FILED
September 24, 2009
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INDIANA UTILITY REGULATORY COMMISSION'S INVESTIGATION OF MATTERS RELATED TO THE CONTINUED BUSINESS PRACTICES OF RIVER'S EDGE UTILITY, INC., IN THE STATE OF INDIANA PURSUANT TO INDIANA CODE 8-1-2-l(A), 8-1-2-58, 8-1-2-69, 8-1-2-89, et seq.	)	**CAUSE NO. 43115**

PREFILED TESTIMONY

OF

SCOTT A. BELL - PUBLIC'S EXHIBIT #1

MARGARET A. STULL – PUBLIC'S EXHIBIT #2

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SEPTEMBER 24, 2009

Respectfully submitted,

_____

Daniel M. LeVay
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic mail on September 24, 2009.

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RIVER'S EDGE UTILITY , INC.
CAUSE NO. 43115
TESTIMONY OF SCOTT A. BELL

Q: Please state your name and business address.

A: My name is Scott A. Bell and my business address is Indiana Government Center North, 100 North Senate Avenue, Room N501, Indianapolis, Indiana 46204.

Q: By whom and in what capacity are you employed?

A: I am employed by the Office of Utility Consumer Counselor ("OUCC") as the Director of the Water/Wastewater Division.

Q: What is your educational background and experience?

A: I graduated from Purdue University in 1987 with a Bachelor of Science degree in Industrial Management, with a minor in Industrial Engineering. I began working for the Indiana Utility Regulatory Commission ("Commission") in November 1988 as a Staff Engineer. In September 1990, I began my employment with the OUCC. I have attended numerous utility related seminars and workshops during my employment. I have also completed additional coursework regarding water and wastewater treatment at Indiana University Purdue University Indianapolis.

Q: Have you previously testified before this commission?

A: Yes. I have testified in causes relating to telephone, gas, electric, water, and sewer utilities.

Q: Have you testified previously in this cause?

A: Yes. On January 29, 2007, I filed testimony in this cause.

Q: What is the purpose of your testimony now?

A: The purpose of my testimony is to address the petition of Intervenor, Wastewater One, LLC ("Wastewater One"), which seeks a transfer of assets, including the Certificate of Territorial Authority (CTA), from River's Edge Utility, Inc. to Wastewater One, LLC. I also address Petitioner's compliance with applicable statutory and administrative requirements in I.C. 8-1-2-89 and 170 I.A.C. 8.5-3-1.

Q: What investigations have you performed in this cause?

A: I reviewed the Intervenor's petition, testimony and exhibits and other information provided to the OUCC through discovery. I also have had numerous discussions with OUCC staff regarding the proposed request.

Indiana Code Requirements

Q: Has Wastewater One petitioned the Commission for authority to transfer the Certificate of Territorial Authority (CTA) from River's Edge to Wastewater One?

A: Yes. Indiana law allows for the transfer of CTAs. I.C. 8-1-2-89 (j) states the following:

> Upon approval by the Commission given after notice of hearing and hearing, but not otherwise, any certificate of territorial authority may (1) be sold, assigned, leased, or transferred by the holder thereof to any sewage disposal company to which a territorial certificate might be lawfully issued;

Therefore, before the Commission authorizes any such transfer, it should determine whether Wastewater One is qualified to receive a CTA in its own right under I.C. 8-1-2-89.

Q: What are the Indiana Code requirements in order to obtain a CTA?

A: I.C. 8-1-2-89 sets forth the requirements for granting CTAs. In order to grant a CTA, subsection (e) of the statute requires that the Commission find that an applicant has proved it has the "(1) lawful power and authority to apply for said certificate and to operate said proposed service; (2) financial ability to install, commence, and maintain said proposed service; and (3) public convenience and necessity require the rendering of the proposed service in the proposed rural area by this particular sewage disposal company."

Q: Has Intervenor provided evidence to support its contention that it has the lawful power and authority to acquire a CTA?

A: Yes. Mr. Stephen R. Tolliver, General Manager of Wastewater One, states in his testimony that Wastewater One is wholly owned by Hughes Group, Inc., which is a domestic for-profit corporation based in Jeffersonville, Indiana. Also, Wastewater One currently possesses a CTA from the Commission to provide sewage disposal service in a rural area of Floyd County, Indiana.

Q: Has Intervenor provided evidence to support its contention that it has the financial ability to install, commence, and maintain the proposed service?

A: Yes. In support of Intervenor's contention that it has the financial ability to provide the proposed sewage disposal service to the proposed service territory, Mr. Tolliver stated in testimony that Wastewater One currently owns and operates three other utilities in Southern Indiana. Intervenor's Witness Bonnie Mann also provided accounting schedules to describe the financial condition of the utility. OUCC Margaret Stull will address this criterion in her testimony.

Q: What evidence was provided to support the Intervenor's contention that public convenience and necessity require the rendering of sewage disposal service in the proposed rural area?

A: Mr. Tolliver has stated in testimony that "Wastewater One's proposal will best serve the public convenience and necessity by allowing the utility to prospectively operate as an independent, financially viable public utility." Obviously there is a need to continue to provide wastewater utility service to the existing customers. However, subsequent to the Wastewater One's filing in this case, another party has intervened in the case and is seeking similar regulatory approvals for providing service to the area. I believe there is a public need for sewage disposal service, however, I am not making a recommendation at this time as to who should be authorized to provide that service.

Recommendations

Q: What are your recommendations in this cause?

A: I recommend that if the Commission decides that the public convenience and necessity require Wastewater One to provide service to this certificated area, that the Commission approve its request for transfer of the CTA.

Q: Does this conclude your testimony?

A: Yes.

TESTIMONY OF MARGARET A. STULL
CAUSE NO. 43115
WASTEWATER ONE, LLC
ACQUISITION OF RIVER'S EDGE UTILITY, INC.

I. Introduction

Q: Please state your name and business address.

A: My name is Margaret A. Stull, and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst II in the Water/Wastewater Division.

Q: Please describe your background and experience.

A: I graduated from the University of Houston at Clear Lake City in August 1982 with a Bachelor of Science degree in accounting. From 1982 to 1985, I held the position of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 until 2001 I worked for Enron in various positions of increasing responsibility and authority; first in their gas pipeline accounting department, then in financial reporting and planning, both for the gas pipeline group and the international group, and finally providing accounting support for infrastructure projects in Central and South America. From 2002 until 2003, I held non-utility accounting positions in

1 Indianapolis. In August 2003, I accepted my current position with the OUCC.
2 Since joining the OUCC I have attended the NARUC Eastern Utility Rate School in
3 Clearwater Beach, Florida.

4 **Q: Do you hold any professional licenses?**

5 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
6 Texas.

7 **Q: Have you testified previously before the Indiana Utility Regulatory**
8 **Commission ("IURC" or "Commission")?**

9 A: Yes.

10 **Q: What is the scope of your testimony?**

11 A: Wastewater One LLC ("Wastewater One" or "WW1") seeks authority to acquire the
12 assets of River's Edge Utility ("REUI"). As part of its request, Wastewater One
13 requests approval of rates and charges in excess of REUI's current rates. In my
14 testimony, I address Wastewater One's proposed rates and specific revenue
15 requirements. I also propose *pro forma* adjustments to certain test year operating
16 revenues and expenses. Finally, I address Wastewater One's financial ability to
17 provide sewage disposal service to REUI's customers.

18 **Q: What have you done to formulate your opinions and prepare your testimony in**
19 **this cause?**

20 A: I read the case-in-chief testimony submitted by Wastewater One and reviewed its
21 schedules and work papers filed in this cause. I reviewed River's Edge Utility's

("REUI") prior case before the Commission and its IURC annual reports. I attended the field hearing which took place on September 2, 2009 and read written ratepayer comments. I participated in the preparation of discovery questions and reviewed Wastewater One's responses, which are attached hereto as MAS Attachment 2. Finally, I attended several meetings with other OUCC staff members to identify and discuss the issues in this Cause.

Q: Are any schedules submitted with your testimony?

A: Yes. The attached schedules reflect the issues and testimony of the OUCC witnesses in this Cause. I am sponsoring the following accounting schedules:

Schedule 1 – Revenue Requirement, Gross Revenue Conversion Factor, and Reconciliation of Net Operating Income Statement Adjustments

Schedule 2 -- Wastewater One *Pro forma* Balance Sheet

River's Edge Utility Comparative Balance Sheet as of December 31, 2008, 2007, 2006.

Schedule 3 -- River's Edge Utility Comparative Income Statement for the Years Ended December 31, 2008, 2007, and 2006

Schedule 4 -- *Pro forma* Net Operating Income Statement

Schedule 5 -- Revenue Adjustments

Schedule 6 -- Expense Adjustments

Schedule 7 -- *Pro forma* Rate Base

Schedule 8 -- *Pro forma* Capital Structure

Schedule 9 -- Current and Proposed Rates and Charges

Q: Are any attachments submitted with your testimony?

A: Yes. I include the following attachments with my testimony:

- MAS Attachment 1 – Written ratepayer comments received subsequent to the September 2, 2009 field hearing

- MAS Attachment 2-- Wastewater One's responses to OUCC Discovery
- MAS Attachment 3 -- Purchase Agreement dated February 18, 2009
- MAS Attachment 4 -- Letter of Understanding dated April 14, 2009

II. Wastewater One's Proposal

Q: More specifically, what has Wastewater One requested in this Cause?

A: Wastewater One seeks approval to transfer all the sewer and water assets, including its CTA, from REUI to Wastewater One. A condition of the purchase agreement between Wastewater One and REUI is authorization of rates and charges acceptable to Wastewater One and, in accordance with this provision, Wastewater One proposes an across-the-board rate increase of 248.29% over REUI's existing rates. Finally, Wastewater One is requesting pre-approval of certain capital improvements listed in Intervenor's Exhibit 6. The anticipated cost of the capital improvements is $24,500.

Q: Are there any unusual aspects of Wastewater One's proposed acquisition of River's Edge?

A: Yes. There are several aspects that make the proposed acquisition unusual.

1) Wastewater One has requested a rate increase concurrently with its request for IURC authority to acquire the assets of REUI. Moreover, Wastewater One has made its offer to purchase River's Edge contingent on the Commission authorizing a sufficient increase or the proposed purchase will presumably not take place.
2) Wastewater One's testimony does not assert how much of an increase is sufficient to be "acceptable" to Wastewater One and to validate the proposed purchase of REUI's assets.
3) Wastewater One's proposed rate increase, on a per customer basis, exceeds $100 per month. The size of the proposed rate increase makes this an unusual rate case, in addition to the unusual nature of the acquisition case.

1 **4)** Wastewater One is asking for pre-approval under IC 8-1-2-23 of certain capital
2 improvements it has deemed necessary "to provide safe and adequate service to
3 Rivers Edge's existing customers."[1]

4 **Q: Please describe the contingent nature of Wastewater One's acquisition.**

5 A: Intervenor's testimony asserts that if the Commission does not authorize an increase
6 "acceptable" to Wastewater One, then Wastewater One will not complete its
7 proposed purchase of REUI's assets. However, Wastewater One has not provided
8 specific testimony or given the Commission any indication as to what rates it would
9 find "acceptable"[2]. Thus, Wastewater One could review the final order in this cause
10 and decide not to purchase REUI's assets

III. Transfer of CTA

11 **Q: I.C. 8-1-2-89 sets forth the requirements for granting CTAs, including a finding**
12 **that a utility has the financial ability to install, commence, and maintain said**
13 **proposed service. Does Wastewater One have this required financial ability?**

14 **A:** Yes. Per Mr. Tolliver's testimony, page 4, lines 21 – 22, Wastewater One currently
15 owns and provides financial support to three utilities in Southern Indiana.
16 Wastewater One is part of a larger organization and has access to capital through its
17 parent (The Hughes Group) and thus has the financial ability to maintain and make
18 improvements to REUI as necessary.

[1] See Testimony of Steve Tolliver, page 10, lines 8-9.
[2] In response to OUCC data request question No. 41, Intervenor expressed their opinion that pre-approval of the proposed capital projects was part of the proposal to have "rates acceptable to Wastewater One."

IV. Revenue Requirements

Q: Please describe how rates are determined for an investor-owned utility such as River's Edge Utility.

A: For an investor-owned utility, rates are calculated by first determining the rate base that is used and useful. Once rate base is established, the utility's weighted average cost of capital is calculated by analyzing its capital structure. The rate base is then multiplied by the weighted average cost of capital to yield the return on rate base[3]. This calculation determines what the net operating income should be in order to provide an opportunity for a reasonable return to the shareholders. Next, a determination is made as to the amount of the adjusted (*pro forma*) net operating income based on the utility's current rates. This determination is based upon the known, historical test year revenues and expenses updated to include changes that are fixed within the time period (12 months from the end of the test year or 12/31/09), known to occur, and measurable in amount.

By subtracting the net operating income determined through the adjustment process from the net operating income required by the return on rate base, one can determine the dollar amount of the increase needed to achieve the net operating income that is expected to provide a reasonable return to the shareholders. The increase to net operating income is then "grossed up" for taxes and fees related to the increased revenue and income. This process is illustrated on Schedule 1, page 1 attached to this testimony and in Table MAS-1 below.

[3] This statement assumes that the original cost rate base is equal to the fair value rate base.

Wastewater One's Request

Q: Please explain the rate increase requested by Wastewater One in this Cause?

A: In its case, Wastewater One seeks approval for an across-the-board rate increase of 248.29%. Specifically, Wastewater One requested authority to earn a 12% return on a rate base of $78,285 for an authorized net income of $9,394 and an overall revenue increase of $69,841.

OUCC's Recommendation

Q: What is the OUCC recommending in this Cause?

A: The OUCC recommends an across-the-board rate increase of 43.25%. This rate increase is based on a cost of capital of 10% on a rate base of $60,190 for an authorized net income of $6,019 and an overall revenue increase of $16,418.

Table MAS-1: Comparison of Revenue Requirements

	Per WW1	Per OUCC	OUCC More (Less)
Original Cost Rate Base	$ 78,285	$ 60,190	$ (18,095)
Times: Weighted Cost of Capital	12.00%	10.00%	-2.00%
Net Operating Income Required for Return on Rate Base	9,397	6,019	(3,378)
Less: Adjusted Net Operating Income	(31,876)	(10,152)	21,724
Net Revenue Requirement	41,273	16,171	(25,102)
Gross Revenue Conversion Factor	169.2170%	101.5304%	-67.6866%
Recommended Revenue Increase	$ 69,841	$ 16,418	$ (53,423)
Recommended Percentage Increase	248.297%	43.25%	-205.05%

V. Rate Base

1 **Q: What rate base finding does Wastewater One seek?**

2 A: Wastewater One proposed a rate base of $76,285 which includes the current book
3 value of REUI's assets along with an amount calculated for working capital. It does
4 not include the projects for which Wastewater One seeks pre-approval.

5 **Q: Does the OUCC accept Wastewater One's proposed rate base?**

6 A: No. My reading of the final order in Cause No. 42234, together with the testimony
7 in that cause, indicates that all of REUI's recorded utility plant was contributed.
8 Therefore, if Wastewater One acquires the assets as indicated, the OUCC considers
9 the rate base to be $60,190. Table MAS-2 presents a comparison of the OUCC's
10 and Wastewater One's calculation of *pro forma* rate base.

Table MAS-2: Comparison of *Pro Forma* Rate Base

	Per WW1	Per OUCC	OUCC More (Less)
Utility Plant in Service at 12/31/08	$ 102,895	$ -	$ (102,895)
Add: Initial Investment		11,190	11,190
Transaction Costs		9,000	9,000
Rate Case Costs		35,000	35,000
Gross Utility Plant in Service	102,895	55,190	(47,705)
Less: Accumulated Depreciation at 12/31/08	34,214	-	(34,214)
CIAC	-	-	-
Add: Amortization of CIAC	-	-	-
Net Utility Plant in Service	68,681	55,190	(13,491)
Add: Materials & Supplies	-	-	-
Working Capital	9,604	5,000	(4,604)
Pro Forma Rate Base	$ 78,285	$ 60,190	$ (18,095)

1 **Q: Please explain how you determined that REUI's utility plant was contributed.**

2 A: In Cause No. 42234, the Commission found that the total original cost of the utility
3 plant was $102,895. This was based on an analysis of REUI's federal income tax
4 returns. As is common with many small utilities in Indiana, the owners of the utility
5 also developed the residential area served by the utility, and this is the case with
6 River's Edge Utility. In Cause No. 42234, based on discussions with the owners of
7 REUI, the OUCC discovered that the cost of installing utility connections for each
8 residential lot developed were included in the cost of each lot and recovered when
9 the lot was sold. Therefore, utility plant costs were not an investment made by the
10 owners of REUI but rather were paid for by the residential lot owners who are now
11 the customers of REUI. These contributions-in-aid of construction ("CIAC") were
12 never recorded in REUI's general ledger.

13 **Q: How does contributed plant affect the calculation of utility rate base?**

14 A: Contributed plant is not an investment by the utility and is reflected as a reduction to
15 the original cost utility plant in the calculation of rate base. A change in ownership
16 does not change the nature of contributed plant. In this case, since all of the utility
17 plant was contributed, there is no rate base on which to earn a return.

18 **Q: Hasn't REUI invested in utility plant since the development and sale of the**
19 **residential lots?**

20 A: Yes. In Cause No. 42234, the OUCC determined that there was additional
21 investment in rate base during the test year of $4,859. This amount represented
22 capital costs that were expensed during the test year. However, these capital costs

1 were apparently never reflected in REUI's general ledger subsequent to the rate
2 case. It isn't uncommon for utilities, both small and large, to misclassify costs
3 incurred during a period as operating expenses rather than capital costs. If these
4 costs are not reclassified, a utility's utility plant will be understated. It isn't feasible,
5 in this case, to review nearly ten years worth of REUI general ledgers to recalculate
6 the utility's actual utility plant investment.

7 **Q: What alternative methodology do you propose to determine *pro forma* rate base**
8 **in this Cause?**

9 A: Due to the unusual circumstances in this cause, I consider the purchase price to be
10 paid by Wastewater One for REUI is a reasonable indicator of the fair value of the
11 assets at this point in time.

12 **Q: Are you proposing any other costs be included in rate base?**

13 A: Yes. In addition to the purchase price, I propose that all of the costs associated with
14 the purchase of the utility also be capitalized and included in rate base. These costs
15 include both transaction and rate case costs, both of which primarily consist of legal
16 and accounting fees. Wastewater One has conditioned the purchase of this utility on
17 the authorization of acceptable rates and charges. Therefore, the costs of
18 determining and securing those rates should be considered part of the cost of rate
19 base.

1 **Q: Have you included any working capital in rate base?**

2 A: Yes. Generally, working capital is a calculated amount based on pro forma
3 operating expenses. In response to discovery set 2-09, Q-37, Wastewater One stated
4 that its initial cash investment, above and beyond its purchase costs, were estimated
5 to be $5,000. This amount represents Wastewater One's working capital
6 investment. Therefore, I have included $5,000 as *pro forma* working capital in my
7 calculation of *pro forma* rate base.

VI. Capital Structure and Cost of Equity

Capital Structure

8 **Q: What capital structure has Wastewater One proposed?**

9 A: Wastewater One proposed a capital structure composed of 100% equity.

10 **Q: Do you accept this proposed capital structure?**

11 A: Yes, my rate calculation assumes the same capital structure.

12 **Q: Do you anticipate any changes to your proposed capital structure?**

13 A: I am continuing to gather and verify information regarding the appropriate capital
14 structure for this utility. Through discovery and discussions with Wastewater One,
15 the OUCC learned that Wastewater One is part of a consolidated group of
16 companies rather than a stand-alone entity and is funded through intercompany
17 loans. The funds to be invested in REUI will come from Wastewater One's parent
18 company, Hughes Group. The proper capital structure to use in calculating the

appropriate rate of return may be the parent company's structure. If the parent company's capital structure is materially different from that assumed in this case, adjustments may be necessary to the calculation of weighted average cost of capital as well as the calculation of the appropriate income taxes[4]. The OUCC is also gathering and verifying information regarding the appropriate income taxes for Wastewater One. There is also the potential for an impact on Wastewater One's capital structure due to deferred taxes generated by the use of accelerated depreciation methodologies. Deferred taxes are included as a zero cost source of capital.

Cost of Equity

Q: Wastewater One's accounting witness Ms. Mann has proposed a cost of equity of 12.0%. Do you agree with Ms. Mann's proposed cost of equity?

A: Despite Wastewater One's small size, I believe her proposed cost of equity is too high. Wastewater One's proposed capital structure consists of 100.0% equity (no debt). The absence of debt reduces Wastewater One's risk and therefore its cost of equity. The rates in this cause should reflect this reduced risk and subsequent cost of equity. Thus, I initially recommend a cost of equity of 10.5%. This cost of equity is similar to the OUCC's recommended cost of equity in Sugar Creek Utilities, a similar sized water and sewer utility.

[4] To the extent the Parent Company's capital structure includes debt and the Parent Company expenses interest for tax purposes, any benefit should flow through to Wastewater One in the form of interest synchronization.

Q: Are there any circumstances that would reduce your proposed cost of equity?

A: Yes. Wastewater One has requested the Commission pre-approve $24,500 in planned capital projects. If the Commission grants this request, Wastewater One will be assured that their proposed plant will be included in future rates. This assurance reduces Wastewater One's risk. This reduced risk should be reflected in a lower cost of equity.

VII. *Pro Forma* Net Operating Income

Q: When looking at *Pro Forma* Net Operating Income, what schedules can we refer to for details of pro forma amounts and making adjustments to test year amounts?

A: Schedules 4, 5, and 6 provide detail of test year amounts and adjustments to test year amounts to yield *pro forma* net operating income.

Schedule 4 is the *pro forma* net operating income statement, and it shows the test year revenues and expenses, the adjustments to test year amounts, and the resulting *pro forma* income under current rates. The second column of adjustments shows the revenue increase or decrease necessary to achieve the required net operating income. It also shows the expenses that will change due to the change in revenue.

Schedule 5 provides detail for the *pro forma* revenue items that needed to be adjusted from the test year amounts.

Schedule 6 provides the detail for *pro forma* expense items that needed to be adjusted from the test year amounts.

Revenue Adjustments

1 **Q: What adjustments to test year revenue did Wastewater One propose?**

2 A: Wastewater One proposed two adjustments to normalize test year revenues from
3 metered and unmetered (flat rate) customers. It proposed an increase of $2,107 to
4 metered revenues representing annual revenues from 21 metered water customers
5 and 7 metered sewer customers. It proposed a decrease of $1,796 to unmetered
6 revenues representing annual revenues from 57 unmetered water and sewer
7 customers.

8 **Q: Do you accept Wastewater One's revenue adjustments?**

9 A: No. Although I agree that test year revenues need to be normalized to represent
10 average annual revenues from all current utility customers, I disagree with
11 Wastewater One's calculation.

12 **Q: Please explain your proposed adjustments to normalize test year water and**
13 **sewer revenues.**

14 A: Section 1.d of the Letter of Understanding dated April 14, 2009 (See MAS
15 Attachment 4) asserts there are 71 equivalent full-time customers or equivalent
16 dwelling units ("EDU"). Wastewater One's proposed revenues represent
17 approximately 52 full-time customers or EDUs. The OUCC made further inquiries
18 and discovered that the primary reason for the difference was that the utility had not
19 billed certain affiliated customers during the test year. Because of the small size of
20 this utility, a difference of 19 customers has an enormous impact on the utility's

rates. An increase in just one customer decreases the necessary rate increase by almost 2%.

Based on my review of test year billings and including the additional affiliated customers[5], I propose *pro forma* unmetered revenues of $31,902 representing approximately 59 equivalent customers or EDUs (59 x $45.06 x 12 months). This yields an increase to test year unmetered water and sewer revenues of $9,562 (OUCC Schedule 5, Adjustment 1).

Additionally, I propose *pro forma* metered revenues of $5,950 representing approximately 11 equivalent customers or EDUs ($5,950 / 12 months / $45.06) assuming consumption of 5,000 gallons per month. Based on my review of the test year billing records, my pro forma revenues use test year revenues and add two adjustments. First, I annualized revenues for one water customer to represent a full year. Second, I included annual revenues for two unbilled water customers. This yields an increase to test year metered water and sewer revenues of $473 (OUCC Schedule 5, Adjustment 2)[6].

Q: Do you propose any additional revenue adjustments?

A: Yes. I also propose that non-recurring test year revenues of $2,335 be eliminated from *pro forma* revenues. Non-recurring revenue typically includes tap fees,

[5] There are 26 unmetered camp ground lot rentals there were not billed during the test year. Assuming these lots are rented for 7 months of the year (the "season") this yields $8,201 of additional unmetered water and sewer revenues.

[6] Please note that the test year billing records provided by the utility did not tie exactly to the operating revenues recorded on its 2008 IURC annual report. These differences were relatively immaterial (approximately $200) and did not affect my *pro forma* proposed operating revenues.

1 reconnect and disconnect charges, bad check fees, and other similar non-recurring
2 service fees. These charges and fees are cost-based and, therefore, should not
3 generate income or loss for a utility. Typically, the expenses related to non-
4 recurring revenues are included in operating expenses and there is no impact on the
5 calculation of water and sewer rates. However, in this case, only the reasonable and
6 necessary costs of providing water and sewer service have been included in
7 operating expenses. Costs related to disconnect fees, reconnect fees, or tap fees have
8 not been included in operating expenses. Therefore, the test year non-recurring
9 revenues from these fees should be eliminated for purposes of calculating rates
10 (OUCC Schedule 5, adjustment 3).

Operating Expense Adjustments

11 **Q: Please summarize Wastewater One's proposed operating expense adjustments.**
12 A: Wastewater One proposed adjustments to contractual services, rate case expense,
13 amortization of transaction costs, other operating expenses, IURC fee, depreciation
14 expenses, utility receipts taxes, property taxes, and state and federal income taxes.
15 In total, Wastewater One proposed an increase to present rate *pro forma* operating
16 expenses and taxes of $27,311.

17 **Q: Please summarize your proposed operating expense adjustments.**
18 A: I proposed adjustments to contractual services, other operating expenses, IURC fee,
19 depreciation expense, and other taxes including utility receipts taxes and property
20 taxes. In total, I proposed an increase to *pro forma* present rate operating expenses

1 and taxes of $12,976. In summary, I propose total *pro forma* present rate operating
2 expenses of $48,112 compared to $62,447 proposed by Wastewater One.

Purchased Power

3 **Q: Please explain why you didn't accept Wastewater One's proposed purchased**
4 **power adjustment.**

5 A: Wastewater One proposed two purchased power adjustments. The first was an
6 immaterial reduction of $4 to reduce test year expense to $1,500. The second
7 adjustment proposed was an increase of $800 to utilities. In discovery set 3-09, Q-
8 62, I asked Wastewater One to explain this adjustment and how it differed from
9 purchased power expense. I also requested any supporting documentation or
10 analysis. Wastewater One replied that "The $800 in utilities is for electricity and
11 heating for the pumps, well house, and heater in the well house." Since purchased
12 power is the cost of electricity for pumps, lift stations, and other equipment, it is
13 unclear what this additional expense represents. Wastewater One proposes to build
14 an additional well house and there would be increased costs associated with heating
15 this small building. However, the well house has not yet been constructed. Any
16 associated costs are not fixed, known, or measurable at this time. Finally, any costs
17 would be incurred outside the twelve month period allowed for making test year
18 adjustments.

Contractual Services

Q: Please explain what costs are included in this category of expense and whether you accepted any of Wastewater One's proposed adjustments.

A: As shown in Table MAS-3 below, contractual services consist of outside services provided for accounting, legal, and engineering services as well as mowing services and the provision of a certified operator and a vehicle by an affiliate of Wastewater One.

I accepted Wastewater One's proposed charges for the provision of a certified operator at this time. Once the utility installs its proposed telemetry system it should lead to cost savings for the utility. However, I made no such adjustment at this time. I also accepted Wastewater One's proposed estimate of accounting and legal services.

Table MAS-3: Comparison of Contractual Services

	Per WW1	Per OUCC	OUCC More (Less)
Outside Services			
Accounting	$ 500	$ 500	$ -
Legal	500	500	-
Engineering	1,207	-	(1,207)
Mowing Services	9,800	4,500	(5,300)
Certified Operator	23,400	23,400	-
Equipment Charge	6,600	4,290	(2,310)
Pro forma Contractual Services	42,007	33,190	(8,817)
Less: Test Year	(18,907)	(18,907)	-
Proposed Adjustment	$ 23,100	$ 14,283	$ (8,817)

1 **Q: Please explain you disagreements with Wastewater One's adjustments.**

2 A: I disagreed with Wastewater One's proposed adjustments for engineering,
3 equipment charges, and mowing services.

4 The equipment charge is a fee to recover the cost of the certified operator's vehicle
5 which is also provided by an affiliate of Wastewater One. A round trip from
6 Wastewater one's offices to REUI are approximately 30 miles. I estimated that the
7 certified operator will travel to the utility an average of 5 times per week. This
8 yields a total estimated annual mileage of 7,800 (30 x 5 x 52 weeks). I then applied
9 the 2009 IRS business mileage reimbursement rate of $.55 per mile to yield an
10 estimated equipment charge of $4,290. The utility should also see a decrease in this
11 expense when it installs its telemetry system.

12 In discovery set 3-09, I requested all analysis and support for Wastewater One's
13 proposed contractual services costs. Although Wastewater One explained what
14 services were included in its estimate, it did not provide any bids or other support for
15 the estimate of $9,800 for mowing services. This estimate seemed high. My best
16 estimate for this type of service is based on the estimated number of times the
17 mound field would need to be mowed in an average year (18)[7]. I then estimated the
18 number of acres in the mound field (5 acres) and the cost per acre ($50). This
19 yielded a cost of $250 for each mowing. Multiplying this cost by 18 annual
20 mowings yielded an estimated mowing services cost of $4,500.

[7] This estimate assumes the field will be mowed regularly but not maintained to a "manicured lawn" standard. I estimated the number of mowing as follows: April – 2; May -- 4; June – 4; July – 2, August – 2, September – 2; October – 2; for a total of 18 annual mowings.

Finally, I excluded any engineering charges from operating expenses. In my experience, most outside engineering charges are capital in nature. As such, any engineering fees incurred should be capitalized and included in rate base in Wastewater One's next rate case.

Total estimated contractual services costs are $33,190, yielding an increase of $14,283 over test year expense of $18,907 (OUCC Schedule 6, Adjustment 1).

Other Operating Expenses

Q: Please explain what is included in Other Operating Expenses and whether you accepted any of Wastewater One's proposed adjustments.

A: Other operating expenses include all costs other than purchased power, contractual services, and IURC fee. Table MAS-4 below provides a comparison of the other operating expense adjustments I propose with those adjustments proposed by Wastewater One. As demonstrated in Table MAS-4, I accepted Wastewater One's proposed adjustments for chemicals, corporate allocation, testing, sludge hauling, materials and supplies, billing, and postage. Based on my review of Wastewater One's operations and additional support provided through discovery, all of these expense adjustments appear to be reasonable and necessary for the operation of this utility.

Table MAS-X: Other Operating Expenses[8]

	Per WW1	Per OUCC	OUCC More (Less)
Chemicals	$ 600	$ 600	$ -
Corporate Allocation	1,200	1,200	-
Testing	426	426	-
Sludge Hauling	1,107	1,107	-
Materials & Supplies	3,550	3,550	-
Billing	373	373	-
Postage	213	213	-
Transportation	1,150	-	(1,150)
Insurance	5,548	2,775	(2,773)
Bad Debts	341	-	(341)
Phone	227	-	(227)
Miscellaneous	852	200	(652)
Pro forma Other Operating Expenses	15,587	10,444	(5,143)
Less: Test Year Expense	(10,597)	(10,597)	-
Proposed Adjustment	$ 4,990	$ (153)	$ (5,143)

Q: Please explain why you disagreed with Wastewater One's proposed transportation expense adjustment.

A: Transportation expense typically includes the cost of gasoline and maintenance for vehicles. All of these costs are included in the IRS business mileage reimbursement rate used to calculate the equipment charge for the vehicle to be used by the certified operator. To include additional transportation expenses in this category would duplicate expenses already included in other categories.

[8] Please note that Wastewater One included utilities and certain contractual services, (legal, accounting, outside contractors) in the other operating expenses it proposed. I have discussed these expenses separately.

1 **Q: Please explain your reduction to insurance expense.**

2 A: Through conversations with the current owners, I determined there is no current
3 insurance retained to cover liabilities and other risks and therefore there is no test
4 year expense to compare and review. Per Wastewater One's response to discovery
5 set 3-09, Q-61, the proposed insurance expense of $5,548 includes "...pollution
6 insurance, property casualty, and liability insurance" and is based upon
7 "...Wastewater One's experience in operating a similarly-sized utility." However,
8 Wastewater one did not provide any insurance premiums or other support for this
9 estimate and no information was provided to explain how this number was derived.
10 I agree that it is important for a utility to maintain the appropriate insurance
11 coverage. However, based on my experience, the insurance expense proposed
12 appears to be high for a utility with no water treatment plant. In recognition that
13 there will be insurance costs for this utility, I have included $2,775 or approximately
14 50% of the amount proposed by Wastewater One.

15 **Q: Please explain why you provided no bad debt expense.**

16 A: Through conversations with the current owners, I determined that REUI does not
17 have any bad debt expenses. This is due in part to the utility's current practice of
18 billing and collecting most of its revenues in advance. Based on test year billing
19 records provided, a considerable number of customers pay for their utilities in
20 advance in annual, semi-annual, and quarterly payments. Approximately 85% of
21 customers are unmetered and pay a flat monthly rate. Based on these facts and

1 circumstances, it is inappropriate to include bad debt expense in operating expenses
2 at this time.

3 **Q: Please explain why you did not include any phone expense.**
4 A: Per Wastewater One's response to discovery set 3-09, Q-44, Wastewater One stated
5 that the phone expense of $227 was for "....the annual cell phone costs for the
6 telemetry that will be installed." These expenses relate to the proposed
7 improvements that have yet to be constructed. This is not a current expense of the
8 utility and should not be included in rates at this time. In Wastewater One's next
9 rate case, when it includes the proposed improvements in rate base, these phone
10 costs will be fixed, known, and measurable and can be included in rates at that time.

11 **Q: Please explain your reduction to miscellaneous expense.**
12 A: The OUCC asked Wastewater One to provide support for this expense. Per
13 Wastewater One's response to discovery set 3-09, Q-63, the proposed miscellaneous
14 expense of $852 "...would include such items as Holey Moley, purchases of
15 required tools, and miscellaneous repairs." No information was provided regarding
16 the dollar values attributed to each type of expense. Without more information and
17 support for these costs, I am proposing to only include the cost of membership in the
18 "Call Before you Dig" organization which is $200 per county per year. There are
19 also costs for each request for information or "ticket" but this would be fairly
20 immaterial for a utility of this type and size. Based on my experience, the cost of
21 tools, as well as miscellaneous repairs, is typically included in materials and

supplies. (Wastewater One has requested and the OUCC has accepted its proposed materials and supplies *pro forma* expense of $3,550.) Therefore, I limited this expense to the $200 for the subscription to "Call Before You Dig" membership.

Amortization of Rate Case and Transaction costs

Q: Please explain Wastewater One's proposal to recover rate case and transaction costs in this Cause.

A: Wastewater One estimated $35,000 of rate case costs and $9,000 of transaction costs related to this rate case and the purchase of REUI. Wastewater One proposes to recover its rate case costs over a two year amortization period, or $17,500 annually. It proposes to recover its transaction costs over a ten year amortization period, or $900 annually.

Q: Explain why you disagree with Wastewater One's proposal and what treatment you propose.

A: Wastewater One asserts that it will file a new rate case in the next two years in order to include its proposed improvements in rate base and earn a return on its investment. At that time, it would remove rate case amortization expense from operating expenses. If Wastewater One comes back in for rates, it will exchange an annual revenue requirement of $17,500 for approximately $3,500 (12% return on $24,500 plus depreciation expense) or a decrease of $14,000. It seems highly unlikely that a utility would go to the time and expense to file a rate case to decrease its rates.

Additionally, Wastewater One has predicated its purchase of REUI on the establishment of "acceptable" rates and charges. Although the amortization period proposed for transaction costs is reasonable, I propose to capitalize these costs for three reasons. First it is consistent with the treatment of rate case costs. Second, both of these costs are similar in nature and should receive the same treatment. Third, these types of costs are typically capitalized as they are an additional cost of acquiring the asset(s). The same consultants have worked on both of these activities and separating these costs will be somewhat difficult and possibly arbitrary. Therefore, I propose to capitalize both the transaction and rate case costs as part of rate base.

IURC Fee

Q: Please explain how your proposed adjustment to IURC Fee Expense differs from Wastewater One's adjustment.

A: The adjustment I made to IURC fee expense is primarily a result of the revenue adjustment recommendations I have already discussed. Additionally, Wastewater One used the 2008 IURC fee of .1203993%. I updated the IURC fee to the 2009 IURC fee of .1073599%. Wastewater One proposed an increase of $37 to IURC fee expenses. In OUCC Schedule 6, Adjustment 3 I propose an increase of $46.

Depreciation Expense

1 **Q: Did Wastewater One propose any adjustments to depreciation expenses?**

2 A: No. Wastewater One's calculations of rates assumed that it would record the book
3 value of REUI's existing assets and continue to depreciate these assets in the same
4 manner as test year expense.

5 **Q: Do you accept Wastewater One's proposed depreciation expense?**

6 A: No, I disagree with Wastewater One's proposal for two reasons. I disagree with
7 both the amount of plant being depreciated and the depreciation rates used.

8 **Q: Please explain why you disagree with the amount of plant being depreciated**

9 A: As discussed above in my rate base analysis and discussion, Wastewater One should
10 not record the current book value of REUI's existing assets without also recording
11 and amortizing the associated contributions in aid of construction. I propose a
12 different methodology to calculate the value of utility assets to be recorded by
13 Wastewater One. This amount should be depreciated on a going forward basis. I
14 propose that Wastewater One depreciate $55,190 of total utility plant. This
15 compares to the current book value of $102,895 which, after recording CIAC, would
16 be zero.

17 **Q: Please explain why you disagree with the depreciation rates used by**
18 **Wastewater One.**

19 A: Currently, REUI depreciates water assets at 2% annually and sewer assets at 3%
20 annually. Per the Commissions approved composite depreciation rates, a water
21 utility with a treatment plant should use a 2% annual depreciation rate. A sewer

utility should use a 2.5% annual depreciation rate if it has a treatment plant and a 2.2% rate if it does not have a treatment plant. REUI's water utility plant consists of distribution mains, water wells, and treatment facilities and the 2% depreciation rate is appropriate. The sewer utility, however, consists entirely of collection mains, a lift station, and a dosing station but no treatment plant because this is a mound system. Because there is no treatment plant, the 2.2% depreciation rate is more appropriate absent a depreciation study.

Q: What depreciation rates do you propose?

A: As discussed above, I disagree with the current arbitrary allocation of assets between water (50%) and sewer (50%). I could find no support for this allocation in the record of Cause No. 42234. Further, I don't believe it is necessary to allocate assets between water and sewer at this time for two reasons. First, any such allocation would be arbitrary without adequate books and records, and, second, because any such allocation adds no value in determining rates.

Therefore, I propose that total utility plant assets of $55,190 be allocated using a 2.2% annual rate. The difference between the water depreciation rate for treatment plant of 2% and the sewer depreciation rate of 2.2% for non-treatment plant is less than $100[9] on an annual basis and is immaterial. The simplicity this method affords

[9] Assuming all assets are depreciated at an annual depreciation rate of 2.0%, annual depreciation expense is $904 versus $994 using the 2.2% rate or a difference of $93. However, the actual difference would be less since part of the assets would be depreciated at 2.2% and the rest would be depreciated at 2.0%, depending upon how you allocate the assets between water and sewer.

more than compensates for the slight increase in the annual depreciation expense (OUCC Schedule 6, Adjustment 4).

Property Taxes

Q: Please explain how your proposed adjustment for property taxes differs from Wastewater One's adjustment.

A: Wastewater One's proposed property tax expense of $1,575 is based on a three-year average for an increase of $509. My proposed property tax expense is based on the most recent payment information available which is the test year payment of $1,197 for 2007 property taxes payable in 2008 (OUCC Schedule 6, Adjustment 5).

Utility Receipts Taxes

Q: Please explain how your proposed adjustment to Utility Receipts Tax Expense differs from Wastewater One's adjustment.

A: The adjustments I made to utility receipts tax expense are a direct result of the operating revenue recommendations I have already discussed. Wastewater One proposed *pro forma* utility receipts tax expense of $409 or a reduction of $61 from the test year. I propose *pro forma* utility receipts tax expense of $517 or an increase of $27. (OUCC Schedule 6, Adjustment 6).

State and Federal Income Taxes

1 **Q: Did Wastewater One propose any state and federal income tax adjustments?**

2 A: Yes. Wastewater One proposed to include $1,629 of state income taxes at 8.5% and

3 $5,093 of federal income taxes at 34%.

4 **Q: Do you agree with Wastewater One's proposed state and federal income tax**
5 **adjustments?**

6 A: No. Wastewater One is an LLC (limited liability company). An LLC is not

7 recognized by the IRS as a taxing entity. When an LLC is formed, it must make an

8 election regarding how it will be taxed for federal tax purposes – sole proprietorship,

9 partnership, or corporation (Form 8832). Before including income taxes in revenue

10 requirements, Wastewater One needs to provide its 8832 election and verify that

11 Wastewater One's parent corporation, Hughes Group, actually pays taxes. Next

12 Hughes Group needs to provide its effective tax rate since this is the rate that should

13 apply to Wastewater One. Additionally, interest synchronization may also need to

14 be taken into consideration when calculating any income tax liability for Wastewater

15 One. The OUCC is still gathering information regarding the tax status of

16 Wastewater One and, based on this information, state and federal income taxes may

17 be appropriate.

Gross Revenue Conversion Factor

1 **Q: Please explain the purpose of a gross revenue conversion factor.**

2 A: A gross revenue conversion factor calculates the amount of applicable additional
3 operating expenses and taxes associated with the proposed revenue increase. These
4 expenses include bad debt expense, the IURC fee, utility receipts taxes, and state and
5 federal income taxes.

6 **Q: Please explain how your proposed Gross Revenue Conversion Factor differs**
7 **from Wastewater One's.**

8 A: Wastewater One calculated a gross revenue conversion factor of 169.217%. I
9 determined that a gross revenue conversion factor of 101.53% was more appropriate
10 based on the facts and circumstances I have verified to date. There are three
11 variances that explain the difference between these two factors. First, Wastewater
12 One included a factor of ½ of one percent for bad debt expense. As discussed
13 previously in my testimony, the utility currently does not have any bad debts
14 primarily due to the fact that it collects a significant amount of its revenues in
15 advance. Then Wastewater One used the 2008 IURC fee rather than the 2009 rate
16 made available July, 2009. Finally, Wastewater One included state and federal
17 income taxes at 8.5% and 34% respectively. As discussed previously in my
18 testimony, Wastewater One is an LLC which is not recognized for tax purposes.
19 The OUCC is still gathering information regarding the tax status of Wastewater One
20 and, based on this information, the gross conversion factor could be amended
21 accordingly

VIII. Other Issues

Tariff Issues

Q: Should Wastewater One update the non-recurring charges currently included on REUI's tariff?

A: Yes. REUI's current tariff includes fees for certain non-recurring charges including a water connection or tap fee, a sewer connection fee, a returned check charge, a reconnection fee, and a disconnection fee. These non-recurring charges represent the current owner's costs of providing these services. In addition, these charges were established approximately eight years ago and the costs may be outdated and unrepresentative. Wastewater One should be required to update these charges based upon its cost experience and file updated charges, including documentation of proposed costs, with the Commission within three months of the date of an order is issued in this Cause.

Separate Books and Records

Q: Do you have any other proposals regarding Wastewater One's proposed purchase of REUI?

A: Yes. Wastewater One owns several utilities, both regulated and unregulated, and operates several others. However, it has maintained only one set of books and records, combining all of its operations together. It is important to have separate books and records in order to identify the appropriate revenue requirement components when setting rates. In addition, separate books and records make it much easier to review revenues and expenses as well as balance sheet components related to each utility owned by Wastewater One. If separate books and records are

not maintained, access to this information is much more difficult to achieve. Identifying the necessary information needed to set rates and review results of operations becomes problematic when it is commingled with financial data from other utilities.

Wastewater One should be required to maintain books and records for this regulated utility separate from the books and records maintained for its other operations.

Q: Are there any other reasons why separate books and records would be needed?

A: Yes. The maintenance of separate books and records will reduce or eliminate any potential subsidization between the various utilities owned and operated by Wastewater One or, at the very least, make any subsidization more visible.

Q: Is the OUCC suggesting that a separate entity must be created for REUI?

A: No. It is not necessary to create a separate entity in order to maintain separate books and records.

Q: Is the OUCC suggesting that Wastewater One should not allocate common costs to the requested area?

A: No. Maintaining separate books and records does not preclude Wastewater One from incurring and allocating common costs such as accounting, chemical purchases, and bulk purchases. It is perfectly acceptable to allocate appropriate costs to the requested area. In fact, economies of scale should be encouraged by this

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Comparison of Petitioner's and OUCC's
Revenue Requirements

	Per WW1	Per OUCC	Sch Ref	OUCC More (Less)
Original Cost rate Base	$ 78,285	$ 60,190	7	$ (18,095)
Times: Weighted Cost of Capital	12.00%	10.00%	8	-2.00%
Net Operating Income Required for Return on Rate base	9,397	6,019		(3,378)
Less: Adjusted Net Operating income	(31,876)	(10,152)	4	21,724
Net Revenue Requirement	41,273	16,171		(25,102)
Gross Revenue Conversion Factor	169.2170%	101.5304%	1	-67.6866%
Recommended Revenue Increase	$ 69,841	$ 16,418		$ (53,423)
Recommended Percentage Increase	248.297%	43.25%		-205.05%

	Proposed			OUCC
Current Rate for 5,000 Gallons	Per WW1	Per OUCC	Sch Ref	More (Less)
Current Rate = $ 45.06	$ 156.94	$ 64.55	9	$ (92.39)
Current Rate per 1,000 Gallons of Consumption				
Current Rate = $ 4.51	$ 15.71	$ 6.46	9	$ (9.25)

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Gross Revenue Conversion Factor

		Per WW1	Per OUCC	
1	Gross revenue Change	100.0000%	100.0000%	$ 16,418
2	Less: Bad Debt Rate	0.5000%	0.0000%	-
3	Sub-total	99.5000%	100.0000%	
4	Less: IURC Fee	0.1204000%	0.1073599%	18
5	Income Before State Income taxes	99.379600%	99.892640%	
6	Less: State Income Tax (0% of Line 5)	8.4473%	0.0000%	-
7	Utility Receipts Tax (1.4% of Line 3)	1.3930%	1.4000%	229
8	Income before Federal income Taxes	89.5393%	98.4926%	
9	Less: Federal income Tax (0% of Line 8)	30.4436%	0.0000%	-
10	Change in Operating Income	59.0957%	98.4926%	$ 16,171
11	Gross Revenue Conversion Factor	169.217%	101.530%	

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Reconciliation of Net Operating Income Statement Adjustments
***Pro Forma* Present Rates**

	Per WW1	Per OUCC	OUCC More (Less)
Operating Revenues			
Unmetered Revenue	$ (1,796)	$ 9,562	$ 11,358
Metered Revenue	2,107	473	(1,634)
Penalties	-	-	-
Other Operating Revenue	-	(2,335)	(2,335)
Total Operating Revenues	311	7,700	7,389
O&M Expense			
Purchased Power	796	-	(796)
Contractual Services	23,100	14,283	(8,817)
Rate Case Expense	17,500	-	(17,500)
Purchase Costs	900	-	(900)
Other Operating Expenses	4,990	(153)	(5,143)
IURC Fee	37	46	9
Depreciation Expense	-	(1,358)	(1,358)
Amortization Expense	-	-	-
Taxes Other than Income:			
Property Tax	509	131	(378)
Utility Receipts Tax	(81)	27	108
State Income Tax	(4,271)	-	4,271
Federal Income Tax	(16,169)	-	16,169
Total Operating Expenses	27,311	12,976	(14,335)
Net Operating Income	$ (27,000)	$ (5,276)	$ 21,724

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BALANCE SHEET

	WW1 (A)	River's Edge Utility		
ASSETS	***Pro Forma***	**12/31/2008**	**12/31/2007**	**12/30/2006**
Utility Plant:	$ 55,190	$ 102,895	$ 102,895	$ 102,895
Less: Accumulated Depreciation	-	(34,214)	(31,642)	(29,070)
Net Utility Plant in Service	55,190	68,681	71,253	73,825
Current Assets:				
Cash and Cash Equivalents	5,000	2,987	2,112	4,473
Accounts Receivable	-	1,000	1,000	1,000
Other Current Assets	-	-	30	36
Total Current Assets	5,000	3,987	3,142	5,509
Deferred Assets	-	-	-	889
Total Assets	$ 60,190	$ 72,668	$ 74,395	$ 80,223
LIABILITIES				
Equity				
Common Stock	$ -	$ 1,000	$ 1,000	$ 1,000
Paid in Capital	60,190	3,437	3,437	3,437
Retained Earnings	-	(79,092)	(72,616)	(34,500)
Total Equity	60,190	(74,655)	(68,179)	(30,063)
Current Liabilities				
Accounts Payable	-	-	59	41
Accounts Payable - Associated Companies	-	147,323	142,515	110,245
Other Current Liabilities	-	-	-	-
Other Current Liabilities	-	147,323	142,574	110,286
Total Liabilities	$ 60,190	$ 72,668	$ 74,395	$ 80,223

(A) *Pro forma* after Wastewater One purchase of River's Edge assets.

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RIVER'S EDGE UTILITY – COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	2008				
	Water	Sewer	Total	2007	2006
Operating Revenues					
Metered Revenue	$ 4,131	$ 1,346	$ 5,477	$ 4,790	$ 4,377
Unmetered Revenue	11,170	11,170	22,340	24,001	22,350
Penalties	60	48	108	21	27
Miscellaneous Service Revenues	1,035	-	1,035	-	-
Other	1,300	-	1,300	1,712	2,008
Total Operating Revenues	17,696	12,564	30,260	30,524	28,762
Operating Expenses					
Salaries and Wages	-	-	-	1,132	4,500
Employee Benefits	-	-	-	-	-
Purchased Water	-	-	-	-	-
Purchased Power	752	752	1,504	2,120	3,760
Chemicals	-	-	-	-	-
Materials and Supplies	8,035	-	8,035	4,731	2,486
Contractual Services			-	52,338 (A)	10,116
Engineering	-	-	-		
Accounting	1,392	1,392	2,784		
Legal	-	-	-		
Management Fees	6,300	6,300	12,600		
Other	3,523	-	3,523		
Transportation Expense	1,148	1,149	2,297	-	-
Insurance	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-
Rate Case Expense Amortization	-	-	-	-	-
Miscellaneous Expense	183	82	265	1,780	13,586
Total O&M Expense	21,333	9,675	31,008	62,101	34,448
Depreciation Expense	1,029	1,543	2,572	2,572	2,572
Amortization Expense	-	-	-	889	887
Taxes Other than Income:					
Payroll Tax	-	-	-	121	-
Property Tax	533	533	1,066	1,360	3,002
Utility Receipts Tax	244	246	490	433	-
Income Taxes:					
State Income Tax			-	-	-
Federal Income Tax			-	-	-
Total Operating Expenses	23,139	11,997	35,136	67,476	40,909
Net Operating Income	(5,443)	567	(4,876)	(36,952)	(12,147)
Other Income (Expense)					
Interest Income			-		
Gain (Loss) on Sale of Assets			-		
Other Income			-		
Interest Expense	(800)	(800)	(1,600)	(1,164)	-
Total Other Income (Expense)	(800)	(800)	(1,600)	(1,164)	-
Net Income	$ (6,243)	$ (233)	$ (6,476)	$ (38,116)	$ (12,147)

(A) No detail of contractor services was provided in the utility's IURC annual reports.

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***Pro-forma* Net Operating Income Statement**

	Year Ended 12/31/08	Adjustments	Sch Ref	*Pro-forma* Present Rates	Adjustments	Sch Ref	*Pro-Forma* Proposed Rates
Operating Revenues							
Unmetered Revenue	$ 22,340	$ 9,562	5-1	$ 31,902	$ 13,798	1	$ 45,700
Metered Revenue	5,477	473	5-2	5,950	2,573	1	8,523
Penalties	108			108	47	1	155
Miscellaneous Service Revenue	1,035	(1,035)	5-3	-			-
Other Operating Revenue	1,300	(1,300)	5-3	-			-
Total Operating Revenues	30,260	7,700		37,960	16,418		54,378
O&M Expense	31,008			45,184			45,202
Contractual Services		14,283	6-1				
Other Operating Expenses		(153)	6-2				
Bad Debt Expense		-			-	1	
IURC Fee		46	6-3		18	1	
Depreciation Expense	2,572	(1,358)	6-4	1,214			1,214
Amortization Expense	-			-			-
Taxes Other than Income:							
Payroll Tax	-			-			-
Property Tax	1,066	131	6-5	1,197			1,197
Utility Receipts Tax	490	27	6-6	517	229	1	746
Income Taxes:							
State Income Tax	-	-		-	-	1	-
Federal Income Tax	-	-		-	-	1	-
Total Operating Expenses	35,136	12,976		48,112	247		48,359
Net Operating Income	$ (4,876)	$ (5,276)		$ (10,152)	$ 16,171		$ 6,019

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Revenue Adjustments

(1)
Revenue Normalization -- Unmetered Revenues

To normalize test year operating revenues for unmetered water and sewer customers.

	Number of Customers	Months	Rate	Annual Revenue
6-month Customers	12	6	$ 45.06	$ 3,244
7-month Customers	22	7	45.06	6,939
12-month Customers	25	12	45.06	13,518
Camp Lot Rentals	26	7	45.06	8,201

Pro-forma Unmetered Water/Sewer Revenues	$ 31,902	
Less: Test Year Revenues	(22,340)	
Adjustment Increase (Decrease)		$ 9,562

(2)
Revenue Normalization -- Metered Revenues

To normalize test year operating revenues for Metered water and sewer customers.

		Test Year Revenues	Estimated Revenues
Metered Water & Sewer Customers			
7	Stoneview Residents	$ 2,772.02	$ -
Metered Water Customers Only			
8	Stoneview Residents	1,635.72	676.68
5	Bullcreek Residents	844.29	-
Rivers Edge Marina		21.65	-
		$ 5,273.68	$ 676.68

Pro-forma Metered Water/Sewer Revenues	$ 5,950	
Less: Test Year Revenues	(5,477)	
Adjustment Increase (Decrease)		$ 473

(3)
Other Operating Revenues

To eliminate other operating revenues collected for connection/disconnection fees and tap fees.

Water Connection Fees	$ 900	
Water Disconnection Fees	1,035	
Tap Fees	400	
Adjustment Increase (Decrease)		$ (2,335)

WASTEWATER ONE, LLC
ACQUISITION OF RIVER'S EDGE UTILTY
CAUSE NUMBER 43115

Expense Adjustments

(1)
Contractual Services

To increase operating expenses to include the cost of accounting and legal services as well as a certified operator and equipment charges.

Certified Operator			
Estimated hours per year (water & sewer)	520		
Times: Hourly Rate	$ 45.00		
Pro forma Contract Labor		23,400	
Equipment Charge			
Estimated Annual Miles Driven (5 days x 30 miles x 52 weeks)	7,800		
Times: 2009 IRS Business Mileage Reimb. Rate	$ 0.55		
Pro forma Equipment Charge		4,290	
Mowing Services for Mound field			
Estimated Annual Mowings from April through October	18		
Estimated cost per Mowing (5 acres x $50 per acre)	$ 250		
Pro forma Mowing Services		4,500	
Estimated Accounting Services		500	
Estimated Legal Services		500	
Pro forma contractual services			33,190
Less: Test Year			(18,907)
Adjustment Increase (Decrease)			$ 14,283

(2)
Other Operating Expenses

To adjust operating expenses for *pro forma* estimated costs.

Chemicals	600		
Corporate Allocation	1,200		
Testing	426		
Sludge Hauling	1,107		
Materials & Supplies	3,550		
Billing	373		
Postage	213		
Insurance	2,775		
Miscellaneous (Call before you Dig Membership)	200		
Pro forma Other Operating Expenses		$ 10,444	
Less: Test Year Other Operating Expenses		(10,597)	
Adjustment Increase (Decrease)			$ (153)

WASTEWATER ONE, LLC
ACQUISITION OF RIVER'S EDGE UTILTY
CAUSE NUMBER 43115

Expense Adjustments

(3)
IURC Fee

To adjust operating expenses to reflect the IURC fee on present rate revenues

Pro forma Present Rate Revenues	$ 37,960		
Times: Current IURC Fee	0.1203993%		
Pro forma IURC Fee		$ 46	
Less: Test Year IURC Fee		-	
Adjustment Increase (Decrease)			$ 46

(4)
Depreciation Expense

To adjust depreciation expense to reflect current plant.

Total Utility Plant	$ 55,190		
Depreciation Rate	2.2%		
Pro forma Depreciation Expense		1,214	
Less: Test Year Depreciation Expense		(2,572)	
Adjustment Increase (Decrease)			$ (1,358)

(5)
Property Taxes

To adjust taxes other than income tax for *pro forma* property taxes.

2008 Property Tax Payment		$ 1,197	
Less: Test Year Property Tax Expense		(1,066)	
Adjustment Increase (Decrease)			$ 131

(6)
Utility Receipts Taxes

To adjust taxes other than income tax to reflect Utility Receipts Tax on Present Rate Revenues.

Pro forma Present Rate Revenues	$ 37,960			
Less: Bad Debt Expense	-			
Exemption	(1,000)			
		36,960		
Utility Receipts Tax Rate		1.4%		
Pro forma Utility Receipt Tax Rate			517	
Less: Test Year Utility Receipts Tax			(490)	
Adjustment Increase (Decrease)				$ 27

WASTEWATER ONE, LLC
ACQUISITION OF RIVER'S EDGE UTILTY
CAUSE NUMBER 43115

***Pro Forma* Rate Base**

		Per WW1	Per OUCC	OUCC More (Less)
Utility Plant in Service at	12/31/08	$ 102,895	$ -	
Initial Investment			11,190	
Add: Transaction Costs			9,000	
Rate Case Costs			35,000	
Gross Utility Plant in Service		102,895	55,190	(47,705)
Less: Accumulated Depreciation		34,214	-	(34,214)
Contributions in Aid of Construction		-	-	-
Add: Amortization of CIAC		-	-	-
Net Utility Plant in Service		68,681	55,190	(13,491)
Add: Materials & Supplies		-	-	-
Working Capital		9,604	5,000	(4,604)
				-
Pro Forma Rate Base		$ 78,285	$ 60,190	$ (18,095)

WASTEWATER ONE, LLC
ACQUISITION OF RIVER'S EDGE UTILTY
CAUSE NUMBER 43115

***Pro Forma* Capital Structure**

	Amount	Percent of Total	Cost	Weighted Cost
Common Equity -	45,190	100.00%	10.00%	10.00%
Long Term Debt	-	0.00%		0.00%
Total	$ 45,190	100.00%		10.00%

WASTEWATER ONE, LLC
ACQUISITION OF RIVER'S EDGE UTILTY
CAUSE NUMBER 43115

Current and Proposed Rates and Charges

	Current	Petitioner Proposed	OUCC Proposed
Metered Rates per 1,000 gallons:			
Metered Water Service	$ 4.51	$ 15.71	$ 6.46
Metered Sewer Service	$ 4.51	$ 15.71	$ 6.46
Monthly Flat Rate for 'Water & Sewer:			
Sold Mobile Home and Camp Lots	$ 45.06	$ 156.94	$ 64.55

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

IURC INVESTIGATION
RIVER'S EDGE WATER UTILITY
CAUSE NO. 43115

WASTEWATER ONE, LLC'S SUPPLEMENTAL RESPONSES TO THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S FIRST SET OF DATA REQUESTS TO RIVER'S EDGE WATER UTILITY

Wastewater One, LLC ("Wastewater One"), by counsel, respectfully supplements its original response to the First Set of Data Requests issued by the Indiana Office of the Utility Consumer Counselor ("OUCC"). Wastewater One's response as outlined below will supplement and supersede its original response. Its supplemental response is as follows:

Q-24: Does Wastewater One intend to use any of its affiliates to operate and/or maintain Rivers Edge Utility? If so, please explain.

A-24: **Yes. Wastewater One will use an affiliated engineering firm to assist with the anticipated improvements. In addition, Wastewater One will use an affiliate of Wastewater One to provide certified operator services to River's Edge.**

Respectfully submitted,

J. Christopher Janak
Attorney No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

Attorney for Wastewater One, LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a true and accurate copy of the foregoing *Wastewater One, LLC's Supplemental Response to the Indiana Office of Utility Consumer Counselor's First Set of Data Requests to River's Edge Water Utility* has been duly served upon the following via electronic mail this 4th day of August, 2009:

Mr. Daniel M. LeVay
Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
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Indianapolis, IN 46204
dlevay@oucc.in.gov

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From: Levay, Daniel
Sent: Tuesday, August 04, 2009 11:37 AM
To: Daniels, Sandy
Subject: FW: River's Edge Water Utility - Cause No. 43115
Attachments: WW1 - Supplemental Response.PDF

From: Bood, Lisa [mailto:lbood@boselaw.com] **On Behalf Of** Janak, J. Christopher
Sent: Tuesday, August 04, 2009 10:47 AM
To: Levay, Daniel
Cc: Janak, J. Christopher
Subject: River's Edge Water Utility - Cause No. 43115

Attached please find Wastewater One.LLC's Supplemental Responses to the Indiana Office of the Utility Consumer Counselor's First Set of Data Requests to River's Edge Water Utility.

Lisa A. Bood
Administrative Assistant
Bose McKinney & Evans LLP
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INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

IURC INVESTIGATION
RIVER'S EDGE WATER UTILITY
CAUSE NO. 43115

WASTEWATER ONE, LLC'S RESPONSES TO THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S FIRST SET OF DATA REQUESTS TO RIVER'S EDGE WATER UTILITY

Wastewater One, LLC ("Wastewater One"), by counsel, respectfully submits to the Indiana Office of the Utility Consumer Counselor ("OUCC") its responses to the OUCC's First Set of Data Requests dated July 2, 2009. Wastewater One states as follows:

Q-1: Please clarify whether Mr. Janak represents Rivers Edge Utility, Inc. in this proceeding as well as Wastewater One.

A-1: **Bose McKinney & Evans LLP (of which Mr. Janak is a partner) has filed a Motion to Withdraw its Appearance on behalf of REUI in this proceeding. A copy of this Motion is attached hereto as Exhibit A. Assuming the Commission grants the Motion, Mr. Janak will only represent Wastewater One in this proceeding.**

Q-2: Regarding the February 18, 2009 Proposal to Purchase, please state the following:
a. the current value of "past due customer accounts"
b. the value of "past due customer accounts" on February 28, 2009

A-2: **a. The current value of the past due customer accounts is unknown.**
b. The value of past due customer accounts on February 28, 2009 is unknown.

Q-3: Please provide all communications between the parties as to the meaning of the February 18, 2009 Proposal to Purchase, the April 14, 2009 Letter of Understanding and any amendments or addenda.

A-3: There are no documents responsive to this request.

Q-4: Please state who drafted the Letter of Understanding.

A-4: The Letter of Understanding was initially drafted by Steve Tolliver and Roger Denny and was based upon verbal conversations between David Stone, Carolyn Stone, Steve Tolliver, and Roger Denny. The Letter of Understanding was then edited by Carolyn Stone, finalized by Roger Denny, and executed by David Stone, Carolyn Stone, and mailed to Wastewater One.

Q-5: Please state what approvals may be necessary from the Department of Health before transfer of the utility assets.

A-5: Wastewater One understands that no approvals will be necessary to operate REUI after the acquisition. However, Wastewater One must submit as-builts and prepare documents indicating current and future flows for the utility in order to obtain approval to construct additional facilities.

Q-6: Please provide a copy of the "acquisition agreement" referenced in the April 14, 2009 Letter of Understanding.

A-6: The acquisition agreement will not be prepared until Wastewater One receives new rates that are acceptable to Wastewater One. The "acquisition agreement" will most likely include a detailed list of all the assets, as well as the forms required to transfer ownership of the property from River's Edge to Wastewater One. Provided Wastewater One can receive rates acceptable to Wastewater One, Wastewater One will finalize the purchase of the utility.

Q-7: Please describe the anticipated terms of the "acquisition agreement." Please describe any additional consideration by either party that may be provided pursuant to the terms of the acquisition agreement.

A-7: Wastewater One does not anticipate any additional substantive terms to the acquisition agreement that are not currently in the Letter of Understanding. Wastewater One does not believe there will be any additional consideration by either party that may be provided for in the acquisition agreement.

Q-8: OUCC skipped this number.

A-8: OUCC skipped number 8 in its questions.

Q-9: Please describe in more detail the meaning of "terms and conditions that will allow both present and future expansion of the Utility."

A-9: **This provision is intended to recognize that Wastewater One may at some point in the future seek to expand River's Edge's existing Certificate of Territorial Authority ("CTA"). If Wastewater One decides to expand its CTA (to provide sewer service to neighboring properties), Wastewater One wanted to ensure that the current owners of River's Edge recognized that the existing utility facilities may be expanded in order to provide the desired services.**

Q-10: Under the terms of the Proposal to Purchase, will the current owners of the utility retain any utility assets or property? If so, please describe.

A-10: **The current owners of REUI will retain ownership of certain Ranney wells (that are not currently in use). Other than the Ranney wells, Wastewater One is not aware of any other utility assets that will continue to be owned by River's Edge.**

Q-11: Are any assets of the utility including land not addressed in the Proposal to Purchase? If so, please describe.

A-11: **See Answer to Question No. 10.**

Q-12: Please explain why the "acquisition agreement" has not been entered into at this time. Please explain if and why it is necessary to wait until "at or prior to the closing" before the parties enter into the acquisition agreement."

A-12: **See Answer to Question No. 6.**

Q-13: Does WW1 consider the Letter of Understanding to be part of the Proposal to Purchase?

A-13: **Yes, it does.**

Q-14: Has WW1 agreed to the terms of the Letter of Understanding? If so, how was that agreement indicated?

A-14: **Yes, it has. The Agreement has been verbally approved by Wastewater One.**

Q-15: Please provide any and all workpapers used in the preparation of Wastewater One's proposed rate increase.

A-15: Wastewater One used the annual report previously submitted by River's Edge.

Q-16: Please provide all analyses relied upon by Ms. Mann to calculate a cost of common equity of 12.0% as described on page 4 of her testimony.

A-16: Wastewater One relied upon the 2008 Annual Report of River's Edge. Ms. Mann relied upon requests of other utilities seeking a rate of return. For example, Indiana-American recently sought a return of 12% when Indiana-American is much larger and therefore less risky than River's Edge.

Q-17: Exhibit A of Ms. Mann's testimony shows a common equity balance of $60,000. How was the $60,000 determined? How does this relate to the $11,190 purchase price? Please provide any support and/or analyses relied on by Ms. Mann or other consultant to determine a common equity balance of $60,000.

A-17: Based on her experience, she believes this is a reasonable cost of common equity. Ms. Mann anticipates an expected cash infusion from the parent based on the need to pay for the following expenses: $11,000 for purchase price of assets; $9,000 cost of consultants to purchase assets; $35,000 in rate case expense; and $5,000 in working capital.

Q-18: Please describe the anticipated journal entry that will generate the $60,000 common equity balance.

A-18: Debit cash - $60,000, Credit Owner's Equity - $60,000.

Q-19: On the bottom of page 7 and top of page 8 of Ms. Mann's testimony, she asserts that: Based on her experience the rates proposed are consistent with rates charged by other similarly sized sewer and water utilities. Please list each utility and their rate(s) that Ms. Mann relies on to support her statement.

A-19: While there are very few utilities that are as small as River's Edge, there are a number of larger utilities that have rates similar to the rates proposed by River's Edge in this case. For example, the following utilities impose the rates listed below:

Lakeland Lagoon Corp.	**$77.22 per month (sewer only)**
Chimneywood Sewage Works	**$80.00 per month**

Wymberly Sanitary Works	**$80.00 per month**
Sullivan-Vigo	**$67.20 per month (water only)**
Patoka Lake RWD – Phase V	**$66.26 per month**
Jennings Northwest Regional Utilities	**$70.91 per month**
Delaware County RWD – Royerton	**$71.65 per month**
Allen Co. RSD-N. Woodland Heights	**$89.55 per month**

Q-20: On page 6 of her testimony, Ms. Mann asserts that she believes a new rate increase will be required within the next 18-24 months to recover anticipated investment. Are there other cost increases that Ms. Mann anticipates will need to be recovered as part of the next rate increase?

A-20: Other than capital items listed in Ms. Mann's and Mr. Tolliver's testimony, Ms. Mann is unaware of any other cost increases that may be necessary. However, there may be increases that were not anticipated once Wastewater One begins to own and operate River's Edge's assets.

Q-21: The purchase agreement attached to Mr. Tolliver's testimony states as follows:

"This offer is contingent upon Wastewater One, LLC ("WWI") receiving approval from the Indiana Regulatory Commission to increase rates and fees acceptable to WWI prior to closing." Please answer the following questions related to this requirement of the purchase agreement:

(a) Does the Proposal to Purchase Assets require that the Commission to authorize 100.0% of the proposed rate increase?

(b) If an increase of less than 100.0% of the proposed increase is authorized is the purchase agreement still in force?

(c) How much of an increase needs to be authorized before the purchase agreement is no longer in force?

(d) If rates were implemented in phases to reduce rate shock, how would that impact the purchase agreement?

A-21:

(a) Wastewater One objects to this question on grounds that the language in the proposal speaks for itself. Notwithstanding this objection, the language in the proposal does not require that Wastewater One receive 100% of the proposed rate increase. Rather, the Agreement indicates that Wastewater One must receive approval for rates that are "acceptable to Wastewater One prior to closing."

(b) Yes; provided the rates and fees are "acceptable to Wastewater One prior to closing."

(c) Wastewater One has presented rates it believes are "acceptable" and that are in accordance with well established ratemaking principles.

(d) Wastewater One has presented a proposal for rates that Wastewater One believes are acceptable to allow it to proceed to closing. Without a specific proposal as to how the rates might be phased in, it is impossible for Wastewater One to speculate as to whether such proposal would be acceptable to Wastewater One.

Q-22: Please provide an income statement and balance sheet for River's Edge as of June 30, 2009. If not yet completed, please provide the most recent.

A-22: Wastewater One does not have an income statement or balance sheet for River's Edge.

Q-23: Is Ms. Mann aware of any cases where Commission has authorized an increase in excess of $100? If yes, please cite any case with cause number where the IURC has authorized an increase in excess of $100.

A-23: Wastewater One objects to this question on grounds that the question is irrelevant and is not intended to lead to the discovery of admissible evidence.

Q-24: Does Wastewater One intend to use any of its affiliates to operate and/or maintain Rivers Edge Utility? If so, please explain.

A-24: Yes. Wastewater One will use an affiliated engineering firm to assist with the anticipated improvements.

Q-25: Is Wastewater One purchasing anything other than the utility plant of Rivers Edge such as cash or accounts receivable? Is Wastewater One assuming any of the liabilities of Rivers Edge?

A-25: At present, Wastewater One anticipates purchasing any and all utility facilities necessary for Wastewater One to provide water and sewer service to River's Edge's current customers.

Q-26: Please provide the test year detailed general ledger for Rivers Edge in an electronic format such as Excel or pdf.

A-26: Wastewater One does not have the general ledger for River's Edge in any format.

Q-27: Please provide all information regarding the estimated $35,000 of rate case expense that Wastewater One proposes to recover in its rates. This should include the amounts estimated for each consultant, the basis for the estimate, the number of hours estimated and the average hourly rate and any other costs included in the estimate such as copying or other miscellaneous charges.

A-27: Wastewater One received proposals from Bose McKinney & Evans LLP and London Witte Group. A copy of these documents is attached as Exhibit B.

Q-28: Please provide all analyses and support relied upon in preparing the estimated $9,000 of costs related to the purchase of Rivers Edge utility assets.

A-28: Based on its experience and brief conversations with an attorney and surveyor, Wastewater One believes that it will incur $5,000 in legal fees and $4,000 in survey costs to complete the purchase of River's Edge's assets.

Q-29: Please explain why these purchase costs ($9,000) should not be capitalized.

A-29: The amount of purchase costs will be capitalized. However, since such costs are related to this request before the Commission, Wastewater One is asking for approval of recovery now.

Q-30: Please explain why the ratepayers should bear these costs ($9,000).

A-30: The ratepayers should bear the purchase costs because such costs are prudently incurred costs of acquiring the utility plant and service. It is also an investment by Wastewater One of acquiring and putting the utility plant in service.

Q-31: Please provide the depreciation study that supports the use of a 3% depreciation rate for wastewater utility plant. If none is available, please explain why the utility is not using the IURC's composite rate.

A-31: The depreciation rate used for the wastewater utility plant was the depreciation used by River's Edge in their 2008 Annual Report filed with the IURC.

Q-32: Please provide all support for the property tax adjustment including the tax rate, the amount of any credits incorporated into the calculation, and the value of water utility plant and sewer utility plant to which the rates will be applied.

A-32: The amount of property tax reflected in Wastewater One's proposal represents an average of the last four (4) year property taxes as reported in the Annual Report for River's Edge. The annual property taxes as reported by River's Edge are as follows: 2005 - $1,891; 2006 - $1,985; 2007 - $1,360; 2008 - $1,066.

Q-33: Please verify that Wastewater One, LLC is a sub-chapter S corporation. If not, please explain.

A-33: Wastewater One is not a corporation - - it is a limited liability company that is wholly-owned by the Hughes Group, Inc., an Indiana C Corporation.

Q-34: Please explain why Wastewater One is seeking to earn a return on an amount larger than its actual investment in utility plant.

A-34: Wastewater One has simply included the net book value of the assets from River's Edge in its rate proposal.

Respectfully submitted,

J. Christopher Janak
Attorney No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

Attorney for Wastewater One, LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a true and accurate copy of the foregoing *Wastewater One, LLC's Responses to the Indiana Office of Utility Consumer Counselor's First Set of Data Requests to River's Edge Water Utility* has been duly served upon the following via electronic mail this 15th day of July, 2009:

Mr. Daniel M. LeVay
Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
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FILED
July 06, 2009
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INDIANA UTILITY REGULATORY COMMISSION'S INVESTIGATION OF MATTERS RELATED TO THE CONTINUED BUSINESS PRACTICES OF RIVER'S EDGE UTILITY, INC., IN THE STATE OF INDIANA PURSUANT TO INDIANA CODE 8-1-2-1(A), 8-1-2-58, 8-1-2-69, 8-1-2-89, et seq.	)	**CAUSE NO. 43115**

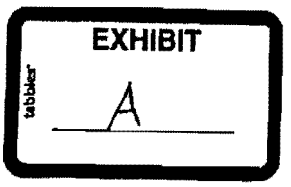
MOTION TO WITHDRAW APPEARANCE

Bose McKinney & Evans LLP ("BME"), by counsel, respectfully requests that the Commission allow it to withdraw its appearance on behalf of River's Edge Utility, Inc. ("REUI") in this matter. In support of its Motion, BME states as follows:

1. BME has to date represented REUI.

2. On April 22, 2009, the Commission issued a *Prehearing Conference Order on Transfer of Assets* in which the Commission ordered, among other things, that the proposed buyer of REUI, Wastewater One, LLC ("Wastewater One"): (i) petition to intervene in this cause; (ii) file a request with the Commission seeking approval to transfer all of REUI's sewer and water assets, including REUI's Certificate of Territorial Authority ("CTA") to Wastewater One; and (iii) submit all necessary testimony and exhibits supporting any requested increase in rates.

3. Since issuance of the April 22, 2009 *Prehearing Conference Order*, Wastewater One has filed, and the Commission has granted, its *Petition to Intervene*. In addition, Wastewater One has filed a Motion seeking approval to transfer REUI's assets to Wastewater One and *Intervenor's Direct Testimony and Exhibits* supporting its requested relief.



4. With the consent of REUI and Wastewater One, BME has represented Wastewater One in making the requested filings with the Commission in this Cause.

5. From this point forward, BME believes it is most appropriate to represent only Wastewater One in this proceeding.

6. At this stage, REUI is not an active participant in this proceeding, and therefore BME's proposed withdrawal can be accomplished without material adverse effect on the interest of REUI.

7. REUI does not have funds sufficient to pay BME for any further representation if such representation were ever necessary. Consequently, BME's continued representation of REUI would result in an unreasonable financial burden on BME.

WHEREFORE, Bose McKinney and Evans LLP respectfully requests that the Commission authorize it to withdraw its appearance on behalf of REUI in this matter, and for all other appropriate relief.

Respectfully submitted,

J. Christopher Janak, Esq.
Attorney No. 18499-49
Nikki Gray Shoultz, Esq.
Attorney No. 16509-41

BOSE McKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
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Counsel for River's Edge Utility, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of this *Motion to Withdraw Appearance* has been served upon the following counsel by electronic mail this 16th day of July, 2009:

Daniel M. LeVay
Indiana Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
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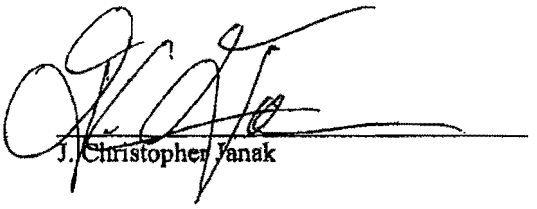

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March 20, 2009

VIA E-MAIL
stolliver@hughesgrp.com
rdenny@hughesgrp.com

Wastewater One, LLC
Attn: Steve Tolliver & Roger Denny
6200 E. Highway 62, Suite 850
Jeffersonville, IN 47130

Re: Engagement Letter for Legal Services

Dear Mr. Tolliver and Mr. Denny:

Thank you for the opportunity to submit this proposal to perform legal services for Wastewater One, LLC ("Wastewater One"). You have requested legal assistance in connection with the approval of new rates and charges for the utility currently known as River's Edge Utility Co., Inc. This letter confirms the terms on which Bose McKinney & Evans LLP will represent you.

Our services will be billed at our hourly rates in effect from time to time for the lawyers and other personnel, including paralegals, performing the services. Steve Unger and I will be the primary attorneys working on your case and our hourly rates are $185 and $325 per hour, respectively. While it is difficult to estimate with certainty the total cost of such litigation before the Indiana Utility Regulatory Commission ("IURC"), I would anticipate that our bill for this matter will be approximately $25,000.

I will require an initial retainer of Five Thousand Dollars ($5,000) that will be used as a credit against the legal fees and expenses incurred on a monthly basis. To the extent my firm, Bose McKinney & Evans LLP ("BME"), does not expend the entire $5,000 retainer, the remainder will be returned to you. If the fees and expenses in this matter exceed $5,000, BME will issue invoices to you on a monthly basis until the matter is closed.

In addition to hourly fees, you will be responsible for payment of any disbursements, expenses, costs, and charges incurred on your behalf in connection with our representation, including but not limited to travel expenses, secretarial overtime, photocopying (at $.15 per page), delivery charges, and computerized research. We also require that you pay any expenses billed by third parties (such as expenses of court reporters and transcripts, and local counsel fees, if any) directly to those third parties. We will forward the invoices from those third parties to you with information on how to pay those expenses. If we elect to pay any such expenses directly, we will bill you for reimbursement of such expenses in our monthly invoices.

EXHIBIT
tabbies
B

BOSE
McKINNEY
& EVANS LLP
ATTORNEYS AT LAW

Our invoices are issued monthly, and are payable within thirty (30) days after the invoice date. Prompt payment is a condition of our continued representation. We reserve the right to charge interest at the rate of 1-1/2% per month (18% annual percentage rate) on any balance of an invoice not paid within thirty (30) days of the invoice date. In the unlikely event you fail to pay our invoices and we must take action to collect them, you will be responsible for any costs we may incur, including attorneys' fees and costs. Obviously, we do not anticipate any problems in collection, and I hope that you will contact me directly if you have any questions or concerns about any invoice you receive from us.

You have the right to terminate our representation at any time. We may also terminate our representation at any time for any reason consistent with the Rules of Professional Conduct, including but not limited to the non-payment of fees or expenses or other failure to comply with the terms of our engagement as described in this letter. In the event of termination of our representation for any reason, you will be responsible for all fees and other amounts incurred in connection with our representation up to the date of termination, and for all fees and other amounts incurred to transfer the work to your new attorney.

After our engagement on this matter ends, we will maintain our file on this matter in accordance with our document retention policy. That policy provides for destruction of our file without further notice after a designated period, typically a period of ten (10) years. At your request during or subsequent to our engagement on this matter and prior to destruction of the file, we will provide copies of any documents from our file which you have furnished us in connection with this matter.

As you know, my firm has represented the current owners of River's Edge for several years. The current owners of River's Edge do not object to my representation of Wastewater One in this matter as the owners believe that it is in their best interest to obtain IURC approval of your new rates and charges as quickly as possible. Nonetheless, I believe our prior representation of River's Edge does, at a minimum, have the appearance of a conflict of interest. During our prior conversations, I discussed this potential conflict of interest with you and you indicated that you would consent to any potential conflict of interest in this matter. In addition to setting forth the terms of our engagement, this letter is also intended to formalize your consent in writing to our prior representation of River's Edge.

If you have any questions or concerns about this letter, please call me at (317) 684-5249 or by e-mail at jjanak@boselaw.com so that we can discuss them. If you agree to the terms of our representation as stated in this letter, please sign the enclosed copy of this letter and return it to me with the retainer check. Again, thank you for selecting BME. We look forward to working with you.

Sincerely yours,

J. Christopher Janak
Partner

BOSE
McKINNEY
& EVANS LLP
ATTORNEYS AT LAW

ACCEPTED AND AGREED TO THIS 4th DAY OF ~~MARCH~~ MAY, 2009

WASTEWATER ONE, LLC

Steve Tolliver

by: Roger Denny

WAIVER

Steve Tolliver and Roger Denny, on behalf of Wastewater One, LLC, hereby waive conflicts of interest in, or that may arise as a result of, Bose McKinney & Evans LLP's representation of River's Edge Utility Co., Inc. on matters unrelated to Wastewater One, LLC.

Executed this 4th day of ~~March~~ May, 2009.

WASTEWATER ONE, LLC

By: Steve Tolliver

By: Roger Denny

JCJ/lab
cc: Accounting
1342097_1

LWG | LONDON WITTE GROUP

April 21, 2009

Mr. Steve Tolliver
Wastewater One, LLC
6200 E. Highway 62
Bldg. 2501, Suite 250
Jeffersonville, IN 47130

Re: Proposal to Assist Wastewater One, LLC in Preparing, Filing and Supporting through Testimony, Changes to the Rates and Charges currently being charged by River's Edge Utilities, Inc.

Dear Steve:

I am pleased to be able to present a proposal to you for your consideration related to establishing new rates and charges for River's Edge Utilities, Inc. as part of the proposal of Wastewater One, LLC to purchase River's Edge Utilities, Inc.

Scope:

We have procured and read the interim order in Cause No. 43115. I presume that you will want us to incorporate pro-forma operating costs and investments necessary to bring that system to a state of usefulness to you while complying with IURC guidelines.

With your assistance, and assuming the cooperation of River's Edge Utilities, Inc., we will analyze existing expenses and investment and work with you to incorporate whatever modifications to operations and investment you feel necessary to operate this utility going forward.

We will prepare historical, pro-forma present and pro-forma proposed statements incorporating current and proposed costs used in establishing our proposed rates.

We will file testimony with the IURC along with these prepared exhibits, respond to data requests from the OUCC and intervening parties, prepare rebuttal as necessary, and stand cross-examination as appropriate and necessary.

We will work closely with your legal representative and other experts in the proceeding.

Certified Public Accountants
One Independence Center, 1776 North Meridian Street, Suite 500 Indianapolis, Indiana 46202
Telephone | 317-634-4747 Facsimile | 317-632-2727 Toll Free | 877-634-4747
Web | www.LWCCPA.com

Compensation:

We will prepare the exhibits and testimony, respond to data requests and stand cross on our work for a fee not to exceed $10,000. The only caveat relates to the circumstance in which matters go seriously awry. Some proceedings lately seem to generate data requests and time expenditures to petitioning parties that are inconsistent with past experience. If such were to be the case here, we would request compensation for these unusual efforts.

I am attaching the resumes of Bonnie Mann and myself. I believe Bonnie will be doing the preponderance of the work, with my assistance as necessary.

Sincerely,

Ted Sommer

Accepted and agreed to this 4th day of May 2009.

Wastewater One, LLC

By: _____
Roger W. Denny
Secretary

From: Levay, Daniel
Sent: Wednesday, July 15, 2009 5:37 PM
To: Stull, Margaret; Kaufman, Edward; Pettijohn, Roger; Daniels, Sandy; Bell, Scott
Subject: FW: River's Edge Utility, Cause No. 43115
Attachments: Responses to OUCC 1st Data Requests.PDF

From: Bood, Lisa [mailto:lbood@boselaw.com] **On Behalf Of** Janak, J. Christopher
Sent: Wednesday, July 15, 2009 5:33 PM
To: Levay, Daniel
Cc: Janak, J. Christopher
Subject: River's Edge Utility, Cause No. 43115

Attached please find Wastewater One, LLC's Responses to the OUCC's First Set of Data Requests.

Lisa A. Bood
Administrative Assistant
Bose McKinney & Evans LLP
E-mail: LBood@boselaw.com
Direct phone: 317-684-5176
www.boselaw.com

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INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

IURC INVESTIGATION
RIVER'S EDGE WATER UTILITY
CAUSE NO. 43115

WASTEWATER ONE, LLC'S RESPONSES TO THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S SECOND SET OF DATA REQUESTS TO RIVER'S EDGE WATER UTILITY

Wastewater One, LLC ("Wastewater One"), by counsel, respectfully submits to the Indiana Office of Utility Consumer Counselor ("OUCC") its responses to the OUCC's Second Set of Data Requests dated July 9, 2009. Wastewater One states as follows:

Q-35: Will Wastewater One maintain a separate entity for its River's Edge Utility?

A-35: **No. If acquired, River's Edge Utility will be a separate division of Wastewater One and Wastewater One will maintain a separate set of books and one or more bank accounts, as applicable, for River's Edge Utility.**

Q-36: Please provide a pro forma balance sheet for the acquired utility as of the date of purchase.

A-36: **Please see Exhibit A attached hereto.**

Q-37: How much cash does Wastewater One plan to initially invest in the acquired utility to run its day to day operations? How was that amount determined?

A-37: **Approximately $5,000. Based on the size and revenues of the utility, Wastewater One felt that $5,000 in cash was a reasonable starting point.**

Q-38: Section 1.d of the Letter of Understanding dated April 14, 2009, refers to "the equivalent of 71 customers on a year round basis who are receiving both water and sewer services."

A-38: In this specific data request, the OUCC does not appear to ask a question. Consequently, Wastewater One is unable to provide a response.

Q-39: How were the 71 equivalent customers determined? Please show all analysis and calculations.

A-39: Seventy-one (71) was the approximate number of customers represented by David and Carolyn Stone in the Letter of Understanding. Wastewater One does not have knowledge of or access to the analysis and calculations performed by River's Edge.

Q-40: Wastewater One's pro forma operating revenue appears to rely on approximately 52 equivalent year round customers ($97,969/ 12 / $157 = 52.00). Please explain why revenues are based on 52 customers instead of 71 customers as stated in the letter of understanding.

A-40: Wastewater One determined the number of customers based upon the 2008 Annual Report filed by River's Edge. The customers and revenues outlined in the Annual Report provided the basis for the calculation contained on Exhibit C-1, page 1 of 7 attached to the Prefiled Testimony of Bonnie Mann.

Q-41: Is Wastewater One's purchase of the utility assets conditioned on pre-approval of the proposed projects ($24,500 – Intervenor's Exhibit No. 6)? If yes, please show where this condition is explained.

A-41: Wastewater One believes the pre-approval of the proposed capital improvements (for later inclusion in rate base) are part of its proposal to have "rates acceptable to Wastewater One".

Q-42: Has Wastewater One agreed to the terms expressed in the letter of understanding? If so, please show how that agreement was communicated.

A-42: Yes. Wastewater One agreed to the proposal to purchase assets when executing the proposal. As to the additional terms contained in the April 14, 2009 letter, Wastewater One verbally indicated to River's Edge that it was satisfied with the representation from the current owners of River's Edge and would move forward with obtaining the requisite approvals from the Commission.

Respectfully submitted,

J. Christopher Janak
Attorney No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

Attorney for Wastewater One, LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a true and accurate copy of the foregoing *Wastewater One, LLC's Responses to the Indiana Office of Utility Consumer Counselor's Second Set of Data Requests to River's Edge Water Utility* has been duly served upon the following via electronic mail this 17th day of July, 2009:

Mr. Daniel M. LeVay
Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
Suite 1500 South
Indianapolis, IN 46204
dlevay@oucc.in.gov

J. Christopher Janak

BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

1455390_1

Wastewater One - River's Edge

Estimated Balance Sheet

UPIS	$ 111,895
Accumulated depreciation on UPIS	(34,214)
Acquisition adjustment, net	(57,491)
Net UPIS	20,190
Deferred rate case expense	35,000
Cash	4,810
Total Assets	$ 60,000
Owner's Equity	$ 60,000

Note: This statement is an estimate based on assumptions used to create exhibits to prefiled testimony.The actual beginning balances may differ from what is represented above.

EXHIBIT
A

From: Levay, Daniel
Sent: Friday, July 17, 2009 4:43 PM
To: Daniels, Sandy
Subject: FW: Wastewater One, LLC (River's Edge Utility) - Cause No. 43115 - Responses to OUCC Data Request Set No. 2
Attachments: Scanned_Document.PDF

From: Bood, Lisa [mailto:lbood@boselaw.com] **On Behalf Of** Janak, J. Christopher
Sent: Friday, July 17, 2009 4:36 PM
To: Levay, Daniel
Cc: Janak, J. Christopher
Subject: Wastewater One, LLC (River's Edge Utility) - Cause No. 43115 - Responses to OUCC Data Request Set No. 2

Dan:

Attached please find Wastewater One, LLC's Response to the OUCC's Second Data Request.

Please call with any questions or comments.

Sincerely,

Chris

BOSE McKINNEY & EVANS LLP
ATTORNEYS AT LAW

Lisa A. Bood
Administrative Assistant
E-mail: LBood@boselaw.com
Direct phone: 317-684-5176
Direct fax: 317-223-0176
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INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

IURC INVESTIGATION
RIVER'S EDGE WATER UTILITY
CAUSE NO. 43115

WASTEWATER ONE, LLC'S RESPONSES TO THE OFFICE OF UTILITY CONSUMER COUNSELOR'S THIRD SET OF DATA REQUESTS

Wastewater One, LLC ("Wastewater One"), by counsel, respectfully submits to the Indiana Office of the Utility Consumer Counselor ("OUCC") its responses to the OUCC's Third Set of Data Requests dated July 27, 2009. Wastewater One states as follows:

Q-43: Is the utility using the cash or accrual basis for recording its accounting transactions?

A-43: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-44: Please provide all support and analyses for the proposed phone expense of $227 including all analyses and support. Is this expense allocated from Wastewater One or an affiliate or will Rivers Edge have its own phone number?

A-44: The $227 is for the annual cell phone costs for the telemetry that will be installed at River's Edge. This expense is not allocated from Wastewater One or an affiliate. The telemetry on the utility facilities located at River's Edge will be a dedicated line.

Q-45: Why was no chemical expense recorded during 2008 or 2007? Are these costs included in another expense category?

A-45: Wastewater One does not know why the current owners did not record chemical expenses in their annual report for 2007 and 2008.

Q-46: How often are the metered Rivers Edge customers billed? (e.g. monthly - quarterly, etc.)

A-46: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-47: How often are the unmetered Rivers Edge customers billed? (monthly, quarterly)

A-47: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-48: Please provide a copy of the current insurance policy in effect and the most recent premium payment. Please explain why there is no insurance expense for 2008 or 2007 (Is it included in another expense category?)

A-48: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-49: What is the utility's experience with customer bad debts?

A-49: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-50: Please provide the most recent property tax billing received. Please explain why the property taxes recorded in 2008 are only $1,066 compared to $1,360 in 2007 and $3,002 in 2006.

A-50: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-51: What is included in Miscellaneous Service Revenues of $1,035 in 2008?

A-51: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-52: What is included in Other Revenues of $1,300 in 2008?

A-52: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-53: Please explain the transportation expense of $2,297 recorded in 2008. What costs are included in this expense category?

A-53: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-54: Did the Utility add any new customers in 2008 and, if so, how many?

A-54: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-55: Did the Utility add any new customers so far in 2009 and, if so, how many?

A-55: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-56: What bad debt % is Wastewater One proposing to include in operating expenses for its Rivers Edge Utility? What is this bad debt % based upon? Please provide all support and analyses.

A-56: Wastewater One is proposing a bad debt expense of $341 per year, which equates to approximately one percent (1%). Based on conversations with its financial advisor and its experience in working with other similarly-sized utilities, Wastewater One believes this is an appropriate amount for bad debt expense.

Q-57: Please provide the detail for the proposed chemical expense of $600 including all support and analyses.

A-57: As the new owners of River's Edge, Wastewater One will be responsible for disinfecting the water supply with chlorine. Wastewater One has estimated the cost of chemicals based on current water usage (as provided by River's Edge) and the current market value for purchasing the requisite chemicals.

Q-58: Please provide the detail for the proposed corporate allocation expense of $1,200 including all support and analyses. What types of costs does this allocation cover?.

A-58: Wastewater One will respond to this question under separate cover.

Q-59: Please provide the detail for the proposed outside contractors expense of $11,007 including all analyses and support. What types of expenses will these charges cover? Are these expense or capital in nature?

A-59: The outside contractor's expense of $11,007 includes expenses for mowing (of the utility property), engineering, accounting, audit, and legal. Specifically, Wastewater One estimates that the cost of mowing will be $9,800. Wastewater One's estimate for mowing is based upon bids it received from various contractors who agreed to supply these services. The remaining $1,207 will cover engineering expenses associated with owning and operating the utility.

Q-60: Please provide the detail comprising the billing expense of $373 including all analyses and support.

A-60: The $373 expense for billing entails all costs of preparing billings to customers, including the cost of software and labor. Wastewater One bases this estimate on the costs associated with operating another similarly-sized utility.

Q-61: Please provide the detail for the proposed insurance expense of $5,548 including all analyses and support.

A-61: The proposed insurance expense of $5,548 would include pollution insurance, property casualty, and liability insurance. This amount is based upon Wastewater One's experience in operating a similarly-sized utility.

Q-62: Please provide the detail for the proposed utilities expense of $800 including all analyses and support. How does this expense differ from purchased power?

A-62: The $800 in utilities is for electricity and heating for the pumps, well house, and heater in the well house. This is a separate line item from purchased power.

Q-63: Please provide the detail for the proposed miscellaneous expense of $852 including all analyses and support.

A-63: Based on Wastewater One's experience in operating a similarly-sized utility, Wastewater One believes the miscellaneous expense of $852 is very conservative considering the history of this utility. Such expense would include such items as membership at Holey Moley, purchase of required tools, and miscellaneous repairs.

Q-64: Please provide all support and analyses for the proposed sludge hauling expense of $1,107.

A-64: The $1,107 for sludge hauling expense is the cost to haul sludge from the sludge holding tanks and disposing of the same. Wastewater One is using the expense that had previously been incurred by the current owners of River's Edge. Wastewater One fears that the expense may actually be higher than $1,107 as there is some evidence indicating the holding tanks have not been pumped for some time.

Q-65: Please provide all support and analyses for the proposed postage expense of $213 including all analyses and support.

A-65: The $213 covers the cost of stamps for regular mail and the costs of supplies and postage for postcard billing of customers.

Q-66: For each response provided above, please state the witness providing the information and the source of the information.

A-66: Steve Tolliver, Bonnie Mann, Roger Denny, Teresa Laswell, and Carri Paris all worked collectively in responding to these data requests.

Respectfully submitted,

J. Christopher Janak
Attorney No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

Attorney for Wastewater One, LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a true and accurate copy of the foregoing *Wastewater One, LLC's Responses to the Indiana Office of Utility Consumer Counselor's Third Set of Data Requests to River's Edge Water Utility* has been duly served upon the following via electronic mail this 8th day of September, 2009:

Mr. Daniel M. LeVay
Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
Suite 1500 South
Indianapolis, IN 46204
dlevay@oucc.in.gov

J. Christopher Janak

BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

1486521_1

From: Levay, Daniel
Sent: Tuesday, September 08, 2009 2:47 PM
To: Daniels, Sandy
Subject: FW: River's Edge Water Utility - Cause No. 43115
Attachments: Resp to 3rd DR.PDF

From: Bood, Lisa [mailto:lbood@boselaw.com] **On Behalf Of** Janak, J. Christopher
Sent: Tuesday, September 08, 2009 2:41 PM
To: Levay, Daniel
Cc: Janak, J. Christopher
Subject: River's Edge Water Utility - Cause No. 43115

Attached please find *Wastewater One, LLC's Responses to the Office of Utility Consumer Counselor's Third Set of Data Requests.*

Lisa A. Bood
Administrative Assistant
Bose McKinney & Evans LLP
E-mail: LBood@boselaw.com
Direct phone: 317-684-5176
www.boselaw.com

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INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

IURC INVESTIGATION
RIVER'S EDGE WATER UTILITY
CAUSE NO. 43115

WASTEWATER ONE, LLC'S RESPONSES TO THE OFFICE OF UTILITY CONSUMER COUNSELOR'S FOURTH SET OF DATA REQUESTS

Wastewater One, LLC ("Wastewater One"), by counsel, respectfully submits to the Indiana Office of the Utility Consumer Counselor ("OUCC") its responses to the OUCC's Fourth Set of Data Requests dated July 28, 2009. Wastewater One states as follows:

Q-67: Please provide Petitioner's customer growth estimates for the next five years.

A-67: Wastewater One expects little, if any, growth within the current service territory of River's Edge.

Q-68: Please provide the customer growth estimates for the next ten years.

A-68: See response above.

Q-69: Is there a charge to turn water and sewer service on and off for seasonal customers? If so, what is this charge?

A-69: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-70: Will an affiliate provide the operator responsible for running REUI water and sewer utilities? If so, please state which affiliate.

A-70: Wastewater One has previously provided information to the OUCC that is responsive to this request.

Q-71: What is the amount of overhead included in the $45 hourly rate (Mr. Tolliver's testimony, p.6) and what specifically is included in this overhead calculation?

A-71: In the $45 hourly rate, approximately 35% of the total, or $15.75, is for overhead. The "overhead" calculation includes such things as labor, fringe benefits, workman's comp, health and life insurance, disability insurance, vacation,

professional liability insurance, uniforms, small tools, cell phone, and safety equipment (e.g. hard hat, safety glasses, hearing protection, etc.).

Q-72: What other components, other than those mentioned above, are included in the $45 hourly rate for the utility operator?

A-72: **See response to Q71.**

Q-73: What hourly rate are utility and/or plant operators billed out to other utilities either owned or operated by Wastewater One? In your response, please provide a list of each operation or utility that Wastewater One owns or operates, including the type of facility, the number of hours the operator works at the facility, and the hourly rate allocated or charged to the facility.

A-73: **Aqua Utility Services, LLC ("Aqua") typically provides utility and plant operators to Wastewater One. Aqua typically charges $75 per hour for operator services. Aqua's competitors in the area charge $95 to $100 per hour for similarly-sized utilities, and in excess of $120 per hour for larger utilities.**

Wastewater One operates three (3) other utility plants. Wastewater One owns and operates the Galena plant. At that plant, Aqua charges Wastewater One $45 per hour for the operator, and $10 per hour for use of a work vehicle. The Galena facility is an activated sludge wastewater treatment plant with 123 sewer customers only. The operator typically spends 21 hours per week at the Galena facility.

Wastewater One also operates two (2) different plants at the Indiana Army Ammunitions Plant ("IAAP Plant") in Clark County. There are two (2) different wastewater plants located at the IAAP Plant: one is a trickling filter plant and the other is an activated sludge plant. During a typical week, the operators spend 40 hours at the plant for operations and 20 hours per week for laboratory services. Aqua charges Wastewater One the same rates as is charged Galena.

Q-74: What will the employee who will provide the operator services be paid per hour?

A-74: **Wastewater One has three (3) different operators that can provide certified operator services to River's Edge. The hourly compensation for these individuals is as follows: $32.86 for hour for Mike Amburn; $33.47 per hour for Lester Best; and $29.96 per hour for Lowell Howard.**

Q-75: Please explain the reason for the higher increase in rates from the initially anticipated 60% increase to the proposed 250% increase. What part of the 250% increase was not anticipated?

A-75: **Wastewater One objects to this question on grounds that it is not relevant and it will not lead to the discovery of admissible evidence. As indicated in the initial proceedings in this matter, the 60% increase was estimated prior to retaining a**

financial advisor and reviewing in any significant detail the financial records and responsibilities of River's Edge. For example, the initial calculation is did not include rate case expense or certain improvements to the water system.

Q-76: What equipment does WW1 anticipate will be needed by the utility?

A-76: Wastewater One anticipates installing the following equipment: (1) telemetry system; (2) well house for Well No. 2; (3) master meter for Well No. 2; (4) repair roof of Well House No. 1; (5) spare parts for all pumps, motors, electrical control panels, and pipe in case of emergency; and (6) backup generator taps at wells and septic tank pumping stations to the mound.

Q-77: How were equipment charges estimated? Please provide detail analysis.

A-77: The equipment charges are based upon what Aqua charges other similarly-sized utilities.

Q-78: Please provide the state and federal income tax returns for Wastewater One for the years 2007 and 2008.

A-78: Wastewater One will provide under separate cover provided the OUCC agrees to maintain such records as confidential.

Q-79: Based on the level of revenues for REUI, please explain why 34% is the appropriate applicable federal income tax rate.

A-79: Wastewater One will provide responsive information under separate cover.

Respectfully submitted,

J. Christopher Janak
Attorney No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

Attorney for Wastewater One, LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a true and accurate copy of the foregoing *Wastewater One, LLC's Responses to the Indiana Office of Utility Consumer Counselor's Fourth Set of Data Requests to River's Edge Water Utility* has been duly served upon the following via electronic mail this 8th day of September, 2009:

Mr. Daniel M. LeVay
Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
Suite 1500 South
Indianapolis, IN 46204
dlevay@oucc.in.gov

J. Christopher Janak

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Indianapolis, IN 46204
(317) 684-5000 Telephone
(317) 684-5173 Facsimile

1486541_1

From: Levay, Daniel
Sent: Tuesday, September 08, 2009 5:48 PM
To: Daniels, Sandy
Subject: FW: River's Edge Utility - Cause No. 43115
Attachments: Resp to OUCC 4th DR.PDF

From: Bood, Lisa [mailto:lbood@boselaw.com] **On Behalf Of** Janak, J. Christopher
Sent: Tuesday, September 08, 2009 4:37 PM
To: Levay, Daniel
Cc: Janak, J. Christopher
Subject: River's Edge Utility - Cause No. 43115

Attached please find *Wastewater One, LLC's Responses to the Office of Utility Consumer Counselor's Fourth Set of Data Requests.*

Lisa A. Bood
Administrative Assistant
Bose McKinney & Evans LLP
E-mail: LBood@boselaw.com
Direct phone: 317-684-5176
www.boselaw.com

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Daniels, Sandy

From: UCC Consumer Info
Sent: Thursday, September 24, 2009 10:02 AM
To: Daniels, Sandy
Subject: FW: Website Contact Form

Per your request.

-----Original Message-----
From: UCC Consumer Info
Sent: Thursday, September 10, 2009 7:12 AM
To: Swinger, Anthony; Daniels, Sandy
Subject: FW: Website Contact Form

-----Original Message-----
From: Web Form Poster [mailto:dwldarton1961@att.net]
Sent: Wednesday, September 09, 2009 7:22 PM
To: UCC Consumer Info
Subject: Website Contact Form

Title: Mr.
First Name: Dennis
Last Name: Lough
Email: dwldarton1961@att.net
Street Address: 206 S Meridian St
City: Darlington
State: IN
Zip: 47940
Phone: (765)794-0145 ext.
Type: home
No Phone Service:
Case Number: Aqua Indiana
Comments: Dear OUCC president:

Earlier this year a representative of the OUCC attended the IURCutility rate increase hearing in Darlington Indiana. Upon hearing thetestimony by several citizens; it was decided to increase the minimumrate from $24 to $53. I am contacting you to express my concern inthis ruling.

I phoned your office shortly after receiving my 1st new bill. I wasshocked to see that Aqua's rate increase was even greater thanproposed. This ruling I was told by a representative from your officewas endorsed by the OUCC. What is your justification for chargingcustomers who use so little (1500 gal) $53 a month?

Is this the American principles that our country was founded on? Ihave no arguments with paying my fair share. This however issocialism. Why should I as a consumer who uses less of a commodity beforced to supplement those who use more? This I fear is falling upondeaf ears.

Daniels, Sandy

From: UCC Consumer Info
Sent: Wednesday, September 09, 2009 1:04 PM
To: Daniels, Sandy; Swinger, Anthony
Subject: FW:

From: Tony Johnson [mailto:johnson926994@bellsouth.net]
Sent: Wednesday, September 09, 2009 12:24 PM
To: UCC Consumer Info
Subject:

RE: Pending Case IURC CAUSE NO. 43115

Rivers Edge Utility, Inc.

Charlet Johnson
9600 Janna Drive
Louisville, Ky. 40272
502-937-2776

Gentlemen:

I own lot 94 at the River's Edge Community. I have a 5th wheel on my property and stay during the summer months.

If you have surveyed the area, you are already informed that not everyone lives there year long. We should not be subject to paying for a full year of service when WE DO NOT USE IT.

Furthermore, please note that a 5th wheel or trailer (pull along) are not permanent structures and can be moved. We rely on our water from an outside mechanism.

I spoke to a U of L law professor and he made a comment that you must make a distinction between residential and recreational residences if it had been
originally designed for that use. To my knowledge, it had.

I would also like to know what improvements, if any, you plan to make. The increase should certainly give your income a boost over what we are paying now. By the way, my bill from the Louisville Water Co. averages $90.00 for 3 months. NOTE, I said three months, not one month. It needs to be fare. You wouldn't pay it.

Thank you

Charlet Johnson

INDIANA UTILITY REGULATORY COMMISSION PUBLIC FIELD HEARING

September 1, 2009

IURC CAUSE NO. 43115

IN THE MATTER OF THE INDIANA UTILITY REGULATORY COMMISSION'S INVESTIGATION OF MATTERS RELATED TO THE CONTINUED BUSINESS PRACTICES OF RIVER'S EDGE UTILITY, INC., IN THE STATE OF INDIANA PURSUANT TO INDIANA CODE 8-1-2-1(A), 8-1-2-58, 8-1-2-69, 8-1-2-89, ET SEQ.

If you would like to comment for the record in this cause you must complete this form. Oral and /or written testimony is welcome (both carry equal consideration).

(PLEASE PRINT)

NAME: Debra & Morton Wolfe

ADDRESS: 4402 Rivers Edge Drive, Charlestown IN 47111

homeaddress: 6774 W. McCarthy Knob Rd. Lanesville, IN 47136

PLEASE PROVIDE THE NAME OF ANY FIRM OR ASSOCIATION YOU ARE REPRESENTING

DO YOU WISH TO VERBALLY TESTIFY? (Circle one) YES NO

I OFFER THE FOLLOWING WRITTEN TESTIMONY

(You may make both written and oral comments)

See attached

ADDITIONAL COMMENTS MAY BE PLACED ON THE BACK OF THIS SHEET

Signature: Debra d Wolfe Date 9/11/09

Comments provided in this cause are considered public records pursuant to the Indiana Access to Public Records Act (Indiana Code 5-14-3-1, *et seq.*)

Debra and Morton Wolfe
4402 Rivers Edge Drive
Charlestown, Ind 47117

IURC Cause #:43115

I feel that our little community is being severly let down by the OUCC and IURC. The Commission's mission statement is "to **assure that utilities** and others use **adequate planning** and resources for the provision of safe and reliable **utility services at reasonable cost**." Didn't President Obama just state this past Tuesday night, something to the effect that Government is in place to do for the people what is beyond what they can do for themselves"?

Based on this ideology, it must be clear through document after document, that the "Governmental System" has failed our tiny community.

Records show that there have been problems from the very beginning, starting in 1989, when the Utility failed to comply with ISDH orders to comply with construction plans.

On February 5, 2003, the IURC granted a CTA and shortly after, had the information through a site report to insist that the Utility comply. Records indicate: "*The deficiencies noted included three mounds – which are a sewage and collection system – designed to serve the development, shwn six mounds had been requested by the department of Health to serve that area.*" "*The cluster capacity is too small for the current development,* " *said a site report in 2004.*

"The cluster system appeared to be functioning adequately; however, if the cluster system is undersized, the system could fail due to hyraulic overloading in the near future."

"In addtion, the development expanded beyond the proposed capacity submitted to the Health department and included permanent residences instead of the originally proposed "RV site."

Here we are, 5 years later.....Only now in a much worse position because of the ISHD, IURC, and OUCC's inability to do for the people what is beyond what they can do for themselves.

The unlawful Utility can now walk away having earned rates year after year based upon made up facts and figures submitted to the IURC, leaving our consumers to foot the bill for what REU didn't do and the IURC didn't enforce. Look at the history within the IURC's records. The complaints go on and on.

To add insult to injury is REU's complaints that they have operated at either break even or at a loss. It is common knowledge, even to the OUCC per Mr. Pettijohn, that utility bills have never been paid on lots owned by another corporation, whose ownership is the same at REU. How much profit was loss in these missing dollars?

It is unethical that IURC, the OUCC and the ISHD is now going to allow the REU to bail out, with no recourse or legal impositions. Shouldn't they be required to clean up the mess that they have created? To make matters worse, because there are no other interested buyers we are being left to face Monopolistic rates, created by mounds that weren't built, flow meters that weren't installed, and repairs that weren't made. Why doesn't REU have to be accountable? How can the IURC even consider allowing Waste Water One to mention a 248% increase to be followed by another anticipated increase in the next 18 to 24 months for infrastructure improvements without holding REU accountable for what they have failed to do?

Please take the time to review our past and current situation. Our problems have been overlooked and unattended to for so long and we are now being forced to assume the financial burden of other's mistakes.

Your consideration and action in finding a viable solution to our delimna would greatly appreciated.

Sincerely,

Debra and Morton Wolfe

Disability Benefits Associates, LLC

3804 Pine Creek Circle · New Albany, IN 47150 · (812) 949-1344

Date: September 8, 2009

To: Consumer Services Staff; Indiana Office of Utility Consumer Counselor
115 W. Washington St., Suite 1500 South
Indianapolis, IN 46204

Fax: 317 232-5923
Phone:

From: Lynda Wilson - 502 396-5739

Pages: 2
Re: River's Edge Utility proposed rate increase
SS#:

INDIANA UTILITY REGULATORY COMMISSION PUBLIC FIELD HEARING

September 1, 2009

IURC CAUSE NO. 43115

IN THE MATTER OF THE INDIANA UTILITY REGULATORY COMMISSION'S INVESTIGATION OF MATTERS RELATED TO THE CONTINUED BUSINESS PRACTICES OF RIVER'S EDGE UTILITY, INC., IN THE STATE OF INDIANA PURSUANT TO INDIANA CODE 8-1-2-1(A), 8-1-2-58, 8-1-2-69, 8-1-2-89, ET SEQ.

If you would like to comment for the record in this cause you must complete this form. Oral and /or written testimony is welcome (both carry equal consideration).

(PLEASE PRINT)

NAME: Lynda Wilson 502 396-5739

ADDRESS: Lot # 60 / 4902 Rivers Edge Marina Charlestown, IN 47111

PLEASE PROVIDE THE NAME OF ANY FIRM OR ASSOCIATION YOU ARE REPRESENTING:

River's Edge Marina

DO YOU WISH TO VERBALLY TESTIFY? (Circle one) YES NO

I OFFER THE FOLLOWING WRITTEN TESTIMONY:

(You may make both written and oral comments) I strongly disapprove of the proposal 248% rate increase. If the increase comes to fruition, my son has suggested a similar Louisville Marina which is more cost effective. As Hoosiers we all want to support Indiana-based services. However, this significant increase will divert Indiana dollars to Kentucky. I have a 5 bedroom home and only pay approximately $20.00 monthly. Please kindly reconsider the Exhorbitant increase.

ADDITIONAL COMMENTS MAY BE PLACED ON THE BACK OF THIS SHEET

River's Edge has been our "Stay Cation"!

Signature: Lynda Wilson Date 9-9-2009

Comments provided in this cause are considered public records pursuant to the Indiana Access to Public Records Act (Indiana Code 5-14-3-1, et seq.).

In addition, it would be worthwhile to explore a group of River's Edge community property owners to purchase the utility thus lowering utility rates proportionately.

Petit 2/27/09

Wastewater One, LLC

6200 E. Highway 62, Suite 850
Jeffersonville, Indiana 47130
812-284-9243
812-280-5521 (fax)

Rivers Edge Utility, INC.
Attn: David Stone, President
4513 Stoneview Drive
Charlestown, Indiana 47111

February 18, 2009

Reference: **Proposal to Purchase Assets** of Rivers Edge Water and Wastewater Utilities

Mr. Stone:

This letter serves as an "offer" to purchase the Assets of Rivers Edge Utility, INC ("REU") located in Clark County Indiana. The "Offering Price" is $11,190.00. The assets shall include all pipes, pumps, equipment, inventory, treatment plants, two (2) 6" water wells, pumping stations, easements, land, customers, records, software, past due customer's accounts, drawings and other items necessary for the operation of the water and wastewater utilities

This Offer is contingent upon Wastewater One, LLC ("WWI") receiving approval from the Indiana Regulatory Commissions to increase Rates and Fees acceptable to WWI prior to closing. Additionally, REU shall agree to terms and conditions that will allow both present and future expansion of the Utility's including a expanded Certificate of Territorial Authority which may be granted to WWI on such land and easements of record by REU, and other easements of record that are conveyed to WWI by agreement(s) between Purchaser and Seller.

This Offer is accepted by Rivers Edge Utility, INC this 28th Day of February 2009.

David Stone
By: David Stone, President

George E. Hughes, Jr.
George E. Hughes, Jr., President

Carolyn Stone
Attested By: Carolyn Stone

Attested By: Roger W. Denny

River's Edge Utility, Inc. and
River's Edge Community, Inc.
4513 Stoneview Drive
Charlestown, Indiana 47111

April 14, 2009

Mr. George Hughes, Jr.
President
Wastewater One, LLC
6200 Highway 62 Suite 250
Jeffersonville, Indiana 47130

Reference: Letter of Understanding of Additional Terms and Conditions of the Purchase of the River's Edge Water and Sewer Utility Assets

Dear Mr. Hughes:

We, as owners and/or officers of River's Edge Utility, Inc. ("REU"), and individually and corporately as owners of real estate at River's Edge near Charlestown, Indiana that is included within REU's service area, are sending you this letter to confirm our understanding of some of the additional terms and conditions precedent for Wastewater One, LLC ("WW1") to close the purchase of water and sewer utility assets from REU (the "REU Assets"), as more particularly described in WW1's offer to purchase REU assets dated February 28, 2009, which we have accepted (the "Offer"):

1. We represent to you that:

    a. REU currently owns all of the REU Assets free and clear of any lien or encumbrance;

    b. REU operates River's Edge Water and Sewer Utility (the "Utility") subject to all applicable federal, state and local laws, rules and regulations, including without limitation, the Indiana Utility Regulatory Commission ("IURC"), Indiana Department of Environmental Management ("IDEM") and the Indiana Department of Natural Resources ("IDNR);

    c. REU holds any and all required licenses and/or permits for ownership and operation of the Utility; and

    d. The Utility currently provides water services to 104 customers, and sewer services to 90 customers at River's Edge; some of those customers receive services on a full year basis, and others receive services for only part of each year—considering the camp lot customers who use services only part of each year, there is the equivalent of about 71 customers on a year around basis who are receiving both water and sewer services.

2. We acknowledge and agree that a condition precedent to WW1's closing of the purchase of the REU Assets is that WW1, with assistance and approvals of REU and us, as required, shall first obtain IURC approval of increased basic rates, tap fees, disconnect/reconnect fees and other applicable fees ("New Rates"). We understand that the basic rates, at a minimum, are expected to be a $40 minimum monthly rate for water (for usage of up to 5,000 gallons per month) and a $40 minimum monthly rate for sewer (for treatment of up to 5,000 gallons per month), although such

increased rates may be more or less, individually and/or collectively, as approved by the IURC. We agree to and will support the New Rates.

3. Currently, River's Edge Community, Inc., aka Developer, owns RV rental camp lots with REU providing both water and sewer services for six (6) to seven (7) spring and summer months each year. REU discontinues water and sewer services on the rental camp lots when the RV is removed and/or winterized, at the end of the six (6) or seven (7) month period. Assuming that WW1 closes the purchase of the REU Assets and commences operation of the Utility, it is our understanding that WW1 will continue to provide services to River's Edge Community, Inc's rental camp lots as described in the first sentence of this Paragraph 3, except that the New Rates would be charged.

4. We understand and agree that the following, without limitation, are additional terms and conditions precedent to WW1's closing of the purchase of REU Assets:

   a. At or prior to the closing, REU and WW1 shall enter into an acquisition agreement, in a form mutually agreeable to REU and WW1, to include all of the terms and conditions of the REU Asset purchase (including without limitation, terms and conditions set forth herein, in the Offer and as otherwise required by WW1);

   b. One of the provisions of the acquisition agreement shall specify that REU and you are responsible for any and all liability for the REU Assets and the Utility operations until the closing of the REU Asset purchase by WW1, and that WW1 shall be responsible for any and all liability for the REU Assets and the Utility operations from and after any such closing date; provided further, such acquisition agreement shall provide that each of REU and WW1 shall indemnify, defend and hold harmless the other party with respect to such respective liabilities as aforesaid;

   c. At the closing, REU shall sell, grant, convey, transfer and/or assign by warranty deed, bill of sale, assignments, and/other applicable transfer documents as applicable, free of any lien or encumbrance, except for unpaid current real estate taxes, prorated to the date of closing, each of the following to WW1:

      i. All of the REU Assets, including without limitation:

         1. Any and all lift stations; two (2) six inch water wells; six inch water well sites; pump stations; treatment plants; pumping stations; mound systems; and/or sewage disposal systems, together with all real estate upon which improvements are installed and real estate used for the operation of such improvements (such real estate shall be described in an survey, prepared to Alta standards, acceptable to WW1, at its discretion);

         2. Any and all pipes; pumps; equipment; inventory; customer lists, agreements, correspondence and records; customer accounts receivable, including billing records and other information pertaining thereto; all REU records and computer software pertaining to the Utility and its operations; and any and all as built and other drawings pertaining to the REU Assets and/or the Utility;

3. Any and all pipes, fittings, manholes, pumping stations; valves, meters, equipment and/or other improvements that are included in the sewage collection system and in the water distribution system;

4. Any and all other assets, easements, licenses and/or permits of REU that WW1, at its discretion, determines that it needs for the ownership and operation of the Utility; and

5. All easements and rights-of way for sewage collection lines, and easements and rights-of way for water distribution lines.

ii. The Certificate of Territorial Authority ("CTA") and/or any and all other permits, licenses, easements and/or approvals necessary for WW1 to own and operate the Utility.

d. In the acquisition agreement, REU and you shall agree to terms and conditions that will allow both present and future expansion of the Utility, including an expanded CTA to include REU's and/or your owned, leased or controlled land and/or easements and rights-of way that are not being conveyed to WW1 as part of the REU Asset purchase.

5. This letter of understanding is supplemental to the Offer, and not a replacement of the Offer.

6. We are anticipating a closing as soon as possible after IURC's approval of (i) New Rates acceptable to WW1, and (ii) transfer of ownership of the Utility, permits and/or licenses from REU to WW1.

Sincerely yours,

David Stone
President of River's Edge Utility, Inc.Individually and Co-Owner of River's Edge Community, Inc.

Carolyn Stone
Secretary/Treasurer of River's Edge Utility, Inc.
Individually and Co-Owner of River's Edge Community, Inc.