ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF AMERICAN SUBURBAN UTILITIES, INC. FOR APPROVAL OF (1) EXPENDITURES FOR CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS TO PETITIONER'S WASTEWATER UTILITY PROPERTIES, CONSISTING OF (A) AN UPGRADE TO AND EXPANSION OF THE EXISTING CARRIAGE ESTATES II WASTEWATER TREATMENT PLANT (THE "CE-III PROJECT"), (B) REPLACEMENT OF SEWER INFRASTRUCTURE IN THE VICINITY OF KLONDIKE ROAD (THE "KLONDIKE ROAD PROJECT"), (C) CONSTRUCTION OF SEWER INFRASTRUCTURE IN THE VICINITY OF CUMBERLAND ROAD AND U.S. 231 (THE "CUMBERLAND ROAD PROJECT"), AND (D) CONSTRUCTION OF SEWER INFRASTRUCTURE IN THE VICINITY OF COUNTY ROAD 50 WEST AND COLE DITCH (THE "BIG 3 SEWER PROJECT"); AND (2) THE INCLUSION OF SUCH NEW FACILITIES IN PETITIONER'S RATE BASE IN FUTURE CASES.	)	CAUSE NO. 44272 APPROVED: APR 09 2014

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
David E. Veleta, Administrative Law Judge

On November 15, 2012, American Suburban Utilities, Inc. ("Petitioner" or "ASU") filed its Petition seeking Indiana Utility Regulatory Commission ("Commission") approval of expenditures for construction of additions and improvements to its wastewater utility properties as more particularly described herein. Petitioner further seeks confirmation that such improvements will be included in Petitioner's rate base in rate cases after they have been placed in service. On December 19, 2012, ASU filed its case-in-chief in this Cause, consisting of the direct testimony and exhibits of Edward J. Serowka, President of Lakeland InnovaTech and Timothy A. Beyer, both consultants retained by ASU in connection with this Cause.

A Technical Conference was held in this Cause on January 29, 2013. Petitioner filed updates to its direct testimony and exhibits immediately following the Technical Conference on January 29, 2013. On February 18, 2013, Petitioner filed an additional update to the exhibits constituting its case-in-chief. On March 19, 2013, the Office of Utility Consumer Counselor ("OUCC") prefiled the testimony and exhibits of Larry W. McIntosh, a Utility Analyst in the

OUCC's Water/Wastewater Division and Edward R. Kaufman, a Chief Technical Advisor in the OUCC's Water/Wastewater Division. On April 9, 2013, ASU filed rebuttal testimony of Mr. Serowka and Mr. Beyer, as well as rebuttal testimony of William R. Davis, a retired professional engineer retained by ASU as a consultant and John R. Skomp, a Partner with Crowe Horwath LLP, a certified public accounting and consulting firm.

On May 14, 2013, Petitioner filed its unopposed Motion for Continuance and Request for Attorneys' Conference, requesting that the evidentiary hearing scheduled for May 16, 2013 be continued and an attorneys' conference be held on that date instead. The Motion stated that due to requirements to be imposed by the Indiana Department of Environmental Management ("IDEM") of which Petitioner had become aware, Petitioner intended to substantially revise its planned improvements to its Carriage Estates Wastewater Treatment Plant. The Motion also indicated the parties had reached a settlement in principle with respect to the Klondike Road Project, the Cumberland Road Project and the Big 3 Sewer Project. The Commission granted the Motion. At the Attorneys Conference, the parties agreed to a revised procedural schedule to accommodate the supplemental evidence to be submitted by Petitioner with respect to the Carriage Estates Wastewater Treatment Plant improvements. On July 2, 2013, Petitioner filed a Motion for Agreed Extension of Procedural Schedule.

In accordance with the modified procedural schedule established by the Commission's July 9, 2013 Docket Entry granting Petitioner's Motion, on July 19, 2013 Petitioner filed its prepared testimony and exhibits constituting its supplemental case-in-chief. On August 19, 2013, Petitioner filed a motion for further revision of the procedural schedule, which was granted by the Commission's Docket Entry dated August 22, 2013. Pursuant to the modified procedural schedule, on September 16, 2013, Petitioner submitted the construction estimate of HWC Engineering for the Carriage Estates III Wastewater Treatment Plant. The OUCC filed its supplemental case-in-chief on November 15, 2013 and Petitioner filed its supplemental rebuttal testimony on December 11, 2013.

On January 14, 2014, Petitioner submitted a Stipulation and Settlement Agreement between Petitioner and the OUCC with respect to the Klondike Road, Cumberland Road and Big 3 Sewer projects, accompanied by the supporting testimony of Timothy A. Beyer. On February 11, 2014, Petitioner and the OUCC jointly filed a Stipulation and Settlement Agreement with respect to the Carriage Estates III Wastewater Treatment Plant.

On February 20, 2014, the Presiding Officers issued a docket entry requesting additional information from Petitioner. On February 24, 2014, Petitioner filed its response to the docket entry ("Docket Entry Response").

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public evidentiary hearing in this Cause was held at 1:30 p.m. on February 25, 2014 in Room 222, PNC Center, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing, and the parties' pre-filed evidence was offered and admitted in evidence without objection. No other parties or members of the general public appeared.

The Commission, having considered the evidence of record and the applicable law, now finds:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the prehearing conference and the public evidentiary hearing conducted herein was given by the Commission as required by law. Petitioner is a "public utility" within the meaning of that term in Ind. Code §8-1-2-1 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by law. Under Ind. Code § 8-1-2-23, the Commission has jurisdiction over a utility's request for advance approval of expenditures for construction, improvements and additions to its utility plant that exceed $10,000. The Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner's Characteristics.** Petitioner is a public utility incorporated under the laws of the State of Indiana. It is engaged in the business of rendering water and wastewater utility service in rural areas in Tippecanoe County, Indiana. Petitioner owns, operates, manages and controls plant and equipment that are used and useful for the provision of such service.

3. **Relief Requested.** Petitioner seeks approval of expenditures for construction of additions and improvements to Petitioner's wastewater utility properties and confirmation that such approved improvements will be included in Petitioner's rate base in future rate cases once they have been placed in service. Petitioner is planning to construct additional wastewater treatment facilities and replacement sewer lines (referred to herein as the "Proposed Improvements"). The Proposed Improvements will consist of four projects. One project will be to upgrade and expand the capacity of the existing Carriage Estates Wastewater Treatment Plant which currently serves the Carriage Estates subdivision and surrounding areas in West Lafayette, Tippecanoe County, Indiana (the "CE-III Project"). The second project is construction of a replacement sewer along Klondike Road in West Lafayette, Indiana to replace the existing aging sewer which collapsed in two locations in September 2012 (the "Klondike Road Project"). The third project is construction of a sewer running from Klondike Road east to US 231 and then south along US 231 to an existing sewer at the future intersection of Cumberland Road and US 231, which will result in elimination of an existing temporary lift station along McCormick Road in West Lafayette (the "Cumberland Road Project"). The fourth project will be construction of a sewer from County Road 50 West beginning west of the County Home Treatment Plant and continuing southwesterly along Cole Ditch, which will permit elimination of three aging lift stations and replacement of an aging sewer line running along County Road 50 West (the "Big 3 Sewer Project"). As will be explained later herein, the total estimated cost for each of the projects included in the Proposed Improvements exceeds $10,000.

4. **The CE-III Project.**

a. ASU's Case-In-Chief. ASU submitted testimony from Mr. Serowka describing the CE-III Project for which ASU is seeking preapproval. After submitting its case-in-chief and rebuttal testimony in this case, Petitioner learned of new requirements to be imposed by IDEM with respect to the removal of phosphorus. These new requirements necessitated substantial change in design and function to Petitioner's planned improvements to its Carriage

Estates Wastewater Treatment Plant. As a result, ASU prefiled supplemental testimony describing the new plans with respect to the plant.

In his original direct testimony, Mr. Serowka testified that ASU owns and operates two wastewater treatment plants in its franchise area located in Tippecanoe and Wabash Townships, Tippecanoe County, Indiana. The County Home III Wastewater Treatment Plant ("CHIIITP") serves an area in northeastern Tippecanoe Township, north and adjacent to the City of West Lafayette in Tippecanoe County. The Carriage Estates II Wastewater Treatment Plant ("CEIITP") serves an area in southwestern Wabash Township, south and adjacent to the City of West Lafayette in Tippecanoe County. Mr. Serowka explained the CEIITP is located west of Carriage Estates Subdivision, in semi-open farm land with homes located north and south of the plant. The plant is separated from the subdivision by Indian Creek and a strip of trees. He stated the area serviced by CEIITP is ASU's main service area and includes approximately 94% of ASU's customers. The Carriage Estates Wastewater Treatment Plant and Sewer System were purchased in 1966 along with the transmission system from the developer of the Carriage Estates Subdivision.

In 1992, an agreed order was issued by IDEM to eliminate bypassing at the Carriage Estates Plant and in the collection system. At that time, unfortunately, ASU lacked access to capital to make the required improvements. In 1997, 100% of ASU's common stock was acquired by the current president, Scott L. Lods, and ASU began serious work on addressing the requirements of the agreed order. Mr. Serowka testified that ASU undertook a review of the collection system and found many sources of inflow and infiltration ("I/I"). He stated ASU repaired and removed many of these sources and significantly reduced the I/I into the system, but some sources were not cost effective to repair and ASU decided to treat the I/I at its Carriage Estates Wastewater Treatment Plant. Therefore, Mr. Serowka explained, ASU upgraded and expanded the plant in 2001. The existing Carriage Estates II Treatment Plant is a 1.5 million gallons per day ("MGD") average daily flow ("ADF") Continuous Sequential Batch Reactor system ("CSBR") with a peak wet weather flow ("PWWF") rate of 4.5 MGD.

Mr. Serowka testified there are two main reasons the expansion and upgrade of CEIITP is needed at this time. First, he stated CEIITP has reached the stage where an "early warning" letter from IDEM is imminent and so ASU is on the verge of being placed on a sewer ban by IDEM which would restrict future connections. Based on data presented in his original direct testimony, Mr. Serowka showed CEIITP's current average flow over the last three and half years is 1.42 MGD which is 94.7% of its permitted hydraulic flow rate of 1.50 MGD. He stated that IDEM recommends a utility should start planning for an expansion when the average daily flow rate reaches eighty-five percent (85%) of the permitted ADF.

The second reason for the expansion and upgrade of CEIITP Mr. Serowka provided is that ASU entered into an agreed order with IDEM in April 2011 based on an unsatisfactory compliance evaluation inspection report received on August 11, 2009. Mr. Serowka testified that although ASU complied with the agreed order and was notified on December 30, 2011 that IDEM considered the Order resolved and the action closed, there were some items identified in the August 11, 2009 report that require significant modification in order to prevent their

reoccurrence. Mr. Serowka testified that these items could only be corrected with major construction which would require ASU to obtain a construction permit from IDEM.

ASU requested the construction permit in June 2011. A deficiency notice from IDEM dated September 1, 2011 indicated that it would not permit ASU to use the fourth CSBR tank's capacity of 500,000 gallons to increase CEIITP's ADF to 2.0 MGD. ASU's response was to propose an increase in the capacity of CEIITP from 1.50 MGD to 6.8 MGD and at the same time incorporate the necessary modifications and upgrades required by IDEM. This was the proposed capacity increase presented in ASU's original case-in-chief. However, after reviewing Mr. McIntosh's testimony and later meeting with the OUCC, ASU determined to reduce the amount of expenditures it was proposing for preapproval. Rather than seeking preapproval of the estimated cost of the entire capacity expansion, ASU reduced the request to preapproval of the expenditures needed for an expansion to 4.0 MGD to be consistent with the capacity proposed in Mr. McIntosh's testimony. Mr. Serowka explained in his supplemental direct testimony that ASU may still proceed with a larger expansion in capacity, though that additional capacity would not receive preapproval in this Cause.

In his original direct testimony, Mr. Serowka described the issues considered by ASU in determining what the expanded plant's hydraulic flow should be. He stated that based on the ADF rates over the last three and a half years, the plant would need to be sized to handle an ADF of 2.0 MGD just to meet the current hydraulic requirement and prevent any bypassing. He then testified that ASU had taken into consideration estimated future growth in ASU's service territory, based on, among other things, the Tippecanoe County 2030 Transportation Plan (dated 2006). He stated historically the flow to CEIITP approximately doubled over a ten-year period. He testified that based on that rate of increase, the plant capacity would need to be capable of handling an ADF of 6.0 MGD for a plant life expectancy of 20 years. Mr. Serowka testified that the design for a 20-year life cycle is standard engineering practice for the following reasons: (1) IDEM will not issue a construction permit for a plant which will be phased in over short periods of time; (2) while determining the 20-year design flow is not easy, it would be much more difficult to determine how much of the flow would be received over a phasing-in time period and how many phases would be required; (3) once installed, many items cannot be expanded (including concrete tanks, force mains, gravity pipe, electrical wire and conduit) and if not large enough for the final capacity must be torn out or replaced each time an expansion takes place, at substantial cost; and (4) all economies of scale would be lost. Mr. Serowka explained that the relationship between capacity and cost is not directly linear. In many cases, there is very little additional cost in furnishing larger structures and equipment. Engineering design and supervision fees are roughly the same regardless of size.

In its initial rebuttal filing, ASU revised its request for preapproval with respect to the CE-III Project to address only the expenditures needed to expand the plant to 4.0 MGD ADF with 8.0 MGD PWWF. In late April 2013, however, ASU received notice from IDEM that new requirements with respect to phosphorus removal would apply to the Carriage Estates Wastewater Treatment Plant. In his supplemental direct testimony, Mr. Serowka explained the revised limits require a Phosphorus Monthly Average Effluent Limit of 1.0 mg/L for the Carriage Estates Wastewater Treatment Plant. As a result, the plant's treatment processes had to be re-designed and the re-design was included in Mr. Serowka's supplemental exhibits. He

explained that if ASU were not expanding the plant, the new requirements would take effect in January 2016 when ASU's current NPDES permit is renewed.

Mr. Serowka testified that the treatment process proposed by ASU in its revised design of the CE-III Project will use a CSBR process, which can accomplish organic removal of phosphorus along with carbonaceous oxidation, nitrification, secondary sedimentation all with a single tank system (as opposed to extended aeration, where additional treatment tankage would have to be furnished for the anoxic removal of the phosphorus). He also indicated that based on recent discussions with IDEM's Facility Construction Section, additional standby tankage would not be required for the CSBR process. Nevertheless, Mr. Serowka explained, IDEM still would not up-rate the capacity of the plant to 2.0 MGD without the improvements (including additional tankage) required to meet the new phosphorus limits. Mr. Serowka explained in detail the treatment changes required by the new IDEM requirements. He stated the total estimated cost of construction of the redesigned CE-III Project at the capacity levels proposed by ASU is $19,938,273.00 based on his engineering experience and judgment.

Mr. Serowka also described in his original direct testimony a noise complaint received from the homeowners in Black Forest Estates dated August 6, 2012. He explained that the noise level is currently approximately 73 decibels ("dbA") outside the south wall which faces Black Forest Estates, while the noise level at the property line of CEIITP is in the low- to mid-sixties. He stated Tippecanoe County does not have a noise ordinance and ASU was not violating any laws or regulations with respect to noise levels. While Mr. Serowka acknowledged that it is impossible for ASU to guarantee any specific noise level which would please all of the property owners, he did testify it is ASU's intention to reduce the noise level by taking the following steps: (1) block the noise from the blower room on the south side of the building by installing a noise baffle fitted to the exterior of the building; (2) enclose the inlet filters on the east side of the building; (3) enclose the five existing blower packages with one large enclosure; and (4) if the preceding steps do not reduce the noise level to 50dbA or lower three feet from the blower building walls, then the existing inlet and outlet silencers will be evaluated and, if not effective, replaced or fitted with additional silencers, along with relocating the existing inlet filter silencers closer to ground level and enclosing the exterior pipe. The estimated cost of these steps is $40,000 for steps (1) through (3) and $15,000 for step (4). Mr. Serowka explained this work could only commence after the engineering design for the CEIITP expansion is completed.

b. OUCC's Position. The OUCC, through Mr. McIntosh's testimony, disagreed with Petitioner's proposed capacity increase. Mr. McIntosh testified in his original direct testimony that 3.9 MGD ADF capacity is appropriate for the Carriage Estates plant, based on ASU's original proposal for constructing an extended aeration activated sludge plant. However, based on ASU's redesign using CSBR, Mr. McIntosh testified in supplemental testimony that a 3.0 MGD ADF with 6.0 MGD PWWF would be sufficient. He relied on a more recent transportation study prepared by the Area Plan Commission of Tippecanoe County in June 2012 (the "2040 Plan") which shows slower growth than what was projected in the 2030 Plan on which Mr. Serowka relied. Mr. McIntosh also disagreed with ASU's proposal for phosphorus removal. He suggested that chemical treatment to remove phosphorus may be a less costly capital alternative to organic treatment and testified that further evaluation should be completed of the costs and benefits of organic versus biological before a choice is made.

c. ASU's Rebuttal. In his supplemental rebuttal testimony, Mr. Serowka presented alternatives for the CE-III Project, based on Mr. McIntosh's recommendations. Mr. Serowka explained that ASU was withdrawing its request for preapproval of the costs associated with either chemical or biological treatment of phosphorus in this case given the uncertainty regarding the appropriate method and the need for further study. While the plant will have necessary improvements to implement either biological or chemical treatment for phosphorus, Petitioner is no longer seeking preapproval of those particular improvements associated with phosphorus at this time.

The first Option ("Option 1") addressed by Mr. Serowka would be to make the investment that is needed to replace aging equipment that is failing and causing operational issues, plus new equipment that would be needed to possibly obtain a re-rate of the plant to 2.0 MGD. While it is not certain IDEM would re-rate the plant, Mr. Serowka explained that this option would delay the need for additional capacity for a few (perhaps 3-5) years. Mr. Serowka's estimate of the cost for this option is $12.7 million.

A second Option ("Option 2") presented by Mr. Serowka would be to make the investment included in Option 1, plus the additional cost to expand the capacity to 3.0 MGD, which Mr. McIntosh indicated in his supplemental testimony would be an acceptable capacity level. Mr. Serowka's estimate of the cost for this option is $15.5 Million.

A third Option ("Option 3") would be to expand the capacity to 4.0 MGD, but not build tanks large enough to be readily expanded to 6.0 MGD with the installation in the future of more equipment. Mr. Serowka's estimate of the cost for this option is $18.1 Million.

The fourth Option ("Option 4") addressed by Mr. Serowka is that presented in his supplemental direct testimony, which is to expand the capacity to 4.0 MGD, but install tanks large enough to treat 6.0 MGD if in the future additional equipment is installed. As noted above, the total estimated cost for this option is approximately $19.9 Million.

d. Settlement. Following ASU's filing of its supplemental rebuttal, ASU and the OUCC met and reached a settlement with respect to preapproval for the CE-III Project. The parties entered into a Stipulation and Settlement Agreement dated February 11, 2014 (the "CE-III Stipulation"). A copy of the CE-III Stipulation is attached hereto as Exhibit A and incorporated herein by reference.

The CE-III Stipulation recites that the OUCC had expressed concern about the size of the plant and about receiving assurance that the costs incurred are reasonable if an affiliate of ASU performs the work. The agreement provides the stipulated preapproved amount agreed upon by the OUCC and ASU (1) is derived from the Option 2 design and estimate presented in Mr. Serowka's supplemental rebuttal testimony and exhibits, (2) is materially lower than Mr. Serowka's cost estimate, and (3) represents a compromise on the part of both parties.

The OUCC and Petitioner have stipulated that the Commission should issue an order approving the expenditures associated with the proposed CE-III Project and the inclusion of the new facilities resulting from the project in Petitioner's rate base in future rate cases in an amount up to $10,000,000, which amount is for construction only (inclusive of any allowance for funds used during construction ("AFUDC")). The parties agreed that ASU may proceed with construction of a plant with greater capacity than Option 2 (such as that included in Petitioner's proposed design – Option 4), but to the extent Petitioner seeks to include such incremental costs in rate base in a future rate case, it will be Petitioner's burden to demonstrate the expenditures were reasonable and prudently incurred. Option 2 consists of making the investment that is needed to replace aging equipment that is failing and causing operational issues, plus new equipment that would be needed to expand the capacity to 3.0 MGD. Petitioner's proposal differs from this option in that it consists of expanding the capacity to 4.0 MGD, while building tanks large enough to readily expand the capacity to 6.0 MGD if ASU in the future installs additional equipment.

The CE-III Stipulation also provides that to the extent actual costs of the CE-III Project exceed the agreed preapproval amount of $10,000,000, inclusion of those additional costs in rate base in future rate cases will be addressed as other rate base additions that have not been preapproved; namely, in order to include the excess in rate base for ratemaking purposes, Petitioner will have the burden to demonstrate the additional cost was reasonable and was prudently incurred. The amount agreed to in the CE-III Stipulation does not include reasonable engineering costs or costs for removal of phosphorus. Those costs will be addressed in future rate cases as other rate base additions that have not been preapproved.

As a condition to the CE-III Stipulation, Petitioner has agreed to file a request with this Commission for a system development charge, which, if granted, will be recorded as contributions in aid of construction ("CIAC") and amortized.

The CE-III Stipulation expressly provides that ASU's construction affiliate may complete the construction work on the CE-III Project and that, for purposes of the preapproval requested in this Cause as agreed to in the CE-III Stipulation, Petitioner has satisfied the requirements of Petitioner's existing affiliate agreement. The CE-III Stipulation provides that satisfaction of the affiliate agreement by Petitioner is not a defense to any argument by the OUCC that, to the extent the CE-III project exceeds $10,000,000, prudency dictates the project could have been and should have been procured through some other means at a lower cost. The CE-III Stipulation also provides that to the extent actual construction costs are greater than the preapproved amount, it will be ASU's burden to show that the amount charged by its affiliate is fair and reasonable and comparable to what an unaffiliated entity would have charged.

The CE-III Stipulation provides that if this Commission does not approve the agreement in its entirety without modification that is unacceptable to either party, the entire CE-III Stipulation will be deemed withdrawn, unless otherwise agreed by the OUCC and ASU. The parties agree that the CE-III Stipulation and this Order may not be used as an admission or as precedent against either party except to the extent necessary to implement or enforce the terms of the settlement. The CE-III Stipulation further provides that it is solely the result of compromise in the settlement process.

5. **The Klondike Road Project.**

a. ASU's Case-in-Chief. Mr. Beyer provided testimony in support of Petitioner's request for preapproval with respect to the Klondike Road Project. He described the existing sewer as a 48-year old, 12-inch polyvinyl chloride ("PVC") truss pipe located on the east side of Klondike Road within a few feet of the existing pavement and located underneath an old existing trans-site water main. The proposed improvements to the Klondike Road sewer consist of replacing the existing sewer with approximately 3,200 feet of 15-inch PVC SDR-26 gravity sewer that will discharge into an existing 18-inch interceptor sewer that was sized to carry the flow from this proposed 15-inch sewer and was constructed by ASU approximately 10 years ago.

Mr. Beyer explained the need for the proposed improvements to the Klondike Road sewer at this time. He stated Klondike Road is proposed to be reconstructed and widened by the Tippecanoe County Highway Department which will require the relocation of existing utilities that are located within the road right-of-way. The proposed construction conflicts with the existing sewer. In September of 2012, the existing 12-inch sewer also collapsed in two locations and required 24-hour per day bypass pumping until it was repaired. Closure of one lane of traffic on Klondike Road was also required during this repair and would also be required for future maintenance. Sewer construction is planned to begin in early 2014 so that the project is complete prior to the Klondike Road reconstruction project, which is planned to begin in early 2015. The project is projected to take 6 to 9 months to complete.

The total estimated cost of the Klondike Road Project based on Mr. Beyer's professional experience and the data shown in Petitioner's Exhibit TAB-1, is $1,008,441. Mr. Beyer testified that he is a chief estimator at Atlas Excavating, Inc., which performs installation of underground utilities such as storm and sanitary sewer, watermain, and forcemain. He stated Atlas has prepared over 1,000 bids for these types of projects in the past five years and therefore he is very aware of the cost to construct these types of projects in a competitive environment. Mr. Beyer testified that it is possible the costs related to land acquisition could be reduced if Tippecanoe County and ASU combine their efforts to acquire land necessary for the road and sewer projects rather than doing it separately. He stated conversations between ASU and the county have already begun toward this goal.

Mr. Beyer testified that the proposed Klondike Road Project is reasonably necessary and that the needs of the Klondike Road sewer cannot reasonably be met for less than the estimated cost of the project for which ASU seeks preapproval.

b. OUCC's Position. OUCC Witness McIntosh agreed that the Klondike Road Project is needed, but suggested that design changes could be made to eliminate some manholes and road crossings. He also objected to Petitioner's cost estimate.

c. ASU's Rebuttal. In response to Mr. McIntosh's testimony, Mr. Beyer proposed some adjustments to the design of the Klondike Road Project, primarily to eliminate a manhole and potentially eliminate replacement of certain sewer laterals that already cross the

road. He noted, however, that adjustments are expected to be minor in terms of impact to the overall project.

d. Settlement. Following ASU's filing of Mr. Beyer's rebuttal testimony, the OUCC and ASU met and reached a settlement with respect to the Klondike Road Project, along with the other two sewer projects discussed below. The parties entered into a Stipulation and Settlement Agreement dated January 14, 2014 (the "Sewer Projects Stipulation"). A copy of the Sewer Projects Stipulation is attached hereto as Exhibit B and incorporated herein by reference.

Mr. Beyer offered testimony in support of the Sewer Projects Stipulation. Mr. Beyer explained that for purposes of settling certain issues raised with respect to the three sewer projects, including the Klondike Road Project, the Parties agreed that the terms and conditions of the settlement set forth in the Sewer Projects Stipulation represent a fair, just and reasonable resolution of the issues in this Cause related to the three sewer projects.

Mr. Beyer described the key terms of the Sewer Projects Stipulation. He testified the OUCC and Petitioner have stipulated that the Commission should issue an order approving the expenditures associated with the proposed Klondike Road Project and the inclusion of the new facilities resulting from the project in Petitioner's rate base in future rate cases in an amount up to $725,000, which amount is for construction only (inclusive of any AFUDC).

The Sewer Projects Stipulation also provides that to the extent actual costs of each of the three sewer projects exceed the agreed preapproved amounts, inclusion of those additional costs in rate base in future rate cases will be addressed as other rate base additions that have not been preapproved; namely, in order to include the excess in rate base for ratemaking purposes, Petitioner will have the burden to demonstrate the excess was reasonable and was prudently incurred. The amounts agreed to in the Sewer Projects Stipulation do not include reasonable costs for dewatering, easement acquisition (including legal and appraisal), and engineering. Inclusion of those costs in rate base in future rate cases will be addressed in future rate cases as other rate base additions that have not been preapproved.

The Sewer Projects Stipulation provides that to the extent an affiliate of ASU completes the construction work on any of the three projects, it will be done pursuant to Petitioner's existing affiliate agreement, with the following modifications: (1) rather than preparing an "estimate," ASU's construction affiliate ("First Time") will prepare a bid with the level of detail (including schedule of values) that is typically submitted on projects that are competitively bid; and (2) the third party evaluator which is selected pursuant to the affiliate agreement will be selected by the OUCC after the proposals have been submitted (rather than the lowest proposal being selected automatically). The parties agreed that proposals for evaluation work will be solicited from the following third party engineering firms: HNTB Corporation; Beam, Longest & Neff; Butler, Fairman & Seufert; Hannum, Wagle & Cline; M.D. Wessler & Associates and Commonwealth Engineers, Inc.

The Sewer Projects Stipulation provides that if this Commission does not approve the agreement in its entirety without modification that is unacceptable to either party, the entire Sewer Projects Stipulation will be deemed withdrawn, unless otherwise agreed by the OUCC and

ASU. The parties agree that the Sewer Projects Stipulation and this Order may not be used as an admission or as precedent against either party except to the extent necessary to implement or enforce the terms of the settlement. The Sewer Projects Stipulation further provides that it is solely the result of compromise in the settlement process.

6. The Cumberland Road Project.

a. ASU's Case-In-Chief. Mr. Beyer also testified in support of ASU's request for preapproval for the Cumberland Road Project. The area to be served by the Cumberland Road Project is currently served by an existing temporary lift station along McCormick Road and approximately 5,800 feet of 12-inch PVC forcemain that discharges to an existing 12-inch gravity sewer. The proposed improvements include replacing the existing lift station and forcemain with approximately 5,000 feet of 15-inch and 18-inch PVC SDR-26 sewer that will run from Klondike Road east to US 231 and then south along US 231 to an existing sewer at the future intersection of US 231 and Cumberland Road. ASU has already installed the sewer at this future intersection in anticipation of removing the temporary lift station from service. The proposed sewer discharges into an existing 18-inch interceptor sewer that was sized to carry this flow and constructed by ASU approximately 10 years ago. Sewer construction is planned to begin in late 2014 following completion of the Klondike Road Project and is projected to take 9 months to 1 year to complete.

Mr. Beyer explained that the discharge of the 12-inch forcemain from the temporary lift station to an existing 12-inch gravity sewer creates capacity issues in the downstream gravity sewer line and the discharge point needs to be eliminated.

The total estimated cost of the Cumberland Road Project is $1,969,311 based on Mr. Beyer's professional experience and the data shown in Petitioner's Exhibit TAB-2. Mr. Beyer explained that the sewer route was selected to be located along the perimeter of affected properties in order to have minimal impact on development potential of the properties that it crosses. If ASU could get cooperation from property owners and locate the sewer such that it takes a more direct route, Mr. Beyer stated it is possible that the construction cost could be reduced due to a shorter length and shallower depth for the proposed sewer. Costs related to land acquisition could also be reduced under such a scenario. Further, it is possible that dewatering costs could be reduced once ASU has performed a subsurface investigation of the project to better determine whether and how much dewatering might be necessary.

Mr. Beyer testified that the proposed Cumberland Road Project is reasonably necessary and that the needs of the Cumberland Road sewer cannot reasonably be met for less than the estimated cost of the project for which ASU seeks preapproval.

b. OUCC's Position. Mr. McIntosh disagreed that the Cumberland Road Project is needed at this time and instead requested that ASU complete flow modeling and a master plan. He outlined alternatives to the Cumberland Road Project that he believed should be considered.

c. ASU's Rebuttal. Mr. Beyer responded to Mr. McIntosh's requests for flow modeling and a master plan, explaining that ASU has already completed a master plan and

has been updating it as needed. ASU also offered rebuttal testimony of Mr. William R. Davis who conducted consulting engineering work for ASU prior to his retirement. Mr. Davis testified regarding ASU's master plan. He explained the method for developing ASU's master plan and the determination of anticipated flows.

Mr. Beyer noted that ASU's master plan has contemplated the Cumberland Road Project for approximately 13 years. He explained that the existing lift station was always contemplated as a temporary solution until a gravity sewer could be constructed. He described additional temporary measures and delays related to work by the Indiana Department of Transportation on US 231. He explained the need for implementing a permanent solution for the Cumberland Road sewer as contemplated by the original master plan.

Mr. Beyer also offered testimony responding to each of the alternatives to the Cumberland Road Project proposed by Mr. McIntosh.

d. Settlement. As noted above, the OUCC and ASU reached a settlement with respect to the relief requested in this Cause regarding the three sewer projects, including the Cumberland Road Project. The Sewer Projects Stipulation sets forth the parties' agreement that the Commission should issue an order approving the expenditures associated with the proposed Cumberland Road Project and the inclusion of the new facilities resulting from the project in Petitioner's rate base in future rate cases in an amount up to $800,000, which amount is for construction only (inclusive of any AFUDC). The other terms of the Sewer Projects Stipulation are discussed in connection with the Klondike Road Project above.

7. The Big 3 Sewer Project.

a. ASU's Case-in-Chief. Mr. Beyer provided testimony in support of the Big 3 Sewer Project as well. He stated the area to be served by the Big 3 Sewer Project is currently served by three 40-year old lift stations and a 40-year old 10-inch sewer approximately 2,400 feet in length located along County Road 50 West that has issues similar to those experienced by the existing sewer along Klondike Road. He stated the existing lift stations and old sewer are proposed to be replaced by approximately 11,500 feet of 12-inch and 18-inch PVC SDR-26 sewer that begins at County Road 50 West just west of the County Home Treatment Plant and runs southwesterly along Cole Ditch. This project discharges into an existing 21-inch interceptor sewer that was constructed by ASU approximately 13 years ago in anticipation of this project. Construction of this project is planned to begin in mid- to late-2015 and is projected to take 1.5 to 2 years to complete.

Mr. Beyer explained that the proposed improvements are needed at this time because the existing lift stations are too old to fix and present maintenance issues for ASU. The existing sewer is an old line in a similar condition to the existing line along Klondike Road and is also in need of replacement. Mr. Beyer stated that if the lift stations are not replaced by gravity sewer, in addition to replacing the lift stations, approximately 8,000 feet of forcemain would require replacement and would need to be located in its own utility easement (thereby imposing land acquisition costs).

The total estimated costs of the Big 3 Sewer Project based on Mr. Beyer's professional experience and the data shown in Petitioner's Exhibit TAB-3 is $4,143,176. Mr. Beyer testified that it is possible dewatering costs could be reduced once ASU has performed a subsurface investigation of the project to better determine whether and how much dewatering might be necessary.

Mr. Beyer testified that the proposed Big 3 Sewer Project is reasonably necessary and that the needs of the area served by the Big 3 Sewer Project cannot reasonably be met for less than the estimated cost of the project for which ASU seeks preapproval.

b. OUCC's Position. Mr. McIntosh testified that the Big 3 Sewer Project is not needed at this time. He stated there is no need to divert flow from the Carriage Estates Wastewater Treatment Plant if that plant is expanded as proposed. He also testified that there may be less expensive alternatives to the Big 3 Sewer Project. He disagreed with ASU's cost estimate for the project.

c. ASU's Rebuttal. Mr. Beyer responded to Mr. McIntosh's testimony by identifying challenges and costs not addressed by Mr. McIntosh's testimony regarding various alternatives to the Big 3 Sewer Project.

d. Settlement. As noted above, the OUCC and ASU reached a settlement with respect to the relief requested in this Cause regarding the three sewer projects, including the Big 3 Sewer Project. The Sewer Projects Stipulation sets forth the parties' agreement that the Commission should issue an order approving the expenditures associated with the proposed Big 3 Sewer Project and the inclusion of the new facilities resulting from the project in Petitioner's rate base in future rate cases in an amount up to $2,100,000, which amount is for construction only (inclusive of any AFUDC). The other terms of the Sewer Projects Stipulation were discussed in connection with the Klondike Road Project above.

8. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406.

Furthermore, any Commission decision, ruling, or order - including the approval of a settlement - must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330,331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Indiana Code ch. 8-1-2, and that such agreement serves the public interest.

Petitioner's request for approval of expenditures is filed pursuant to § 8-1-2-23. This section, in pertinent part, provides as follows:

> Unless a public utility shall obtain the approval by the commission of any expenditure exceeding ten thousand dollars ($10,000) for an extension, construction, addition or improvement of its plant and equipment, the commission shall not, in any proceeding involving the rates of such utility, consider the property acquired by such expenditures as a part of the rate base, unless in such proceeding the utility shall show that such property is in fact used and useful in the public service; Provided, That the commission in its discretion may authorize the expenditure for such purpose of a less amount than shown in such estimate.

In *American Suburban Utilities, Inc.*, Cause No. 41254 (IURC 4/14/1999), we set forth our analytical framework for considering a request for pre-approval of expenditures pursuant to Ind. Code § 8-1-2-23:

> When faced with such a request, the first question we must ask is whether an expenditure of any amount is reasonably necessary to assure reasonable and adequate service. If so, we must proceed to the second question: what amount reasonably needs to be invested? Once we answer the first question affirmatively, we cannot simply deny in its entirety a request for approval of expenditures. If we did, it would mean that we would deny approval for any amount of expenditures even though we have already found that some level of expenditures is necessary for the provision of reasonable and adequate service. Such a result would be counter to our very purpose.

Id. at p. 14; *see also, Indiana-American Water Co.*, Cause Nos. 41692 (IURC 11/8/2000) and 43320 (IURC 1/30/2008).

This case presents the situation described in Cause No. 41254 when we announced our standard for preapproval. With respect to each project, there was no dispute that some level of improvement and expenditure is reasonably necessary – the question is how much reasonably needs to be invested. For each project, the Stipulations reflect a compromise between the amount estimated by Petitioner and the OUCC's position that some lesser amount is needed. The settled amounts provide sufficient preapproval to allow Petitioner to proceed with improvements; and to the extent the costs exceed the preapproved amounts, the overage will be addressed in a future case just as any rate base addition is addressed. Based upon our review of the Stipulations and the evidence in the record supporting the same, we find the CE-III Stipulation and the Sewer Projects Stipulation should be approved.

However, we do have some reservations with Sewer Projects Stipulation with how it addresses work under the affiliate agreement. The Sewer Projects Stipulation states that if the construction is to be completed under the affiliate agreement that First Time will prepare a bid containing detail that is consistent with a typical competitive bid and that the OUCC will select the third party evaluator from a list of five agreed-upon engineering firms. The Commission would have preferred a scenario where the third party estimate is prepared by a professional estimator affiliated with a construction company as opposed to an engineering firm. Nevertheless, we find that the Parties' agreement should produce costs consistent with a competitive bid process, and thus, we will not require the parties to use a professional estimator affiliated with a construction company.

We further find the evidence demonstrates a need for the Proposed Improvements. We find that the expenditures related to the CE-III Project, Klondike Road Project, Cumberland Road Project and Big 3 Sewer Project should be approved and inclusion of the new facilities resulting from those projects in Petitioner's rate base in future rate cases should be approved up to the following amounts, which amounts are for construction only (inclusive of AFUDC):

Project	**Amount Preapproved**
CE-III Project	$10,000,000[1]
Klondike Road Project	$725,000
Cumberland Road Project	$800,000
Big 3 Sewer Project	$2,100,000

The foregoing amounts do not include reasonable costs for dewatering, easement acquisition (including legal and appraisal, engineering and phosphorus removal). Inclusion of such costs in rate base in future rate cases will be addressed as other rate base additions that have not been preapproved.

With regard to future citation of this Order, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 Ind. PUC LEXIS 459 (IURC March 19, 1997).

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

1. The CE-III Stipulation (Attached as Exhibit A) shall be and hereby is approved in its entirety.

2. The Sewer Projects Stipulation (Attached as Exhibit B) shall be and hereby is approved in its entirety.

3. Petitioner's Proposed Improvements and the expenditures associated therewith, as provided in Paragraph 8 of this Order, shall be and hereby are approved by the Commission.

[1] In its Docket Entry Response, Petitioner states that "[t]he $10,000,000 figure represents the cost level at which the parties agree is the minimum amount of investment which is needed to complete the project."

Specifically, Petitioner's request for approval of expenditures for the CE-III Project is approved up to $10,000,000, for the Klondike Road Project up to $725,000, for the Cumberland Road Project up to $800,000 and for the Big 3 Sewer Project up to $2,100,000. Once any one of the Proposed Improvements is in service, the associated expenditure as approved may be included in rate base for ratemaking purposes in Petitioner's subsequent rate proceedings.

4. To the extent the actual expenditures exceed the preapproved amounts, inclusion of such excess expenditures in rate base in future rate cases shall be addressed in the same manner as rate base additions that have not been pre-approved.

5. Once any of the Proposed Improvements are in service, Petitioner shall notify the Commission and the OUCC of the actual cost of the Proposed Improvements. In regard to the CE-III Project, the Petitioner shall also file project status reports annually beginning on the anniversary date of this Order and continuing until the project is in service. The status reports shall include such items as engineering and construction progress, which option is being built, current total cost forecast, and the amount of funds expended to date.

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

ATTERHOLT, MAYS, STEPHAN, WEBER, AND ZIEGNER CONCUR:

APPROVED: APR 09 2014

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

EXHIBIT A

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF AMERICAN SUBURBAN UTILITIES, INC. FOR APPROVAL OF (1) EXPENDITURES FOR CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS TO PETITIONER'S WASTEWATER UTILITY PROPERTIES, CONSISTING OF (A) AN UPGRADE TO AND EXPANSION OF THE EXISTING CARRIAGE ESTATES II WASTEWATER TREATMENT PLANT (THE "CE-III PROJECT"), (B) REPLACEMENT OF SEWER INFRASTRUCTURE IN THE VICINITY OF KLONDIKE ROAD (THE "KLONDIKE ROAD PROJECT"), (C) CONSTRUCTION OF SEWER INFRASTRUCTURE IN THE VICINITY OF CUMBERLAND ROAD AND U.S. 231 (THE "CUMBERLAND ROAD PROJECT"), AND (D) CONSTRUCTION OF SEWER INFRASTRUCTURE IN THE VICINITY OF COUNTY ROAD 50 WEST AND COLE DITCH (THE "BIG 3 SEWER PROJECT"); AND (2) THE INCLUSION OF SUCH NEW FACILITIES IN PETITIONER'S RATE BASE IN FUTURE CASES.	**CAUSE NO. 44272**

STIPULATION AND SETTLEMENT AGREEMENT BETWEEN AMERICAN SUBURBAN UTILITIES, INC. AND THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

American Suburban Utilities, Inc. ("ASU" or "Petitioner") and the Indiana Office of Utility Consumer Counselor ("OUCC") (collectively, the "Parties"), by their respective counsel, respectfully request the Indiana Utility Regulatory Commission ("Commission") approve this Stipulation and Settlement Agreement ("Stipulation") with respect to Petitioner's requested relief for the Carriage Estates Wastewater Treatment Plant (the "CE-III Project") as defined herein. Petitioner and the OUCC stipulate and agree as follows:

1. Petitioner filed its Petition initiating this Cause on November 15, 2012. On December 15, 2012, Petitioner filed its case-in-chief in this Cause, consisting of the direct testimony and exhibits of Edward J. Serowka, President of Lakeland InnovaTech and Timothy A. Beyer, both consultants retained by ASU in connection with this Cause. A technical conference was held on January 29, 2013. Petitioner filed updates to its direct testimony and exhibits immediately following the Technical Conference. On February 18, 2013, Petitioner filed an additional update to the exhibits constituting its case-in-chief. On March 19, 2013, the OUCC filed the testimony and exhibits of Larry W. McIntosh, a Utility Analyst in the OUCC's Water/Wastewater Division and Edward R. Kaufman, a Chief Technical Advisor in the OUCC's Water/Wastewater Division. On April 9, 2013, ASU filed rebuttal testimony of Mr. Serowka and Mr. Beyer, as well as rebuttal testimony of William R. Davis, a retired professional engineer retained by ASU as a consultant and John R. Skomp, a Partner with Crowe Horwath LLP, a certified public accounting and consulting firm.

2. Shortly after filing its rebuttal testimony in this Cause, Petitioner became aware of new requirements from the Indiana Department of Environmental Management ("IDEM") for phosphorus removal, which would apply to the Carriage Estates Wastewater Treatment Plant. Petitioner believed those new requirements necessitated a substantial re-design of the CE-III Project and changes to the expenditures to be preapproved. Accordingly, counsel for the parties participated in an Attorneys' Conference to establish a new procedural schedule for the submission of supplemental evidence with respect to the CE-III Project. Petitioner filed the supplemental direct testimony of Mr. Serowka regarding the CE-III Project on July 19, 2013. A third party construction estimate for the project

prepared by HWC Engineering was submitted by Petitioner on September 16, 2013. The OUCC filed supplemental testimony of Mr. McIntosh on November 15, 2013 and Petitioner filed Mr. Serowka's supplemental rebuttal testimony on December 11, 2013.

3. In its supplemental testimony, the OUCC expressed concern about (1) the size of the proposed expansion to the Carriage Estates Wastewater Treatment Plant; and (2) construction of the proposed improvements by an affiliate of ASU and the ability to obtain assurance that the costs are reasonable. As a result, the parties have agreed to a stipulated preapproved amount that is derived from one of the alternatives (Option 2) presented in Mr. Serowka's supplemental rebuttal testimony and exhibits in this Cause. The stipulated amount of $10,000,000 is materially lower than Petitioner's cost estimate for Option 2 and represents a compromise on the part of both parties. In entering into this stipulation, Petitioner is not agreeing that the CE-III Project can be completed for this amount, but rather the agreed preapproved amount provides sufficient assurance to allow Petitioner to proceed with a project.

4. Option 2 differs from Petitioner's proposal in its supplemental case-in-chief (referred to in Mr. Serowka's supplemental rebuttal testimony as "Option 4") in that the latter includes a capacity expansion to 4.0 MGD (instead of 3.0 MGD) as well as the installation of additional tanks that would permit the plant to be readily expanded to treat 6.0 MGD if in the future ASU installs additional equipment. To the extent Petitioner builds something with a capacity greater than Option 2 and seeks to include such incremental costs in rate base in a future rate case, it will be Petitioner's burden, as in all

cases to the extent plant additions have not been preapproved, to demonstrate the expenditures were reasonable and prudently incurred.

5. The Parties stipulate and agree that Petitioner's request for (i) approval of expenditures related to the CE-III Project, and (ii) inclusion of the new facilities resulting from this project in Petitioner's rate base in future rate cases, should be approved up to $10,000,000, which amount is for construction only (inclusive of any allowance for funds used during construction ("AFUDC")). The Parties acknowledge and agree that Petitioner may choose to construct the plant improvements as proposed in its supplemental case-in-chief (referred to as "Option 4" in Mr. Serowka's supplemental rebuttal testimony). Whether Petitioner constructs Option 2 or Option 4, inclusion of associated expenditures in rate base for ratemaking purposes as preapproved in this Cause requires that the constructed plant be completed and in service. However, to the extent the plant is completed and in service, the OUCC agrees that no less than $10,000,000 of expenditures actually incurred shall be considered to have produced plant that is used and useful. The parties agree that, while Petitioner may include in its rate base expenditures of no less than $10,000,000 spent on completing Option 4, the OUCC does not otherwise waive any position with respect to the inclusion in rate base of Option 4 expenditures exceeding $10,000,000 including but not limited to the reasonableness, prudency, necessity or scope of Option 4. . Petitioner seeks no relief at this time to the extent actual expenditures of the CE-III Project exceed the agreed preapproval amount of $10,000,000. Whether Petitioner constructs Option 2 or Option 4, to the extent actual expenditures exceed the agreed amount, inclusion of such excess expenditures in rate base in future rate cases shall be addressed in the same manner that utilities must address expenditures

that have not been preapproved. In order to include the excess expenditures in rate base for ratemaking purposes, Petitioner will have the burden to demonstrate its expenditures were reasonable and were prudently incurred. Further, to the extent actual construction costs are greater than the preapproved amount, it will be Petitioner's burden to show that the amount charged by its affiliate is fair and reasonable and comparable to what an unaffiliated entity would have charged.

6. The amount agreed to in Paragraph 3 above does not include reasonable engineering costs or costs for removal of phosphorus in compliance with the IDEM requirements referred to in Paragraph 2. To the extent not already included in Option 2, construction cost expenditures for phosphorus removal and engineering in rate base in future rate cases will be addressed in the same manner as other rate base additions that have not been preapproved.

7. Petitioner shall file a request with the Commission for a system development charge within twelve (12) months of the date of this Stipulation. The Parties agree that, to the extent granted by an Order of the Commission, amounts collected through the system development charge will be recorded as contributions in aid of construction (CIAC) and Petitioner will amortize those amounts.

8. The Parties stipulate and agree that an affiliate of ASU shall be permitted to complete the construction work on the CE-III Project, and that, for purposes of the preapproval requested in this Cause as agreed to herein, Petitioner has satisfied the requirements of Petitioner's existing affiliate agreement. Petitioner agrees that satisfaction of the affiliate

agreement is not a defense to any argument by the OUCC that, to the extent the CE-III project exceeds $10,000,000, prudency dictates the project could have been and should have been procured through some other means at a lower cost. Nothing herein prohibits Petitioner from acquiring its contractor through a competitive bidding process.

9. Evidence Admitted. All testimony and evidence prefiled by either party up to and including the date of this Stipulation shall be admissible. The Parties shall jointly offer this Stipulation together with all attachments. The Parties hereby waive cross-examination of each other's witnesses with respect to the CE-III Project.

10. Mutual Conditions on Settlement Agreement. Petitioner and the OUCC agree that the terms and conditions set forth in this Stipulation are supported by sufficient evidence and, based on the Parties' independent review of the evidence, represent a fair, reasonable and just resolution of the issues in this Cause related to the CE-III Project, subject to their incorporation into a final Commission order in substantially the form attached hereto as ***Attachment 1***, which is no longer subject to appeal. If the Commission does not approve this Stipulation in its entirety without modification that is unacceptable to either Party, the entire Stipulation shall be deemed withdrawn, unless otherwise agreed 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 Stipulation that in any way affect this Stipulation.

11. Non-Precedential. The Parties stipulate and agree that this Stipulation and the Order approving it shall not be used as an admission or as a precedent against the signatories

hereto except to the extent necessary to implement or enforce the terms of the settlement agreement. The Parties agree that this Stipulation shall not be construed as 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 Stipulation 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.

12. Authority to Stipulate. The undersigned have represented and agreed that they are fully authorized to execute this Stipulation on behalf of the designated parties, who will be bound thereby.

(signature page follows)

By: _____

Nicholas K. Kile, Atty No. 15203-53
Hillary J. Close, Atty No. 25104-49
Barnes & Thornburg LLP
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Indianapolis, Indiana 46204
Telephone: (317) 231-7768
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Attorneys for Petitioner
American Suburban Utilities, Inc

Indiana Office of Utility Consumer Counselor

By: _____
Dan Le Vay

INDS01 1436579v3

EXHIBIT B

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF AMERICAN SUBURBAN UTILITIES, INC. FOR APPROVAL OF (1) EXPENDITURES FOR CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS TO PETITIONER'S WASTEWATER UTILITY PROPERTIES, CONSISTING OF (A) AN UPGRADE TO AND EXPANSION OF THE EXISTING CARRIAGE ESTATES II WASTEWATER TREATMENT PLANT (THE "CE-III PROJECT"), (B) REPLACEMENT OF SEWER INFRASTRUCTURE IN THE VICINITY OF KLONDIKE ROAD (THE "KLONDIKE ROAD PROJECT"), (C) CONSTRUCTION OF SEWER INFRASTRUCTURE IN THE VICINITY OF CUMBERLAND ROAD AND U.S. 231 (THE "CUMBERLAND ROAD PROJECT"), AND (D) CONSTRUCTION OF SEWER INFRASTRUCTURE IN THE VICINITY OF COUNTY ROAD 50 WEST AND COLE DITCH (THE "BIG 3 SEWER PROJECT"); AND (2) THE INCLUSION OF SUCH NEW FACILITIES IN PETITIONER'S RATE BASE IN FUTURE CASES.	)	**CAUSE NO. 44272**

STIPULATION AND SETTLEMENT AGREEMENT BETWEEN AMERICAN SUBURBAN UTILITIES, INC. AND THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

American Suburban Utilities, Inc. ("ASU" or "Petitioner") and the Indiana Office of Utility Consumer Counselor ("OUCC") (collectively, the "Parties"), by their respective counsel, respectfully request the Indiana Utility Regulatory Commission ("Commission") to approve this Stipulation and Settlement Agreement ("Stipulation") with respect to Petitioner's requested relief for the Klondike Road Project, the Cumberland Road Project and the Big 3 Sewer Project as defined herein. Petitioner and the OUCC stipulate and agree as follows:

1. Petitioner filed its Petition initiating this Cause on November 15, 2012. On December 15, 2012, Petitioner prefiled its case-in-chief in this Cause, consisting of the direct testimony and exhibits of Edward J. Serowka, President of Lakeland InnovaTech and Timothy A. Beyer, both consultants retained by ASU in connection with this Cause. Petitioner filed updates to its direct testimony and exhibits immediately following the Technical Conference on January 29, 2013. On February 18, 2013, Petitioner filed an additional update to the exhibits constituting its case-in-chief. On March 19, 2013, the OUCC prefiled the testimony and exhibits of Larry W. MacIntosh, a Utility Analyst in the OUCC's Water/Wastewater Division and Edward R. Kaufman, a Chief Technical Advisor in the OUCC's Water/Wastewater Division. On April 9, 2013, ASU filed rebuttal testimony of Mr. Serowka and Mr. Beyer, as well as rebuttal testimony of William R. Davis, a retired professional engineer retained by ASU as a consultant and John R. Skomp, a Partner with Crowe Horwath LLP, a certified public accounting and consulting firm.

2. The Parties stipulate and agree that Petitioner's request for (i) approval of expenditures related to the Klondike Road Project, the Cumberland Road Project and the Big 3 Sewer Project, as each of those projects is described in Petitioner's evidence in this Cause, and (ii) inclusion of the new facilities resulting from those projects in Petitioner's rate base in future rate cases, should be approved up to the following amounts, which amounts are for construction only (inclusive of any allowance for funds used during construction ("AFUDC")): (a) $725,000 for the Klondike Road Project; (b) $800,000 for the Cumberland Road Project; and (c) $2,100,000 for the Big 3 Sewer Project. Petitioner is seeking no relief at this time to the extent actual costs exceed these estimates. To the

extent actual costs exceed the agreed amounts, inclusion of such additional costs in rate base in future rate cases shall be addressed as other rate base additions that have not been preapproved, *viz.* in order to include the excess in rate base for ratemaking purposes, Petitioner will have the burden to demonstrate the excess was reasonable and was prudently incurred.

3. The amounts agreed to in Paragraph 2 above do not include reasonable costs for dewatering, easement acquisition (including legal and appraisal), and engineering. Inclusion of costs for dewatering, easement acquisition and engineering in rate base in future rate cases will be addressed as other rate base additions that have not been preapproved.

4. To the extent an affiliate of ASU completes the construction work on the Klondike Road Project, Cumberland Road Project and/or Big 3 Sewer Project, it will be done pursuant to the existing affiliate agreement (a copy of which was filed in this Cause as Petitioner's Exhibit EJS-10 and is attached hereto as ***Attachment 1***), with the following modifications:

(a) In paragraph 3, rather than preparing an "estimate," First Time will prepare a bid with the level of detail (including schedule of values) that is typically submitted on projects that are competitively bid; and

(b) The third party evaluator which is selected will be selected by the OUCC after the proposals have been submitted (rather than the lowest proposal being selected automatically).

5. Proposals for the evaluation work will be solicited from the following third party engineering firms: HNTB Corporation; Beam, Longest & Neff; Butler, Fairman & Seufert; Hannum, Wagle & Cline; M.D. Wessler & Associates and Commonwealth Engineers, Inc.

6. Evidence Admitted. All testimony and evidence prefiled by either party up to and including the date of this Stipulation shall be admissible. The Parties shall jointly offer this Stipulation together with all attachments. The Parties hereby waive cross-examination of each other's witnesses with respect to the Klondike Road Project, Cumberland Road Project and Big 3 Sewer Project.

7. Mutual Conditions on Settlement Agreement. Petitioner and the OUCC agree that the terms and conditions set forth in this Stipulation are supported by sufficient evidence and, based on the Parties' independent review of the evidence, represent a fair, reasonable and just resolution of the issues in this Cause related to the Klondike Road Project, Cumberland Road Project and Big 3 Sewer Project, subject to their incorporation into a final Commission order which is no longer subject to appeal. If the Commission does not approve this Stipulation in its entirety without modification that is unacceptable to either Party, the entire Stipulation shall be deemed withdrawn, unless otherwise agreed 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 Stipulation that in any way affect this Stipulation.

8. Non-Precedential. The Parties stipulate and agree that this Stipulation and the Order approving it shall not be used as an admission or as a precedent against the signatories hereto except to the extent necessary to implement or enforce the terms of the settlement agreement. The Parties agree that this Stipulation shall not be construed as 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 Stipulation 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.

9. Authority to Stipulate. The undersigned have represented and agreed that they are fully authorized to execute this Stipulation on behalf of the designated parties, who will be bound thereby.

(signature page follows)

American Suburban Utilities, Inc.

By: _____
Scott Lods, President

Indiana Office of Utility Consumer Counselor

By: _____

Attachment 1

Affiliate Contract No. 2011-1

AFFILIATE AGREEMENT

This Agreement is entered between American Suburban Utilities, Inc. ("ASU") and First Time Development Corporation ("First Time") pursuant to I.C. 8-1-2-49(2). This Agreement may be terminated by either party at any time, but in any event will terminate no later than five (5) years from the effective date of the Agreement. Pursuant to I.C. 8-1-2-49(g), the Agreement shall not be effective until it is filed with the Indiana Utility Regulatory Commission ("Commission"). Until such time as this Agreement is terminated, the parties agree as follows:

1. First Time agrees to provide the following services to ASU: (1) construction (herein referred to as "Construction Services"); and (2) televising and cleaning of sewer lines (herein referred to as "Sewer Line Services").
2. In return for the services to be provide by First Time to ASU pursuant to Paragraph 1 herein, ASU agrees to pay to First Time as follows: (1) for all Construction Services, pursuant to Paragraph 3 herein; and (2) for Sewer Line Services, ASU shall pay First Time's documented actual costs plus 15%.
3. For Construction Services, ASU shall prepare engineering plans and specifications that would be sufficient and required to obtain construction permits, which plans and specifications will be submitted to First Time and the Indiana Office of Utility Consumer Counselor ("OUCC"). First Time will then prepare a cost estimate for completing the work, which will also be provided to the OUCC. ASU will then provide the plans and specifications to an independent third party engineer to assemble an estimate for the work, which will also be provided to the OUCC. First Time will then complete the Construction Services for the lower of First Time's estimate or the third party estimate.

The third party engineer will be selected using the method set forth in the Commission's January 23, 2008 Order in Cause No. 43294.

4. From and after the effective date of this Agreement, this Agreement shall supersede any oral and/or written agreement or understanding between First Time and ASU concerning the services covered by this Agreement, and any such agreement or understanding shall be deemed to be terminated as of the effective date of this Agreement. Nothing in this Agreement shall supersede or terminate any agreement or understanding between First Time and ASU concerning other services not covered by this Agreement.

Each party has executed this Agreement on the date indicated.

First Time Development Corp

By [signature] President

First Time Development Corporation

Date: 18 January 2012

American Suburban Utilities

By [signature] President

American Suburban Utilities, Inc.

Date: 18 January 2012

INDS01 1293505v1