

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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VERIFIED APPLICATION OF HANCOCK RURAL)
TELEPHONE CORPORATION D/B/A NINESTAR)
CONNECT ("NINESTAR CONNECT") FOR)
AUTHORIZATION AND APPROVAL OF)
(1) NINESTAR CONNECT TO PROVIDE WATER)
AND SEWAGE DISPOSAL UTILITY SERVICES IN)
PARTS OF RURAL HANCOCK COUNTY,)
INDIANA; (2) THE SALE AND TRANSFER OF A)
UTILITY PLANT AND ASSETS OF SUGAR CREEK)
UTILITY COMPANY, INC. AND PHILADELPHIA)
WATER WORKS, LLC TO NINESTAR CONNECT)
AND THE ASSOCIATED ASSET PURCHASE)
AGREEMENTS; (3) THE TRANSFER OF THE)
INDETERMINATE PERMITS AND CERTIFICATES)
OF TERRITORIAL AUTHORITY OF SUGAR)
CREEK AND PHILADELPHIA WATER TO)
NINESTAR CONNECT; (4) TO THE EXTENT)
NECESSARY AND REQUIRED, TARIFFS, RATES,)
CHARGES AND RULES AND REGULATIONS FOR)
SUCH SERVICES TO BE RENDERED BY)
NINESTAR CONNECT; (5) CONSENT TO THE)
BOARDS OF COMMISSIONERS OF ALL INDIANA)
COUNTIES TO GRANT NINESTAR CONNECT)
SUCH LICENSES, PERMITS OR FRANCHISES AS)
MAY BE NECESSARY FOR NINESTAR CONNECT)
TO USE COUNTY ROADS, HIGHWAYS, OR)
OTHER PROPERTY, PURSUANT TO IND. CODE)
§36-2-2-23, AS NEEDED TO RENDER SUCH)
SERVICES; AND (6) SUCH OTHER)
AUTHORIZATIONS AND APPROVALS)
ASSOCIATED THEREWITH)

CAUSE NO. 44776

APPROVED: AUG 24 2016

ORDER OF THE COMMISSION

Presiding Officers:

Angela Rapp Weber, Commissioner

David E. Veleta, Administrative Law Judge

On April 15, 2016, Hancock Rural Telephone Corporation d/b/a NineStar Connect ("NineStar Connect") filed with the Indiana Utility Regulatory Commission ("Commission") its Verified Application initiating this Cause. The Verified Application requests the Commission approve: (1) NineStar Connect to provide water and sewage disposal utility services in parts of rural Hancock County, Indiana; (2) the sale and transfer of the utility plant and assets of Sugar

Creek Utility Company, Inc. (“Sugar Creek”) and Philadelphia Water Works, LLC (“Philadelphia Water Works”) to NineStar Connect and the associated asset purchase agreements; (3) the transfer of the indeterminate permit and the certificate of territorial authority (“CTA”) of Sugar Creek to NineStar Connect; (4) to the extent necessary and required, tariffs, rates, charges, and rules and regulations for such services to be rendered by NineStar Connect; (5) consent to the Board of Commissioners of all counties to grant NineStar Connect such licenses, permits, or franchises as may be necessary for NineStar Connect to use county roads, highways, or other property, pursuant to Ind. Code § 36-2-2-23, to render such services; and (6) such other authorizations and approvals associated therewith.

On May 20, 2016, Western Hancock Utilities, LLC (“Western Hancock”) filed its Motion to Intervene, which the Commission granted on June 2, 2016.

On May 23, 2016, NineStar Connect filed the direct testimony and exhibits of Michael R. Burrow, James Frazell, and Earl L. Ridlen III in support of its Verified Application.

On July 15, 2016, NineStar Connect and Western Hancock filed their Stipulation and Settlement Agreement resolving all issues between those parties. On July 25, 2016, NineStar Connect and the Indiana Office of the Utility Consumer Counselor (“OUCC”) filed their stipulation and settlement agreement resolving the remaining issues in this Cause. Also, on July 15, 2016, NineStar Connect filed the supplemental direct testimony and exhibits of Michael R. Burrow and James Frazell in support of the settlements described above. On July 25, 2016, the OUCC filed the settlement testimony and exhibits of Scott A. Bell in support of the settlements described above.

An Evidentiary Hearing was held in this Cause on August 8, 2016, at 9:30 a.m. in Room 222, 101 W. Washington Street, Indianapolis, Indiana. NineStar Connect, Western Hancock, and the OUCC were present and participated in the Hearing. The verified testimony and exhibits of NineStar Connect and the OUCC was admitted into the record without objection. No members of the general public attended or sought to testify. The Commission, having considered the evidence in this Cause, now finds:

1. Notice and Commission Jurisdiction. Notice of the public hearing conducted by the Commission in this Cause was given and published by the Commission as required by law.

NineStar Connect is subject to the jurisdiction of the Commission to the extent provided by laws of the State of Indiana, including certain provisions of the Public Service Commission Act, as amended. NineStar Connect and Sugar Creek are each considered a “public utility” within the meaning of that term in Ind. Code § 8-1-2-1. Under Ind. Code §§ 8-1-2-83 and 84, the Commission has jurisdiction over the transfer of utility property with regard to the Sugar Creek transaction, and the application for the provision of water utility service is subject to the jurisdiction of the Commission pursuant to Ind. Code ch. 8-1-2. The provision of sewage disposal service in rural areas of Hancock County, as proposed by NineStar Connect, is subject to approval of the Commission and its jurisdiction pursuant to Ind. Code § 8-1-2-89. Therefore, the Commission has jurisdiction over the Verified Application and the subject matter of this Cause.

2. **NineStar Connect's Characteristics.** NineStar Connect is a rural electric and communications services cooperative created on January 1, 2011, with the merger of former Hancock Rural Telephone Corporation d/b/a Hancock Telecom ("Hancock Telecom") and Hancock County Rural Electric Membership Corporation d/b/a Central Indiana Power ("Central Indiana Power") pursuant to Ind. Code ch. 8-1-17.5 ("Merger Statute") and does business under the assumed business name NineStar Connect. NineStar Connect is a tax-exempt cooperatively owned utility that currently provides electric energy and communications services to its approximately 18,000 members in rural areas of Indiana, including Hancock County. Pursuant to the Merger Statute, NineStar Connect has all the rights, powers, privileges, immunities, and exemptions of a local district corporation under Ind. Code ch. 8-1-13 ("REMC Act") and local cooperative corporation under Ind. Code ch. 8-1-17 and is considered to be both. Pursuant to Ind. Code § 8-1-13-9, NineStar Connect has a corporate purpose formed to provide and render service to and for the benefit of its members. "Service" is defined, under the REMC Act, to mean:

the furnishing of energy or other utility services incidental to the development, operation or maintenance of utility infrastructure and the rendering of related engineering, financial, accounting, economic development or community development services, or educational services and related materials or equipment assisting in the establishment and maintenance of better communication between corporations and their members or any of the same.

Ind. Code § 8-1-13-3(m). As such, NineStar Connect is authorized to provide water and sewage disposal services in rural Hancock and other counties subject to the approval of this Commission.

3. **NineStar Connect's Direct Evidence.**

A. **Michael R. Burrow.** Mr. Burrow, President and CEO of NineStar Connect, testified in support of the Verified Application. As the President and CEO of NineStar Connect, Mr. Burrow is the chief executive officer and is responsible for all of the day-to-day operations of its rural cooperative electric and communications services utility and its 115 employees, including planning, developing, and implementing its business objectives, strategies, and goals. He also serves as the primary representative and spokesman for the company and the overall development of the proposed water and sewage disposal utility operations.

Mr. Burrow described how, approximately four years ago, the NineStar Connect Board of Directors began evaluating why economic development in general, and new investment in particular, was not throughout the cooperative's service territory given the fact that NineStar Connect had widespread fiber-to-the-premises and ubiquitous power available. The Board of Directors and management spent months engaging various economic development professionals and developers in order to better understand why Hancock County was the slowest growing of the doughnut counties of Marion County. Mr. Burrow testified that these experts agreed that the lack of widespread sanitary sewer and public water infrastructure greatly impeded Hancock County's ability to grow and promote outside investment and that the only areas of growth were those served by a water and sewer provider. Thereafter, NineStar Connect spent several months engaged in discussions with various water and sewer providers exploring whether any would be interested in

expanding or creating new service areas in rural portions of Hancock County or, alternatively, partnering with NineStar Connect to do so. Mr. Burrow testified that nothing moved forward as a result of these discussions; however, NineStar Connect is still in discussions with neighboring water and sewage disposal utilities to utilize some of their excess capacity where it makes economic sense and better serves the ratepayer. As an example, Mr. Burrow stated that, if wholesale treatment rates are affordable, it likely would make more sense to serve the outer edges of NineStar Connect's proposed service territory by connecting to a neighboring utility's sewage disposal treatment plant if it is physically closer than one of NineStar Connect's proposed treatment plants.

Mr. Burrow also testified that, during this same period, NineStar Connect found numerous instances of current residents and even a public school that have had their private wells test positive for contaminants that are hazardous to human health, as well as many occurrences of residential septic systems failing or improperly discharging into field tiles, county ditches and streams, creating a potential public health hazard. Mr. Burrow further testified that, from publicly available materials, he learned that there are an estimated 200,000 failing septic systems in Indiana.

Mr. Burrow testified that NineStar Connect's billing systems allow for the billing of both water and sewage disposal services at no additional costs and that NineStar Connect has the built-in back office capacity to add these "wet" utility services at little or no additional fixed overhead costs. Based on these considerations, the NineStar Connect Board of Directors voted on December 17, 2015, to pursue expanding its cooperative service offerings to water and sewer.

Mr. Burrow testified that NineStar Connect's desire was not to start from scratch if it could avoid doing so. It entered into negotiations with the owners of both Sugar Creek and Philadelphia Water Works to acquire their assets and customers, which would form a basis to expand the water and sewage disposal services within the service area granted to NineStar Connect by the Hancock County Regional Water and Sewer District.

Mr. Burrow testified that the Sugar Creek Asset Purchase Agreement ("Sugar Creek APA") contemplates NineStar Connect receiving all of the assets of Sugar Creek pertaining to its provision of water and sewage disposal services, including real property, a sewage disposal treatment plant, other equipment and systems, supplies, contracts, permits, accounts receivable, and other intangible assets. The Sugar Creek APA also contemplates NineStar Connect assuming the unpaid liability to the Indiana State Revolving Fund ("SRF") for money loaned to Sugar Creek for upgrades to its water distribution system; a small cash payment for certain real estate and easements, and in-kind credits for future water and sewer services at the Heartland Resort, which is currently owned by Mr. John Salis, who is also the owner of Sugar Creek. One area to be serviced is currently being served by Sugar Creek, including the Riley Village neighborhood, which consists of 76 homes, and the Heartland Resort campground and its associated main office building, a public meeting building and an RV campground. Those in-kind credits expire within 60 months or upon the sale of Heartland Resort by Mr. Salis, whichever occurs first. Mr. Burrow's stated in his supplemental testimony that NineStar Connect and Sugar Creek amended the Sugar Creek APA to, among other things, reduce the repayment credits from 60 months to 24 months.

Mr. Burrow further testified that the Sugar Creek system provides both water and sewage disposal services. The sewage disposal system includes sanitary sewer collection lines, a lift station, and a 60,000 GPD package sewage disposal treatment plant. NineStar Connect has performed extensive due diligence in accordance with the Sugar Creek APA, including recent televising of the lines in Riley Village. While currently operational, the sewage disposal plant does require repairs and improvements to assure NineStar Connect can adequately serve the current and future customers. Those improvements will also satisfy some deficiencies identified by the Indiana Department of Environmental Management (“IDEM”). NineStar Connect’s plan for the area is to replace the package sewage disposal treatment plant with a regional lift station and connect that to a new 100,000 GPD sewage disposal treatment plant that would be constructed on land, which is part of the assets purchased from Philadelphia Water Works. A new sewer force main would be built to make the connection from the lift station down to the treatment plant. Homes along the construction path could then be served as well.

Mr. Burrow explained that the water facilities at Sugar Creek include two wells and pressure tanks at Heartland Resort and distribution lines in Riley Village. NineStar Connect proposed to install a new pressure tank and add a liquid sodium hypochlorite feed to provide disinfection treatment to improve the quality of the water to Riley Village. Mr. Burrow also testified that NineStar Connect is in negotiations with the City of Greenfield for the potential purchase of wholesale water. Mr. Burrow has been advised Greenfield has excess capacity of treated water, but does not currently have a wholesale rate established, and NineStar Connect would be its first wholesale customer. If an agreement with Greenfield can be reached, NineStar Connect’s plan is to serve Riley Village and the surrounding area with the purchased water.

Mr. Burrow also sponsored the Philadelphia Water Works Asset Purchase Agreement (“PWW APA”). Under the PWW APA, NineStar Connect will pay a cash sum to the owners for the assets of the utility, which include approximately 11 acres adjacent to Sugar Creek just north of U.S. 40 in Hancock County, a previously drilled high-volume water well, various easements and engineering studies, and other work product created when Philadelphia Water Works petitioned the Commission for a CTA. Mr. Burrow testified that the existing well in the community of Philadelphia has the capacity to produce approximately 350 gallons per minute and would be capable of providing water to the planned subdivision and additional homes in the area. Mr. Burrow also testified that NineStar Connect could also serve the Philadelphia Water Works area with treated water purchased from Greenfield depending upon how ongoing discussions with Greenfield develop. Otherwise, NineStar Connect’s plan is to utilize the existing well, drill a second well, and add treatment and pressurization facilities on 11 acres.

Mr. Burrow testified that the new sewage disposal treatment facility and water wells, along with wholesale water from Greenfield in the Philadelphia Water Works area, will provide sufficient capacity for near- and mid-term future requirements of NineStar Connect. He further testified that the plan is to service customers as they request service and that it makes economic sense to the utility system (water, sewage disposal, or both) as a whole to do so. These assets are necessary for NineStar Connect to be able to begin providing affordable water and sewage disposal services within the territory and provide a basis for NineStar Connect to grow these services to other areas within the territory.

Mr. Burrow explained how, on March 1, 2016, after a public hearing, NineStar Connect was assigned by the Hancock County Regional Water and Sewer District the exclusive right to provide water and sewage disposal services to the areas described in the Verified Application. The Hancock County Regional Water and Sewer District approval was sponsored by Mr. Burrow. Mr. Burrow further explained that NineStar Connect intends to serve the area, which can be described as divided into three parts.

The second area proposed to be served is the area which the Commission previously granted to Philadelphia Water Works under Cause No. 43063 and is described in the Verified Application as the PWW Area, which currently does not have any customers receiving service. Mr. Burrow testified that Philadelphia Water Works was originally created by a developer who had plans for a subdivision containing 133 homes. However, the lots will not be sold nor homes built until there is infrastructure in place to provide water and sewage disposal services. Adjacent to this proposed planned housing development is Wildwood Estates, a rural subdivision with more than 200 homes. Mr. Burrow testified that most of the houses in this neighborhood were built in the 1960s and 1970s, and all of them have private wells and septic systems. He stated that, given the age of these existing septic systems, many homeowners in the area may be faced with replacing or repairing their septic systems in the future. Also within the PWW Area is the small unincorporated town of Spring Lake, which consists of 98 homes. Mr. Burrow testified that these homes also have private wells and septic systems, and there have been instances of failed septic systems in this area.

Finally, NineStar Connect plans to provide service in certain remaining areas of rural Hancock County, which are not the Sugar Creek Area or PWW Area. However, pursuant to the Settlement Agreement with Western Hancock, NineStar Connect has agreed to move its western territory boundary to the centerline of Hancock County Road 300 West.

The towns within the boundaries of the requested area include Mohawk, Maxwell, and Eden. The Sugar Creek, Philadelphia Water Works, and remaining service areas are described in the Verified Application as Service Area, and as amended by the Settlement Agreement with Western Hancock, constitute the entirety of the area in which NineStar Connect intends to provide water and sewage disposal utility services ("Service Area"). Within the Service Area there have been cases of failed septic systems and homes that do not have proper septic and/or finger systems in place. As any new residential, commercial and industrial development opportunities arise, Mr. Burrow advises that NineStar Connect intends to expand facilities to those locations. Mr. Burrow testified that the availability of water and sewage disposal services within the Service Area is expected to be a prerequisite for any significant economic development within these areas of Hancock County.

B. Earl L. Ridlen III. Mr. Ridlen, a Certified Public Accountant at London Witte Group LLC ("LWG"), presented and sponsored financial information indicating that NineStar Connect is financially capable of purchasing the assets of Sugar Creek and Philadelphia Water Works and providing water and sewage disposal utility services within the Service Area. Using cost estimates and time of expenditures from the Triad Associates, Inc. Ten-Year Wastewater Plan ("Wastewater Plan") and Water System Plan ("Water Plan") sponsored by

NineStar Connect witness James Frazell, LWG developed a rate structure and timing plan to fund required capital costs and operating expenses for pro forma period.

Mr. Ridlen explained that the Sugar Creek APA provides multi-tiered purchase process that includes a payment to the owner of Sugar Creek in the amount of \$43,500 and assumption of the current debt obligation to the SRF of approximately \$221,000. Under the Sugar Creek APA, NineStar Connect would provide sewer services to Heartland Resort, where it will be billed, but a credit would be applied for service. Mr. Ridlen further explained that the terms of the transaction are still under negotiation, but at the time it is not believed that the current amounts are subject to increase. Mr. Ridlen testified that NineStar Connect would also expend approximately \$528,795 in capital improvements necessary to bring the current system to necessary operating requirements.

Mr. Ridlen explained, with respect to Philadelphia Water Works, that NineStar Connect is paying \$250,000 as consideration for approximately 11.5 acres of real estate, all the equipment and other associated personal property, supplies and disposals associated with utility operations, all permits and rights to provide water and sewage disposal utility service that Philadelphia Water Works might possess, all documents associated with the operation of the utility, equipment and assets that have been installed for the water and sewage disposal utility service, easement rights, and all other assets of the utility operations. Mr. Ridlen testified he was not aware of any additional incidental costs for NineStar Connect related to the purchase of the Philadelphia Water Works assets.

Mr. Ridlen explained that in order to finance the purchase of the Sugar Creek and Philadelphia Water Works assets, NineStar Connect will invest funds redeemed from historical investments into the Sugar Creek and Philadelphia Water Works assets. The investment will be made to spur economic growth in the area, which will ultimately benefit the current members of NineStar Connect and new water and wastewater members. The additional capital improvements will be financed using long-term debt in order to spread the capital expenditures over the life of the assets being acquired. Mr. Ridlen explained that NineStar Connect is also in discussions with the United States Department of Agriculture (“USDA”) regarding available grant funds that would be used to invest in this development and that a significant portion of the additions could be funded from this source.

Mr. Ridlen testified that the costs associated with providing services in the Service Area are commercially reasonable. He testified and sponsored exhibits showing that NineStar Connect will be able to make all necessary capital improvements and purchase commitments required and will cover the associated operating costs of running the water and sewage disposal service utilities in the Service Area with the cash flow from ratepayers. The current projections show a cumulative net operating loss over the first ten years for the water and wastewater divisions’ operations. Mr. Ridlen explained that this loss is based primarily on depreciation expense from the required investments, and that, during this period, there is no projected cash loss for the new water and wastewater divisions. He explained that in order to provide service to a previously unserved area, significant investments must be made in deploying the system and this necessarily must be made before revenue is generated from the customers. The depreciation associated with the system produces difficulties in showing a profitable endeavor in the immediate term while maintaining a reasonable rate charged to the members. Mr. Ridlen further testified that given NineStar Connect’s

established financial position, it is able to obtain the financing necessary to make the investments without the water or wastewater division producing a profit. Mr. Ridlen further explained that, although the water and wastewater divisions are not producing a margin due primarily to depreciation expense, a proposed rate revenue generator will adequately cover the cash basis requirements of the utility in the immediate term, which ensures that the members using the service will be fully funding the capital operating expenditures and this will allow for growth over time to occur providing a profitable and self-sustaining utility.

Mr. Ridlen testified that NineStar Connect will finance capital expenditures as necessary by obtaining long-term debt in order to spread the impact to rates over the life of the assets. NineStar Connect plans to seek financing from all available sources and pursue any and all avenues possible to hold the debt costs as low as possible. Mr. Ridlen testified that, as an electric and communications service provider, NineStar Connect has access to capital markets not available to all other sewer and water utilities. Equity contribution from redemption and current investments will be used for a portion of the purchase price. NineStar Connect is currently pursuing grant funds from USDA and believes that it may receive approximately \$4,000,000 in order to develop the water and wastewater divisions.

Mr. Ridlen testified the rates and tariffs currently utilized by Sugar Creek are sufficient for NineStar Connect to continue providing services in the Sugar Creek area for at least the foreseeable future. Mr. Ridlen sponsored Exhibit ELR-4, which identifies rates and tariffs currently utilized by Sugar Creek. The initial 12-month period following the purchase of Sugar Creek's assets and transfer of Sugar Creek's indeterminate permit and CTA to NineStar Connect, NineStar Connect believes that a sewer rate of \$65 per equivalent dwelling unit ("EDU") per month and a water rate of \$45 per EDU would be adequate to service the Sugar Creek service area. Mr. Ridlen testified that NineStar Connect is projecting that the service could be provided in the area not currently served by Sugar Creek for a period of ten years with a per-month sewer rate of \$65 per EDU and a per-month water rate of \$45 per EDU. NineStar Connect would require a one-time system development charge of the sewer customers for each EDU equal to \$3,500 and a system development charge of \$1,200 for each EDU on the water customers, which will be used to fund system improvement requirements.

Mr. Ridlen testified that NineStar Connect has the financial capability to purchase Sugar Creek's assets and the assets in the area not currently served by Sugar Creek and can also provide water and sewage disposal service in the areas requested in the Verified Application consistent with the Wastewater Plan and Water Plan for providing water and sewage disposal utility service in the requested area.

Finally, Mr. Ridlen testified that a personal guarantee or personal financial statement from a principal of NineStar Connect is not necessary because NineStar Connect is a cooperative with an established financial history.

C. James Frazell, P.E. Mr. Frazell provided testimony and exhibits regarding his oversight of the development of plans and reports, as well as the acquisition of permits, for supply, treatment, and distribution of water and collection, transportation, and treatment of wastewater by NineStar Connect in the Service Area. Such plans and reports included the

Wastewater Plan and Water Plan. The Wastewater Plan was developed based upon NineStar Connect's purchase of the assets of Sugar Creek and Philadelphia Water Works and certain wastewater treatment assets of Greenfield-Central Community School Corporation ("Greenfield Schools"), as well as the securing of financing for the planning, design, permitting, and construction of new sanitary sewer infrastructure within the Service Area.

The Wastewater Plan describes the Sugar Creek system as a network of sanitary sewer lines, manholes, and a wastewater treatment plant capable of treating 60,000 gallons per day ("GPD"). The system currently serves a 76 single family residential development called Riley Village and a campground known as Heartland Resort. The residents of Riley Village currently pay a flat rate of \$48.27 per month per EDU for sanitary sewer services and \$44.40 per EDU for water service from Sugar Creek. The Wastewater Plan states that the average daily flow rate at Sugar Creek's wastewater treatment plant is approximately 30,000 gallons per day ("GPD"), with approximately 20,000 gallons per day ("GPD") coming from Riley Village and the remaining flow coming from Heartland Resort.

The Wastewater Plan sponsored by Mr. Frazell describes the Sugar Creek system as experiencing difficulty in meeting IDEM requirements due to inflow and infiltration during rain events. The Wastewater Plan states that NineStar Connect has recently expended \$19,995 to televise Sugar Creek's collection system, which has revealed the need to line the system in order to prevent inflow and infiltration during rain events. In addition, the Wastewater Plan states that the Sugar Creek treatment plant and lift station need repairs in order to efficiently operate. Mr. Frazell's Wastewater Plan provides that NineStar Connect will commence such repairs within the first year of its operation of the Sugar Creek system. Projected repair costs include \$307,195 for lining and \$221,600 for treatment plant repairs. Years 1 and 2 expected operating costs of the Sugar Creek system are projected in the Wastewater Plan as \$58,200.

In addition, upon obtaining financing, NineStar Connect plans to construct a main regional lift station on the Sugar Creek site and remove the Sugar Creek package plant from service. The new lift station will pump flows to a new regional wastewater treatment facility that NineStar Connect intends to construct on 11.5 acres purchased from Philadelphia Water Works. According to the Wastewater Plan, this project is intended to be financed in Year 2 of NineStar Connect's operation of wastewater service and put into operation in Year 3.

The Wastewater Plan sponsored by Mr. Frazell also describes NineStar Connect's proposed purchase of Greenfield Schools's wastewater treatment assets, including a 20,000 GPD package plant at Maxwell Middle School and a 10,000 GPD package plant at Eden Elementary School. The Maxwell Middle School plant is in good condition, has a 30-year expected life, and could be operated for approximately 15 years with minimal capital expense. It currently has an average daily flow of 6,000 gallons and has the potential to serve additional customers in the area, including a new manufacturing facility planned for the area that will need treatment of about 1,800 gallons of flow per day, according to the Wastewater Plan. The Eden Elementary School plant would not be capable of serving any additional capacity. It has a reasonable useful life expectancy of nine years.

Mr. Frazell explained that at the time of NineStar Connect's filing of its Verified

Application, the Wastewater Plan states that the terms of NineStar Connect's purchase of Greenfield Schools's assets were being negotiated, and the costs associated with operating and maintaining these facilities will become part of NineStar Connect's annual expenses. The Wastewater Plan states that annual operating costs are expected to total approximately \$42,000. The Wastewater Plan stated that the Maxwell Middle School plant would operate either until its capacity reaches about 90 percent or until NineStar Connect receives financing to construct a new Maxwell Regional Wastewater Treatment Plant and remove the Maxwell Middle School plant from service. The Eden Elementary School plant will remain in service until such time as NineStar Connect receives financing to build new sanitary sewers to the community of Eden. Then, a regional lift station will be constructed in Eden with flow pumped to the Maxwell Regional Wastewater Treatment Plant during Years 8 through 10 according to the Wastewater Plan.

Following the purchase of the above-described assets, the Wastewater Plan sponsored by Mr. Frazell describes future projects planned by NineStar Connect within the Service Area. As described above, the first project planned by NineStar Connect according to the Wastewater Plan is to construct a regional lift station at the site of the current Sugar Creek treatment plant and a new wastewater treatment plant on property purchased from Philadelphia Water Works. This project also will serve a planned 133-home community called the Falls of Philadelphia, which is expected to be constructed over a period of approximately ten years and is dependent upon NineStar Connect's provision of sewer services in this area, according to the Wastewater Plan. Mr. Frazell estimates the total cost of this project to be \$3,660,996, including \$841,720 for pumping and transmission and \$2,087,077 for a new treatment plant.

The Wastewater Plan describes a planned project for Year 3 that would involve constructing gravity sewers, a main lift station and a force main to convey flow from the unincorporated community of Mohawk at a cost estimated by Mr. Frazell to be \$2,106,630. The Wastewater Plan describes a planned project for Year 4 that would utilize individual grinder pump stations and small diameter pressure piping to convey flow from 206 homes in Wildwood Estates that are all on individual septic systems at a cost estimated by Mr. Frazell to be \$2,339,425. The Wastewater Plan describes a planned project for Year 5 that would add treatment capacity of up to 200,000 gallons per day to the Philadelphia Regional Wastewater Treatment Plant at a cost estimated by Mr. Frazell to be \$2,337,500.

In Year 6, the Wastewater Plan provides for a project that would involve the construction of a regional lift station and force main to pump flow from the unincorporated town of Spring Lake, which consists of 98 homes presently served by individual septic systems. Mr. Frazell estimates the cost of this project to be \$2,259,080. In Year 7, the Wastewater Plan provides for a project that would provide sanitary sewers to a residential area south of Spring Lake consisting of 69 homes served by individual septic systems at an estimated cost of \$1,308,430. In Year 8, the Wastewater Plan provides for a project that would provide sanitary sewers to an area of homes and small businesses north of Spring Lake at an estimated cost of \$2,064,760. As described above, new sanitary sewers for the community of Eden are planned for Year 8 at an estimated cost of \$1,653,438, according to the Wastewater Plan. Finally, the Wastewater Plan calls for the installation of sewers in Maxwell and construction of a new Maxwell Regional Wastewater Treatment Plant, as described above, in Year 10 at an estimated cost of \$5,879,289.

Mr. Frazell also sponsored the Water Plan, which assumes that, due to the proximity of the Service Area to the City of Greenfield, connecting to Greenfield's water mains will be the most financially feasible method of obtaining plentiful and safe water on a wholesale purchase basis. The Water Plan describes two specific areas that will need water service in the immediate future. Riley Village and Heartland Resort, which currently make up Sugar Creek's territory and currently receive water from two shallow wells. There is no water treatment system and marginal disinfection system, and there have been complaints of water quality issues and no fire suppression capability, according to the Water Plan. In the Water Plan, Mr. Frazell stated that Sugar Creek has an existing loan with a balance of \$220,000 through the SRF, and that the SRF is willing to work with NineStar Connect to connect its facilities with the City of Greenfield. Currently, Riley Village water customers pay slightly more than \$45 per month for 4,000 gallons of water; this is the threshold level for grant assistance from the SRF, according to the Water Plan. The Water Plan states that extending water mains beyond these areas will be a matter of future demand along the County Road 300 East and State Road 9 corridors to serve Maxwell, Twin Oaks and Eden. NineStar Connect will hold meetings with property owners in these areas to determine demand. The Water Plan states that NineStar will seek funding for extension of service at such time as demand requires it and that anticipated user rates will be approximately \$45 for 4,000 gallons. Mr. Frazell estimates the total cost of connecting to the City of Greenfield's water system for the Riley Village/Heartland Resort area to be \$1,055,110.

Finally, the Water Plan provides for connection to the City of Greenfield's water system for the planned community known as the Falls of Philadelphia. The Water Plan provides for service via a water main extension along U.S. 40 from Greenfield with water purchased by NineStar Connect on a wholesale basis from Greenfield. The developers of the Falls of Philadelphia will construct water mains within the development, which is on a 10-year build-out plan. Mr. Frazell estimates the total cost of connecting to the Greenfield's water system for the Falls of Philadelphia to be \$607,443. According to the Water Plan, other areas within the Service Area, including Spring Lake, Wildwood Estates and the Philadelphia U.S. 40 corridor, are expected to request water service in the future.

Mr. Frazell stated that the Wastewater Plan and Water Plan are high-level plans, and NineStar Connect intends to have more detailed plans developed once it obtains a CTA and indeterminate permit for the Service Area. Mr. Frazell testified that the projects as currently planned are technically feasible based on practical engineering planning and design considerations relative to topography, distances, practical service and treatment configuration, and efficiencies of construction, such as depths of buried piping, water tables, highway and creek crossings, and rational cost estimates. NineStar Connect can adequately serve the Service Area with the purchase of Sugar Creek's and PWV's assets.

Mr. Frazell testified that it would be beneficial to the public convenience and necessity for the Commission to authorize the transfer of Sugar Creek's indeterminate permit and CTA to NineStar Connect because NineStar Connect's financial and technical expertise and utility experience would ensure that customers would receive uninterrupted service. Also, NineStar Connect has plans to rectify issues related to an IDEM Agreed Order concerning Sugar Creek's wastewater plant violations. NineStar Connect has planned improvements within the Wastewater Plan and Water Plan that would enhance the ability to provide wastewater and water service to the

area without notable rate increases. Any improvements to the water and wastewater infrastructure in the area would spur economic development, which would benefit, among others, NineStar Connect's current members.

Mr. Frazell testified that NineStar Connect does not currently need any approvals or permits to serve the Service Area. If the Commission grants the requested CTA and indeterminate permits, NineStar Connect will be required to receive construction permits from IDEM for all capital expenditures that add or change supply or treatment capabilities. A National Pollutant Discharge Elimination System permit will be required to be updated or obtained as the system evolves, and that additional construction permits may be required from the Indiana Department of Transportation, Indiana Department of Natural Resources or Hancock County in the future. Mr. Frazell testified that he had discussed with IDEM the necessity of completing a new compliance plan under the Agreed Order for Sugar Creek and that the ability to prepare and submit an accurate timeline to IDEM for inclusion in such compliance plan was critical.

Finally, Mr. Frazell testified that, to his knowledge, no other entity is providing water or wastewater utility service in the areas within the Service Area. He testified that it would be beneficial to the public convenience and necessity for the Commission to grant a CTA and indeterminate permit for the Service Area outside the Sugar Creek service area when other utilities have been unable and willing to solve environmental issues with current sewage disposal methods and provide suitable water to the unserved areas of Hancock County.

4. Settlement Evidence.

A. NineStar Connect. Mr. Burrow testified the Stipulation and Settlement Agreement with Western Hancock arose out of negotiations concerning the western territorial boundary that NineStar Connect had proposed to serve for sewage disposal utility services. Mr. Burrow testified that the Stipulation and Settlement Agreement with the OUCC was reached after several face-to-face meetings, telephone communications and a site visit by the OUCC.

Mr. Burrow testified that the Stipulation and Settlement Agreement with Western Hancock established the western boundary for sewage disposal service at Hancock County Road 300 West north of Interstate 70. The Settlement Agreement with Western Hancock did not affect the proposed water service area as proposed in the application according to Mr. Burrow.

Mr. Burrow also testified that NineStar Connect entered into a separate Stipulation and Settlement Agreement with the OUCC to establish both the sewage disposal service area as described above and the water utility service area to be served by NineStar Connect.

Mr. Burrow said that the OUCC has agreed that NineStar Connect has the lawful power and authority to obtain a certificate and operate proposed services; has the financial ability to install, commence, and maintain the services; and the public convenience is served by NineStar Connect's sewage disposal service in the rural areas as outlined in the Settlement Agreement. The OUCC and NineStar Connect are recommending that the Commission issue an order granting a CTA for sewage disposal service and an indeterminate permit for the water utility service for the areas described in the settlement agreements.

Mr. Burrow also testified that NineStar Connect and the OUCC have agreed and stipulated that the asset purchase agreements for the assets and utilities (including the existing CTA) from Sugar Creek as well as those assets and utility-related facilities from Philadelphia Water Works be approved as reasonable. According to Mr. Burrow, the OUCC and NineStar Connect have stipulated that the sale and transfer of the utility plant and assets from those two entities, pursuant to the asset purchase agreements, are reasonable and in the public convenience and necessity.

As for the rates to be charged under the Stipulation and Settlement Agreement with the OUCC, Mr. Burrow stated that NineStar Connect will apply Sugar Creek's existing rates without an increase for a period of 12 months for water customers and for sewage customers served by the Sugar Creek beginning on the date of initial operations of those facilities. NineStar Connect has further committed to an initial charge of \$65.83 per EDU per month for Greenfield Schools's Maxwell Intermediate School and Eden Elementary School, the proposed concrete manufacturing plant in Center Township, and future customers served off of the plants serving the Greenfield Schools.

Mr. Frazell testified regarding the methodology for developing the sewage disposal rate of \$65.83 per EDU per month for the Greenfield Schools and the concrete manufacturing facility near Maxwell. Mr. Frazell explained that NineStar Connect has agreed to purchase two package sewage treatment plants, equipment, rights, and permits ("Package Plants") from Greenfield Schools that are able to service approximately 97 EDUs at full capacity. These Package Plants will be used to provide sewage disposal service to the Greenfield Schools and the concrete plant. Based on due diligence, Mr. Frazell described how Triad Associates, Inc. estimated the remaining life of the equipment to be approximately 13 years. The purchase price for the Package Plants is \$450,000. When the purchase price is amortized over the remaining life of the equipment of 13 years, the result is \$2,885 per month. Mr. Frazell testified that this purchase cost plus the approximate \$3,500 per month of operating expense, totals \$6,385. When this amount is divided by the capacity of 97 EDUs the result is a rate of \$65.83 per EDU per month. Mr. Frazell testified that a based on the Greenfield Schools' historical sewage disposal usage, 34% of the capacity was used to determine the rate of \$2,172.06 per month total for the Greenfield Schools. The concrete plant is estimated to have a usage equal to 6 EDUs per month, and therefore the rate is estimated to be \$394.92 per month.

Mr. Burrow also testified that NineStar Connect and the OUCC have agreed on the establishment of the following non-recurring water utility charges: (1) Water System Development Charge of \$1,200; (2) Water Connection Fee of \$800; and (3) Bad Check Charge of \$25.00, and the following sewage disposal non-recurring charges: (1) Sewer System Development Charge of \$3,500; (2) Sewer Connection Fee of \$300; and (3) Bad Check Charge of \$25.00.

Per the terms of the Stipulation and Settlement Agreement with the OUCC, Mr. Burrow said that NineStar Connect will operate its sewage disposal and water utilities pursuant to the Commission's Rules for the provision of water, 170 IAC 6-1, and sewage disposal service, 170 IAC 8.5, as may be amended from time to time.

Finally, Mr. Burrow testified that the NineStar Connect and the OUCC request and

recommend to the Commission that NineStar Connect be granted authority to use and occupy county roads, highways, and other property pursuant to Ind. Code § 36-2-2-25.

B. OUCC. Scott A. Bell, Director of the OUCC Water/Wastewater Division, testified on behalf of the OUCC in support of the grant of authority NineStar Connect has requested in its Verified Application subject to the terms of the Stipulation and Settlement Agreement with the OUCC and in support of the rates and charges NineStar Connect has requested in this Cause.

Mr. Bell testified that he and other OUCC representatives met with NineStar Connect representatives to discuss NineStar Connect's plans to provide water and sewage disposal services and conduct an on-site field inspection of the water and wastewater facilities that NineStar Connect proposes to acquire. Mr. Bell also reviewed NineStar Connect's direct testimony and discovery responses.

Mr. Bell testified that NineStar Connect seeks Commission approval to provide sewage disposal utility service in the territories granted to Sugar Creek and Philadelphia Water Works and in other parts of rural Hancock County, Indiana, although he notes that Philadelphia Water Works's CTA has been revoked. Mr. Bell testified that the transfer or granting of a CTA by the Commission would grant NineStar Connect the authority to provide sewage disposal services within the territory requested and that, pursuant to Ind. Code § 8-1-2-89(a)(4), a CTA shall be deemed an indeterminate permit unless expressly conditioned otherwise by the Commission when issued. Mr. Bell further testified that Ind. Code § 8-1-2-89 sets forth the requirements for the Commission to grant NineStar Connect's requested CTA, which include the following findings by the Commission: 1) that NineStar Connect has lawful power and authority to apply for the CTA and operate the proposed service; 2) that NineStar Connect has the financial ability to install, commence and maintain the proposed service; and 3) that public convenience and necessity require the rendering of the proposed service by NineStar Connect.

Mr. Bell testified that NineStar Connect has provided sufficient evidence to support its contention that it has the lawful power and authority to apply for a CTA. NineStar Connect has stated that it is a tax-exempt cooperatively owned utility providing retail electric and communications services to its members and that it has the lawful authority to provide water and sewage disposal services within Indiana. NineStar Connect has also stated that it is organized pursuant to Ind. Code ch. 8-1-17.5-1 *et seq.*, which authorizes it to provide water service. In its response to the OUCC's Data Request 1.1, NineStar Connect provided additional information related to its lawful authority to provide sewage disposal services under Ind. Code ch. 8-1-17.5 and other statutes referenced therein. Mr. Bell included NineStar Connect's response to the OUCC's Data Request 1.1 as Attachment SAB-1 to his testimony. Mr. Bell testified that NineStar Connect's evidence supports its contention that it has the legal authority to provide sewage disposal service and that the OUCC did not dispute such assertion.

Mr. Bell testified that NineStar Connect provided sufficient evidence that it has the financial ability to provide sewage disposal service and that the OUCC did not dispute such assertion. Specifically, NineStar Connect provided its consolidated financial statements for 2014 and 2015 and a projected ten-year statement of cash flows for both the water and wastewater utilities.

Mr. Bell testified that NineStar Connect provided sufficient evidence to support its contention that public convenience and necessity require the rendering of sewage disposal service in the proposed rural area. NineStar Connect has stated that it will be acquiring the failing Sugar Creek system, as well as two other small treatment plants from the School, and will be able to make improvements to those systems. NineStar Connect has also stated that two-thirds of Hancock County has no utility providing sewage disposal service and that the County has experienced instances of failing or improperly installed private septic systems. Finally, as Mr. Bell testified, NineStar Connect has stated that granting the CTA will provide existing homeowners and businesses with access to sewage disposal service and will promote economic growth and enhance existing and future home values.

Mr. Bell's testimony also explained the state of the failing Sugar Creek system, which remains under an Agreed Order with IDEM that was approved February 2, 2015, and is attached to Mr. Bell's testimony as Attachment SAB-2. The Agreed Order identifies violations of Sugar Creek's National Pollutant Discharge Elimination System ("NPDES") permit and requires Sugar Creek to develop and submit a Compliance Plan. As a result of additional violations, Mr. Bell testified, IDEM required Sugar Creek to submit an additional action plan by November 2015, which outlines additional compliance measures. Mr. Bell testified that he has found no evidence that Sugar Creek submitted an additional action plan or has complied with the Agreed Order. He testified that, during his site visit to Sugar Creek, he found no evidence that the deficiencies cited in the Agreed Order had been corrected. Mr. Bell testified that NineStar Connect is aware of the Agreed Order and existing deficiencies and had described plans for improving Sugar Creek's operations and bringing it back into compliance.

Mr. Bell testified that, in order to apply for a CTA or expand an existing CTA, NineStar Connect must comply with the Commission's rules as set forth in 170 IAC 8.5-3-1. He further testified that NineStar Connect has substantially complied with the rules that are applicable to its Verified Application and that the Commission should approve the transfer of Sugar Creek's CTA to NineStar and the grant of a CTA to cover the areas as modified by NineStar Connect's settlement agreement with Western Hancock, as filed in this Cause. Mr. Bell testified that the OUCC has no objection to the modification to requested territory as set out in the settlement agreement between NineStar Connect and Western Hancock.

Regarding NineStar Connect's proposed water service, Mr. Bell testified that there is a need for water service in NineStar Connect's proposed territory. Specifically, there is a need to continue providing service to the existing customers of Sugar Creek, which number approximately 78 residential and one commercial customer. In addition, NineStar Connect has indicated that developers of The Falls of Philadelphia, a 133-home development, have expressed interest in obtaining water utility service. Mr. Bell testified that NineStar Connect provided a water system plan for providing this service to existing and future customers. The plan involves connecting to the City of Greenfield's water system and abandoning Sugar Creek's existing supply source. NineStar Connect has identified the town of Spring Lake, Wildwood Estates development, and Philadelphia area corridor as other areas that may request water service in the future.

Mr. Bell testified that NineStar Connect has the technical and managerial capacity, as well

as the legal authority to provide water service. He testified that NineStar Connect's evidence indicates that it has retained the necessary technical expertise by employing an engineering firm to determine necessary improvements and that it has provided sufficient support for its legal authority to provide water utility service in response to the OUCC's Data Request 1.1, as described herein. In addition, Mr. Bell testified that NineStar Connect has provided sufficient evidence to support its contention that it has the financial ability to install, commence and maintain water service, including the consolidated financial statements and project ten-year statement of cash flows, as referenced herein. The OUCC does not dispute NineStar Connect's contention that it has the financial ability to provide water service. Finally, Mr. Bell testified that it is in the public interest for NineStar Connect to provide water utility service and that the OUCC recommends that NineStar Connect be granted approval of a certificate of convenience and necessity to provide such service.

Mr. Bell testified that NineStar Connect plans to provide water and sewage disposal service at the same rates charged by Sugar Creek and to establish non-recurring charges or fees for both the water and sewage disposal utilities. Specifically, NineStar Connect proposes to establish the following non-recurring charges for water service: (1) water system development charge of \$1,200; (2) water connection fee of \$800; and (3) bad check charge of \$25. NineStar Connect proposes to establish the following non-recurring charges for sewage disposal service: (1) sewer system development charge of \$3,500; (2) sewer connection fee of \$300; and (3) bad check charge of \$25. Mr. Bell testified that NineStar Connect had provided cost justification and support for such non-recurring charges as part of the response to the OUCC's data requests and that the OUCC recommends approval of the proposed non-recurring charges.

Mr. Bell testified that NineStar Connect has explained that it developed a rate for service to the Greenfield Schools and the concrete manufacturing plant of \$65.83 per EDU per month. This rate is to be multiplied by the Greenfield Schools' historic monthly usage of 33 EDUs. Based on this historic usage, the Greenfield Schools will pay a total of \$2,172.06 per month. In addition, NineStar Connect has indicated that a future manufacturing facility in Maxwell, Indiana may seek sewage disposal service from NineStar Connect and that it proposes to charge such future facility and other future customers a monthly rate of \$65.83 per EDU per month. Mr. Bell testified that the OUCC recommends approval of NineStar Connect's proposed rates for the School and future manufacturing facility, which are based on reasonable cost estimates to provide service. Mr. Bell recommends that NineStar Connect modify these rates as appropriate if it is found in the future that they do not accurately reflect the cost of providing service.

Finally, Mr. Bell testified that NineStar Connect had indicated that grant funds may be available from the USDA under its Rural Development program. These funds may be available in the current fiscal year, which ends September 30, 2016. Mr. Bell testified that NineStar Connect has indicated that the USDA would require a non-appealable order from the Commission as of September 30, 2016, in order for NineStar Connect to be considered for grant funding. Such funding could be used by NineStar Connect to offset capital costs that would otherwise be borne by ratepayers. Mr. Bell testified that the OUCC recommends that NineStar Connect actively seek any available USDA grant funding and encourages the Commission to issue an order by August 30, 2016, so that NineStar Connect would have a non-appealable order by September 30, 2016.

In sum, Mr. Bell made the following recommendations to the Commission: (1) grant NineStar Connect the authority to provide water and sewage disposal service in the requested areas; (2) approve the sale and transfer of the utility plant and assets of Sugar Creek and Philadelphia Waterworks to NineStar Connect; (3) approve associated asset purchase agreements between Sugar Creek and Philadelphia Waterworks and NineStar Connect; (4) approve the transfer of the indeterminate permits and CTAs for Sugar Creek and Philadelphia Waterworks to NineStar Connect; and (5) approve, to the extent necessary, the tariffs, rates and charges proposed by NineStar Connect.

5. 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). Any settlement agreement that is approved by the Commission “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coalition v. PSI Energy, Inc.*, 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 of Ind., Inc. v. Public Service Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission’s own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Indiana Code ch. 8-1-2, and that such agreement serves the public interest.

A. Request for CTA. NineStar Connect is seeking a CTA to provide sewage disposal service pursuant to Ind. Code § 8-1-2-89 and 170 IAC 8.5-3. Pursuant to Ind. Code § 8-1-2-89(e), the Commission must make the following findings:

- (1) Applicant has the lawful power and authority to apply for said certificate and to operate said proposed service;
- (2) Applicant has the financial ability to install, commence, and maintain said proposed service; and
- (2) The public convenience and necessity require the rendering of the proposed service in the proposed rural area by Applicant.

The Commission findings with respect to these CTA requirements are set forth below.

(1) Lawful Power and Authority to Apply for the CTA and Provide the Sewage Disposal Service. NineStar Connect is the surviving entity following the merger of Hancock Telecom and Central Indiana Power under Ind. Code ch. 8-1-17.5. Pursuant to Ind. Code § 8-1-13-9, NineStar Connect has a corporate purpose formed to provide and render service to and for the benefit of its members. “Service” is defined, under the REMC Act, to mean:

the furnishing of energy or other utility services incidental to the development, operation or maintenance of utility infrastructure and the rendering of related engineering, financial, accounting, economic development or community development services, or educational services and related materials or equipment assisting in the establishment and maintenance of better communication between corporations and their members or any of the same.

Ind. Code § 8-1-13-3(m). Thus, NineStar Connect is authorized to provide the water and sewage disposal service contemplated by the Verified Petition as amended. NineStar Connect's Board of Directors has approved the transactions contemplated by the Verified Application. Therefore, the Commission finds that NineStar Connect possesses the lawful power and authority to provide sewage disposal and water utility service in the Service Area.

(2) **Financial Ability to Serve the Service Area.** NineStar Connect proposes to buy the assets of Sugar Creek and Philadelphia Water Works. As per the Sugar Creek APA, the existing CTA for sewage disposal service and the indeterminate permit for water service will be transferred after the closing of the purchase, which will not occur until there is a final non-appealable order from the Commission. The cost estimates and timing of expenditures depicted in the Wastewater Plan and the Water Plan were used to develop a feasibility study by Earl Ridlen, which shows that NineStar Connect has the financial ability to make those purchases and upgrade the facilities while maintaining reasonable rates for customers. Mr. Ridlen sponsored a pro forma financial analysis to assess the feasibility of NineStar Connect's plan and develop a financing plan for NineStar Connect's water and wastewater divisions. While the feasibility study shows a net loss over the 10-year period, that loss is based primarily on depreciation expense from the required investments. Both the water and wastewater utilities are projected to remain cash positive during the 10-year period. Mr. Ridlen explained that in order to provide service to a previously unserved area, significant investments must be made in deploying the system and these necessarily must be made before revenue is generated from the customers. The depreciation associated with the system produces difficulties in showing a profitable endeavor in the immediate term while maintaining a reasonable rate charged to the members.

NineStar Connect and its predecessor companies have been in the business of providing utility services since 1895 – first telephone and later electricity. NineStar Connect employs 114 individuals and has the capacity to provide back office support, such as customer service and support, billing, accounting, and managerial, for both the water and sewage disposal services at no additional incremental cost to NineStar Connect and its existing customers. NineStar Connect has shown it will retain experts as needed to provide additional support. Like many small water and sewage disposal utilities, NineStar Connect intends to utilize contract water and sewer operators until it has a sufficient number of customers and revenue to support employing its own full-time professional operator.

The evidence shows NineStar Connect has a strong balance sheet and has ongoing relationships with both the Rural Utility Service and the National Rural Utilities Cooperative Finance Corporation, both of which have indicated support and willingness to provide capital for

NineStar Connect's entry into the wet utilities subject to the Commission's issuance of a CTA and indeterminate permit.

The Wastewater Plan and the Water Plan, along with the testimony and exhibits of Mr. Ridlen, show a utility that can feasibly provide water and sewage disposal services not only in the Sugar Creek Area, but also to the remaining proposed Service Area.

In addition, the evidence shows NineStar Connect management has met with representatives from the SRF, who have expressed a willingness to work with NineStar Connect to finance necessary projects to serve this area as well. NineStar Connect is also in the process of negotiating for a potential USDA grant, which would provide significant financial support for the projects described in Mr. Frazell's testimony and exhibits.

Further evidence of financial feasibility of the Sugar Creek transaction is NineStar Connect's commitment in the Stipulation and Settlement Agreement with the OUCC to serve the Sugar Creek customers utilizing the existing water and the sewage disposal rates of \$44.40 for water service and \$48.27 for sewage disposal service per EDU for a minimum of 12 months after NineStar Connect takes over operations of the utility. The remaining area to be served will be served under a rate developed and approved after the improvements at the Philadelphia Water Works site have been determined. Per the Stipulation and Settlement Agreement with OUCC, NineStar Connect shall charge Greenfield-Central School Corporation for its Maxwell Intermediate School and Eden Elementary School, the proposed concrete manufacturing plant in Center Township, and any other customers served from the package sewage disposal plants that NineStar Connect is purchasing from Greenfield-Central School Corporation an initial rate of \$65.83 per EDU per month calculated as described in the supplemental testimony of James Frazell. Therefore, the Commission finds that NineStar Connect possesses the financial ability to provide sewage disposal service in the Service Area.

(3) **Public Convenience and Necessity.** The granting of the sewage disposal CTA and indeterminate permit for water utility service will give NineStar Connect the ability to begin making critical infrastructure investments that are needed in Hancock County, which will allow it to grow both in population as well as property tax base. That in turn will benefit all residents of the county, regardless whether they actually reside within NineStar Connect's water and sewage disposal district. Those who currently live within the district will begin to have access to critical water and sewer infrastructure that is needed for public health and welfare as the population grows. The evidence is that two-thirds of Hancock County's land mass had no water or sewer provider at all, which has been an impediment to thoughtful growth and development. There have been instances of contaminated private water wells, as well as failing or improperly installed private septic systems, which create public health hazards for current as well as future residents in the area. NineStar Connect's ability to provide these critical water and sewage disposal services will aid current and future residents.

NineStar Connect is uniquely positioned to address the lack of water and sewer infrastructure investment in rural Hancock County as is shown by its long history of providing critically needed infrastructure to rural, low density areas in East Central Indiana that larger, for-profit, investor-owned utilities chose not to serve due to the lack of acceptable returns on

investments. NineStar Connect also has the unique financial ability to serve rural Hancock County as a well-established and longstanding cooperative with a strong balance sheet and access to both public and private loans and grants that are available only to established entities. The evidence shows that NineStar Connect is in a position to provide water and sewage disposal services in an economical and efficient manner. Moreover, more than 90% of the potential customers in the Service Area are already receiving electric service, communications service, or both from NineStar Connect.

NineStar Connect is “not-for profit utility” under Ind. Code § 8-1-2-125. No personal guarantee as contemplated under 170 IAC 8.5-3-1(1)(D) will be required as NineStar Connect is a well-established and financially successful nonprofit cooperative that has provided adequate service at reasonable rates to its members for more than 120 years. NineStar Connect has sufficient cash, borrowing, and revenue streams for the purchase of the assets and expansion of the CTA as described in the Direct Testimony of Earl L. Ridlen. Based upon the evidence of record, the Commission finds that public convenience and necessity require the rendering of sewage disposal service in the Service Area.

B. Assets Purchase Agreements. The Commission further finds that the Sugar Creek APA and the PWW APA are reasonable and will serve public convenience and necessity based on the above findings.

C. Stipulation and Settlement Agreements. Pursuant to the Stipulation and Settlement Agreement between NineStar Connect and the OUCC, NineStar Connect proposes that it provide service to the current Sugar Creek customers utilizing the existing water and the sewage disposal rates of \$44.40 per EDU for water service and \$48.27 per EDU for sewage disposal service for a minimum of 12 months after NineStar Connect takes over operations of the utility. Also per the Stipulation and Settlement Agreement with the OUCC, the rates for the Greenfield Schools, the concrete plant, and any future customer-provided sewage disposal service from the Greenfield Schools Package Plants will be \$65.83 per EDU per month for a flat monthly fee of \$2,172.06 per month for the Greenfield Schools and an estimated \$394.92 per month for the concrete plant for sewage disposal services. The Commission finds these rates to be just, reasonable, nondiscriminatory, and in the public interest.

NineStar Connect and the OUCC propose to establish the following non-recurring charges for water service: (1) water system development charge of \$1,200; (2) water connection fee of \$800; and (3) bad check charge of \$25. NineStar Connect proposes to establish the following non-recurring charges for sewage disposal service: (1) sewer system development charge of \$3,500; (2) sewer connection fee of \$300; and (3) bad check charge of \$25. The Commission finds the non-recurring charges to be just and reasonable.

NineStar Connect, through the Supplemental Testimony of Mr. Burrow, has proposed to adopt the Commission’s Rules for the provision of water, 170 IAC 6-1. and sewage disposal service, 170 IAC 8.5. The Commission finds this just and reasonable and in the public interest as well.

The Stipulation and Settlement Agreements entered into by and among NineStar Connect, Western Hancock, and the OUCC, copies of which were introduced into evidence and sponsored through the Supplemental Testimony of Mr. Burrow and are attached hereto, are supported by the evidence, just, reasonable, and in the public interest and should be approved with no modification.

With regard to future citation to the Stipulation and Settlement Agreements, we find that approval herein should be construed in a manner consistent with our findings in *Richmond Power & Light*, Cause No. 40434, 1997 (Ind. PUC, Lexis 459, IURC, March 19, 1997).

D. Use of County Roads, Highways or Other Property Pursuant to Ind. Code § 36-2-2-23. The Commission finds that, as a public utility, NineStar Connect should be granted the authority to use all roads, highways or other property pursuant to Ind. Code § 36-2-2-23.

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

1. The Stipulation and Settlement Agreement between NineStar Connect and the OUCC, a copy of which is attached to this Order, is approved in its entirety. The terms and conditions thereof shall be and hereby are incorporated into this Order.

2. The Stipulation and Settlement Agreement between NineStar Connect and Western Hancock Utilities, LLC, a copy of which is attached to this Order, is approved in its entirety. The terms and conditions thereof shall be and hereby are incorporated into this Order.

3. Sugar Creek's CTA, indeterminate permit, and utility plant and assets as described in the Verified Application are hereby transferred and granted to NineStar Connect subject to the terms of the Stipulation and Settlement Agreement.

4. NineStar Connect is granted a CTA to render sewage disposal service in the areas identified in Exhibits E and F of the Stipulation and Settlement Agreement with the OUCC.

5. NineStar Connect is granted an indeterminate permit to render water utility services in the areas identified in Exhibits A, B, C, and D of the Stipulation and Settlement Agreement with the OUCC.

6. The asset purchase agreements identified in Exhibits MRB-2 and MRB-3, as attached to the Direct Testimony of Michael R. Burrow as filed in this Cause, are approved and in the public interest.

7. The rates and charges as set forth in the Stipulation and Settlement Agreement with the OUCC are approved. NineStar Connect is authorized to and shall file with the Commission's Water/Sewer Division a schedule of rates and charges as approved herein. Such new schedules of rates and charges shall be effective upon filing.

8. NineStar Connect's adoption of the Commission rules for the provision of water, 170 IAC 6-1, and sewage disposal service, 170 IAC 8.5, is hereby approved.

9. The Commission affirms its consent to the issuance by the Board of Commissioners of all Indiana counties of permission to NineStar Connect to use roads, highways and other county property in accordance with Ind. Code § 36-2-2-23.

10. This order shall be effective on and after the date of its approval.

STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: AUG 24 2016

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



Mary Becerra
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED APPLICATION OF HANCOCK RURAL)
TELEPHONE CORPORATION D/B/A NINESTAR)
CONNECT ("NINESTAR CONNECT") FOR)
AUTHORIZATION AND APPROVAL OF)
(1) NINESTAR CONNECT TO PROVIDE WATER)
AND) SEWAGE DISPOSAL UTILITY SERVICES IN)
PARTS OF RURAL HANCOCK COUNTY, INDIANA;)
(2) THE SALE AND TRANSFER OF A UTILITY)
PLANT AND ASSETS OF SUGAR CREEK UTILITY)
COMPANY, INC. AND PHILADELPHIA WATER)
WORKS, LLC TO NINESTAR CONNECT AND THE)
ASSOCIATED ASSET PURCHASE AGREEMENTS;)
(3) THE TRANSFER OF THE INDETERMINATE)
PERMITS AND CERTIFICATES OF TERRITORIAL)
AUTHORITY OF SUGAR CREEK AND)
PHILADELPHIA WATER TO NINESTAR)
CONNECT; (4) TO THE EXTENT NECESSARY AND)
REQUIRED, TARIFFS, RATES, CHARGES AND)
RULES AND REGULATIONS FOR SUCH SERVICES)
TO BE RENDERED BY NINESTAR CONNECT;)
(5) CONSENT TO THE BOARDS OF)
COMMISSIONERS OF ALL INDIANA COUNTIES)
TO GRANT NINESTAR CONNECT SUCH)
LICENSES, PERMITS OR FRANCHISES AS MAY BE)
NECESSARY FOR NINESTAR CONNECT TO USE)
COUNTY ROADS, HIGHWAYS, OR OTHER)
PROPERTY, PURSUANT TO IND. CODE §36-2-2-23;)
AS NEEDED TO RENDER SUCH SERVICES; AND)
(6) SUCH OTHER AUTHORIZATIONS AND)
APPROVALS ASSOCIATED THEREWITH)

CAUSE NO. 44776

STIPULATION AND SETTLEMENT AGREEMENT

On April 15, 2016, Hancock Rural Telephone Corporation d/b/a NineStar Connect ("NineStar Connect") filed with the Indiana Utility Regulatory Commission ("Commission") its Verified Application requesting the relief set forth in the above caption. On May 23, 2016, NineStar Connect filed its testimony and exhibits in support of its Verified Application.

On May 20, 2016, Western Hancock Utilities, LLC ("Western Hancock" or "WHU") filed its Motion to Intervene which the Commission granted on June 2, 2016.

Based on the evidence in this proceeding and discussions, NineStar Connect and Western Hancock ("Settling Parties") have agreed to stipulation and settle their differences as set forth in this Agreement.

The Settling Parties' agreement is set forth in this Stipulation and Settlement Agreement ("Settlement Agreement"). The Settling Parties solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of all matters raised between the Settling Parties in this proceeding, subject to the Commission issuing a final, non-appealable order incorporating this Settlement Agreement without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Settlement Agreement in its entirety without change, the entire Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

The Settling Parties therefore agree as follows:

1. NineStar Connect will amend its application filed with the Commission in Cause 44776 to make the centerline of County Road 300 West in Hancock County the proposed western sewage disposal service area boundary north of Interstate 70.
2. In exchange for NineStar Connect amending its application as described in paragraph 1 above before the Commission, WHU will not object further to the relief requested by NineStar from the Commission in Cause 44776.

3. Upon the entry of a final non-appealable order by the Commission approving this Settlement Agreement, NineStar Connect and WHU will file an application with the Hancock Regional Water and Sewer District for authority consistent with paragraph 1 above.

4. The communications and discussions during the negotiations and conferences attended have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are inadmissible before any tribunal, including the Commission.

5. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to either Party.

6. The Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to either party.

7. The Parties will work together to prepare agreed upon language regarding the approval of this Settlement Agreement for inclusion in any definitive agreement(s) and proposed Orders submitted in this Cause. The Parties will offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a final Order incorporating the agreed proposed language of the Parties and accepting and approving the same in accordance with its terms, without any change or condition that is unacceptable to either party.

8. The Parties shall not individually or jointly appeal or seek rehearing, reconsideration or a stay related to the provisions of any final order entered by the Commission and complying with paragraph 7 above and any of the Parties may individually or collectively

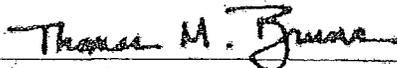
support this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

HANCOCK RURAL TELEPHONE
CORPORATION D/B/A NINESTAR
CONNECT

By: 
Michael R. Burrow, President & CEO

Date: 6/20/16

WESTERN HANCOCK UTILITIES, LLC

By: 
Thomas M. Bruns, President

Date: June 20, 2016

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED APPLICATION OF HANCOCK RURAL)
TELEPHONE CORPORATION D/B/A NINESTAR)
CONNECT ("NINESTAR CONNECT") FOR)
AUTHORIZATION AND APPROVAL OF)
(1) NINESTAR CONNECT TO PROVIDE WATER)
AND) SEWAGE DISPOSAL UTILITY SERVICES IN)
PARTS OF RURAL HANCOCK COUNTY,)
INDIANA; (2) THE SALE AND TRANSFER OF A)
UTILITY PLANT AND ASSETS OF SUGAR CREEK)
UTILITY COMPANY, INC. AND PHILADELPHIA)
WATER WORKS, LLC TO NINESTAR CONNECT)
AND THE ASSOCIATED ASSET PURCHASE)
AGREEMENTS; (3) THE TRANSFER OF THE)
INDETERMINATE PERMITS AND CERTIFICATES)
OF TERRITORIAL AUTHORITY OF SUGAR)
CREEK AND PHILADELPHIA WATER TO)
NINESTAR CONNECT; (4) TO THE EXTENT)
NECESSARY AND REQUIRED, TARIFFS, RATES,)
CHARGES AND RULES AND REGULATIONS FOR)
SUCH SERVICES TO BE RENDERED BY)
NINESTAR CONNECT; (5) CONSENT TO THE)
BOARDS OF COMMISSIONERS OF ALL INDIANA)
COUNTIES TO GRANT NINESTAR CONNECT)
SUCH LICENSES, PERMITS OR FRANCHISES AS)
MAY BE NECESSARY FOR NINESTAR CONNECT)
TO USE COUNTY ROADS, HIGHWAYS, OR)
OTHER PROPERTY, PURSUANT TO IND. CODE)
§36-2-2-23, AS NEEDED TO RENDER SUCH)
SERVICES; AND (6) SUCH OTHER)
AUTHORIZATIONS AND APPROVALS)
ASSOCIATED THEREWITH)

CAUSE NO. 44776

STIPULATION AND SETTLEMENT AGREEMENT

On April 15, 2016, Hancock Rural Telephone Corporation d/b/a NineStar Connect ("NineStar Connect") filed with the Indiana Utility Regulatory Commission ("Commission") its Verified Application requesting the relief set forth in the above caption. On May 23, 2016, NineStar Connect filed its testimony and exhibits in support of its Verified Application.

On May 20, 2016, Western Hancock Utilities, LLC (“WHU”) filed its Petition to Intervene, which the Commission granted on June 2, 2016. On July 15, 2016, a Stipulation and Settlement Agreement between NineStar Connect and WHU (“WHU Settlement Agreement”) was filed with the Commission.

The Indiana Office of the Consumer Counselor (“OUCC”) and NineStar Connect (each a “Settling Party,” and collectively, the “Settling Parties”) hereby respectfully submit this Stipulation and Settlement Agreement (“Settlement Agreement”). The Settling Parties, solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of all matters raised between the Settling Parties in this proceeding, subject to the Commission issuing a final, non-appealable order incorporating this Settlement Agreement without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Settlement Agreement in its entirety without change, the entire Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

The Settling Parties therefore agree as follows:

1. Subject to the grant of authority by the Commission, NineStar Connect shall provide sewage disposal utility services to the area depicted in **Exhibit E** and as described in **Exhibit F**, attached to the Settlement Agreement and incorporated herein by reference. **Exhibit E** and **Exhibit F** correspond to and replace **Exhibits A, B, C, and D** to the Verified Application for purposes of the sewage disposal utility service to be provided by NineStar Connect in Hancock County, Indiana.

2. Subject to the grant of authority by the Commission, NineStar Connect shall provide water utility services to the area as proposed in the Verified Application as depicted in Exhibit A and as described in Exhibits B, C and D to the Verified Application, which are attached to the Settlement Agreement and incorporated by reference.

3. The OUCC and NineStar Connect stipulate that NineStar Connect has the lawful power and authority to obtain said certificates and permits and to operate in the proposed service area; the financial ability to install, commence, and maintain said proposed service; that public convenience and necessity require that NineStar Connect render the proposed sewage disposal utility service in the rural areas of Hancock County as outlined in this Settlement Agreement; and that the public interest will be served by the issuance of said certificate to NineStar Connect. Consequently, the Settling Parties recommend that the Commission issue an Order granting a certificate of territorial authority ("CTA") for sewage disposal utility service and an indeterminate permit for water utility service to NineStar Connect for the areas described in paragraphs 1 and 2 above.

4. The asset purchase agreement between NineStar Connect and Sugar Creek Utilities, LLC ("Sugar Creek"), the asset purchase agreement between NineStar Connect and Philadelphia Waterworks, LLC ("PW"), and the sale and transfer of utility plant and assets of Sugar Creek and PW to NineStar Connect are reasonable and in the public convenience and necessity.

5. Subject to the grant of authority by the Commission, NineStar Connect shall be authorized to apply Sugar Creek's existing water and sewage disposal rates and charges, as set forth in Exhibit ELR-4, attached hereto and incorporated herein by reference, without increase to the current and future utility customers served by the plant to be purchased from Sugar Creek for a minimum period of twelve (12) months. NineStar Connect shall charge Greenfield-Central

School Corporation for its Maxwell Intermediate School and Eden Elementary School, the proposed concrete manufacturing plant in Center Township, and any other customers served from the package sewage disposal plants that NineStar Connect is purchasing from Greenfield-Central School Corporation an initial rate of \$65.83 per equivalent dwelling unit (EDU) per month calculated as described in the supplemental testimony of James Frazell.

NineStar Connect shall be authorized to charge the following non-recurring water utility service charges:

TYPE OF NON-RECURRING WATER CHARGE/FEE	WATER CHARGE/FEE
Water System Development Charge	\$1,200.00
Water Connection Fee	
5/8" to 3/4"	\$800.00
Larger than 3/4"	Minimum \$800.00
Bad Check Charge	\$25.00

NineStar Connect shall be authorized to charge the following non-recurring sewage disposal utility service charges:

TYPE OF NON-RECURRING SEWER CHARGE/FEE	SEWER CHARGE/FEE
Sewer System Development Charge	\$3,500.00
Sewer Connection Charge Fee	\$300.00
Bad Check Charge	\$25.00

6. The Settling Parties recommend that the Commission determine that public convenience and necessity require that NineStar Connect be granted the authority to use and occupy county roads, highways or other property pursuant to Ind. Code § 36-2-2-23 and that the Commission so give its consent to the same.

7. The Settling Parties agree that NineStar Connect will operate under the Commission's Rules for the provision of water, 170 IAC 6-1-1, *et. seq.* and sewage disposal service, 170 IAC 8.5-1, *et. seq.*, as may be amended from time to time.

8. The communications and discussions during the negotiations and conferences attended have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are inadmissible before any tribunal, including the Commission.

9. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

10. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any Settling Party.

11. The Settling Parties will work together to prepare agreed upon language regarding the approval of this Settlement Agreement for inclusion in any definitive agreement(s) and proposed orders submitted in this Cause. The Settling Parties will offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a final order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms, without any change or condition that is unacceptable to any Settling Party.

12. The Settling Parties shall not individually or jointly appeal or seek rehearing, reconsideration or a stay related to the provisions of any final order entered by the Commission consistent with the terms of this Settlement Agreement, and any of the Parties may individually or collectively support this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

13. This Settlement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

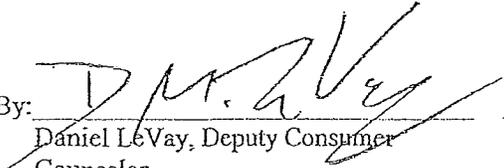
[Signature Pages to Follow]

HANCOCK RURAL TELEPHONE
CORPORATION D/B/A NINESTAR
CONNECT

By: 
Michael R. Burrow, President & CEO

[Signature Page to Stipulation and Settlement Agreement in Cause No. 44776]

OFFICE OF THE INDIANA UTILITY
CONSUMER COUNSLEOR

By: 
Daniel LeVay, Deputy Consumer
Counselor

[Signature Page to Stipulation and Settlement Agreement in Cause No. 44776]



Exhibit "B"

Land Description

Sections 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35 all in Township 17 North, Range 7 East

Sections 12, 13, 24, 25, 36 and parts of Sections 11, 14, 23, 26, and 35 all in Township 17 North, Range 06 East.

Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and parts of Sections 13, 14, 15, 16, and 18 in Township 16 North, Range 07 East.

Sections 1, 2, 3, 4, 9, 10, 11, 12, 14, 15, 16, 21, 22, 23, 26 and part of Section 13 in Township 16 North, Range 06 East.

Part of Section 32, 33, 34 and 35 all in Township 17 North, Range 6 East, all located in Hancock County, Indiana, being more particularly described as follows:

Beginning at the Northeast corner of Section 11, Township 17 North, Range 7 East; thence South along the East line of Sections 11, 14, 23, 26 and 35 in Township 17 North, Range 7 East and along the East lines of Sections 1, 12, and 13 in Township 16 North, Range 7 East (generally along CR 600 E) approximately 7.5 miles to the Southeast corner of the Northeast Quarter of Section 13, Township 16 North, Range 7 East; thence West along the South line of the North Half of Sections 13, 14, 15 and 16 a distance of approximately 3.75 miles to the East line of the West Half of the Northwest Quarter of Section 16; thence North along the East line of the West Half of the Northwest Quarter of Section 16 a distance of approximately 0.5 miles to the North line of Section 16; thence West along the North line of Sections 16 and 17 in Township 16 North, Range 7 East (generally along CR 400 N) a distance of approximately 1.25 miles to the Northwest corner of Section 17, Township 16 North, Range 7 East; thence South along the West line of Section 17, Township 16 North, Range 7 East a distance of approximately 0.5 miles to the Southeast corner of the Northeast Quarter of Section 18, Township 16 North, Range 7 East; thence West along the South line of the North Half of Section 18, Township 16, Range 7 East and along the South line of the North Half of Section 13, Township 16 North, Range 6 East a distance of approximately 2.0 miles to the Southwest of the Northwest Quarter of Section 13 Township 16 North, Range 6 East; thence South along the East line of Section 14, 23 and 26 (generally along CR 100 W) a distance of approximately 2.5 miles to the Southeast corner of Section 26, Township 16 North, Range 6 East; thence West along the South line of Section 26 a distance of approximately 1 mile to the Southwest corner of Section 26, Township 16 North, Range 6 East; thence North along the West line of Section 26, Township 16 North, Range 6 East (generally along CR 200 W) distance of approximately 1.0 mile to the Southeast corner of Section 22, Township 16 North, Range 6 East; thence West along the South lines of Sections 22 and 21 (generally along CR 200 N) a distance of approximately 2 miles to the Southwest corner of Section 21, Township 16 North, Range 6 East; thence North along the West lines of Sections 21, 16, 9, and 4 (generally along CR 400 W) a distance of approximately 4 miles to the Northwest corner of Section 4, Township 16 North, Range 6 East; thence West along the South line of Section 32, Township 17 North, Range 6 East a distance of approximately 0.1 mile to the Southwest corner of Section 32, Township 17 North, Range 6 East; thence North along the West line of Section 32, Township 17 North, Range 6 East a distance of approximately 0.5 mile to the Northwest corner of the Southwest Quarter of Section 32 Township 17 North, Range 6 East; thence East along the North line of the South Half of Sections 32, 33, 34, and 35 a distance of approximately 3.5 miles to the Southwest corner of the Northeast Quarter of Section 35, Township 17 North, Range 6 East; thence North along the West line of the East half of Sections 35, 26, 23, 14 and 11, Township 17 North, Range 6 East a distance of approximately 4.5 miles to the Northwest corner of the Northeast Quarter of Section 11, Township 17 North, Range 6 East; thence East along the North line of Section 11 and 12, Township 17 North, Range 6 East and along the North line of Sections 7, 8, 9, 10, 11, Township 17 North, Range 7 East (generally along CR 1100 N) a distance of approximately 6.5 miles to the Beginning Point, containing 41,200 acres, more or less.

This land description was prepared and is based exclusively upon Hancock County section maps and aerial mapping. For purposes of the preparation of this description, no survey of the described real estate was performed and no monuments were set.

EXHIBIT "C"

LEGAL DESCRIPTION OF SERVICE AREA

1. Riley Village Subdivision.

Beginning at the Northwest corner of said half quarter section; thence North 89 degrees 03 minutes 48 seconds East on and along the North line of said half quarter section 253.00 feet; thence South 00 degrees 38 minutes 10 seconds East parallel with the West line of said half quarter section 1735.46 feet; thence North 75 degrees 26 minutes 12 seconds West 103.11 feet to a point on a 22.91831 degree curve to the left, the radius point of said curve being North 83 degrees 13 minutes 20 seconds East 238.00 feet from said point; said point also being the point of curvature of an 11.45916 degree curve to the right, the radius point of said curve being South 79 degrees 33 minutes 48 seconds West 512.00 feet from said point; thence southerly along said curve being North 80 degrees 26 minutes 12 seconds West 512.00 feet from said point; said point also being the point of curvature of a 22.91831 degree curve to the left, the radius point of said curve being South 80 degrees 26 minutes 12 seconds East 238.00 feet from said point; thence southerly along said curve 41.54 feet to the point of tangency of said curve, the radius point of said curve being North 89 degrees 33 minutes 48 seconds East 238.00 feet from said point; thence south 89 degrees 33 minutes 48 seconds West 24.00 feet to the point of curvature of a 22.91831 degree curve to the left, the radius point of said curve being South 89 degrees 33 minutes 48 seconds West 238.00 feet from said point, thence northerly along said curve 41.54 feet to the point of tangency of said curve, the radius point of said curve being South 79 degrees 33 minutes 48 seconds West 238.00 feet from said point; said point also being the point of curvature of an 11.45916 degree curve to the right, the radius point of said curve being North 79 degrees 33 minutes 48 seconds East 512.00 feet from said point; thence northerly along said curve 178.72 feet to the point of tangency of said curve, the radius point of said curve being South 80 degrees 26 minutes 12 seconds East 512.00 feet from said point; said point also being the point of curvature of a 22.91831 degree curve to the left, the radius point of said curve being North 80 degrees 26 minutes 12 seconds West 238.00 feet from said point; thence northerly along said curve 41.54 feet to the point of tangency of said curve, the radius point of said curve being South 89 degrees 33 minutes 48 seconds West 238.00 feet from said point; thence North 00 degrees 26 minutes 12 seconds West 62.00 feet to the point of curvature of a 22.91831 degree curve to the left, the radius point of said curve being South 89 degrees 33 minutes 48 seconds West 238.00 feet from said point; thence northerly along said curve 33.23 feet to the point of tangency of said curve, the radius point of said curve being South 81 degrees 33 minutes 48 seconds West 238.00 feet from said point; thence North 08 degrees 26 minutes 12 seconds West 132.67 feet to the point of curvature of a 22.91831 degree curve to the right, the radius point

of said curve being North 81 degrees 33 minutes 48 seconds East 262.00 feet from said point, thence northerly along said curve 36.58 feet to the point of tangency of said curve, the radius point of said curve being North 89 degrees 33 minutes 48 seconds East 262.00 feet from said point; thence North 00 degrees 26 minutes 12 seconds West 54.95 feet; thence South 89 degrees 33 minutes 48 seconds West 105.90 feet to a point on the West line of the aforesaid half quarter section; thence North 00 degrees 38 minutes 10 seconds West on and along said West line 1362.36 feet to the place of beginning, containing 9.304 acres (405,288 square feet), more or less, subject to an easement in favor of Indiana and Michigan Electric Company, also, subject to any other easements, rights-of-way or restrictions of record.

2. Heartland Resort.

Beginning at the Northwest corner of the East half of the Northwest quarter of said Section; thence North 89° 03'48" East on and along the North line of said quarter section and the North line of the West half of the Northeast quarter of said Section 2651.01 feet to the Northeast corner of said West half quarter section; thence South 00° 39'19" East on and along the East line of said West half quarter section 924.00 feet; thence South 06° 03'56" East 175.00 feet; thence South 04° 45'18" West 175.00 feet to a point on the aforesaid East line of said West half quarter section; thence South 00° 39'19" East on and along said East line of said West half quarter section 1361.47 feet to a point on the North right-of-way line of Interstate 70; thence South 89° 02'00" West on and along said North right-of-way line 377.89 feet; thence North 85° 16'00" West on and along said North right-of-way line 201.00 feet; thence South 89° 02'00" West on and along said North right-of-way line 700.00 feet; thence South 82° 04'00" West on and along said North right-of-way line 302.20 feet to a point on the South line of the aforementioned East half of the Northwest quarter of said section; thence South 89° 02'00" West on and along said South line 1074.13 feet to the Southwest corner of said East half quarter section, thence North 00° 38'10" West on and along the West line of said East half quarter section 2652.00 feet to the point of beginning, subject to all legal highways, rights-of-way easements and restrictions of record, including but not limited to an easement in favor of the Indiana and Michigan Electric Company across the northwest corner of the above described real estate.



EXHIBIT "D"

Philadelphia Water Works Requested Territory

Legal Description:

The East Half of Section 10, all of Section 11 and the West Half of Section 12, all in Township 15 North, Range 6 East in Hancock County, Indiana.

ALSO: All that part of Section 3, Township 15 North, Range 6 East in Hancock County, Indiana, which lies East of Sugar Creek.

ALSO: All that part of Section 34, Township 16 North, Range 6 East in Hancock County, Indiana, which lies East of Sugar Creek.

ALSO: The West Half of Section 35, Township 16 North, Range 6 East in Hancock County, Indiana.

ALSO: All that part of Section 2, Township 15 North, Range 6 East that lies West of the center of County Road 150 West, and all that part of said Section 2 which lies East of the center of County Road 150 West, South of the center of the former Conrail Railroad Right of way, except any portion thereof currently owned by Eli Lilly and Company described in Instrument Numbers 87-6664 and 82-2076 in the Office of the Recorder of Hancock County, Indiana.

ALSO: All that part of the West Half of Section 1, Township 15 North, Range 6 East lying South of the center of the former Conrail Railroad Right of way, except any portion thereof currently owned by Eli Lilly and Company described in Instrument Numbers 87-6664 and 82-2076 in the Office of the Recorder of Hancock County, Indiana.



Exhibit " F "

Land Description

Sections 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35 all in Township 17 North, Range 7 East

Sections 12, 13, 24, 25, 36 and parts of Sections 11, 14, 23, 26, 33, 34 and 35 all in Township 17 North, Range 06 East,

Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and parts of Sections 13, 14, 15, 16, and 18 in Township 16 North, Range 07 East,

Sections 1, 2, 3, 10, 11, 12, 14, 15, 22, 23, 26 and part of Section 13 and 21 in Township 16 North, Range 06 East,

all located in Hancock County, Indiana, being more particularly described as follows:

Beginning at the Northeast corner of Section 11, Township 17 North, Range 7 East; thence South along the East line of Sections 11, 14, 23, 26 and 35 in Township 17 North, Range 7 East and along the East lines of Sections 1, 12, and 13 in Township 16 North, Range 7 East (generally along CR 600 E) approximately 7.5 miles to the Southeast corner of the Northeast Quarter of Section 13, Township 16 North, Range 7 East; thence West along the South line of the North Half of Sections 13, 14, 15 and 16 a distance of approximately 3.75 miles to the East line of the West Half of the Northwest Quarter of Section 16; thence North along the East line of the West Half of the Northwest Quarter of Section 16 a distance of approximately 0.5 miles to the North line of Section 16; thence West along the North line of Sections 16 and 17 in Township 16 North, Range 7 East (generally along CR 400 N) a distance of approximately 1.25 miles to the Northwest corner of Section 17, Township 16 North, Range 7 East; thence South along the West line of Section 17, Township 16 North, Range 7 East a distance of approximately 0.5 miles to the Southeast corner of the Northeast Quarter of Section 18, Township 16 North, Range 7 East; thence West along the South line of the North Half of Section 18, Township 16 North, Range 7 East and along the South line of the North Half of Section 13, Township 16 North, Range 6 East a distance of approximately 2.0 miles to the Southwest corner of the Northwest Quarter of Section 13 Township 16 North, Range 6 East; thence South along the East line of Section 14, 23 and 26 (generally along CR 100 W) a distance of approximately 2.5 miles to the Southeast corner of Section 26, Township 16 North, Range 6 East; thence West along the South line of Section 26 a distance of approximately 1 mile to the Southwest corner of Section 26, Township 16 North, Range 6 East; thence North along the West line of Section 26, Township 16 North, Range 6 East (generally along CR 200 W) distance of approximately 1.0 mile to the Southeast corner of Section 22, Township 16 North, Range 6 East; thence West along the South lines of Sections 22 and 21 (generally along CR 200 N) a distance of approximately 2 miles to the Southwest corner of Section 21, Township 16 North, Range 6 East; thence North along the West line of Sections 21 (generally along CR 400 W) a distance of approximately 1/2 mile to Interstate 70; thence East along Interstate 70 approximately 1 mile to the West line of Section 22, Township 16 North, Range 6 East; thence North along the West lines of Sections 22, 15, 10 and 3 (generally along CR 300 W) approximately 3.5 miles to the Northwest corner of Section 3, Township 16 North, Range 6 East; thence West along the South line of Section 33, Township 17 North, Range 6 East a distance of approximately 0.1 mile to the Southwest corner of Section 33, Township 17 North, Range 6 East; thence North along the West line of Section 33, Township 17 North, Range 6 East (generally along CR 300 West) a distance of approximately 0.5 mile to the Northwest corner of the Southwest Quarter of Section 33 Township 17 North, Range 6 East; thence East along the North line of the South Half of Sections 33, 34, and 35 a distance of approximately 2.5 miles to the Southwest corner of the Northeast Quarter of Section 35, Township 17 North, Range 6 East; thence North along the West line of the East half of Sections 35, 26, 23, 14 and 11, Township 17 North, Range 6 East a distance of approximately 4.5 miles to the Northwest corner of the Northeast Quarter of Section 11, Township 17 North, Range 6 East; thence East along the North line of Section 11 and 12, Township 17 North, Range 6 East and along the North line of Sections 7, 8, 9, 10, 11, Township 17 North, Range 7 East (generally along CR 1100 N) a distance of approximately 6.5 miles to the Beginning Point, containing 38,740 acres, more or less.

This land description was prepared and is based exclusively upon Hancock County section maps and aerial mapping. For purposes of the preparation of this description, no survey of the described real estate was performed and no monuments were set.

Coor Consulting & Land Services Corporation

303 west main street • knightstown, indiana 46148 • 765.345.5943 • 765.345.5692 fax
e-mail – coorconsulting@aol.com 2016-008 REV # 3 – 7/12/2016