

ORIGINAL

AGW
AB
APW

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF JACKSON COUNTY)
WATER UTILITY, INC., FOR) CAUSE NO. 44461
AUTHORITY TO ISSUE LONG TERM)
DEBT AND CHANGES TO ITS RATES,) APPROVED: SEP 17 2014
CHARGES AND TARIFF)

PHASE I ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Marya E. Jones, Administrative Law Judge

On March 7, 2014, Jackson County Water Utility, Inc., (“Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) seeking authority to issue long-term debt and to change its rates, charges, and tariff. On April 10, 2014, the Petitioner and the Office of Utility Consumer Counselor (“OUCC”) (together with the Petitioner, “Parties”), filed their Joint Submission of Agreed Test Year, Procedural Schedule, and Waiver of Prehearing Conference. The Commission issued a docket entry on April 11, 2014, establishing the procedural dates for this proceeding and addressing other matters.

The Petitioner prefiled its case-in-chief on March 7, 2014, consisting of the testimony and exhibits of its witnesses Earl L. Ridlen, III and Robert E. Curry. On May 21, 2014, the OUCC prefiled its case-in-chief consisting of the testimony and exhibits of its witnesses Scott A. Bell, Edward A. Kaufman, and Richard J. Corey. On June 3, 2014, the Petitioner prefiled its rebuttal testimony consisting of the testimony of Larry W. McIntosh and Earl L. Ridlen, III. On June 25, 2014, Petitioner filed revised schedules reflecting positions taken in its rebuttal testimony. On July 7, 2014, the Petitioner responded to the Commission’s June 27, 2014 docket entry seeking additional information and any updates to the Preliminary Engineering Report (“PER”). Petitioner provided an updated PER as part of its response.

The Commission convened a public hearing in this Cause on July 11, 2014, at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Parties appeared and participated. No members of the public appeared or sought to participate. At the hearing, the Parties explained that a settlement in principal on all issues had been reached and jointly asked that this matter be continued to allow the Parties to reduce their settlement to writing and to prepare settlement testimony. The Presiding Officers granted the request.

On July 25, 2014, the Parties submitted their Stipulation and Settlement Agreement (“Settlement Agreement”), and the Petitioner filed the settlement testimony of its witness Earl L. Ridlen, III.

The Commission held a settlement hearing on August 6, 2014, at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Parties appeared and offered their respective prefiled testimony and exhibits into the record. The Parties also offered

the Settlement Agreement and supporting evidence. No members of the public appeared or sought to participate.

The Commission, having considered the evidence and applicable laws, now finds as follows:

1. Notice and Jurisdiction. Due, legal, and timely notice of these proceedings was given and published as required by law. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1, and a not-for-profit utility as defined in Ind. Code § 8-1-2-125. The Petitioner seeks Commission authority to issue long-term debt pursuant to Ind. Code § 8-1-2-78 and to change its rates, charges, and tariff pursuant to Ind. Code § 8-1-2-125. Thus, the Commission has jurisdiction over the Petitioner and the subject matter of this Cause.

2. Petitioner's Characteristics. The Petitioner is a not-for-profit utility organized and existing under the laws of the State of Indiana. The Petitioner provides water service to customers in both rural and municipal areas in Jackson, Jennings, Bartholomew, Brown, and Lawrence Counties, Indiana.

3. Existing Rates, Test Year, and Relief Requested. The Commission established the Petitioner's current base rates and charges by its Order issued January 4, 2008, under Cause No. 43289. In its Verified Petition, the Petitioner proposed to issue long-term debt in an amount not to exceed \$5,000,000 for a period no greater than 20 years, and at an average interest rate of 4.5% or less. In order to repay the long-term debt, the Petitioner proposed to change its current rates and charges by approximately 6.85% to 8.5%, depending on the amount ultimately borrowed and the interest rate received. The Parties agreed that the test year in this Cause is the 12 months ending December 31, 2013, adjusted for changes that are fixed, known, and measurable and occur within 12 months following the end of the test year.

In its rebuttal evidence, the Petitioner amended its requested relief by asking that its rates and charges be increased by 10.98% to account for adjustments to its operations and maintenance expense and extension and replacements ("E&R") budget.

4. Petitioner's Direct Evidence. Robert E. Curry, a registered professional engineer and President of Robert E. Curry & Associates, Inc., testified concerning Petitioner's need for its proposed improvements.

Mr. Curry discussed Petitioner's service territory, the customers it serves, and its existing utility plant facilities. He also described in detail the waterworks improvements the Petitioner has planned and the need for these improvements, which are summarized as:

- Replacement of sections of 1970s-era water transmission mains that fail frequently, which will improve their hydraulic characteristics.
- Replacement of the existing 300,000 gallon Acme water storage tank that is painted with lead paint with a new 600,000 gallon water storage tank. The new tank will have a longer life and be easier to maintain.

- Improvements to the Sodium Hydroxide room to replace pumps, piping, and structural components that have been damaged due to the corrosive nature of Sodium Hydroxide.
- Rehabilitation of the 1970s-era “Rural Water Booster Station” by replacing the current steel piping, valves, pumps, and electrical controls.
- Adding automatic meter read equipment.
- Construction of a room at the existing office to allow for better security for the Petitioner’s automatic data processing equipment.
- Construction of modifications to the existing pipe storage building to extend its useful life.
- Construction of a standby water connection between the Petitioner and Jennings Water, Inc., which will provide backup service in the event of an interruption.
- Looping dead end water mains to reduce the existence of stagnant water and provide alternate delivery routes.
- Construction of a swabbing station for the raw water transmission main to improve efficiencies and extend the useful life of the existing raw water mains.
- Replacement of a CO₂ tank because the current tank doesn’t have an ASME pressure vessel certification.

Mr. Curry said the PER submitted with the Petitioner’s case-in-chief supporting the need for the improvements is a draft because certain sections are not complete. The final PER will have completed sections devoted to the environmental impacts, evaluation of alternatives to the proposed improvements, and legal and financial sections. The PER did provide cost estimates for each improvement, totaling over \$3,500,000. When other costs associated with engineering design, land acquisition, and accounting and legal services are added, the estimated costs total over \$4,800,000. Mr. Curry concluded by stating that the improvement projects are reasonable.

Earl L. Ridlen, III, a certified public accountant and Partner at London Witte Group, LLC, testified concerning the Petitioner’s long-term debt issuance and changes to its rates and charges.

Mr. Ridlen said the Petitioner’s Board of Directors explored several projects necessary to improve water service to the Petitioner’s customers. In order to cover the costs of these improvements, the Petitioner needs to issue long-term debt in an amount up to \$5,000,000 for a period no greater than 20 years and at an interest rate no higher than 4.5%. Mr. Ridlen described in detail the method for determining these maximum amounts.

Mr. Ridlen testified that the Board of Directors considered obtaining these funds through the State Revolving Fund (“SRF”), United States Department of Agriculture’s Rural Development Division, or the private placement of bonds. Based on the Board’s familiarity with all three sources of funding and positive experiences with the SRF, the Board chose to initially

work with the SRF for this particular project. The maximum term of 20 years is based on the SRF's maximum borrowing term, and the 4.5% maximum interest rate is based on his familiarity with the SRF's establishment of interest rates, which he described in detail. Mr. Ridlen explained that the SRF typically funds these types of infrastructure projects the Petitioner seeks to construct. He also suggested that the average interest rate that could be obtained through the SRF is very reasonable.

Mr. Ridlen explained that the impact of the anticipated long-term debt would be an increase of 6.85% to 8.50% to Petitioner's current rates, depending on the amount ultimately borrowed and the interest rate received. This increase would allow the Petitioner to increase its revenues by approximately \$196,792. Mr. Ridlen also provided a schedule which reflects how the increased revenue would be spread across-the-board on all current rates, and indicated the average residential customer would see a monthly increase of approximately \$3.00. The increase in rates is requested to cover the costs associated with the projects and the repayment of the long-term debt.

Mr. Ridlen explained that the Petitioner could not make the improvements it is proposing to construct unless it issues long-term debt, and that in his opinion, this borrowing is reasonable. He provided the balance sheet and statements of revenue for calendar years December 31, 2013, and December 31, 2012. This financial information was based on audits of the Petitioner's books and records. Mr. Ridlen said that if the Petitioner is authorized to issue long-term debt, it will delay implementation of any rate increase until after the borrowing has closed and additional information on the final terms is provided to both the Commission and the OUCC.

Mr. Ridlen noted that the Verified Petition initiating this Cause was verified by the Board President of Jackson County Water, and the Board of Directors unanimously approved the range of rate impacts discussed above.

5. OUCC's Direct Evidence. Scott Bell, the OUCC's Director of its Water/Wastewater Division, reviewed the Petitioner's proposed improvements, costs for professional services, need for E&R, and various recommendations for future management related to the Petitioner's assets. He concluded that the improvements as described are appropriate and recommended that the Commission authorize long-term debt financing for purposes of completing them.

But, Mr. Bell recommended that certain professional fees associated with the projects be reduced. Specifically, he said fees for bond counsel, regulatory counsel, and rate consultant services should each be capped at \$40,000. These changes total \$105,000 in reductions to the total borrowing costs. Mr. Bell said the Petitioner should enter into written engagements with its professional consultants that include, at a minimum, the hourly rate to be charged and the scope of services to be provided. Finally, he suggested that the Petitioner should develop an asset management plan for purposes of prioritizing the future replacement of its facilities.

Edward Kaufman, a chief technical advisor in the OUCC's Water/Wastewater Division, reviewed the Petitioner's proposed financing. Mr. Kaufman agreed with the Petitioner's proposal to seek funding through the SRF and to delay implementation of the rate impact of the borrowing until after the Petitioner closes on the debt issuance.

Mr. Kaufman noted that with SRF loans, borrowers are required to pay interest until one year after substantial completion of the project. But, the Petitioner intends to pay full principal and interest from the date the loan closes. Mr. Kaufman expressed concern that the Petitioner would potentially over-collect from ratepayers for one year. He also said a lag may occur between when the SRF loan is closed and rates are raised to cover debt service payments. Thus, Mr. Kaufman said the Petitioner should transfer 1/12 of the annual amount authorized in rates for its loan into a restricted account to build up its debt service reserve. Any excess funds accumulated should be used to reduce the amount of funds borrowed.

Based on the current interest rate charged by the SRF for similar projects, Mr. Kaufman said an average interest rate of 2.75% is a better estimation of the potential impact of this borrowing on the Petitioner's rates. He also said that because of Mr. Bell's adjustments to professional services fees, the amount the Petitioner needs to borrow should be reduced by \$105,000.

Mr. Kaufman said the Petitioner should be required to report the actual terms of the loan to the Commission and the OUCC within 30 days following closing. The Petitioner should also file a revised tariff that reflects the actual terms required by the closing on the SRF loan.

Richard J. Corey, an accountant and utility analyst for the OUCC, testified regarding the Petitioner's revenue requirement. Even though the Petitioner requested in its case-in-chief only enough revenue to cover its debt service requirements, Mr. Corey examined the Petitioner's operating revenues, operating expenses, and rate case expenses.

Mr. Corey adjusted the Petitioner's test year operating revenues to include non-recurring service charges and exclude land rental income. Mr. Corey made sales for resale rates and forfeited discounts as subject to the rate increase. He also included a revenue normalization adjustment and adjusted various regulatory fees and taxes. Mr. Corey excluded the Petitioner's amortization expense and expenses for employee celebrations and gifts. After making these adjustments, Mr. Corey recommended that the Petitioner should be allowed to increase its rates and charges by only 4.63%, or \$134,362.

6. Petitioner's Rebuttal Evidence. Larry W. McIntosh, the Petitioner's general manager, testified concerning adjustments that should be made to the Petitioner's expenses and E&R fund.

Mr. McIntosh said payroll and associated expenses should be increased because an employee was promoted and a new employee was hired. Also, the Petitioner's E&R fund should be increased by \$50,259 to reflect additional anticipated expenditures. Mr. McIntosh concluded that if the Petitioner's test year is to include downward adjustments it would also need to include these upward adjustments.

Mr. Ridlen disagreed with several of the positions taken by the OUCC. Specifically, he disagreed with the OUCC's inclusion of revenue from tap fees, meter sets, and service calls in the revenue requirement because they are not fixed, known, and measurable. He also said Mr. Corey included some of the same expenses twice. Mr. Ridlen disagreed with some of Mr. Corey's normalization/annualization adjustments. If the OUCC's normalization/annualization methodology is accepted, the promotion of one employee and the hiring of another and increases

in health insurance should be included as upward adjustments to expenses. He also described the information that supports the need to increase E&R funding. Mr. Ridlen disagreed with Mr. Bell's adjustments to professional fees because, when compared to the fees for the Petitioner's previous case, the increase in these fees is less than the increase in SRF bond counsel fees.

Mr. Ridlen disagreed that the Petitioner should execute written agreements for professional services because the Commission has only required this for troubled utilities. An asset management plan is also unnecessary because the Petitioner expects to develop an E&R plan. In response to a Commission docket entry, Mr. Ridlen provided accounting schedules in support of his positions, which indicate that the Petitioner's revenue requirement should be increased by 10.98%. The Petitioner also provided its updated PER also in response to a Commission docket entry.

7. **Settlement Agreement and Evidence.** The Settlement Agreement resolves the issues raised by the Parties in this Cause. The Parties agree the Petitioner should be permitted to increase its rates and charges in two phases. The terms of the Settlement Agreement are summarized below.

In the first phase, the Petitioner would be permitted to borrow up to \$4,960,000 for up to 20 years at an average interest rate not to exceed 4%. The reduction in the amount that the Petitioner is permitted to borrow reflects a reduction in various professional fees totaling \$40,000. The Petitioner would be authorized to immediately increase its rates to allow for repayment of the actual long-term debt incurred. Attached to the Settlement Agreement is Exhibit A, which shows the impact on rates if the average interest rate incurred at closing is 2.75%. Rates would be increased by approximately 6%.

The Parties agree that the Petitioner should file within 30 days following the closing of its long-term debt a description of the actual terms of the borrowing. The revenue requirement would be trued up to match those actual terms, including terms related to the average interest rate, debt service, debt service reserve, and monthly loan repayment.

The second phase of the proposed rate increase will address the Petitioner's base rates. According to the Settlement Agreement, this approach will allow the Parties to thoroughly review the Petitioner's base rates pursuant to Ind. Code § 8-1-2-125, and establish appropriate base rates going forward. The Petitioner agrees to file a request for a new revenue requirement based on the calendar year 2014 on or before March 31, 2015.

Mr. Ridlen testified in support of the Settlement Agreement. He explained the terms of the Settlement Agreement summarized above. He said that allowing a two-phased rate adjustment will permit the Petitioner to take advantage of low interest rates and allow the Parties to thoroughly review the Petitioner's operating needs using an updated test year. Mr. Ridlen said it is typical for not-for-profit utilities to change their rates in phases, especially when long-term debt is involved. He said that as a result of the first phase, the average residential customer's monthly bill will increase by \$2.85. He thinks the approach prescribed by the Settlement Agreement is reasonable.

8. **Commission Discussion and Findings.** The Commission starts with a general discussion of settlement agreements. 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.

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). Thus, 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 in the public interest.

Based on the evidence presented, the Commission finds that the Petitioner’s proposed capital improvements are necessary to insure the continued safe and reliable operation of its utility. The Commission also finds that the issuance of long-term debt in an amount not to exceed \$4,960,000 at an average interest rate of no more than 4% for a time period of 20 years to be a reasonable way to finance the Petitioner’s improvement projects. The first phase of the Petitioner’s rate increase will allow for the timely repayment of the debt. The Parties agree that the appropriateness of the Petitioner’s base rates should be reviewed. The second phase, as proposed by the Settlement Agreement, will allow the Parties sufficient time to accomplish this. The two-phased approach outlined by the Settlement Agreement will assure the Petitioner’s financial and operational health. Thus, the Commission finds that the Settlement Agreement, a copy of which is attached to this order and incorporated into it, is just, reasonable, and in the public interest and is approved.

Thirty days after closing on its long-term debt, the Petitioner shall file under this Cause a true-up report describing the actual terms of the borrowing and an amortization schedule reflecting these terms. The Petitioner will be authorized to increase its current rates and charges in order to match the actual terms of this long-term debt.

With respect to the second phase of this proceeding, the Petitioner shall file its proposal on or before March 31, 2015. The test year shall consist of the 12 months ending December 31, 2014, adjusted for fixed, known, and measurable changes that will occur within the 12 months of the end of the test year.

The Parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms. But, with regard to future citation of the Settlement Agreement, we find that our approval should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, (Ind. Util. Reg. Commission, March 19, 1997).

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

1. The Settlement Agreement between the Petitioner and the OUCC filed in this Cause is approved and incorporated herein.

2. The Petitioner is authorized to incur additional long-term indebtedness not to exceed \$4,960,000 for a period of years not to exceed 20 years at an average interest rate not to exceed 4%.

3. The Petitioner shall file under this Cause information on the actual terms of the long-term debt thirty days following the closing of such debt. As part of its true-up report, the Petitioner shall file a schedule reflecting its phase one revenue requirement and a new tariff reflecting implementation of such revenue requirement. The tariff shall reflect an allocation across-the-board to all rate classes.

4. The Petitioner is hereby authorized to seek a phase two increase in its rates by the filing of additional evidence based upon a test year of December 31, 2014, as adjusted for fixed, known, and measurable changes that occur within 12 months of the end of this test year. The second phase of this proceeding shall be filed on or before March 31, 2015.

5. The Petitioner shall file with the Water/Sewer Division of the Commission a new schedule of rates and charges reflecting changes approved for the first phase following the closing of its long-term debt and the filing of its true-up report. The new schedule of rates and charges shall be effective upon filing and approval by the Water/Sewer Division and shall replace all existing schedules of rates and charges.

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

STEPHAN, MAYS-MEDLEY, WEBER, AND ZIEGNER CONCUR:

APPROVED: SEP 17 2014

**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 JACKSON COUNTY WATER)
UTILITY, INC., FOR AUTHORITY TO ISSUE LONG) CAUSE NO.44461
TERM DEBT AND CHANGES TO ITS RATES,)
CHARGES AND TARIFF)

STIPULATION AND SETTLEMENT AGREEMENT

Jackson County Water Utility Inc., (hereafter Petitioner) and the Indiana Office of Utility Consumer Counselor (hereinafter OUCC) have, through their respective representatives, exchanged information, considered the evidence of record and what would be offered, and discussed the potential for compromise of all issues in this cause. Following extensive negotiation and a willingness to compromise, the Petitioner and the OUCC (hereinafter collectively the Parties), have reached a settlement on all issues as described by this Stipulation and Settlement Agreement (hereinafter the Settlement Agreement).

The Parties believe that the evidence of record as of the final hearing will support the terms of this Settlement Agreement. The Parties acknowledge that the terms and conditions of this Settlement Agreement are a result of compromise by both the Petitioner and the OUCC relative to the position each has taken or would take in further proceedings in this Cause. The Parties herein stipulate and agree as follows:

1. **Financing Authority and Rate Changes.** The Parties agree Petitioner should proceed immediately with its financing proposal under the terms set forth below, but all changes to its current rates, except those directly related to the proposed financing, should be addressed in a subsequent phase of this Cause to be separately established by the Commission. Thus the Parties agree Petitioner's rates should be changed in two phases. Phase 1 will address those changes required by the actual terms of the financing, including authorizing rates necessary to

meet monthly loan payments. Phase 2 rate changes will relate to Petitioner's revenue and expenses and shall follow the test year as established below, as well as pre-filing dates and further hearing.

2. **Financing Authority (Phase 1)**. The Parties agree Petitioner should be authorized to borrow long term debt from the State Revolving Fund (SRF) as requested except as specifically noted below:

- (a) The terms of Petitioner's financing authority should include authority to borrow up to \$4,960,000 for a time period of up to 20 years at an average interest rate not to exceed 4%.
- (b) The reduction in Petitioner's borrowing authority recognizes Petitioner has agreed to reduce the various estimated professional fees outlined in Table 4.5.2 of Petitioner's Professional Engineering Report (PER) filed as Exhibit REC-1 and attached to the Prefiled Direct Testimony of Robert E. Curry by a total amount of \$40,000.
- (c) Petitioner has agreed to prepare an amortization schedule for illustration purposes showing the potential impact on rates using an average interest rate of 2.75% for the amount estimated to be borrowed from SRF. Such amortization schedule is attached as Exhibit A. Petitioner will first implement the authorized Phase 1 rates agreed to herein no sooner than loan closing. Within 30 days following the closing on the long term debt with SRF, Petitioner will file a report in this Cause identifying all terms of the borrowing and providing an amortization schedule which trues up the

actual average interest rate and the other terms required for such long term debt.

- (d) Petitioner agrees that its revenue requirement in Phase 1 shall be increased in order to provide appropriate collection of revenues to repay the long term debt and meet all other terms required by SRF or its trustee. To the extent that the repayment of interest only for a period of time is recognized in the closing documents for such long term debt, Petitioner shall recognize that interest only is being repaid in its revenue requirement.

3. **Base Rates (Phase 2)**. The Parties agree that the financial health and reliable operation of the utility will be furthered by delaying this proceeding in order to establish base rates. Thus, the Parties have agreed to propose to this Commission that a subsequent phase be established in order to establish base rates pursuant to I.C. § 8-1-2-125. Since the Parties anticipate that the closing on Petitioner's long term debt will have occurred and thus the terms will be known during the fourth quarter of 2014, the Parties propose the Phase 2 review of Petitioner's base rates utilize a new test year of calendar year 2014. The Petitioner agrees it will file a new revenue requirement based upon the calendar year 2014 on or before March 31, 2015. Petitioner agrees it will include in such filing any known, fixed, or measurable changes that have occurred or will occur within the twelve months following December 31, 2014. Petitioner has also agreed that it will include in such filing testimony reflecting that professional service contracts, including but not limited to a description of the hourly rate to be charged and a scope of services, have been executed with the pertinent professionals and provide copies of the same to the OUCC. The Parties have also agreed they will confer during the first quarter of 2015 to

discuss a potential procedural schedule for the Phase 2 changes in Petitioner's base rates and file the same with this Commission under this Cause. The Parties anticipate both the Petitioner and the OUCC will be filing additional direct testimony and exhibits related specifically to Petitioner's base rates as part of the proposed subsequent base rate phase.

4. **Petitioner's Request for Prompt Approval by the Commission.** The Parties acknowledge that a significant motivation for the Petitioner to enter into this Settlement Agreement is the expectation that an order will be issued by the Commission in keeping with this Settlement Agreement authorizing Petitioner to proceed with acquiring additional long term debt. Under these circumstances, the Petitioner requests prompt approval of this Settlement Agreement by way of a final order of the Commission.

5. **Sufficiency of the Evidence.** The Parties believe that the Petitioner's direct testimony and exhibits, the OUCC's direct testimony and exhibits, the Petitioner's rebuttal testimony and exhibits, the settlement testimony, along with the Stipulation and Settlement Agreement, constitute substantial evidence sufficient to support this settlement and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary to issue a final order adopting and approving this Settlement Agreement.

6. **Settlement Effect, Scope, and Approval.** The Parties acknowledge and agree as follows:

- (a) This Settlement Agreement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without change or condition that is unacceptable to any party. Each term

of the Settlement Agreement is in consideration and support of each and every other term.

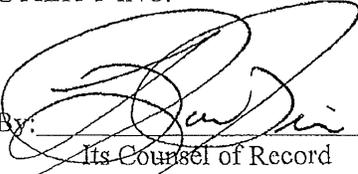
- (b) This Settlement Agreement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement Agreement nor any of the individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement Agreement is not accepted by the Commission. The Parties hereto shall not use this Settlement Agreement or the Commission's Order approving this Settlement Agreement as precedent, nor offer the same as an admission in any other proceeding; nor use for any other purpose except to the extent necessary to implement or enforce the terms of this Settlement Agreement. In the event this Settlement Agreement or the resulting Order is offered for any purpose not specifically allowed by the terms of the Settlement Agreement, the Parties agree that objections by the other (non-offering) party are proper.
- (c) The communications and discussions among the Parties, along with the materials produced and exchanged during the negotiation of this Settlement Agreement, relate to offers of settlement and compromise, and as such, all are privileged and confidential. Such

material cannot be used in this or any other proceeding without the agreement of the Parties herein.

- (d) The undersigned represent and agree that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients who will thereafter be bound by this Settlement Agreement.
- (f) The Parties hereto will either support; or not oppose on rehearing, reconsideration, and/or appeal; an IURC order accepting and approving this Settlement Agreement in accordance with its terms.

Accepted and agreed this 25th day of July, 2014.

JACKSON COUNTY WATER
UTILITY INC.

By: 
Its Counsel of Record

2605508_3

INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR

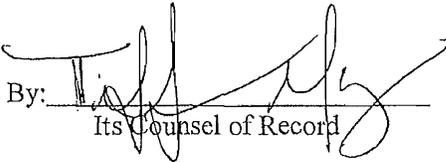
By: 
Its Counsel of Record

EXHIBIT A

JACKSON COUNTY WATER UTILITY, INC.

Brownstown, Indiana

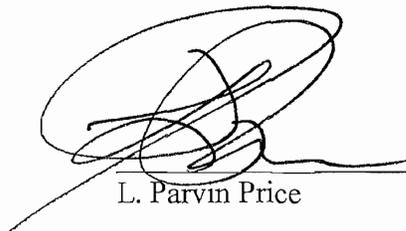
AMORTIZATION SCHEDULE

Original principal	4,960,000			
Interest rate	2.75%			
Term (years)	20			
	Principal	Interest	Total Payment	Remaining Balance
Year 1	\$189,332	\$136,400	\$325,732	\$4,770,668
Year 2	194,539	131,193	325,732	4,576,129
Year 3	199,888	125,844	325,732	4,376,241
Year 4	205,385	120,347	325,732	4,170,856
Year 5	211,033	114,699	325,732	3,959,823
Year 6	216,837	108,895	325,732	3,742,986
Year 7	222,800	102,932	325,732	3,520,186
Year 8	228,927	96,805	325,732	3,291,259
Year 9	235,222	90,510	325,732	3,056,037
Year 10	241,691	84,041	325,732	2,814,346
Year 11	248,337	77,395	325,732	2,566,009
Year 12	255,167	70,565	325,732	2,310,842
Year 13	262,184	63,548	325,732	2,048,658
Year 14	269,394	56,338	325,732	1,779,264
Year 15	276,802	48,930	325,732	1,502,462
Year 16	284,414	41,318	325,732	1,218,048
Year 17	292,236	33,496	325,732	925,812
Year 18	300,272	25,460	325,732	625,540
Year 19	308,530	17,202	325,732	317,010
Year 20	317,014	8,718	325,732	0
Percentage increase to the existing revenue requirement				6.47%

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following by electronic service on the 25th day of July, 2014.

Tiffany T. Murray
Daniel LeVay
Indiana Office of Utility Consumer Counselor
115 West Washington Street, Suite 1500S
Indianapolis, IN 46204
timurray@oucc.in.gov
dlevay@oucc.IN.gov
infomgt@oucc.in.gov



L. Parvin Price