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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF )  
MORGAN COUNTY RURAL WATER )  
CORPORATION, A NON-PROFIT PUBLIC )  
UTILITY LOCATED IN MARTINSVILLE, )  
INDIANA, FOR APPROVAL OF A NEW )  
SCHEDULE OF RATES AND CHARGES FOR )  
WATER UTILITY SERVICE )

CAUSE NO. 45198

APPROVED: OCT 29 2019

ORDER OF THE COMMISSION

**Presiding Officers:**

**Sarah E. Freeman, Commissioner**

**Loraine L. Seyfried, Chief Administrative Law Judge**

On February 1, 2019, Morgan County Rural Water Corporation (“Petitioner” or “MCRW”) filed its Petition with the Indiana Utility Regulatory Commission (“Commission”), seeking authority to: (i) increase its rates and charges for water service, (ii) modify its existing rate design, and (iii) modify and create new non-recurring charges. That same day, MCRW also filed testimony and exhibits from the following witnesses:

- Glen C. Miller, General Manager of MCRW
- Scott A. Miller, CPA and partner with Baker Tilly Municipal Advisors, LLC (formerly H.J. Umbaugh & Associates, Certified Public Accountants, LLP); and
- John W. Wetzel, P.E., President of Midwestern Engineers, Inc.

On June 24, 2019, MCRW and the Indiana Office of Utility Consumer Counselor (“OUCC”) filed a joint Notice of Settlement. Thereafter, on July 25, 2019, the parties filed a Joint Stipulation and Settlement Agreement (“Settlement Agreement”) with respect to all issues raised in this Cause. Petitioner also filed settlement testimony from Glen C. Miller and Scott A. Miller, and the OUCC filed settlement testimony from Jerome Mierzwa, Principal and Vice President of Exeter Associates, Inc., and Thomas W. Malan, a Utility Analyst in the OUCC’s Water-Wastewater Division.

On September 4, 2019, Petitioner responded to an August 30, 2019 Docket Entry requesting additional information.

An evidentiary hearing was held at 9:30 a.m. on September 10, 2019, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, the parties’ offered their respective evidence, which was admitted into the record without objection.

Based on the applicable law and evidence, the Commission finds:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public hearing held in this Cause was given and published as required by law. In addition, on March 5, 2019, Petitioner provided certification of publication and notice to its customers of the filing of its Petition in this Cause and a summary of the nature and extent of the proposed changes in its rates and charges for water service.<sup>1</sup> Petitioner is a “public utility” as defined in Ind. Code § 8-1-2-1(a) and is subject to the jurisdiction of the Commission as a “not-for-profit utility” under Ind. Code § 8-1-2-125 for approval of rates and charges for utility service. Accordingly, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner’s Organization and Business.** MCRW is an Indiana nonprofit corporation with its principal place of business located at 1395 East Shore Drive, Martinsville, Indiana. MCRW provides water utility service to approximately 3,400 members located in and around Morgan and Owen Counties in Indiana.

MCRW renders such water utility service by means of utility plant, property, equipment and related facilities owned, leased, operated, managed, and controlled by it which are used and useful for the convenience of the public in the production, treatment, transmission, distribution, and sale of water for residential, commercial, industrial, and public authority purposes.

3. **Existing Rates.** Petitioner’s existing base rates and charges for water utility service were established pursuant to the Commission’s May 14, 2008 Order in Cause No. 42993 as a true-up of the Phase II rates approved on September 28, 2006 in the same case. Since the issuance of that Order, the Commission has also approved four tracker charges associated with the portion of MCRW’s water supply purchased from what is now commonly known as Citizens Water. The Commission also last approved an increase in MCRW’s Connection Charge in response to MCRW’s 30-day filing, on December 19, 2012.

4. **MCRW’s Requested Relief.** In its Petition and case-in-chief, MCRW sought Commission approval of an overall increase in rates and charges for water service of 15.38% that would produce a total annual net revenue requirement of \$2,218,177. Petitioner also requested Commission approval of a new rate design that would eliminate the current minimum bill, establish a monthly base meter charge, and consolidate the current five-tier volume rate into a single volume rate applicable to all volumes and customers, as well as modifications to existing non-recurring charges and creation of additional non-recurring charges.

5. **Test Year.** As authorized by Ind. Code § 8-1-2-42.7(d)(2), Petitioner proposed a historic test period using previously collected data. The 12-month period selected by MCRW and agreed upon by the OUCC was August 2017 through July 2018.

6. **Settlement Agreement.** The Settlement Agreement presents the parties’ resolution of all issues in this Cause. Joint Exhibit 1. Each of the witnesses offering settlement testimony discussed the arm’s-length nature of the negotiations and the efforts undertaken to reach a balanced

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<sup>1</sup> To the extent necessary and in accordance with 170 IAC 1-1.1-21(h), we take administrative notice of MCRW’s March 5, 2019 filing, which was not offered into evidence.

settlement that fairly resolves the issues. Each of the witnesses also addressed various aspects of the specific agreement reached.

MCRW witness Mr. Glen Miller addressed the parties' agreements regarding MCRW's revenue requirements, the overall rate increase, and the changes to MCRW's schedule of rates and charges. MCRW witness Mr. Scott Miller also addressed the revenue requirements, the rate increase, and the rate design aspects of the Settlement Agreement as intended to assure that MCRW is able to safely and efficiently provide service to its customers while treating different classes of customers fairly. OUCC witness Mr. Malan presented the OUCC's position on the agreed rate increase and changes to MCRW's non-recurring charges. And, OUCC witness Mr. Mierzwa addressed the cost allocation and rate design aspects of the Settlement Agreement.

**A. Revenue Requirements.** Section 1 of the Settlement Agreement sets forth the parties' agreement on MCRW's revenue requirements. Mr. Scott Miller testified that the parties agreed MCRW's net revenue requirement would be \$2,209,072. Although MCRW initially proposed a net revenue requirement of \$2,218,177, he stated that the agreed upon amount is the result of recalculations to MCRW's cost of service study. More specifically, MCRW's proposed operating expenses were reduced by \$13,462 due to the elimination of two test year purchased power reimbursements, the addition of additional purchased power, chemicals, and postage expense to reflect the normalized customer growth on the system during the test year, modifications to the pro forma worker's compensation expense, and modifications to periodic maintenance expenses. The parties also agreed to capital improvements totaling \$3,115,704, which equates to an annual extensions and replacements allowance of \$389,463 per year over eight years. Additionally, late fee revenue was reclassified, reconnect fee revenue was increased to reflect the parties' agreement on an increased reconnect fee, and revenue from the returned check fee (which was omitted from MCRW's initial proposal) was added to the calculation. *See also* OUCC Ex. 1-S at 3-4.

**B. Rate Design.** Section 2 of the Settlement Agreement sets forth the parties' agreement regarding MCRW's rate design. Mr. Scott Miller testified that the parties agreed that MCRW's rate structure will consist of a declining block rate structure, which provides for the first 25,000 gallons per month to be billed at \$10.10 per 1,000 gallons, the next 25,000 gallons to be billed at \$7.65 per 1,000 gallons, and all consumption over 50,000 gallons to be billed at \$4.60 per 1,000 gallons. Mr. Mierzwa testified that the OUCC objected to MCRW's proposal for a single block volume rate design to replace its five block volume rate design because MCRW's largest volume customers would incur an approximate 150% increase in their rates. Mr. Mierzwa testified that this would violate the principle of gradualism rendering MCRW's proposal inconsistent with sound rate design. He concluded that the Settlement Agreement resolves these issues by reducing the impact on larger volume customers to an approximate 35% increase as MCRW transitions toward a single-block usage rate. Mr. Scott Miller also stated that the parties' agreement would not unduly burden the residential class of customers.

**C. Rate Increase.** Section 3 of the Settlement Agreement contains the parties' agreement that MCRW's existing rates and charges will not provide sufficient revenue to pay for the utility's expenses associated with providing water service. Mr. Glen Miller testified that the Settlement Agreement provides for a rate increase of approximately 13.42%, which is a reduction from MCRW's proposed 15.38% increase. He noted that because MCRW's proposed rate increase

was directly tied to its calculation of revenue requirements, the agreed-upon rate increase is a direct result of the recalculations of MCRW's revenue requirements. Mr. Malan testified that Petitioner originally proposed a revenue increase of \$287,779, and the Settlement Agreement reflects an agreed revenue increase of \$261,441—a difference of \$26,338.

**D. Non-recurring Charges.** Section 4 of the Settlement Agreement addresses the modifications and additions to MCRW's non-recurring charges. Specifically, MCRW sought to increase its Membership Fee from \$200 to \$300, to increase its Connection Charge from \$1,960 to \$2,415, and to increase its System Development Charge from \$500 to \$750 per each new equivalent unit. MCRW also sought to replace its "Reconnection Charge" of \$48 with a "Delinquency Service Charge" of \$75; to replace its "Reconnection Surcharge" of \$29 and "General Service Surcharge" of \$15, with a single "After Hours Service Charge" of \$65; to add a new "Easement Recording Charge" of \$35; to add a "Tampering Charge" of a minimum of \$300.00; and to add a "Backflow Prevention Policy Fine" of up to \$2,500 per day of violation.

Mr. Malan testified that MCRW's proposed Connection Charge was based on an incorrect labor estimate and additional easement recording fee and that recalculations using correct values resulted in a Connection Charge of \$2,020, to which MCRW agreed. As part of the recalculation of the Connection Charge, the easement recording charge would be a separate charge. Similarly, the Delinquency Service Charge of \$75 was reduced to \$60 after recalculating actual costs associated with delinquencies and additional language was inserted to clarify exactly when the Delinquency Service Charge would be assessed. Mr. Glen Miller testified the parties also agreed that MCRW would separate its existing Dishonored Check Charge from the failed ACH Charge and to decrease the failed ACH Charge to \$25, as MCRW does not incur a \$5 bank fee for failed ACH payments. MCRW also agreed to clarify that the failed ACH Charge will not be assessed for failures outside the customer's control.

Mr. Malan and Mr. Glen Miller testified that the parties agreed to MCRW's proposed implementation of a \$300 Tampering Charge, and MCRW agreed to add language to the description of that charge clarifying that it would not apply to accidental damage. In response to the Presiding Officers' request in the August 30, 2019 Docket Entry, Petitioner noted that the Tampering Charge is designed to address situations where a customer intentionally and illegally obtains water from the utility through a service line by cutting a meter pin lock, bypassing a meter, or "jumping" an inactive service setter without a meter. Petitioner indicated that in these situations, the service setter is frequently damaged and has to be replaced, with the current cost of a service setter being \$271.68, which does not include labor and other costs resulting from such tampering.

Mr. Glen Miller testified that the OUCC agreed to MCRW's proposals relating to the Membership Fee, the System Development Charge, and the After Hours Service Charge. However, he said that MCRW agreed, at the OUCC's request, to modify the description of the General Service Charge to clarify that it will only apply to service requests during regular business hours.

Finally, Mr. Glen Miller noted that the OUCC objected to the inclusion of the Backflow Prevention Policy Fine because it viewed the fine as punitive and not cost-based, and after further discussion MCRW agreed to remove the fine.

7. **Commission Discussion and Findings.** Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coal. of Ind., Inc. 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 Coal.*, 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. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind., Inc. v. Pub. Serv. 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 Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

MCRW, as not-for-profit utility, is required to furnish reasonably adequate services and facilities. Ind. Code § 8-1-2-125(c). Petitioner’s charges for such services rendered must be nondiscriminatory, reasonable, and just so as to produce sufficient revenue to pay for all necessary expense related to its utility operations. Such expense includes maintenance and repair costs, operating charges, interest charges on bonds and other obligations, a sinking fund for the liquidation of bonds or other evidence of indebtedness, debt service reserve, working capital, funds for extensions and replacements, and payment of taxes. Ind. Code § 8-1-2-125(d).

The Commission has before it substantial evidence from which to determine the reasonableness of the terms of the Settlement Agreement. Our review of the reasonableness of the Settlement Agreement is aided by the parties’ express agreement on the revenue requirements to be used in Petitioner’s rate increase, the agreed upon allocation of the increase, agreed upon rate design, and the agreed upon schedule of rates and charges filed with the Commission as set forth in Joint Exhibit 1, Exhibit A to the Settlement Agreement. All of the agreed-upon pro forma adjustments are supported by and explained in the Settlement Agreement and settlement testimony.

Based on the evidence presented, we find the Settlement Agreement is reasonable and provides MCRW with sufficient revenue to continue operating in a safe and reliable manner at rates and charges that are nondiscriminatory, reasonable, and just. The parties’ evidence supports the necessity and reasonableness of each proposed increase within the revenue requirements. We also find the parties’ agreed resolution on rate design adequately balances MCRW’s desire for ease of administration and simplification against the need to insure that one class of customers is not disproportionately affected by the change.

Therefore, we find that Petitioner should be authorized to increase its rates and charges to produce additional operating revenue of \$261,441, or a 13.42% increase in total operating revenues, resulting in total annual operating revenue of \$2,209,072, as set forth in the table below:

<b>Revenue Requirements:</b>	<b>Settlement</b>
Operation and Maintenance Expenses	\$ 1,326,642
Debt Service:	
Outstanding 2001 Rural Development Loan	229,644
Outstanding 2008 Rural Development Loan	304,920
Replacements and Improvements	<u>389,463</u>
Total Annual Revenue Requirements	2,250,669
Less: Penalties	-
Interest Income	7,780
Reconnect Fees	21,322
Return Check Fees	495
Farm Rent	<u>12,000</u>
Net Annual Revenue Requirements	2,209,072
Less: Revenues at current rates subject to increase	<u>1,947,945</u>
Net Revenue Increase Required	261,127
Additional Utility Receipts Tax	<u>314</u>
Recommended Increase	<u>\$ 261,441</u>
Recommended Percentage Increase	<u>13.42%</u>

8. **Effect of Settlement Agreement.** The parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at \*7-8 (IURC March 19, 1997).

9. **Alternative Regulatory Program ("ARP").** If Petitioner elects to participate in the Small Utility ARP in accordance with the procedures approved in Cause No. 44203, the eligible operating expenses to which the Annual Cost Index will be applied are \$1,164,565. This amount excludes \$125,741 approved for purchased water. Taxes Other Than Income of \$36,650 and Extensions and Replacements of \$389,463 are also eligible expenses to which the Annual Cost Index will be applied. All other components of Petitioner's revenue requirement will remain unchanged.

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

1. The Settlement Agreement, a copy of which is attached to this Order, is approved.<sup>2</sup>
2. Petitioner is authorized to adjust and increase its base rates and charges for water utility service to produce an increase in total operating revenues of approximately 13.42% in accordance with the findings herein, which rates and charges are designed to produce net annual operating revenues of \$2,209,072.
3. Prior to implementing the rates approved, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Water/Wastewater Division. Such rates and charges shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.
4. This Order shall be effective on and after the date of its approval.

**HUSTON, KREVDA, AND ZIEGNER CONCUR; FREEMAN AND OBER ABSENT:**

**APPROVED:      OCT 29 2019**

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

*Virginia Pucay acting for Mary Becerra*  
**Mary M. Becerra**  
**Secretary of the Commission**

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<sup>2</sup> Exhibits B and C to the Settlement Agreement, which contains Petitioner's settlement testimony, are intentionally omitted.

FILED  
JULY 25, 2019  
INDIANA UTILITY  
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION )  
OF MORGAN COUNTY RURAL )  
WATER CORPORATION, A NON- )  
PROFIT PUBLIC UTILITY LOCATED )  
IN MARTINSVILLE, INDIANA, FOR )  
APPROVAL OF A NEW SCHEDULE OF )  
RATES AND CHARGES FOR WATER )  
UTILITY SERVICE )

IURC  
JOINT  
EXHIBIT No. 1  
9-10-19  
DATE REPORTER

CAUSE NO. 45198

JOINT STIPULATION AND SETTLEMENT AGREEMENT

On February 1, 2019, Morgan County Rural Water Corporation ("Petitioner") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") requesting approval of a new schedule of rates and charges for Petitioner's water utility service. In its case-in-chief filed with its Petition, Petitioner sought an increase in its rates, a modification to its rate design instituting a single flat rate for all customers, and increases and modifications to the descriptions of various non-recurring charges.

The Indiana Office of Utility Consumer Counselor ("OUCC") reviewed Petitioner's Petition and Exhibits, met with Petitioner's representatives, and requested additional information from Petitioner through both formal and informal discovery. During the course of discovery, Petitioner and the OUCC (individually, a "Settling Party" and collectively, the "Settling Parties"), engaged in settlement negotiations. As a result of those negotiations, the Settling Parties reached an agreement with respect to all of the issues before the Commission in this proceeding, including without limitation, as follows:

OFFICIAL  
EXHIBITS

**1. Petitioner's Revenue Requirements**

As detailed below, Petitioner's total annual revenue requirement is \$2,250,669, and its net annual revenue requirement is \$2,209,138.

Operating Expenses	\$ 1,326,642
Extensions and Replacements	389,463
Working Capital	-
Debt Service	534,564
Debt Service Reserve	-
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Total Revenue Requirements	2,250,669
Less: Interest Income	(7,780)
Late Fees	-
Reconnect Fees	(21,322)
Return Check Fees	(495)
Farm Rent	(12,000)
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Net Revenue Requirements	2,209,072

**2. Rate Design**

The Settling Parties have agreed upon a declining three-block monthly volume rate in addition to a monthly base charge, which agreement is reflected in the Revised Schedule of Rates and Charges, attached hereto as Exhibit A. The Petition originally requested a single flat volume rate, however, as discussed in the settlement testimony of Glen Miller and Scott Miller attached hereto as Exhibits B and C, the agreed-upon rate design will serve to lessen the impact of the stipulated rate increases on Petitioner's high volume customers, a serious concern expressed by the OUCC in response to Petitioner's case-in-chief.

**3. Amount of Stipulated Rate Increase**

As set forth in the Revised Accountant's Report, attached as Attachment SAM-1R to Exhibit C, the existing rates and charges for water service rendered by Petitioner will not produce sufficient revenue to pay all lawful expenses incident to the operation of the utility, including, but

not limited to, maintenance costs, operation charges, extensions and replacements, debt service obligations, and to provide adequate funds for working capital. The existing rates are, therefore, insufficient and unlawful. As a result, the Settling Parties agree that Petitioner's current rates and charges for water service should be increased so as to produce \$261,441 in additional pro forma operating revenues, representing a 13.42% overall rate increase, as shown on Attachment SAM-1R to Exhibit C.

**4. Schedule of Rates and Charges**

The Settling Parties agree that the proposed rates and charges for services rendered or to be rendered by Petitioner either directly or in connection therewith, as set forth in Exhibit A, are reasonable, just, and necessary to accomplish the rate increase described herein. Additionally, the Settling Parties reached an agreement with respect to all non-recurring charges, as shown on Exhibit A, including the following modifications from MCRW's initial petition:

- a. Connection Charge. The Connection Charge shall be \$2,020.00 rather than Petitioner's proposed amount of \$2,415.00;
- b. Delinquency Service Charge. The Delinquency Service Charge shall be \$60.00 rather than Petitioner's proposed amount of \$75.00. Further, the language regarding the Disconnection Payment Deadline, as shown on Exhibit A, shall reflect MCRW's compliance with the Commission's disconnect notice and timing requirements and to clarify situations where the day for disconnection falls on a non-business day.
- c. General Service Charge. As shown in Exhibit A, the description of the General Service Charge shall be modified to reflect that it does not apply to after-hours services, which will be covered by the new After Hours Service Charge.

- d. Dishonored Check Charge. The amount for the Dishonored Check Charge shall be increased from Petitioner's proposed amount of \$25.00 to \$30.00 to account for a \$5.00 charge to Petitioner from its bank for each dishonored check.
- e. Failed ACH Charge. The Failed ACH Charge shall be separated from the Dishonored Check Charge, as originally proposed by Petitioner and shall remain at the amount of \$25.00, as the \$5.00 charge from Petitioner's bank does not apply to failed ACH payments.
- f. Tampering Charge. The Tampering Charge shall be added as a new charge. As shown in Exhibit A, the initially proposed language shall be modified to clarify that the Tampering Charge will not apply in situations where damage is caused accidentally.
- g. Backflow Prevention Policy Fine. This charge shall be eliminated from Petitioner's request.

5. **Scope and Approval**

- a. No Admission/No Waiver. Neither the making of this Settlement Agreement nor any of its provisions, including without limitation, any provisions contained in exhibits to this Settlement Agreement, shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Settling Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

b. Non-Precedential Effect. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction.

c. Authority to Stipulate. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Settling Parties on the provisions contained herein and in the attached exhibits.

d. Privileged Communications. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged. This provision shall survive any termination/voiding of this Settlement Agreement.

e. Supporting Testimony. The Settling Parties agree the evidence to be submitted in support of this Settlement Agreement, along with the evidence of record, together constitute substantial evidence to support this Settlement and

provide a sufficient evidentiary basis upon which the Commission can make findings of facts and conclusions of law necessary for the approval of this Settlement. The Settling Parties shall each offer 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 modification. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party and the Settling Parties hereby waive cross-examination of each other's witnesses.

f. Acceptance in Entirety. 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. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and if the Commission fails to approve this Settlement Agreement in its entirety without any change or imposes any condition unacceptable to any adversely affected Settling Party, the Settlement Agreement and supporting evidence may be withdrawn and the Commission will continue to proceed to a decision in the affected proceeding, without regard to the filing of this Settlement Agreement.

If the Settlement Agreement is not approved in its entirety by the Commission, the Settling Parties agree that the terms herein shall not be admissible in evidence or discussed by any part in a subsequent proceeding. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Settlement Agreement is withdrawn, the Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.

If the Commission rejects the Settlement, the Settling Parties shall remain bound by the terms of the Settlement Agreement and shall continue to support or not oppose all of the terms of the Settlement through all appeal, remand, and/or reconsideration proceedings. However, in the event the Settlement is rejected by the Commission and such rejection is ultimately upheld on rehearing, reconsideration, and/or appeal, at the point when all such proceedings and appeals are complete, this Settlement Agreement shall become void and of no further effect (except for provisions which have already been fully implemented or that are explicitly stated herein to survive termination/voiding).

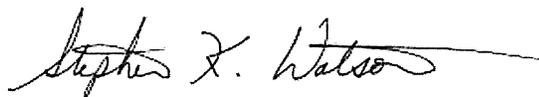
g. Proposed Order. The Settling Parties will work together to prepare an agreed upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this

Settlement Agreement. The Settling Parties will request that the Commission issue a Final Order promptly accepting and approving this Settlement Agreement in accordance with its terms.

h. Reconsideration/Appeal. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose 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.

Respectfully submitted,

**Morgan County Rural Water Corporation**



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Stephen K. Watson, Atty. No. 16899-53

William W. Barrett, Atty. No. 15114-53

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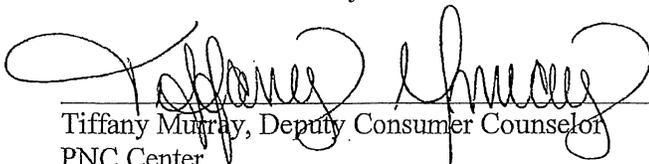
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**Indiana Office of Utility Consumer Counselor**

A handwritten signature in black ink, appearing to read 'Tiffany Murray', is written over a horizontal line.

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)

EXHIBIT A  
TO SETTLEMENT AGREEMENT

PROPOSED SCHEDULE OF WATER RATES AND CHARGES

**EXHIBIT A**  
**TO SETTLEMENT AGREEMENT**  
**CAUSE NO. 45198**

MORGAN COUNTY RURAL WATER CORPORATION  
1395 E. Shore Dr.  
Martinsville, Indiana 46151

**PROPOSED SCHEDULE OF WATER RATES AND CHARGES**

(a) Monthly Base Charge:

<u>Meter Size:</u>	<u>Base Charge</u>
5/8 - 3/4 inch meter	\$11.95
1 inch meter	17.50
1 1/2 inch meter	26.75
2 inch meter	37.85
3 inch meter	63.75
4 inch meter	100.75
6 inch meter	193.25

(b) Monthly Volume Charge

Rate per 1,000 gallons (billable on a per gallon basis):

Less than 25,000	\$10.10
25,000 – 50,000	7.65
Over 50,000	4.60

(c) Membership Fee \$300.00

A membership fee of \$300.00 shall be paid in addition to all other applicable charges, upon application for membership in this Corporation. The membership fee is refundable, but shall not be transferable.

(d) Connection Charge \$2,020.00

Each applicant shall pay a charge to cover the costs of excavating and tapping the main, furnishing and installing service pipe from the main to the lot line, furnishing and installing corporation and stop cocks, and furnishing and installing meter crock (if outside), yoke and meter, and all other materials, labor, and equipment required to provide a physical connection to the waterworks system. The charge for a 5/8 inch meter tap shall be \$2,020 plus the cost of any highway permits required. The charge for a tap larger than the 5/8 inch meter tap shall be the cost of labor, materials, power machinery, transportation, and overhead incurred for installing the tap, but shall not be less than the charge for a 5/8 inch meter tap.

(e) Late Payment Charge

A charge equal to 10% of the first \$3.00 plus 3% of all over \$3.00 of the monthly charge for water. This charge shall be assessed on all payments made after the close of business on the 17<sup>th</sup> day of the month. Bills are mailed on the last day of the previous month. In the event the 17<sup>th</sup> falls on Saturday or Sunday, payment will be accepted on the following business day of the Corporation without assessing the late payment charge.

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- (f) Delinquency Service Charge \$60.00

Members that have been sent a disconnect notice and allow their accounts to continue to be delinquent after 4:30 p.m. on the 25<sup>th</sup> day of the month (the Corporation's monthly "Disconnection Payment Deadline"), shall pay a delinquency service charge in the amount of \$60.00 to cover the costs of processing the account for disconnection, which charge shall apply irrespective of whether the meter is actually turned off, provided the Corporation has complied with the disconnect notice and timing requirements of 170 IAC 6-1-16(e). This charge together with any arrearage and other applicable charges due to the waterworks, shall be paid by the member before service will be re-established if actually disconnected, or to avoid the physical disconnection of water service if not yet actually disconnected. If the 25<sup>th</sup> day of the month is not followed by a regular business day of the Corporation, payments received before 8:00 a.m. on the first regular business day of the Corporation after the 25<sup>th</sup> day of the month shall be deemed received by the Disconnection Payment Deadline.

- (g) After Hours Service Charge \$65.00

This charge will be applied for any trip to the member's premises at the member's request for conditions on the member's side of the meter or to re-establish service, outside of regular business hours (regular business hours are from 8:00 A.M. to 4:30 P.M. on weekdays, excluding holidays designated by the utility). This fee shall apply in addition to all other applicable fees, such as Delinquency Service Charge and General Service Charge.

- (h) General Service Charge \$15.00

This charge will apply for any trip to the member's property during regular office hours at the member's request for conditions on the member's side of the meter or for requested water pressure adjustments, freeze checks, convenience turn-ons and turn-offs, and similar service calls to the member's property, but does not apply to a request for a new physical connection to the waterworks system. (This charge does not apply to the reconnection of service after an involuntary disconnection for a delinquency, which is instead covered by the Delinquency Service Charge. This charge also does not apply to services provided after regular office hours, which instead is subject to the After Hours Service Charge.)

- (i) Deposit to Insure Payment of Bills

If an applicant fails to establish that (she)(he) is creditworthy, the applicant will be required to make a reasonable cash deposit. Such deposit shall not exceed one-sixth of the estimated annual cost of service to be rendered to the applicant.

- (j) Easement Recording Charge \$35.00

Each applicant for water service shall pay a charge of \$35.00 per easement to cover the costs of recording each easement required as part of application for membership in this Corporation.

- (k) Dishonored Check Charge \$30.00

When a check (personal or business) is received for payment of products or service and is returned from a bank for insufficient funds and is being held as a bad debt, a \$30.00 fee will be charged to the account and must be paid in CASH before the office will surrender the bad check and clear the account. This fee will also be applied to returned or failed ACH payments.

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- (l) Failed ACH Charge \$25.00

When an ACH payment fails, a \$25.00 fee will be charged to the account and must be paid in CASH before the office will clear the account. This charge will not apply to ACH payments that fail for reasons that are not the fault of the member (for example, a processing error by the member's bank).

- (l) System Development Charge ("SDC")

For each new equivalent dwelling unit connected to the waterworks system, the applicant for the connection shall pay a charge to cover the costs of the capacity in the waterworks system allocated for the connection, in accordance with the following schedule and the applicable size of meter installed.

<u>Meter Size</u>	<u>Equivalency Factor</u>	<u>Charge</u>
5/8 – 3/4 inch meter	1.0	\$750.00
1 inch meter	2.5	1,875.00
1 ½ inch meter	5.0	3,750.00
2 inch meter	8.0	6,000.00
3 inch meter	15.0	11,250.00
4 inch meter	25.0	18,750.00
6 inch meter	50.0	37,500.00

- (m) Tampering Charge Minimum of \$300.00

A minimum charge of \$300.00 shall be charged to the member in the event the meter, meter pit, or any other property of the waterworks system directly serving the member's property is found to be tampered with without the authorization of the Corporation. Tampering shall mean any act that damages property of the waterworks system directly serving the member's property or any act that prevents the meter serving the property from properly measuring and reporting the volume of water being discharged from the waterworks system designed to directly serve the member's property. In the event the tampering results in actual costs incurred by the Corporation to return the service connection to normal function in excess of \$300.00, the Tampering Charge shall equal the actual costs incurred by the Corporation to return the service connection to normal function, including without limitation the cost of labor, materials, power machinery, transportation, and overhead. The minimum Tampering Charge shall not apply if the damage is accidentally caused, but the customer may still be charged the actual cost of the damage.