

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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JOINT PETITION OF INDIANA-AMERICAN)
WATER COMPANY INC. ("INDIANA-)
AMERICAN") AND MECCA WATER WORKS,)
INC. ("MECCA") FOR APPROVAL AND)
AUTHORIZATION OF: (A) THE)
ACQUISITION BY INDIANA-AMERICAN OF)
MECCA'S UTILITY PROPERTIES (THE)
"MECCA WATER SYSTEM") IN PARKE)
COUNTY, INDIANA; IN ACCORDANCE WITH)
THE PURCHASE AGREEMENT THEREFORE;)
(B) APPROVAL OF ACCOUNTING AND RATE)
BASE TREATMENT; (C) APPLICATION OF)
INDIANA-AMERICAN'S RATES AND)
CHARGES FOR PETITIONER'S TERRE)
HAUTE (WABASH VALLEY) OPERATION TO)
WATER SERVICE RENDERED BY INDIANA-)
AMERICAN IN THE AREA SERVED BY THE)
MECCA WATER SYSTEM ("THE MECCA)
AREA"); (D) ALL NECESSARY LICENSES,)
PERMITS, AND FRANCHISES FOR INDIANA-)
AMERICAN TO PROVIDE WATER SERVICE)
IN THE MECCA AREA; (E) APPLICATION OF)
INDIANA-AMERICAN'S DEPRECIATION)
ACCRUAL RATES TO SUCH ACQUIRED)
PROPERTIES; AND (F) THE SUBJECTION OF)
THE ACQUIRED PROPERTIES TO THE LIEN)
OF INDIANA-AMERICAN'S MORTGAGE)
INDENTURE.)

CAUSE NO. 44222

APPROVED: DEC 19 2012

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Aaron A. Schmoll, Senior Administrative Law Judge

On July 16, 2012, Joint Petitioners Indiana-American Water Company, Inc. ("Indiana-American") and Mecca Water Works, Inc. ("Mecca") filed their joint petition and prepared testimony and exhibits constituting their case-in-chief with the Indiana Utility Regulatory Commission ("Commission") in this matter. On October 3, 2012, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its Notice of Intent Not to File Testimony.

On November 2, 2012, the parties filed a Joint Stipulation and Settlement Agreement (the “Settlement Agreement”).

Pursuant to notice of hearing duly given and published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, an evidentiary hearing in this Cause was held at 1:30 p.m. on November 8, 2012 in Room 224, PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Joint Petitioners and the OUCC appeared and participated in the evidentiary hearing. No members of the general public appeared.

Based upon the applicable law and evidence, the Commission now finds:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted herein was given by the Commission as required by law. Indiana-American 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. Mecca is a public utility and a not-for-profit utility under Indiana law. Mecca has withdrawn from the Commission’s jurisdiction for purposes of rates and charges and financing as of April 10, 1999. The Commission has jurisdiction over Joint Petitioners and the subject matter of this proceeding.

2. **Joint Petitioners’ Characteristics.** Indiana-American is an Indiana corporation engaged in the provision of water utility service to the public in and around numerous communities throughout the State of Indiana for residential, commercial, industrial, public authority, sale for resale and public and private fire protection purposes. Indiana-American also provides sewer utility service in Wabash and Delaware Counties.

Mecca is an Indiana nonprofit corporation located in Parke County, Indiana. Mecca owns and operates water utility property which is used and useful for the provision of water utility service to approximately 315 customers.

3. **Relief Requested.** Joint Petitioners request that the Commission (1) approve accounting and rate base treatments that reflect the full purchase price plus transaction costs in Indiana-American’s net original cost rate base; (2) grant such approvals as may be necessary to consummate the acquisition of the Mecca Water System (as defined in the Joint Petition) by Indiana-American and permit the operation thereof by Indiana-American on the terms described in the Asset Purchase Agreement, including all necessary licenses, permits and franchises to provide water service in the area served by the Mecca Water System (the “Mecca Area”) following closing; (3) find that public convenience and necessity require water service by Indiana-American to the Mecca Area; (4) authorize Indiana-American to apply the rules and regulations and rates and charges generally applicable to Indiana-American’s Terre Haute (Wabash Valley) Operation, as the same may be changed from time to time, to service to be provided by Indiana-American in the Mecca Area; (5) authorize Indiana-American to apply its existing depreciation accrual rates to the Mecca Water System; and (6) approve the encumbering of the properties comprising the Mecca Water System with the lien of Indiana-American’s Mortgage Indenture.

4. Description of Mecca Water System. As stated in the direct testimony of Jeffrey C. Henson, Indiana-American's Senior Business Development Manager, Mecca owns and operates a water system serving approximately 315 customers in an area approximately 20 miles northeast of Terre Haute, along Highway 41. The system's source of supply consists of two 300 gpm wells installed in 2001 with funds from an Indiana Department of Commerce Development Grant. The system includes a chlorination building but no filtration plant. The distribution system consists of approximately 200,000 feet of 1-inch to 8-inch mains. The system also includes a 100,000 gallon ground storage tank that was constructed in 1963. All customer accounts are metered. The system is currently operated by one part-time employee, a contract certified operator and a contract billing clerk.

5. Evidence Presented.

A. Joint Petitioners' Evidence. Mr. Jack W. Sanders, Chairman of the Mecca Board, testified that operation of the Mecca Water System is controlled by the Mecca Board and that he personally provides management and oversight functions free of charge. In addition to Mr. Sanders' services, the Mecca Water System is currently being operated by a single part-time employee, a contract certified operator and a contract billing clerk. Mr. Sanders explained that he does not wish to continue to oversee the utility operations indefinitely, much less on a volunteer basis. He said Mecca decided to sell the water utility after weighing the costs of attempting to hire full-time management and operations personnel as well as costs being incurred by Mecca due to problems with electrical power failures. He explained that once he steps down from his post as utility manager, if no one volunteers to take over, Mecca will lack the time, technical expertise and resources to manage a water utility in the current environment of increasing drinking water regulation. Mr. Sanders also indicated it is becoming more difficult to find qualified candidates interested in future membership on Mecca's Board. Mr. Sanders testified that other than a small number of "no" votes at the meeting of Mecca's members to approve the proposed sale, no customers have expressed to the Mecca Board opposition to the proposed sale.

The complete terms and conditions of the purchase and sale of the Mecca Water System are set forth in the Asset Purchase Agreement, filed as Petitioners' Exhibit JCH-4. Mr. Henson testified that Indiana-American proposes to acquire all the wells, water storage tanks, water mains, service lines (other than customer service connections), meters, hydrants, equipment, real estate, easements and permits and all other assets located within the Mecca Water System which are part of the production, treatment, transmission and distribution system utilized to provide water service to customers, excluding (a) liabilities, contingent or otherwise, (b) customer service connections which are and shall remain the property of the customer, (c) furniture, (d) transportation equipment, (e) tools, shop and garage equipment, (f) communication equipment, (g) miscellaneous equipment, (h) cash and accounts receivable, and (i) customer deposits.

Mr. Henson described the improvements Indiana-American will make to the Mecca Water System after closing, including installation of new radio read water meters to assist in cost-effective meter reading and new SCADA equipment to assist with monitoring of the Mecca Water System from the Terre Haute (Wabash Valley) Operation. In addition, he testified Indiana-American has agreed to use its best efforts to install back-up generators at the East and

West pumping stations of the Mecca Water System and make them fully operational within eighteen (18) months of closing the acquisition to ensure uninterrupted water service should electrical power fail. He stated operation and maintenance for the Mecca Water System will be provided by the staff at Indiana-American's Terre Haute (Wabash Valley) Operation.

As described in Mr. Henson's direct testimony, the Asset Purchase Agreement between Indiana-American and Mecca provides for the acquisition by Indiana-American of the utility assets of Mecca for a purchase price of \$445,000. The purchase price was determined through arms-length negotiations with Mecca along with consideration of an estimate prepared by Indiana-American of the depreciated net original cost of the Mecca Water System. Mr. Henson testified that the assets funded with the Indiana Department of Commerce grant were excluded from Indiana-American's determination of the value of the system. He said Indiana-American determined current replacements costs for Mecca's plant in service and then trended those costs backwards using the Handy-Whitman Index to arrive at an estimate of original cost, and then subtracted depreciation to arrive at the depreciated net original cost of \$587,085. However, given the number of customers and the improvements needed for the Mecca Water System, Indiana-American determined \$445,000 to be the fair market value of the assets and the appropriate purchase price for the system. Mr. Sanders testified that once the sale is completed, any excess funds will be distributed among the approximately 315 members of Mecca, who are also its customers, in accordance with Mecca Water System's governance documents and applicable law.

Mr. Henson also provided testimony on the accounting and ratemaking treatment proposed by Indiana-American in connection with its acquisition of the Mecca Water System. Petitioners' Exhibit JCH-6 sets forth the proposed journal entry, which shows a recorded original cost of the Mecca Water System assets as the purchase price plus transaction costs. Mr. Henson explained that this accounting treatment is appropriate where (1) the price resulted from an arm's length negotiation between the buyer and seller, and (2) the system being acquired is small or troubled. Mr. Henson stated that although the Mecca Water System is not troubled, it is certainly small, with approximately 315 customers.

The accounting entries proposed by Indiana-American, consistent with Commission policy, would be to record the original cost of the Mecca Water System as a debit to Utility Plant in Service and to record all associated accumulated depreciation as a credit to Account 108 – Accumulated Depreciation. Mr. Henson further stated that the original cost of the Mecca Water System would be the gross cost of the facilities, including adjustments for closing and transaction costs (i.e., the \$445,000 purchase price plus an estimated \$50,000 in transaction costs, to be adjusted for actual costs). Mr. Henson further testified that the depreciation accrual rates to be applied to the Mecca Water System assets would be the rates approved by the Commission in Cause No. 43081 on November 21, 2006, as included in the calculation of rates with the approval of Indiana-American's rate case in Cause No. 43187.

Mr. Henson testified that the customers of the Mecca Water System and Indiana-American's existing customers will benefit from the acquisition. Mecca customers will gain full time management of their water system, including but not limited to a full time operations staff, 24/7 customer service and emergency response, enhanced security measures, along with full time

functional specialists such as engineering and water quality. He testified that continuation of current ownership could lead to a troubled future for the Mecca Water System. He stated under their current rate structure, Mecca is unable to afford the cost to employ a full-time manager or operational employees. He said the Mecca Water System loses electrical power on a near-monthly basis and currently does not have back-up generators at either of its two pumping stations, resulting in interrupted water service as a result of such power failures. Mr. Henson further explained that Mecca Water System customers will benefit from many programs that Indiana-American uses to ensure customer satisfaction, such as routine valve operating programs, hydrant flushing and inspection, meter replacement, and plant security. He stated Indiana-American has committed to install back-up generators at the Mecca Water System's two critical pumping stations, to ensure water service remains uninterrupted in the event of electrical power failure. He added that Mecca Water System customers will benefit from the addition of radio read meters. Based on Indiana-American's rates as of the filing of its testimony in this Cause, Mr. Henson estimated the monthly bill for a residential customer using 5,000 gallons would change from \$35.00 to \$34.92 for customers without fire protection or \$39.04 for customers with fire protection, based on the current tariff for both utilities.

According to Mr. Henson's testimony, Indiana-American's existing customers will benefit from expanded economies of scale and an extended service area that could result in additional future growth. He explained that the added customers and potential to serve a larger service area in the Terre Haute area will provide a larger base over which Indiana-American can spread fixed costs and increase efficiencies.

Mr. Henson's testimony described Indiana-American's intention to apply the tariff rates for water service and private and public fire service on file from time to time and applicable to Indiana-American's Terre Haute (Wabash Valley) Operation to the customers of the Mecca Water System. Support offered by Mr. Henson for application of the Terre Haute (Wabash Valley) Operation rates includes the proximity of the Terre Haute (Wabash Valley) Operation's service area to the Mecca Water System's current service area and the fact that, upon consummation of the transaction, the Mecca Water System will be managed by personnel from the Terre Haute (Wabash Valley) Operation. Mr. Henson stated that utilizing Indiana-American's existing Terre Haute (Wabash Valley) rates is also consistent with the approach taken in past Commission orders to simplify Indiana-American's overall rate structure with a goal of having single tariff pricing for the entire state of Indiana.

Mr. Henson's direct testimony also described the encumbrance that would be placed on the Mecca Water System assets as a result of the acquisition under Indiana-American's General Mortgage, which secures most of Indiana-American's utility property for the benefit of Indiana-American's bond holders. Mr. Henson testified that Indiana-American has access to all of the necessary funds to support the acquisition. Initially, Mr. Henson explained, those funds will come from internally generated funds. Mr. Henson testified that Indiana-American does not believe the acquisition would impair its ability to raise necessary capital on reasonable terms while maintaining a reasonable capital structure. According to his testimony, the projected investment to acquire the Mecca Water System is equal to less than 0.07% of Indiana-American's total capital structure.

B. OUCC's Evidence. The OUCC filed a Notice of Intent Not to File Testimony, stating that after reviewing Joint Petitioners' case and investigating the matter through formal and informal discovery, the OUCC believes this matter can and should result in an order authorizing the relief requested.

6. Settlement Agreement. The Settlement Agreement entered into by Indiana-American and the OUCC in this Cause is attached hereto and incorporated herein by reference. The Settlement Agreement presents a resolution of all matters pending before the Commission in this Cause which the parties agree is reasonable. More specifically, the Settlement Agreement provides that Indiana-American shall be authorized to consummate the acquisition of the Mecca Water System by Indiana-American and permit the operation thereof by Indiana-American pursuant to an asset purchase agreement to be entered into between Mecca and Indiana-American, including all necessary licenses, permits and franchises to provide utility service through the Mecca Water System following closing. In addition, Indiana-American shall be authorized to: (1) on and after the closing, charge customers currently served by the Mecca Water System the then-current rates and charges applicable to water utility service provided by Indiana-American in its Terre Haute (Wabash Valley) Operation on file with and approved by the Commission, as the same are in effect from time to time; (2) apply the same rules and regulations for water service and private and public fire service applicable in Indiana-American's Terre Haute (Wabash Valley) Operation on file with and approved by the Commission, as the same are in effect from time to time; (3) book an amount for net original cost rate base equal to the purchase price plus transaction costs, effectively allowing Indiana-American to recover a return for ratemaking purposes equal to its weighted cost of capital as applied to the purchase price and to recover through depreciation expense the full purchase price; and (4) following the closing, apply its depreciation accrual rates approved by the Commission in Cause No. 43081.

7. Commission Discussion and Findings.

A. Settlement Agreement. 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.

We note that while the evidence supporting the Settlement Agreement in this case consists solely of Joint Petitioners's case-in-chief, we generally encourage settling parties to include separate settlement testimony to support the approval of any settlement so that the Commission can understand the basis for the settlement. In this case, the OUCC filed its Notice of Intent not to offer testimony in this Cause, but ultimately entered into the Settlement Agreement in order to limit any precedential effect of a Commission decision in this Cause.

As set forth below, the Commission finds that the Settlement Agreement is reasonable and in the public interest and the authority and obligations proposed therein should be approved. 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).

B. Public Convenience and Necessity. The evidence demonstrated that the Mecca Water System can be easily integrated into Indiana-American's existing system. The public now served by the Mecca Water System will benefit from Indiana-American's financing capability, management and technical expertise. Mecca Water System customers and Indiana-American customers will benefit from the increased number of customers over which fixed costs will be spread. Mecca Water System customers will benefit from the addition by Indiana-American of back-up generators at the Mecca Water System's two critical pumping stations to ensure water service remains uninterrupted in the event of electrical power failure. Finally, Mecca Water System customers will gain access to many programs that Indiana-American uses to ensure customer satisfaction. Based on the evidence of record, the Commission finds that the acquisition and operation of the Mecca Water System by Indiana-American on the terms described in the Asset Purchase Agreement is supported by public convenience and necessity and is in the public interest. Furthermore, following the closing, Indiana-American shall be authorized to serve in the areas currently served by the Mecca Water System.

C. Rates and Rules. Indiana-American currently has on file with the Commission a schedule of rates and charges and rules and regulations applicable to water utility service provided by Indiana-American in the Terre Haute (Wabash Valley) Operation. Consistent with the Asset Purchase Agreement, we find that, on and after the closing, Indiana-American's generally applicable rates and charges and rules and regulations for water service and private and public fire service applicable in Indiana-American's Terre Haute (Wabash Valley) Operation on file with and approved by the Commission should apply to services provided by Indiana-American through the Mecca Water System, as the same are in effect from time to time.

D. Accounting Treatment. Indiana Code §§ 8-1-2-12 and -14 give the Commission authority over the accounting procedures utilized by public utilities in Indiana. We note that the purchase price was reached through arm's length negotiations and was supported by Joint Petitioners' evidence. We also note that the OUCC stipulated as part of its settlement agreement with Indiana-American that Indiana-American should be permitted in this Cause to book as net original cost the purchase price. In this Cause, it is appropriate to allow Indiana-American to book as net original cost the purchase price plus reasonable transaction costs.

We find that Indiana-American's proposed accounting and journal entries as described by Mr. Henson in his direct testimony and Petitioners' Exhibit JCH-6 and set forth in Finding No. 5 above, should be approved and that the costs so reflected on the books and records of Indiana-American be used as the original cost of such properties for accounting, depreciation, and rate base valuation purposes. We find that Indiana-American's existing depreciation accrual rates approved by the Commission in Cause No. 43081 on November 21, 2006 and as included in the calculation of rates with the approval of Indiana-American's rate case in Cause No. 43187 on October 10, 2007 should be applied on and after the closing date of the acquisition to depreciable property purchased from Mecca pursuant to the Asset Purchase Agreement.

E. Encumbrance. We find that the encumbering of the properties comprising the Mecca Water System by subjecting such properties to the lien of Indiana-American's General Mortgage as of the closing should be approved.

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

1. The Settlement Agreement shall be and hereby is approved in its entirety.
2. Public convenience and necessity require the acquisition and operation of the Mecca Water System by Indiana-American on the terms and conditions described in the Asset Purchase Agreement, and Indiana-American shall be and hereby is granted an indeterminate permit to provide water service in the area currently served by the Mecca Water System effective upon consummation of the acquisition by Indiana-American of the Mecca Water System.
3. Joint Petitioners are hereby authorized to consummate the acquisition of the Mecca Water System by Indiana-American and permit the operation thereof by Indiana-American on the terms described in the Asset Purchase Agreement, including all necessary licenses, permits and franchises to provide utility service through the Mecca Water System following closing.
4. Indiana-American is hereby authorized to charge customers currently served by the Mecca Water System the current rates and charges and apply the same rules and regulations for water service and private and public fire service applicable in Indiana-American's Terre Haute (Wabash Valley) Operation on file with and approved by the Commission, as the same are in effect from time to time.
5. Indiana-American is hereby authorized to reflect the acquisition of the Mecca Water System on its books and records as of the closing by making the accounting and journal entries described in Finding No. 7D above.
6. The original cost of the acquired property, as described in Finding No. 7D above, shall be used for accounting, depreciation and rate base valuation purposes after closing.

7. Indiana-American shall be and hereby is authorized to apply its depreciation accrual rates on and after the closing date of the acquisition to depreciable property purchased from Mecca pursuant to the Asset Purchase Agreement.

8. Indiana-American is hereby authorized to encumber the properties comprising the Mecca Water System with the lien of Indiana-American's mortgage indenture.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: DEC 19 2012

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



Brenda A. Howe
Secretary to the Commission

AB

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FILED

NOV 02 2012

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 44222

INDIANA AMERICAN WATER COMPANY, INC.'S
SUBMISSION OF STIPULATION AND SETTLEMENT AGREEMENT

Petitioner, Indiana-American Water Company, Inc. ("Indiana American") by counsel hereby submits for approval by the Indiana Utility Regulatory Commission the Stipulation and Settlement Agreement agreed to by Indiana-American and the Office of Utility Consumer Counselor.

Respectfully Submitted,

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STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

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CAUSE NO. 44222

STIPULATION AND SETTLEMENT AGREEMENT

Joint Petitioner Indiana-American Water Company, Inc. (“Indiana American”) and the Office of Consumer Counselor (“OUCC”) enter into this Stipulation and Settlement Agreement. Indiana American and the OUCC agree that the terms and conditions set forth below represent a fair and reasonable resolution of all issues, subject to incorporation into a final order of the Indiana Utility Regulatory Commission (“Commission”) without any modification or condition

that is not acceptable to Indiana American or the OUCC. Indiana American and the OUCC stipulate as follows:

1. The relief requested by Joint Petitioners should be granted. Indiana American and the OUCC stipulate to the issuance by the Commission of a final order in the form attached hereto as Attachment A.

2. Indiana American should be authorized to consummate the acquisition by Indiana American of the water utility properties owned by Mecca Water Works, Inc. (the “Mecca Water System”) and thereafter Indiana American should be permitted to operate the same. All necessary licenses, permits and franchises to provide utility services through the Mecca Water System following closing should be issued and authorized to Indiana American.

3. On and after the closing, Indiana American should be permitted to charge customers currently served by the Mecca Water System the then-current rates and charges applicable to water utility service provided by Indiana American in its Terre Haute (Wabash Valley) Operation on file and approved by the Commission, as the same are in effect from time to time.

4. Indiana American should be permitted to apply the same rules and regulations for water service and private and public fire service applicable to Indiana American’s Terre Haute (Wabash Valley) operation on file with and approved by the Commission, as the same are in effect from time to time.

5. Based upon the particular facts of this Cause, the OUCC agrees that upon closing of the acquisition, Indiana American should be permitted to book an amount equal to the

purchase price (\$445,000) plus reasonable transaction costs for net original cost rate base, effectively allowing Indiana America to recover a return for ratemaking purposes equal to its weighted cost of capital as applied to the purchase price plus reasonable transaction costs and to recover the same through depreciation expense.

6. Following the closing, Indiana American should be permitted to apply its depreciation accrual rates approved by the Commission in Cause No. 43081 to the properties comprising the Mecca Water System.

7. Indiana American and the OUCC stipulate that all evidence that has been filed in this Cause with respect to the relief provided herein is admissible in evidence and that such evidence constitutes a sufficient evidentiary basis for a Commission Order approving this Stipulation. The OUCC waives cross-examination of Indiana American's witnesses.

8. If this Stipulation is not approved in its entirety by the Commission, Indiana American and the OUCC stipulate that the terms herein shall not be admissible in evidence or discussed by any party in a subsequent proceeding. Moreover, the concurrence of Indiana American and the OUCC with the terms of this Stipulation is expressly predicated upon the Commission's approval of this Stipulation in its entirety by issuance of the Order in the form set forth in Attachment A without any material modification or any material condition deemed unacceptable by either of them. If the Commission does not approve the Stipulation in its entirety or if the Commission makes modifications to the final order that are unacceptable to either party, the Stipulation shall be null and void and shall be deemed withdrawn upon notice in writing by either party within 15 days after the date of the final order stating that a modification made by the Commission is unacceptable to the party. In the event the Stipulation is withdrawn,

either party may request, and neither party shall oppose, the convening of an attorneys' conference to establish a procedural schedule for the continued litigation of this proceeding.

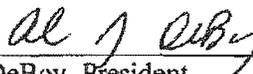
9. Indiana American and the OUCC stipulate that this Stipulation reflects a fair, just and reasonable resolution, and is agreed upon without prejudice and the ability of any party to propose a different term in future proceedings.

10. As set forth in the Order in *Re Petition of Richmond Power & Light*, Cause No. 40434, p. 10, Indiana American and the OUCC stipulate and request the Commission to incorporate as part of its final order that this Stipulation, or the order approving it, not be cited as precedent by any person or deemed an admission by any party of any other proceeding except as necessary to enforce its terms before the Commission, or in any court of competent jurisdiction on these particular issues.

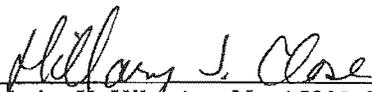
11. The undersigned represent and stipulate that they are fully authorized to execute this Stipulation on behalf of the respective parties who will be bound thereby.

Respectfully submitted,

Indiana-American Water Company, Inc.

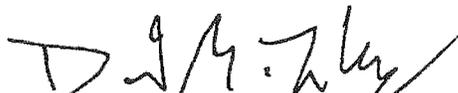


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