING INDEBTEDNESS AND FINANCE)
IMPROVEMENTS TO ITS WATERWORKS)

ADDENDUM TO JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Addendum to the Joint Stipulation and Settlement Agreement (“Settlement Addendum”) is entered into this 26th day of July, 2013, by and between the City of Fort Wayne, Indiana (“Fort Wayne”), the City of New Haven, Indiana (“New Haven”), General Motors LLC (“GM”), and the Office of Utility Consumer Counselor (“OUCC”) (collectively, the “Parties”), who stipulate and agree for purposes of settlement of the cost of service and rate design issues in this Cause that the terms and conditions set forth below represent a reasonable compromise and resolution of such issues, subject to their incorporation in a final order of the Indiana Utility Regulatory Commission (“Commission”).

Terms and Conditions of Settlement Addendum

1. Implementation of October 17, 2012 Order. On October 17, 2012, the Commission issued in this Cause the *Order of the Commission on Less Than All the Issues* (“October 17, 2012 Order”). In the October 17, 2012 Order, the Commission approved a July 3, 2012 Joint Stipulation and Settlement Agreement (“July 3, 2012 Agreement”) in which the Parties agreed that Fort Wayne would implement a three (3) phase increase to its revenue requirement to be effective as follows: (i) January 1, 2013: Fort Wayne will increase its authorized revenue requirement by 19.62% to earn a Phase I revenue requirement of \$37,402,691; (ii) January 1, 2014: Fort Wayne will increase its authorized revenue requirement

by 5.87% to earn a Phase II revenue requirement of \$39,609,566; and (iii) January 1, 2015: Fort Wayne shall increase its authorized revenue requirement by 5.7% to earn a Phase III revenue requirement of \$41,822,417. Paragraph 5 in the July 3, 2012 Agreement further requires Fort Wayne to prepare and file a cost of service study ("COSS") prior to implementing the Phase II rate increase.

2. **COSS Complies with October 17, 2012 Order.** Consistent with paragraph 5 in the July 3, 2012 Agreement, Fort Wayne prepared a COSS and provided a draft of the COSS to, and then received comments and input from, New Haven, GM, and the OUCC. As a result of settlement negotiations, the Parties agree that the proposed COSS, a copy of which is attached to the Prefiled Testimony of Kerry Heid in this proceeding, satisfies the requirements set forth in the July 3, 2012 Agreement and October 17, 2012 Order that Fort Wayne prepare and file a COSS.

3. **Phase II and Phase III Rates.** The Parties hereby stipulate that the COSS provides the basis upon which Fort Wayne should establish its Phase II and Phase III rates. The Parties further agree that the rates set forth in the attached Exhibit A: (i) are based on compromises on estimates of cost of service; and (ii) shall be implemented on January 1, 2014, and January 1, 2015, respectively.

4. **Approval of COSS and Proposed Rates.** In executing this Settlement Addendum, the Parties specifically recognize and agree that Fort Wayne has satisfied the October 17, 2012 Order by filing a COSS. The Parties agree to fully cooperate and file (with the Commission and in a manner required by Section 6 below) all papers and materials needed to obtain Commission approval of the COSS and the rates as set forth in the attached Exhibit A.

5. **Restatement of July 3, 2012 Agreement.** All terms and conditions in the July 3, 2012 Agreement that are not inconsistent with this Settlement Addendum shall remain

unchanged and in full force and effect.

6. Confidentiality. Pursuant to the Commission's December 27, 2012 Order, a copy of which is attached hereto as Exhibit B, the parties submit GM's Usage under seal and request confidential treatment of the same.

7. Admissibility and Sufficiency of Evidence. The Parties stipulate to the admissibility of the testimony and exhibits presented by the Parties. The Parties agree that the prefiled evidence constitutes substantial evidence sufficient to support this Settlement Addendum and provides an adequate evidentiary basis upon which the Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Addendum as filed.

8. Non-Precedential Effect of Settlement. The Parties agree that this Settlement Addendum settles the COSS issues between the Parties in this Cause, is the result of compromise between the Parties, and avoids otherwise costly litigation in this Cause. The Parties further agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, neither the COSS nor this Settlement Addendum shall constitute or be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce this Settlement Addendum's terms before the Commission or any court of competent jurisdiction. This Settlement Addendum is solely the result of compromise in the settlement process and is without prejudice to, and shall not constitute a waiver of, any position that any party may take with respect to any issue in any future regulatory or non-regulatory proceeding.

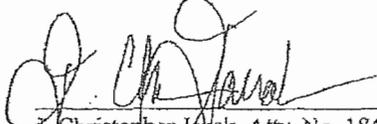
9. Authority to Execute. The undersigned hereby represent and agree that they are fully authorized to execute the Settlement Addendum on behalf of their designated clients who will hereafter be bound thereby.

10. Proposed Order. The Parties agree to cooperate in the preparation, presentation, and issuance by the Commission of a proposed order.

11. Approval of Settlement Addendum in its Entirety. As a condition of this settlement, the Parties specifically agree that if the Commission does not approve this Settlement Addendum in its entirety, the entire Settlement Addendum shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by all Parties. The Parties further agree that in the event the Commission does not issue a Final Order in the form that reflects the Settlement Addendum described herein, or that is not accepted in writing by all the Parties, an attorney's conference should be promptly convened to schedule the filing of litigation testimony and to set a new hearing date. The Commission should thereafter rule based on the litigation evidence of record in this proceeding. The Parties agree that, in such event, the evidence of record and any post-hearing filings should be considered by the Commission as if this Settlement Addendum had not been reached, unless otherwise agreed by all Parties in a writing that is filed with the Commission. All settlement discussion shall be treated as privileged and confidential.

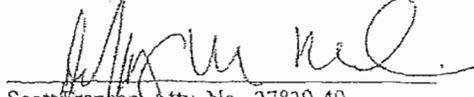
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CITY OF FORT WAYNE



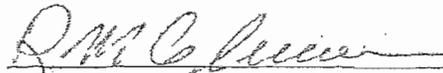
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EXHIBIT A

Chapter 52
Section

Effective Date 1/1/2014 1/1/2015
Phase II Phase III

52.15 WATER USAGE SCHEDULE; INSIDE CITY CORPORATE LIMITS

There shall be and hereby are established for the use of and the service rendered by the waterworks system of the city the following rates and charges based on the use of water supplied by the City Waterworks System:

(A) Monthly Service Charges.

Each user shall pay a monthly service charge, in addition to usage charges calculated under the metered rate schedule as follows:

Size of Meter		1/1/2014	1/1/2015
5/8"	\$	8.73	\$ 9.23
3/4"		8.73	9.23
1"		22.26	23.53
1 1/2"		49.87	52.71
2"		88.46	93.50
2 1/2"		88.46	93.50
3"		199.18	210.53
4"		354.09	374.27
6"		796.30	841.69
8"		1,416.01	1,496.72
10"		2,212.31	2,338.41
12"		2,212.31	2,338.41

(B) Monthly Metered Usage Rates (per hundred cubic feet)

First 25 hundred cubic feet	\$	1.97	\$ 2.08
Next 95 hundred cubic feet		1.84	1.94
Over 120 hundred cubic feet		1.79	1.89

52.16

Fire Protection Services; Inside City

Fire protection service for use in extinguishing fire only, shall be as follows:

Public Hydrant Rental (monthly)

\$ - \$ -

Public Fire Protection Services (Monthly Charge)

Size of Meter

5/8"	\$	2.40	\$ 2.54
3/4"		2.40	2.64
1"		6.15	6.50
1 1/2"		13.85	14.64
2"		24.61	26.01
2 1/2"		38.46	40.65
3"		55.38	58.54
4"		98.46	104.07
6"		224.53	234.16
8"		393.84	416.29
10"		615.37	650.45
12"		886.13	936.64

Private Hydrant Rental (monthly)

30.66 32.41

Private Fire Line Connection (Monthly Charge)

Size of Connection

1"	\$	0.28	\$ 0.30
1 1/2"		0.80	0.85
2"		1.70	1.80
2 1/2"		3.07	3.24
3"		4.95	5.23
4"		10.55	11.15
6"		30.66	32.41
8"		65.33	69.05
10"		117.49	124.19
12"		189.78	200.60
16"		404.42	427.47

52.17 COST FOR MUNICIPAL SERVICE (REPEALED)

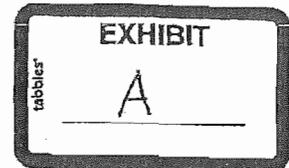


EXHIBIT A

Chapter 52
Section

Effective Date 1/1/2014 1/1/2015
Phase II Phase III

Page 3 of 3

(D) Large Industrial Customers:		
Monthly Service Charge		
Size of Meter. For each meter.		
10"	\$ 2,544.15	\$ 2,689.17
Monthly Metered Usage Rates (per hundred cubic feet)		
First 25 hundred cubic feet	\$ 2.05	\$ 2.11
Next 95 hundred cubic feet	1.99	1.95
Over 120 hundred cubic feet	1.85	1.85
Fire Protection Services		
Public Fire Protection Services surcharge for each meter		
10"	\$ 707.67	\$ 748.01
Phase II Discount Only	(530.75)	0.00
Contract Customers:		
(E) City of New Haven		
Monthly Demand Charge	\$ 8,409.08	\$ 8,888.40
Commodity Charge per		
hundred cubic feet	\$ 1.1700	\$ 1.2367
Monthly Service Charge for each meter		
based on in-city monthly service charge		
Public Fire Protection Services surcharge for each meter		
based on in-city rates and charges per size of		
meter connections		
(F) Utility Center, Inc. (AKA - Aqua Indiana)		
Monthly Demand Charge	\$ 9,140.29	\$ 9,661.28
Commodity Charge per		
hundred cubic feet	\$ 1.2266	\$ 1.2965
Monthly Service Charge for each meter		
based on in-city monthly service charge		
Public Fire Protection Services surcharge for each meter		
based on in-city rates and charges per size of		
meter connections		