

**ORIGINAL**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC. FOR )  
APPROVAL OF (A) A WATER INFRASTRUCTURE )  
IMPROVEMENT CHARGE ("WIIC") PURSUANT TO )  
IND. CODE CHAP. 8-1-31; (B) A SEWER )  
INFRASTRUCTURE IMPROVEMENT CHARGE )  
("SIIC") PURSUANT TO IND. CODE SHAP. 8-1-31; (C) )  
NEW RATE SCHEDULE REFLECTING THE WIIC )  
AND SIIC; AND (D) INCLUSION OF THE COST OF )  
ELIGIBLE INFRASTRUCTURE IMPROVEMENTS IN )  
ITS WIIC AND SIIC )

CAUSE NO. 44646

APPROVED:

OCT 07 2015

ORDER OF THE COMMISSION

**Presiding Officers:**

**James F. Huston, Commissioner**

**Aaron A. Schmoll, Senior Administrative Law Judge**

On June 30, 2015, Twin Lakes Utilities, Inc. ("Petitioner" or "Twin Lakes") prefiled with the Indiana Utility Regulatory Commission ("Commission") its Petition and the testimony and attachments of Brian N. Halloran and Bruce T. Haas in support of its request for approval of a new water improvement infrastructure charge and new sewer infrastructure improvement charge pursuant to Indiana Code ch. 8-1-31. Petitioner's proposed infrastructure improvement charges reflect costs incurred to make certain improvements to its water distribution and sewer collection systems. On July 24, 2015, the Lakes of the Four Seasons Property Owners' Association ("LOFS") filed its petition to intervene, which was granted by the Presiding Officers at the evidentiary hearing.

On July 30, 2015, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its report pursuant to Indiana Code § 8-1-31-9 and 170 I.A.C. 6-1.1-5(a) consisting of the testimony of OUCC utility analysts Greg A. Foster and James T. Parks. On July 30, 2015, LOFS filed the testimony of Rick Cleveland, Community Manager of LOFS. On August 12, 2015, Petitioner filed a Stipulation and Settlement Agreement between the OUCC and Petitioner ("Settlement Agreement") along with the settlement testimony of Mr. Halloran. Also on August 12, 2015, the OUCC filed the settlement testimony of Mr. Foster.

The Commission conducted a public evidentiary hearing in this Cause on August 25, 2015, at 9:30 a.m. in Room 222 of the PNC Center, Indianapolis, Indiana. At the hearing, the Settlement Agreement and prefiled evidence of Petitioner, LOFS, and the OUCC were offered and admitted into the record of this proceeding without objection. No members of the public appeared or participated in the evidentiary hearing.

Having considered the evidence and being duly advised, the Commission now finds:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public hearing in this Cause were given and published as required by law. Twin Lakes is a “public utility” as defined in Indiana Code § 8-1-2-1 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. Pursuant to Ind. Code Chapter 8-1-31, the Commission has authority to review a utility’s request for distribution system and collection system infrastructure improvement charges.<sup>1</sup> This Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner’s Characteristics.** Petitioner is a wholly-owned subsidiary of Utilities, Inc., which owns over 70 systems providing utility service to approximately 266,000 customers in 15 states. Petitioner owns, operates, manages, and controls plant and equipment that are used and useful in the provision of water and sewer services in Lake and Porter Counties, Indiana. Petitioner currently serves approximately 3,100 water and sewer customers.

3. **Petitioner’s Direct Evidence.** Mr. Halloran, Financial Analyst II for the Midwest Region of Utilities, Inc., testified in support of Petitioner’s proposed infrastructure improvement charges. He explained how the proposed infrastructure improvement charges will operate and described the improvements Petitioner proposed to include in each charge. He testified that the improvements included with this filing include non-revenue producing projects placed in service between April 1, 2013, and May 31, 2015, that were not included in Petitioner’s last rate case, Cause No. 44388. He provided rate schedules and proposed tariff sheets implementing Petitioner’s proposed water infrastructure improvement rate of \$0.22 per thousand gallons and sewer infrastructure improvement charge of \$2.83. He stated the resulting percentage revenue increases for the water and sewer infrastructure charges are 3.22% and 5.66%, respectively, both of which are less than the 10% cap on such charges.

Mr. Haas, Vice President of Operations for the Midwest Region of Utilities, Inc., supported the various projects included in the proposed infrastructure improvement charges. He sponsored Petitioner’s Exhibit BTH-1, which provides project information, including project type, work order number, date placed in service, account number and total cost incurred. He explained that none of the project investments have been included in rate base in prior rate cases. He explained that the projects included in this Cause are either replacement or reinforcement infrastructure and described the general nature of the types of work included. Mr. Haas stated that all of the work identified on Petitioner’s Exhibit BTH-1 corresponds to items eligible for inclusion in Petitioner’s proposed infrastructure improvement charges.

4. **OUC’s Report.** Mr. Foster testified regarding the purpose behind the DSIC statute and his review of Petitioner’s evidence. He stated that Petitioner failed to present sufficient evidence to support approval of its water and sewer infrastructure charges, and therefore Petitioner’s request should be denied. He also expressed concern with the inclusion of capitalized time and certain sewer assets that may not be eligible for inclusion in the infrastructure improvement charges. Mr. Foster identified one project, the Sewer Capital Improvement project, which he said Petitioner had provided through discovery responses cost support in the amount of \$625,519.32.

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<sup>1</sup> We note that subsequent to the filing of this Petition, Petitioner was merged into Community Utilities Indiana, Inc. pursuant to the Commission’s July 8, 2015 Order in Cause No. 44587.

Mr. Parks testified that emergency repairs of water main and service line breaks should not be considered distribution plant projects eligible for inclusion in the infrastructure improvement charge. He discussed the process by which Petitioner repairs leaks to its distribution system and expressed concern about the amount of capitalized time included in Petitioner's request. He explained that further applications for infrastructure improvement charges should be based on distinct collection or distribution system plant projects that are well described and for which sufficient support is provided.

5. **LOFS Testimony.** Mr. Cleveland testified regarding the history of sewer discharges in LOFS, going back to at least 1991. He said the problems include sewage backups in basements, sewage overflows from manholes and experiences of low water pressure. He cited a number of prior Commission orders involving Petitioner and stated that despite efforts taken by Petitioner, sewer discharges are still a problem in the LOFS community. He stated that so far in 2015, LOFS has encountered surcharging manholes on two dates, involving three separate manholes.

Mr. Cleveland expressed concern that Petitioner's water treatment facility may not be able to accommodate and treat flows in heavy rain events. He said he is also concerned about Petitioner's recent indication that it is willing and able to serve additional customers within its certificated area when it is not able to adequately serve LOFS. He said that Petitioner should not add any new customers until it has remedied the longstanding problems experienced in LOFS.

Mr. Cleveland said that, taken as a whole, these concerns result in a negative impact on the LOFS community. He said he shares the longstanding concern of many residents that the continued instances of sewer overflows is diminishing property values and making a home at LOFS undesirable for prospective purchasers. He said that LOFS believes it is fundamentally unfair for its residents to pay higher rates to Petitioner when Petitioner is not providing reasonably adequate or reliable service to its customers. He said that, at a minimum, Petitioner should be required as a condition of receiving any rate increase to replace or repair its system in reasonable, measurable increments that eliminate the sewage overflows. He said the Commission should also order, as a condition of the rate increase, that Petitioner properly size its facilities to avoid discharges of untreated water into nearby waterways. He further recommended that Petitioner be required to restore landscaping to damaged property within 14 business days after the completion of Petitioner's work, which should only be extended by one business day for every day where rain totals exceed one-half inch. Mr. Cleveland asked that the Commission require Petitioner to solve these decade-old sewer discharge problems and require Petitioner to eliminate further discharges from its water treatment facility.

6. **Petitioner's Rebuttal.** Mr. Haas responded to Mr. Cleveland's concerns related to the integrity of the water and sewer systems and discussed the significant investments and improvements made by Petitioner to address these concerns.

Mr. Haas stated that Petitioner has made a number of changes and improvements in the water system to improve the quality of service, including the development of a unidirectional flushing program, hydrant maintenance program, valve exercise program, upgrades to the water treatment plants, and replacement of filter media, along with continuous updates to Petitioner's flushing procedures within the system. With respect to the wastewater system, Mr. Haas explained that following the Order in Cause No. 43128 S1, Petitioner implemented the Sewer Capital

Improvement Program that is being utilized today. This program includes the annual cleaning and televising of a minimum of 10% of the wastewater collection system. Video results and documentation are provided to TLUI from the contractor, along with plans for replacements and remediation to sections of the collection system. This includes work regarding the reduction of inflow and infiltration (“I&I”), as well as any other issues that may be identified during these investigations. He said Petitioner provides semi-annual reports on the status of this work to the Commission, OUCC, and LOFS.

Mr. Haas stated that Petitioner is going beyond merely televising its sewer system by using RedZone Robotics technology to produce a web-based GIS map of the entire sanitary collection system, which will allow Petitioner to take a more proactive approach towards eliminating I&I.

With respect to the recent surcharging manhole events discussed by Mr. Cleveland, Mr. Haas explained that Petitioner is continuing to work diligently to reduce and eliminate such flows through its Sewer Capital Improvement Program. He said that these specific incidents have been due to record amounts of rainfall experienced in the spring and summer of 2015, and that June was the fourth-wettest month on record since 1895. He said part of eliminating I&I is also dependent on the effectiveness of ditches and culverts directing storm water away from areas where Petitioner’s critical assets are located. He said Petitioner will continue to work with LOFS to help mitigate these issues in the future.

Mr. Haas described some steps that could be taken to alleviate these concerns and the potential for complaints from the community and capital costs that would be recoverable in future rates. He noted that Petitioner is not only in compliance with the requirement that it inspect, televise and pressure clean at least 10% of its sewer collection system annually, but has gone beyond that to complete the inspection of all manholes located with the LOFS collection system.

Mr. Haas described the ongoing communication between Petitioner and LOFS related to these issues, including periodic meetings with various LOFS personnel to discuss work being done in the community, updates to ongoing activities and future scheduled work.

7. **Settlement Agreement.** Mr. Halloran sponsored the Settlement Agreement and provided an overview of its key terms. He explained that the Settlement Agreement resolves all disputed matters between Petitioner and the OUCC pending before the Commission and provides for a water DSIC charge in the amount of \$0.14 per 1,000 gallons and a monthly wastewater infrastructure improvement charge in the amount of \$2.36 per customer. Mr. Halloran also identified the specific adjustments Petitioner and the OUCC agreed to for purposes of the OUCC Settlement Agreement to arrive at the proposed water and wastewater infrastructure improvement charges.

In response to the OUCC’s concerns regarding the level of detail provided by Petitioner, Mr. Halloran testified that the OUCC and Petitioner have agreed to work collaboratively to develop a mutually-agreeable framework for the presentation of future DSIC filings. He said Petitioner will present its evidence in a format that allows for the ability to identify all costs associated with any one project for which Petitioner is seeking DISC recovery. In addition, he said Petitioner agrees to implement a process to easily identify all capitalized time associated with each project, and will provide a general outline of its plans to replace distribution infrastructure in the next five years.

Mr. Halloran stated that adhering to the framework presented in the Settlement Agreement will provide the OUCC with greater transparency and assistance during the auditing process under the expedited DSIC timeframe. He stated that the Settlement Agreement is the result of serious negotiations and bargaining, with the OUCC and Petitioner evaluating the issues and ultimately reaching a compromise in the public interest to resolve the disputed issues. He testified Petitioner also participated in several conference calls with OUCC counsel and staff to work through the various issues in this case in order to reach a mutually agreeable position. He testified the OUCC Settlement Agreement serves the public interest and should be approved.

Mr. Foster of the OUCC provided testimony in support of the Settlement Agreement. He testified that through its discovery efforts the OUCC was satisfied that a portion of the costs requested for both collection system and distribution system improvements should be considered both eligible and reasonable for purposes of settlement. He said that after Petitioner's agreement to withdraw all capitalized time for purposes of settlement, the OUCC's substantive objections to including the costs associated with the planned Sewer Improvement Program were addressed. For purposes of settlement, he said the OUCC's procedural issues were addressed prospectively by Petitioner's agreement to adhere to certain evidentiary requirements in future cases.

Mr. Foster described the agreed-upon presentation of future infrastructure improvement charge requests, as set forth in detail in the Settlement Agreement. He also described the benefits of the agreed procedural framework, which include more transparency for the OUCC and Commission, which he said is particularly important under the expedited timeframe of these cases. He said that under the Settlement Agreement, the initial burden of proof regarding infrastructure improvement surcharge eligibility and reasonableness of the cost will remain the responsibility of the Petitioner. Moreover, he said compliance with the procedural requirements described in the Settlement Agreement is not intended to constitute a waiver or admission by the OUCC that the cost of any particular job or project is eligible, reasonable, or should otherwise be included in a utility's rate base. He opined that the Settlement Agreement is in the public interest and should be approved.

**8. Commission Discussion and Findings.** Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406. Further, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 I.A.C. 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest. We address these issues below.

A. Evidence Supporting Settlement Agreement. In the instant case, the OUCC initially raised concerns regarding the level of detail presented by Petitioner. While those concerns

were subsequently resolved through discussions between the OUCC and Petitioner and ultimately resulted in the Settlement Agreement, no additional evidence was offered by Petitioner to address the initial concerns over the lack of evidence in support of Petitioner's DSIC projects presented for our approval. As noted above, a settlement must be supported with sufficient evidence. For a settlement involving proposed DSIC charges, the record evidence supporting the settlement must meet the statutory requirements and comply with the applicable Commission rules for DSIC.

Indiana Code § 8-1-31-9(d) provides that if the Commission finds a petition complies with the requirements of Ind. Code ch. 8-1-31, the Commission shall enter an order approving the petition. Here, the record evidence demonstrates that, as modified by the Settlement Agreement, Petitioner has complied with the requirements of Ind. Code ch. 8-1-31 with respect to its collection system projects. However, as noted in the OUCC's initial testimony, we find Petitioner failed to provide the requisite information in conformance with 170 IAC 6-1.1 for its distribution projects.<sup>2</sup> Specifically, under 170 IAC 6-1.1-5(a)(1), Petitioner did not adequately describe the DSIC project or set forth the age of retired plant. In addition, while Mr. Haas did discuss replacing future infrastructure on an "as-needed" basis, this does not adequately reflect an appropriate infrastructure replacement plan as set forth at 170 IAC 6-1.1-5(a)(6).

Further, as noted by OUCC witness Parks, we find that the invoices included by Petitioner in support of its distribution improvements appear to represent infrastructure repairs, which are not appropriate for DSIC recovery as they are not "eligible distribution system improvements." Eligible improvements are "projects," which implies that the replacements were made as part of a planned process in order to improve the distribution system. *See also* 170 IAC 6-1.1-5(a)(6) (setting forth the supporting documentation a utility shall include, including a statement and outline for planned replacements over the next five years). Emergency repairs such as those at issue here are made as a reaction to a plant failure, not part of a predetermined planning process. Petitioner's base rates include some level of repair expense to cover ongoing repairs such as those proposed for recovery in this Cause.

Accordingly, we find that the evidence was sufficient to support Petitioner's proposed collection infrastructure improvement charges as described in the Settlement Agreement, but was insufficient to support the proposed distribution infrastructure improvement charges.

B. Other Settlement Terms. The Settlement Agreement provides a framework for future DSIC filings that will assist the OUCC in conducting its review of infrastructure improvement charge requests made by Petitioner within the required deadlines. The framework set forth within the Settlement Agreement is detailed and designed to provide clear guidance as to the level of detail Petitioner will provide in future filings. This framework provides the Commission with reasonable assurance that the issues raised by the OUCC in its initial report will not be an issue going forward.

C. Modification of Settlement. Upon review of the evidence of record, we find the terms of the Settlement Agreement, other than those related to the distribution system charge, are supported by the evidence and represent a reasonable resolution of the issues presented to the Commission. The Commission further finds that the terms of the Settlement Agreement, as

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<sup>2</sup> We note that 170 IAC 6-1.1 has not yet been updated to address collection projects.

modified herein, are reasonable, and the approval of the Settlement Agreement to be in the public interest. Therefore, the Commission finds the Settlement Agreement should be approved as modified. Our decision related to the infrastructure improvement charges is set forth below.

D. Infrastructure Improvement Charge Requirements. Indiana Code ch. 8-1-31 authorizes the Commission to approve infrastructure improvement charges in order to allow a utility to adjust its basic rates and charges to recover a pre-tax return and depreciation expense on eligible water distribution system and wastewater collection system improvements. With respect to public utilities, Ind. Code § 8-1-31-5 defines eligible infrastructure improvements as new, used and useful water or wastewater utility plant projects that:

- (a) do not increase revenues by connecting the distribution or collection system to new customers;
- (b) are in service; and
- (c) were not included in the public utility's rate base in its most recent general rate case.

Under Ind. Code § 8-1-31-6, the rate of return allowed on eligible infrastructure improvements is equal to the public utility's weighted cost of capital. Unless the Commission finds that such determination is no longer representative of current conditions, Ind. Code § 8-1-31-12 provides that the cost of common equity to be used in determining the weighted cost of capital shall be the most recent determination by the Commission in a general rate proceeding of the public utility.

E. Calculation of the Infrastructure Improvement Charges. Pursuant to the Settlement Agreement, as modified above, Petitioner and the OUCC have agreed that Petitioner's net investor supplied additions subject to infrastructure improvement surcharge rate calculation for wastewater is \$625,519. The revenue requirement is based on a weighted average cost of capital of 8.258% and a cost of equity of 9.8%. This equates to a wastewater infrastructure improvement surcharge of \$2.36 per customer per month, to increase annual wastewater revenues by \$87,608.

The evidence shows that all of the improvements included in the modified Settlement Agreement are in service and will not result in the addition of new customers to Petitioner's system. As such, we find they are eligible for inclusion in a DSIC. The Commission finds, therefore, that Petitioner should be authorized to implement a sewer infrastructure improvement charge of \$2.36 per customer per month.

F. Reconciliation of Petitioner's Infrastructure Improvement Charges. Petitioner should be prepared to reconcile the infrastructure improvement charges approved by this Order in the manner prescribed by Indiana Code § 8-1-31-14 and 170 I.A.C. 6-1.1-8. Under Indiana Code § 8-1-31-14, at the end of each 12-month period an infrastructure improvement charge is in effect the difference between the revenues produced by the infrastructure improvement charge and the expenses and the pre-tax return reflected in it should be reconciled. This difference should be refunded or recovered, as the case may be, through adjustment of the infrastructure improvement charge.

G. Presentation of Future Infrastructure Improvement Filings. Pursuant to the Settlement Agreement approved herein, Petitioner shall submit future infrastructure improvement

charge filings in conformity with the framework set forth in Paragraph 3 of the Settlement Agreement, or such other framework as the Settling Parties may collaboratively develop.

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

I. LOFS' Concerns. The evidence reveals that on August 18, 2015 eight or nine LOFS residents experienced sewage backing up into their homes. Tr. at 32. When shown a map of three such addresses, Mr. Haas admitted that the backups were spread throughout the footprint of LOFS. Tr. at 36. As far back as 1991, this Commission has issued orders designed to end these sewage backups.

When asked how the Petitioner will fix the problems of sanitary sewer overflows and overflows, Mr. Haas stated the Petitioner is in year 6 of its 10 year capital improvement program to clean, televise, and inspect its sewer facilities. Tr. at 40. With regard to the three manholes that overflowed in 2015, Mr. Haas stated that plans are under way to reroute flows around those manholes. Tr. at 41. Mr. Haas admitted that the Petitioner did not have a plan to reroute the flows prior to the August 2015 sanitary sewer overflows. Tr. at 44.

In response to these recent sanitary sewer overflows, LOFS has requested a subdocket to address these ongoing concerns. We have previously initiated a subdocket in Cause No. 43128 S1 to address similar issues, and in fact, sanitary sewer overflows at the same manholes that recently overflowed. As part of that subdocket, Petitioner is televising and smoke testing 10 percent of its system annually. Petitioner is also providing semi-annual reporting of the inspections and improvements it is making to its collection system. While it is troubling that sanitary sewer overflows are reoccurring at the same manholes at issue in Cause 43128, Petitioner's system is an older gravity system prone to inflow and infiltration issues. We also note that the recent sanitary sewer overflows occurred during a statistically historic rain event. We believe that Petitioner is making the appropriate improvements in its collection system based on the reports filed under Cause No. 43128 S1. Accordingly, we decline LOFS's request for another subdocket. However, we do believe that Petitioner needs to improve the communication of its planning with LOFS, and direct Petitioner to meet with LOFS on a quarterly basis to discuss any issues with Petitioner's water or wastewater systems, and provide LOFS any filings made to IDEM related its collection system.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:**

1. The Settlement Agreement between OUCC and Petitioner is approved as modified above.
2. A wastewater infrastructure improvement charge of \$2.36 per customer per month is approved for Petitioner.

3. Prior to placing into effect the wastewater infrastructure improvement charge, Petitioner shall file with the Water/Sewer Division of the Commission an appendix to its schedule of rates and charges for wastewater service reflecting the wastewater infrastructure improvement charge shown in Settling Parties' Ex. 1.

4. The above-authorized infrastructure improvement charges shall be subject to reconciliation as described in Paragraph 6(C) above.

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

**STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR; MAYS-MEDLEY ABSENT:**

**APPROVED:      OCT 07 2015**

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



**Brenda A. Howe  
Secretary to the Commission**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

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OF ELIGIBLE INFRASTRUCTURE )  
IMPROVEMENTS IN ITS WIIC AND SIIC )**

**STIPULATION AND SETTLEMENT AGREEMENT**

Petitioner Twin Lakes Utilities, Inc. (“TLUI,” “Twin Lakes” or “Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”) (collectively the “Settling Parties”), stipulate and agree for the purposes of resolving the issues in this Cause to the terms and conditions set forth below (which terms and conditions and the exhibits attached thereto are collectively referred to herein as the “Settlement”).

1. With respect to its collection system infrastructure improvement charge, TLUI agrees to withdraw its request to include amounts associated with “1345 - Sewer Force Main”, “1365 - Flow Measuring Devices”, and “1380 - Pumping Equipment”, as well as, the amounts of interest during construction and capitalized time associated with the Sewer Improvement Project. This withdrawal is without prejudice, and TLUI retains the right to seek recovery of such amounts under other recovery mechanisms in a subsequent proceeding subject to all defenses the OUCC may seek to raise. The resulting adjustments reduce the Petitioner’s net investor supplied collection system infrastructure additions by \$124,529. The adjusted additions that are subject to

the collection system infrastructure improvement charge rate calculation for wastewater becomes \$625,519.

2. With respect to its distribution system infrastructure improvement charge (DSIC), TLUI agrees to withdraw its request to include amounts associated with “1125 – Transmission & Distribution Mains,” as well as the amounts associated with capitalized time in its DSIC surcharge calculation. This withdrawal is without prejudice, and TLUI retains the right to seek recovery of such amounts under other recovery mechanisms in a subsequent proceeding subject to all defenses the OUCC may seek to raise. The resulting adjustments reduce the Petitioner’s net investor supplied DSIC additions by \$119,093. The adjusted additions that are subject to the DSIC rate calculation for water becomes \$195,787.

3. Approval of Water and Wastewater Infrastructure Improvement Charges. As shown in the accounting schedules attached hereto as Exhibit 1, the Settling Parties stipulate and agree that a water DSIC in the amount of \$0.14 per 1,000 gallons, designed to produce revenues of \$26,442, should be approved. The Settling Parties further agree that a wastewater infrastructure improvement charge in the amount of \$2.36 per customer, designed to produce revenues of \$87,608, should be approved. The Settling Parties agree that approval of the requested infrastructure improvement charges does not constitute a waiver by either party as to what types of projects may be considered eligible or ineligible for infrastructure improvement charge treatment in subsequent filings.

4. Presentation of Future Infrastructure Improvement Charge Requests. The Settling Parties agree to work collaboratively to develop a mutually-agreeable framework for the

presentation of future infrastructure improvement charge requests. Such framework would incorporate the following principles:

- (a) For any petition for infrastructure improvement charge, Twin Lakes shall provide as a workpaper, contemporaneous with its case-in-chief, all invoices for jobs or projects on which the requested infrastructure improvement charge is based. All invoices shall be grouped or segregated by job so that anyone reviewing the application may readily identify all costs associated with a particular job or project. Every job or project, the cost of which is requested to be included in an infrastructure improvement charge, shall be identified and all costs associated with the job or project shall be identified. Jobs shall be identified by nature of the project, initiation date, completion date, location, and materials used. The filing shall also identify and quantify for each project or job the cost of site restoration.
- (b) All costs associated with a particular job, the costs of which are sought to be included in an infrastructure improvement charge, shall be included in an excel document which shall be writable, sortable by job, and included with Twin Lakes' workpapers.
- (c) Any claim for "capttime" shall identify the particular job or project associated with the "capttime" as well as the number of hours associated with the project, the name of the personnel providing the hours, the cost per hour, and the nature of the work performed. A determination of compliance with this subsection is not a per se determination that the claimed "capttime" is eligible, reasonable, or otherwise qualifies to be included in Twin Lakes' infrastructure improvement charges. The OUCC retains all legal defenses that may be raised to any request to include "capttime" in infrastructure improvement charges.
- (d) All retirements for any project or job, the cost of which is requested to be included in an infrastructure improvement charge, shall be tied to the project or job. The application shall state the age of the plant that is being retired, its net original cost, the date of the retirement, and the associated job or project. For each project or job requested to be included in an infrastructure improvement charge, Twin Lakes shall set forth a description of the project, an explanation of why the project is needed, and the benefits resulting to the Twin Lakes and its customers upon completion.
- (e) In accordance with 170 IAC 6-1.1-5(a)(6), Twin Lakes shall include in its case-in-chief a general outline of its plans to replace distribution and collection system infrastructure in the next five years.
- (f) Subject to other defenses that may be raised, the OUCC agrees compliance with the provisions of this section meets the requirements of 170 IAC 6-1.1-5(a) (1) and (6).

- (g) The expression of the requirements in this section shall not be deemed a waiver of any other evidentiary requirement. The requirements of this section shall be in addition to any other proof otherwise required by law to make a case for an infrastructure improvement charge.
- (h) Agreement by the OUCC in any subsequent case that Twin Lakes has complied with the requirements described in this section shall not be construed as a waiver or admission by the OUCC that any cost of any particular job or project included in that case is eligible, reasonable, or should otherwise be included in Twin Lakes' infrastructure improvement charge. To that end, the OUCC retains all other legal defenses that may be raised to any claim for infrastructure improvement charge.

In the absence of the parties establishing a framework for the presentation of future infrastructure improvement charge requests, the foregoing provisions of this section shall serve as that framework.

5. Use of the Settlement. The Settling Parties shall support this Settlement before the Commission and request that the Commission expeditiously accept and approve the Settlement. If the Settlement is not approved by the Commission without amendment, the Settling Parties agree that the terms thereof shall not be admissible in evidence or in any way discussed in any proceeding. Moreover, the concurrence of the Settling Parties with the terms of the Settlement is expressly predicated upon the Commission's approval of the Settlement without amendment. If the Commission alters the Settlement in any material way or imposes additional obligations on Petitioner not contemplated in the Settlement, the Settlement shall be deemed withdrawn unless that alteration is unanimously consented to by the Settling Parties in writing. In that event, an informal attorneys' conference will be promptly scheduled where a procedural schedule will be fixed for the processing of the balance of this Cause. The Settling Parties expressly reserve all of their rights, including the right to present appropriate evidence, in the event this Cause is required to be litigated.

The Settling Parties agree to file testimony in support of this Settlement, which shall be offered into evidence without objection and the Settling Parties hereby waive cross-examination. The Settling Parties agree that the evidence in support of this Settlement constitutes substantial evidence to support this Settlement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact or conclusions of law necessary for the approval of this Settlement, as filed. The Settling Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible.

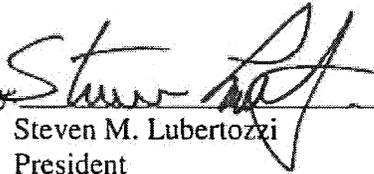
If the Settlement is approved by the Commission, the Settling Parties agree that the terms of the Settlement are intended to represent a resolution by compromise of the issues in this Cause and are not intended to be precedential. The Settling Parties further agree that the provisions of the Settlement may never be deemed an admission by any of the Settling Parties and may never be used against any of the Settling Parties in subsequent regulatory or other Commission proceedings, except to the extent necessary to enforce the Settlement.

The Settling Parties stipulate and agree that the Settlement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that either of the Settling Parties may take with respect to any issue or item whether or not resolved herein, in any future regulatory or other proceeding.

6. The undersigned have represented and agreed that they are fully authorized to execute this Stipulation and Settlement Agreement on behalf of their designated clients who will be bound thereby.

Twin Lakes Utilities, Inc.

Date: 8/12/15

By:   
Steven M. Lubertozzi  
President

OFFICE OF UTILITY CONSUMER  
COUNSELOR

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Daniel M. LeVay,  
Assistant Consumer Counselor

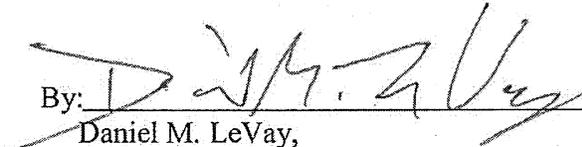
Twin Lakes Utilities, Inc.

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Steven M. Lubertozi  
President

OFFICE OF UTILITY CONSUMER  
COUNSELOR

Date: 8/12/15

By:   
Daniel M. LeVay,  
Assistant Consumer Counselor





SCHEDULE OF RATES AND CHARGES FOR SEWAGE SERVICE  
Service Territory Formally Known as Twin Lakes Utilities Inc.  
(Lake and Porter Counties, Indiana)

Appendix A – Distribution System Improvement Charge (DSIC)

The Distribution System Improvement Charge (DSIC) set forth on this schedule is applicable where clearly denoted on other rate schedules, and shall be added to the volumetric rates billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

DSIC (per month).....\$2.36

SCHEDULE OF RATES AND CHARGES FOR WATER SERVICE  
Service Territory Formally Known as Twin Lakes Utilities Inc.  
(Lake and Porter Counties, Indiana)

Appendix A – Distribution System Improvement Charge (DSIC)

The Distribution System Improvement Charge (DSIC) set forth on this schedule is applicable where clearly denoted on other rate schedules, and shall be added to the volumetric rates billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

DSIC (per 1,000 gallons).....\$0.14