ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF JACKSON COUNTY WATER UTILITY, INC., FOR AUTHORITY TO ISSUE LONG TERM DEBT	)))	CAUSE NO. 44302 APPROVED: MAY 15 2013

ORDER OF THE COMMISSION

Presiding Officers:
Larry S. Landis, Commissioner
David E. Veleta, Administrative Law Judge

On February 8, 2013, Jackson County Water Utility, Inc. ("Petitioner") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission"), seeking authority to issue long-term debt for purposes of refunding certain existing long term debt. On March 7, 2013, Petitioner filed testimony and exhibits constituting its case-in-chief. On April 16, 2013, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Edward R. Kaufman, Chief Technical Advisor of the OUCC Water/Wastewater Division. Petitioner did not file rebuttal testimony.

Pursuant to proper legal notice, an evidentiary hearing was held on May 7, 2013 at 9:30 a.m., in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Petitioner and the OUCC appeared by counsel. Petitioner and the OUCC offered their respected prefiled testimony and exhibits which were admitted into evidence without objection. No members of the public appeared at the hearing or otherwise sought to testify.

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

1. **Notice and Jurisdiction.** Due, legal, and timely notice of these proceedings was given and published as required by law. Petitioner is a not-for-profit utility as defined in Indiana Code § 8-1-2-125 and a public utility as defined by Indiana Code § 8-1-2-1. Petitioner seeks to issue long-term debt pursuant to Indiana Code § 8-1-2-78 for purposes of refunding certain existing obligations. Therefore, this Commission has jurisdiction over the Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner owns and operates water wells, treatment facilities, transmission and distribution facilities, land, land rights, equipment, supplies, working capital, and other property used and useful for providing potable water service to approximately 5,500 customers in both municipal and rural areas in Jackson, Lawrence, Bartholomew, Brown, and Jennings Counties, Indiana.

3. **Relief Requested.** Petitioner seeks authority to issue long term debt in an amount up to $2,600,000; for a period of time no greater than ten years; and at an average interest rate of 4% or less.

4. **Evidence of the Parties.**

A. **Petitioner's Case-in-Chief.** Petitioner's case-in-chief consisted of the testimony and exhibits of its witnesses Darrell E. Baker and Earl L. Ridlen, III. Mr. Baker, a long time general manager for the Petitioner, with experience as a loan officer at various banks, explained that Petitioner is seeking the authority to issue long term debt in order to refund certain outstanding long term obligations whose average interest rate exceeds 6%. Mr. Baker indicates that the Petitioner anticipates that these new refunding bonds could be issued at an average interest rate below 3%, thus creating significant savings over the life of the refunding bonds.

Mr. Baker described the actions of the Board of the Petitioner who, following consideration over several months, unanimously approved going forward with this refunding and the filing with this Commission. Mr. Baker also notes that Petitioner will continue to have outstanding debt to Rural Development and the State Revolving Fund even after these new refunding bonds are issued. However, he indicates that both Rural Development and the State Revolving Fund are aware that Petitioner's old debt being refunded is callable and that bond counsel for Petitioner has been in contact with both organizations about Petitioner's desire to issue these new refunding bonds. Mr. Baker concluded his testimony by indicating that it is his opinion these new refunding bonds are an appropriate financing mechanism for the Petitioner at this time.

Petitioner's witness Ridlen, a partner with the accounting and financial advisory firm of London Witte Group, described his analysis and review of this Petitioner and the proposed refunding. He indicates that the Petitioner will have savings even if the Petitioner uses the maximum terms it seeks by its Petition. However, he notes that it is unlikely that Petitioner will in fact issue the full amount of bonds being requested and will likely have an average interest rate below 3% as opposed to the maximum interest rate authority requested. He notes that the bonds being refunded through this new issuance have an average interest rate of 6.448%. Mr. Ridlen described the terms of the 2003, 1996, and 1977 bonds which are to be refunded. He indicated that the length of time that these new refunding bonds will be outstanding matches the remaining payment for the 2003 bonds to be refunded. Mr. Ridlen described the Petitioner's intent of issuing only one series of taxable bonds as opposed to issuing both taxable and tax exempt bonds, explaining that the spread in interest rates between taxable and tax exempt debt at this time is very small, and that the cost of issuing two separate types of debt would eliminate the potential savings Petitioner can obtain by issuing one series of taxable bonds.

Mr. Ridlen explained his review of the analysis of underwriter Hilliard Lyons on the new refunding bonds. He concluded that Hilliard Lyons' analysis accurately reflects significant savings and in his opinion, such refunding bonds are reasonable. Mr. Ridlen also described the recent completion of the 2012 audit for the Petitioner, which indicates that the Petitioner's financial condition is sufficient to support these refunding bonds. In keeping with the opinions expressed, Mr. Ridlen provided as exhibits information from the 2012 audit of this Petitioner, along with a portion of the Hilliard Lyons' analysis of these new refunding bonds. Mr. Ridlen explains that not only are there benefits to be obtained by a lower interest rate, but there are benefits to be obtained through centralizing the bond trustee function. Mr. Ridlen concluded his testimony and exhibits with his recommendation that the Commission authorize the Petitioner to issue new refunding bonds as requested.

B. OUCC's Case in Chief. Mr. Kaufman described his review and analysis of the Petitioner's proposal. He notes that he obtained additional information through discovery from the Petitioner, including the amortization schedules for both the existing debt to be refunded, as well as the proposed new refunding debt. Mr. Kaufman concluded that the Commission should grant the Petitioner the authority it seeks. He recommended that the Petitioner report back to the Commission within thirty (30) days after the closing on the new debt, describing the final terms of the new loan, including both the interest rate and maturity date. He also recommended that this financing authority should expire one year from the date of the Commission's order unless the Parties come back to the Commission and seek an extension.

5. Commission Discussion and Findings. Indiana Code § 8-1-2-78 contemplates that public utilities, such as Petitioner, may be authorized to issue new debt for purposes of refunding existing debt. The Verified Petition specifically outlines the maximum terms Petitioner proposes in the issuance of such new debt. Petitioner's evidence described in detail the existing debt that is to be refunded, along with the benefits that are to be obtained through the issuance of these refunding bonds. We note that such evidence reveals that Petitioner can save approximately $170,000 and reduce future difficulties by centralizing the bond trustee function. We find that these are significant benefits for Petitioner and its customers. The Petitioner's evidence also provides information from an independent accountant describing Petitioner's financial condition and his opinion that such financial condition will support the issuance of these new refunding bonds. Finally, the OUCC has provided evidence which reveals that it has reviewed Petitioner's request, and now supports the authority Petitioner requests, though with certain additional recommendations. Based on the evidence before us, we agree that Petitioner's proposed refunding is appropriate and should be authorized, and we further find that the OUCC's additional recommendations are reasonable. Therefore, the Commission finds that Petitioner's proposed issuance of long term debt should be approved.

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

1. Petitioner shall be and is hereby authorized to incur additional long-term indebtedness, not to exceed $2,600,000; for a period of years not to exceed 10 years; and at an average interest rate not to exceed 4%.

2. Petitioner shall within thirty (30) days of the closing on such new long term debt file a report with the Commission describing the final terms of such debt.

3. Petitioner's authority to issue this new debt shall expire one year following the date of this Order if the new debt anticipated herein has not been issued. However, the Parties may request an extension of such expiration if necessary.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: MAY 15 2013

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