ORIGINAL

Commissioner	Yes	No	Not Participating
Swinger	√		
Bain	√		
Deig	√		
Jerrells	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS, AS TRUSTEE OF A PUBLIC CHARITABLE TRUST FOR THE WATER SYSTEM D/B/A CITIZENS WATER, FOR, PURSUANT TO IND. CODE CH. 8-1-31.7: (1) APPROVAL OF ITS PLAN FOR PROPOSED SERVICE ENHANCEMENT IMPROVEMENTS ("SEI"); (2) AUTHORITY TO TIMELY RECOVER 80% OF ITS SEI COSTS THROUGH AN ADJUSTMENT RIDER ("SEI RIDER"); AND (3) AUTHORITY TO DEFER AND RECOVER IN ITS NEXT GENERAL RATE CASE THE REMAINING 20% OF ITS SEI COSTS NOT RECOVERED THROUGH ITS SEI RIDER	)	**CAUSE NO. 46370** **APPROVED: SEP 16 2026**

ORDER OF THE COMMISSION

Presiding Officers:
Anthony F. Swinger, Chairman
Steve Henke, Administrative Law Judge

On February 17, 2026, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System d/b/a Citizens Water ("Citizens Water" or "Petitioner"), filed with the Indiana Utility Regulatory Commission ("Commission") its Verified Petition for Approval of a Service Enhancement Improvement ("SEI") Plan pursuant to Ind. Code ch. 8-1-31.7 and 170 IAC 6-1.1. In support of its Verified Petition, Citizens Water also filed the direct testimony of Sara J. Mamuska-Morris, Vice President of Capital Programs and Engineering for Citizens Energy Group, and John F. Lamb, Manager, Rates and Business Applications for Citizens Energy Group, on February 17, 2026.

The Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony of Carl N. Seals, Assistant Director of the OUCC's Water/Wastewater Division, and Margaret A. Stull, Chief Technical Advisor in the OUCC's Water/Wastewater Division, on May 4, 2026, and Citizens Water filed the rebuttal testimony of Ms. Mamuska-Morris and Craig L. Jackson, Senior Vice President and Chief Financial Officer of Citizens Energy Group, on May 27, 2026.

On June 18, 2026, Citizens Water and the OUCC filed their Stipulation and Settlement Agreement ("Settlement Agreement"), which resolved all issues in this Cause, and supporting settlement testimony, including the supplemental testimony of Ms. Mamuska-Morris and the settlement testimony of Ms. Stull.

The Commission held an evidentiary hearing in this Cause on July 15, 2026 at the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing, at which all of the parties' evidence was admitted into the record without objection.

Based on the applicable law and evidence of record, the Commission now finds:

1. <u>Notice and Jurisdiction</u>. Due, legal, and timely notice of the public hearing in this Cause was given and published as required. Petitioner is an "eligible utility" as defined by Ind. Code § 8-1-31.7-3(3). Citizens Water asserts it is a municipally owned utility, as defined in Ind. Code § 8-1-2-1(h). *E.g.*, Pet. Ex. 1, p. 6. *Cf. Citizens Water*, IURC Cause No. 45767 DSIC 4, p. 2 (Nov. 19, 2025) (noting similar assertion in context of distribution system improvement charge statute).

However, Petitioner also provided evidence that Citizens Water is not "owned or operated by a municipality"; Citizens Water is a regulated utility managed and controlled by the "Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis ("Board"). Pet. Ex. 1, p. 1. The Board manages and controls Citizens Water "as Trustee of a Public Charitable Trust for the Water System"—not by virtue of its *ownership* of Citizens Water. *Compare* Joint Ex. 1, p. 1 *with* Ind. Code § 8-1-2-1(h). The SEI framework expressly addresses this issue; for purposes of Ind. Code ch. 8-1-31.7, "not-for-profit utility" includes "a utility company that is owned, operated, or held in trust by a consolidated city." Ind. Code § 8-1-31.7-4(b). *Compare Citizens Water*, IURC Cause No. 43936, p. 8 (July 13, 2011) (noting the City's right of first refusal to purchase water system assets "if Citizens is ever able and elects to dispose of the assets") *with* Ind. Code § 8-1-11.1-3(c)(9).

Regardless of whether Petitioner is a municipally owned utility or a not-for-profit utility, Ind. Code ch. 8-1-31 authorizes both not-for-profit and municipally owned utilities to seek recovery of system enhancement improvement costs, which are the costs at issue in this proceeding. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. <u>Petitioner's Characteristics</u>. Petitioner is the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, in its capacity as Trustee of a Public Charitable Trust for the Water System, which does business as Citizens Water. Citizens Water owns and operates certain water utility assets acquired from the City of Indianapolis, Indiana and its Department of Waterworks pursuant to an Asset Purchase Agreement approved by the Commission's July 13, 2011 Order in Cause No. 43936. Citizens Water uses its water utility plant, properties, equipment, and facilities to provide water utility service to the public in Indianapolis and surrounding communities in Central Indiana. Its principal office is located at 2020 North Meridian Street, Indianapolis, Indiana 46202.

3. <u>Relief Requested</u>. In this proceeding, Petitioner seeks approval of its plan for proposed service enhancement improvements ("SEI Plan"), authority to timely recover 80% of its SEI costs through an adjustment rider ("SEI Rider"), and authority to defer and recover in its next general rate case the remaining 20% of such costs not recovered through the SEI Rider.

4. **Petitioner's Direct Evidence.**

A. **Ms. Mamuska-Morris.** Ms. Mamuska-Morris testified that, in this proceeding, Citizens Water seeks approval of an SEI Plan pursuant to Ind. Code § 8-1-31.7-9. She explained that Indiana Code ch. 8-1-31.7 (the "SEI Statute") permits eligible water and wastewater utilities to obtain Commission approval for recovery of costs associated with eligible infrastructure improvements through an SEI adjustment mechanism.

Ms. Mamuska-Morris stated that Citizens Water is seeking approval of the SEI Plan because portions of its water system are more than 100 years old and require investment levels that exceed amounts currently recovered through existing rates. She testified that, unlike a general rate case, an SEI adjustment provides temporary recovery; once the costs associated with eligible additions are recovered, the corresponding charges are removed from the rider.

Ms. Mamuska-Morris testified that Citizens Water qualifies as an "eligible utility" under the SEI Statute. She testified that all of the projects included in Citizens Water's SEI Plan filing satisfy the requirements of the SEI statute because they do not increase revenues through new customer connections, qualify as extensions or replacements, and were not included as plant in service in the company's most recent rate case.

Ms. Mamuska-Morris further testified that a "service enhancement improvement" under the SEI Statute includes expenditures related to compliance with statutory requirements or installation of new plant or equipment that furthers health, safety, or environmental protection, as well as replacement of plant or equipment necessary to maintain existing health, safety, or environmental protection for customers, employees, or the public. She stated that the four projects included in Citizens Water's SEI Plan are primarily considered to be replacement projects undertaken to maintain existing health, safety, and environmental protection and are subject to Ind. Code § 8-1-31.7-7(2). Although the SEI Statute establishes that such replacement projects may be recovered through the SEI mechanism without prior SEI Plan approval, she testified that Citizens Water elected to seek preapproval because this is its first filing under the SEI Statute and it had already developed a comprehensive plan for the proposed projects.

Ms. Mamuska-Morris testified that the SEI Plan consists of four primary projects: (1) Aqueduct Rehabilitation Phase 2, (2) White River Settled Water Duct Rehabilitation, (3) White River Diesel High Service Pump Replacement ("White River Diesel HSP Replacement"), and (4) Tacoma Dam Improvements.

i. **Aqueduct Rehabilitation Phase 2.** Ms. Mamuska-Morris testified that the Aqueduct Rehabilitation Phase 2 project will repair deteriorated concrete in the substructure of the aqueduct over Fall Creek. Constructed in 1906, Ms. Mamuska-Morris testified that the aqueduct's concrete arches and piers have experienced significant cracking and spalling due to water leakage from the canal into the substructure. She explained that the aqueduct's structure is critical to system operations and has no full redundancy, making it a single point of failure for water delivery.

Ms. Mamuska-Morris testified that this project is estimated to cost approximately $4.185 million and that the improvements to the aqueduct are necessary to maintain the structural integrity of the aqueduct and prevent failure that could disrupt service to Citizens Water's customers. She stated the project qualifies as an SEI under Ind. Code § 8-1-31.7-7(2) because it constitutes replacement and rehabilitation of existing plant to maintain health, safety, and environmental protection. She further explained that alternatives were limited due to the age and critical function of the aqueduct and that rehabilitation was the most feasible and cost-effective approach compared to replacement or rerouting of system infrastructure.

ii. White River Settled Water Duct Rehabilitation. Ms. Mamuska-Morris described Citizens Water's proposed White River Settled Water Duct Rehabilitation project, testifying that the existing settled water duct and covered basin structures are nearly 100 years old. She stated that the settled water duct requires repair and rehabilitation, while the covered basins are in disrepair and prevent access to the duct and require bypass. She noted that the covered basins represent an obsolete treatment process that has been out of service since the early 2000s. Ms. Mamuska-Morris testified that the project will construct a bypass around the covered basin area using twin 72-inch gravity pipes and associated tie-in structures, enabling safe demolition of the obsolete basins and allowing repairs to the existing settled water duct.

Ms. Mamuska-Morris further testified that the White River Settled Water Duct Rehabilitation project is necessary to maintain health and safety because the duct, originally installed in the late 1920s, has exceeded its useful life and constitutes a critical component of the water treatment process at Citizens Water's largest treatment facility, the White River Water Treatment Plant. She explained that the covered basins have become structurally unsound and pose safety hazards for employees. Ms. Mamuska-Morris stated that failure of the duct or basin structures through cracking, collapse, or other structural failure could create an emergency resulting in interruption or cessation of water service. She testified that the project's estimated cost is approximately $12.237 million.

iii. White River Diesel HSP Replacement. Ms. Mamuska-Morris testified that the White River Diesel HSP Replacement project will replace two of three existing diesel-engine-driven pumps at the White River Water Treatment Plant, originally installed in 1985, with electric motor-driven pumps. She stated that the project will also involve the installation of two backup diesel generators sized to serve six existing high-service pumps. She stated that diesel pumps Citizens proposes to replace, pumps 7 and 8, have reached the end of their useful lives. The project will also include associated electrical, control, and facility upgrades with the diesel pump replacements.

Ms. Mamuska-Morris explained that the purpose of this project is to improve reliability, operational efficiency, and system resiliency, particularly during power outages or high-demand conditions, as well as to avoid potential service interruptions that could occur if the aging diesel equipment fails. She further explained that the installation of new generators ensures the plant can operate during outages affecting both primary power feeds. Ms. Mamuska-Morris stated the total estimated cost of the project is approximately $10.516 million, including significant costs for equipment, electrical systems, contingency, and engineering. Ms. Mamuska-Morris explained that alternatives were considered, and that replacement of the existing diesel pumps and installation of new backup generation represented the most reliable, cost-effective solution.

iv. Tacoma Dam Improvements. Ms. Mamuska-Morris testified that the Tacoma Dam Improvements will replace the existing Tacoma overflow weir structure for approximately $5.395 million. She stated that the Tacoma Dam was originally constructed during the 1960s to maintain water flow to the Fall Creek Water Treatment Plant. Despite minor improvements over the years, the Tacoma Dam has reached the end of its useful life according to Ms. Mamuska-Morris.

Ms. Mamuska-Morris stated that the Tacoma Dam is critical to operation of the Fall Creek Water Treatment Plant intake because it ensures consistent water flow and prevents Fall Creek from bypassing the intake. Ms. Mamuska-Morris further testified that the project addresses regulatory and environmental considerations, including permitting requirements from the Indiana Department of Environmental Management ("IDEM"), Indiana Department of Natural Resources, and the U.S. Army Corps of Engineers, and that it therefore qualifies as an SEI. Ms. Mamuska-Morris also described alternative approaches considered and explained that full replacement of the overflow structure was selected as the most reliable long-term solution.

B. Mr. Lamb. Mr. Lamb testified that, following Commission approval of the SEI Plan, Citizens Water intends to file a petition pursuant to Indiana Code § 8-1-31.7-12 seeking approval of an SEI Rider, which would function as an adjustment to the utility's basic rates and charges and would permit the recovery of SEI costs associated with the approved SEI Plan projects. Mr. Lamb testified that Citizens Water expects to file petitions every 12 months, as necessary, to modify the adjustment amount. In those filings, he stated that Citizens Water would reconcile differences between approved recovery amounts and actual SEI costs incurred and either recover or refund those differences through SEI Rider adjustments. He further explained that, during Citizens Water's next general rate case, the SEI Rider would be set to zero upon approval of new basic rates and charges in which the SEI projects are incorporated are included in the utility's base rates.

Mr. Lamb provided illustrative schedules of how the monthly fixed charge would be calculated, Petitioner's Exhibit 2, Attachment JFL-1. He testified that if the Commission approved Citizens Water's SEI Plan, the actual rider filing would utilize the approved project costs rather than the hypothetical figures. He stated that these monthly customer charges were developed using the Meter Size method as described in the American Water Works Association's Principles of Water Rates, Fees and Charges (M1) Manual. Mr. Lamb states that the methodology he applied is consistent with methodologies previously approved by the Commission.

Mr. Lamb testified that the SEI Statute does not prescribe a specific period over which SEI costs must be recovered, and Citizens Water therefore proposes to align recovery with the applicable plan periods. For the projects included in the current SEI Plan, Mr. Lamb testified that Citizens Water proposes a two-year recovery period. Under this proposal, the recoverable amount would equal 80% of total projected project costs and would be collected evenly over the two-year period corresponding to project years 2027 and 2028.

Mr. Lamb also described Petitioner's Exhibit 2, Attachment JFL-2, which is Petitioner's sample SEI Rider rate schedule tariff, designated Rider C. He testified that the proposed SEI Rider would apply to all Citizens Water customer classes.

5. OUCC's Evidence.

A. Mr. Seals. Mr. Seals testified that he agrees with all of Citizens Water's proposed SEI Plan projects except portions of the White River Diesel HSP Replacement project. After reviewing Citizens Water's testimony, discovery responses, operational records, the Ten State Standards, and information regarding the Environmental Protection Agency's ("EPA") Tier 4 requirements, Mr. Seals concluded that the additional high-service pumping capacity proposed as part of the project is not necessary. He testified that the White River Water Treatment Plant currently satisfies the Ten State Standards, which recommend that a water utility maintain sufficient pumping capacity to meet maximum system demand with the largest pump out of service.

Based on his review of IDEM monthly operating reports for the White River Water Treatment Plant, Mr. Seals testified that the maximum daily production at the plant during the reviewed period was 96.11 million gallons per day ("MGD"). He opined that, even if two diesel pumps were removed from service, the plant would retain approximately 99.44 MGD of pumping capacity, which exceeds the observed maximum daily production. Consequently, he concluded that the facility would continue to meet the Ten State Standards without installation of the proposed additional pumping equipment and that customers would continue to receive safe and adequate service.

Mr. Seals further testified that the diesel pumps proposed for replacement operate very infrequently and average approximately two hours of operation per month. Based on that operating profile, he concluded that the equipment functions essentially as backup or emergency equipment. He noted that the electric pumps already receive service from two separate AES utility feeds that automatically transfer upon loss of one power source. Accordingly, he testified that the diesel pumps or backup generators would be required only if both utility feeds failed simultaneously.

Mr. Seals stated that he does not oppose installation of the proposed backup generators. However, he testified that the proposed additional electric pumps are unnecessary and would increase customer costs without providing a required operational benefit.

Mr. Seals further testified that EPA Tier 4 emission requirements generally apply to new non-road diesel engines and certain stationary diesel generation equipment. Because the existing diesel pumps appear to function primarily in an emergency or backup role, he questioned whether EPA Tier 4 emission requirements provide a valid basis for the project. Mr. Seals also noted that Citizens Water originally referred to the diesel units as "emergency" high-service pumps in Ms. Mamuska-Morris's pre-filed testimony, but later revised her testimony to remove the word "emergency." He theorized that Citizens Water's testimony correction seemed to reflect a recognition that equipment classified as emergency equipment may not be subject to EPA Tier 4 requirements, and would therefore not be eligible for recovery under the SEI Statute.

Mr. Seals testified that the removal of the two proposed high-service pumps from this project would reduce project costs by approximately $955,000, lowering the overall SEI request from approximately $32.33 million to approximately $31.38 million. He opined that the public convenience and necessity do not require installation of the high-service pumps. While he acknowledged that replacement of the diesel pumps may eventually be appropriate, he concluded that installation of pumps 7 and 8 is not an appropriate SEI project and recommended that those portions of the project not be approved.

B. Ms. Stull. Ms. Stull testified that Citizens Water requests $32,333,110 of SEI project costs over a two-year period, 2027 and 2028. Ms. Stull recommended that the Commission require all projects included in Citizens Water's SEI Plan be financed through long-term debt rather than through a short-term recovery of project costs over two years, as proposed by Citizens Water. According to Ms. Stull, debt financing of Citizens Water's SEI Plan projects would better promote affordability and avoid intergenerational inequities by spreading costs across the generations of customers who will benefit from the assets.

Using the number of equivalent meters provided by Petitioner, Ms. Stull calculated that recovery of the approximately $32.3 million project cost over two years would produce a monthly rider charge of approximately $2.40 per month for 24 months. By contrast, she testified that, if the projects were financed through debt at an assumed 4.25% interest rate over 20 years, the resulting rider would be approximately $0.40 per month until the next general rate case, when the debt service would be included in its revenue requirement.

Ms. Stull testified that, although the SEI Statute does not define "extensions and replacements," the term historically has referred to cash-funded capital improvements. She stated that utilities typically fund capital investments through either debt financing or direct recovery from customers through rates. In her view, cash-funded E&R are designed to recover the costs of capital assets that are replaced on a recurring, annual basis or on a recurring basis within the life of the rates being set, such as meters, hydrants, and mains. Ms. Stull further stated that E&R is also typically designed to recover the costs of capital expenditures for shorter-lived assets such as vehicles and computers.

Ms. Stull stated that the projects proposed by Citizens Water are unique, long-lived capital assets that are not recurring in nature and are unlikely to be replaced again during the life of current rates. She therefore concluded that they are not the type of projects that should be funded through cash-funded E&R and instead should be financed through long-term debt. She opined that debt financing is more equitable because it spreads costs across the period during which assets provide service. Ms. Stull opined that debt financing ensures that future customers who benefit from the facilities bear an appropriate share of the associated costs.

Ms. Stull further testified that Indiana public policy recognizes the importance of balancing infrastructure investment with customer affordability. She stated that water and wastewater customers generally have no alternative provider and therefore depend on the Commission to ensure rates remain reasonable. She stated that Citizens Water's rates historically have been affordable but expressed concern about the increasing number of fixed monthly charges appearing on customer bills, which inhibits a customer's ability to reduce their utility bill by reducing their consumption.

6. Petitioner's Rebuttal Evidence.

A. Ms. Mamuska-Morris. Ms. Mamuska-Morris testified in support of the replacement of existing diesel pumps 7 and 8 stating that Mr. Seals's reliance on the Ten States Standards oversimplifies the application of those standards. She explained that Citizens Water's White River Water Treatment Plant has a firm treatment capacity of 120 MGD and that capacity remains necessary to support current system-wide, maximum-day demand of approximately 244 MGD. Because the existing diesel pumps are more than four decades old and approaching the end of their useful lives, Ms. Mamuska-Morris testified that replacement is required to avoid outages and maintain system reliability.

Ms. Mamuska-Morris also disputed Mr. Seals's assertion that the White River Water Treatment Plant could adequately serve customers with reduced pumping capacity following the retirement of the diesel pumps at issue. She testified that Citizens Water designs facilities to meet instantaneous, or hourly, peak demand rates during moderate drought conditions, which will always exceed the daily average. She explained that 10-year historical data reflects that peak-hour pumping rates have exceeded the capacity levels that Mr. Seals identified as adequate.

Ms. Mamuska-Morris further disagreed with Mr. Seals's characterization of the diesel engines as merely backup or emergency equipment. She stated that, although the engines were operated infrequently during the two-year period he reviewed, those years did not reflect moderate drought conditions. She testified that the diesel units are designed to operate as "last-on, first-off" assets during periods of peak demand, power outages, and when other pumps are unavailable. Moderate drought conditions would result in peak day production, requiring more frequent use of these pumps.

Ms. Mamuska-Morris also disagreed with Mr. Seals's suggestion that Citizens Water revised its presentation of the diesel engines after realizing that emergency engines might not qualify under SEI requirements. She testified that all projects included in the SEI Plan qualify as replacements of plant or equipment necessary to maintain health, safety, or environmental protection. Such projects do not need to satisfy a "requirement" as defined by the SEI Statute, nor does the "public convenience and necessity" requirement apply to SEI Projects falling under Ind. Code § 8-1-31.7-7(2). Thus, Citizens Water could have sought recovery of all of the projects in its SEI plan without requesting approval of an SEI plan first, as projects under Ind. Code § 8-1-31.7-7(2) are eligible for cost recovery without plan preapproval. Ms. Mamuska-Morris explains that Citizens Water determined it would be prudent to file this case seeking preapproval of its SEI Plan because this is the first time it has sought relief under the SEI Statute.

Ms. Mamuska-Morris also disagreed with Ms. Stull's assertion that "extensions and replacements" refers only to cash-funded capital improvements. She testified that Citizens Water uses that term broadly to encompass all capital projects, regardless of funding source. Ms. Mamuska-Morris also disputed Ms. Stull's characterization of the SEI projects as unique, long-lived assets that should be debt-funded. She stated that the projects included in the SEI Plan are typical of the capital improvements Citizens Water routinely undertakes as part of its long-term infrastructure planning process. She testified that the projects were selected because they are necessary for continued operation of the water system and are not unusual or extraordinary.

Ms. Mamuska-Morris further disagreed with Ms. Stull's suggestion that the SEI projects are not likely to recur during the life of Citizens Water's rates. She stated that, although the specific projects themselves may be non-recurring, she provided examples of projects Citizens Water regularly needs to undertake of similar scope and longevity as the projects included in the SEI Plan.

B. <u>Mr. Jackson</u>. Mr. Jackson disputed Ms. Stull's recommendation that Citizens Water be required to finance all projects included in its proposed SEI Plan through long-term debt and maintained the SEI Plan projects should be cash-funded. He stated that such projects are neither extraordinary nor unusual but rather represent the types of ongoing investments necessary to maintain safe and reliable service. He further testified that requiring debt financing for such routine projects as the SEI Plan projects would unnecessarily increase Citizens Water's leverage and reduce its financial flexibility.

Mr. Jackson explained that Citizens Water has spent approximately 15 years implementing a long-term debt reduction strategy. When Citizens Water acquired the Indianapolis water utility in 2011, outstanding debt totaled approximately $941 million, substantially exceeding the net original cost of utility plant. He testified that, since that time, Citizens Water has worked to improve its balance sheet by funding routine capital expenditures from revenues and reserving issuance of debt for major projects and extraordinary needs.

Mr. Jackson stated that Ms. Stull offered no credit risk analysis to support her recommendation that Citizens Water incur additional debt nor had the OUCC conducted a credit risk analysis in this Cause. He testified that credit risk is a critical consideration when recommending debt issuance because it directly affects borrowing costs and access to capital markets. He noted that higher leverage generally results in increased interest costs, which ultimately are borne by a utility's customers.

Mr. Jackson stated that Citizens Water's debt ratio is approximately 59% as of September 30, 2025, and that additional debt would unnecessarily increase the utility's financial risk. Mr. Jackson testified that Citizens Water's recent debt issuances have been deliberate, noting use of Indiana Finance Authority State Revolving Fund program to partially fund its lead service line replacement program, which included forgivable loans and zero-interest loans that minimized cost and risk to customers.

Mr. Jackson stated that Citizens Water's debt ratio and debt-service coverage are both essential measures of financial health and must be evaluated together. Debt ratio reflects overall leverage and balance sheet strength, while debt-service coverage measures an entity's ability to meet current obligations from available cash flow. Mr. Jackson identified future water treatment plant expansion projects and accelerated lead service line replacement requirements as examples of major initiatives that likely will require substantial borrowing that could exceed $1 billion in aggregate cost. Mr. Jackson stated that preserving debt capacity now is necessary to finance those future obligations. Mr. Jackson also testified that small bond issuances create cost inefficiencies because many issuance costs are fixed regardless of transaction size. In addition, smaller municipal bond offerings attract fewer investors, may not qualify for inclusion in municipal exchange-traded funds, and can result in higher borrowing costs due to weaker demand.

Mr. Jackson noted that Ms. Stull acknowledged Citizens Water's rates remain relatively affordable. He stated that Citizens Water was mindful of affordability when developing its proposed SEI Plan and intentionally limited the filing to four eligible projects to moderate potential rider impacts on customers. He testified that, despite experiencing significant increases in costs, with the largest increases in commodities such as chemicals and electricity and capital expenditures since its last base rate case in 2016, exceeding the $42 million authorized as cash-funded E&R, Citizens Water has used refinancing efforts, prudent cost controls, selective low-cost financing, and tools provided by the General Assembly to avoid a larger base rate increase.

7. Settlement Agreement and Supporting Evidence. On June 18, 2026, Citizens Water and the OUCC filed their Stipulation and Settlement Agreement ("Settlement Agreement") and the settlement testimony of Ms. Mamuska-Morris for Citizens Water and Ms. Stull for the OUCC.

A. Settlement Agreement. The Settlement Agreement, Joint Exhibit No. 1, resolves all issues relating to the capital cost of the SEI Plan projects and is incorporated into this Order by reference.

In Section I.1 of the Settlement Agreement, the parties agree that Citizens Water's SEI Plan projects are reasonable and appropriate to further or maintain health, safety, or environmental protection for Petitioner's customers, employees, and/or the public and should therefore be approved by the Commission, subject to the limitation set forth in Section I.3 discussed below. Section I.2 establishes the parties' agreement that Citizens Water should be authorized to recover 80% of eligible SEI Plan project costs through future SEI rider proceedings and defer the remaining extensions and replacements costs associated with the SEI Plan Projects not recovered through the SEI Rider for recovery in Citizens Water's next general rate case.

In Section I.3, the parties agree that the replacement of diesel pumps 7 and 8 should be excluded from the White River Diesel HSP Replacement project and that Citizens Water's recoverable project costs should be reduced by $955,000.

Section I.4 establishes the parties' agreement that costs associated with the approved SEI Plan projects will be recovered over a three-year period beginning with the Commission's order in Citizens Water's initial rider proceeding, and that Citizens Water will not seek to recover the cost of the SEI Plan projects over two years or less. The three-year recovery period is limited solely to the SEI Plan projects presented in this Cause, and the parties agree that Citizens Water is not prohibited from seeking approval of a different recovery period for any SEI-eligible costs aside from the SEI Plan projects approved in this Cause. Section I.4 also includes the OUCC's agreement to withdraw its recommendation that the SEI Plan projects approved in this Cause be funded through debt financing for purposes of any cost recovery in any petition filed pursuant to Ind. Code § 8-1-31.7-12 following the Commission's order in Cause No. 46370. Section 1.4 further states that the OUCC is not prohibited by the Settlement Agreement from making any recommendation in any subsequent SEI proceeding aside from the SEI Plan Projects approved in this Cause.

Section II of the Settlement Agreement contains customary settlement agreement provisions addressing, among other matters, the non-precedential nature of the Settlement Agreement, confidentiality of settlement negotiations, approval of the settlement as an integrated package, evidentiary support, and the parties' commitment to support the settlement and submit an agreed proposed order to the Commission.

B. <u>Ms. Mamuska-Morris</u>. Ms. Mamuska-Morris testified that the Settlement Agreement is the product of arms-length negotiations between Citizens Water and the OUCC and reflects compromise by both parties to resolve all issues, as memorialized in the Settlement Agreement. She explained that the Settlement Agreement provides for approval of Citizens Water's SEI Plan, subject to certain exclusions agreed upon by the parties. She testified that the parties agreed that the SEI Plan projects (other than the agreed exclusions) are reasonable and appropriate to further or maintain health, safety, or environmental protection and should be approved. She further explained that the Settlement Agreement defines the SEI Plan projects to include four discrete capital projects: the White River Settled Water Duct Rehabilitation, the White River Diesel HSP Replacement, Tacoma Dam Improvements, and Aqueduct Rehabilitation Phase 2.

Ms. Mamuska-Morris further testified that the Settlement Agreement authorizes Citizens Water to recover 80% of the E&R costs associated with the SEI Plan projects through an SEI Rider in a future rider proceeding, with the remaining 20% to be deferred and recovered in Citizens Water's next general rate case. She explained that this recovery structure is consistent with the SEI Statute.

Ms. Mamuska-Morris further testified that, as part of the Settlement Agreement, the parties agreed to exclude the replacement of diesel pumps 7 and 8 from the White River Diesel HSP Replacement project. She stated that this exclusion results in a reduction of $955,000 from the costs eligible for recovery associated with this SEI Plan project.

She also testified that, as part of the parties' settlement, the OUCC agreed to withdraw its recommendation that the SEI Plan projects be funded through debt financing. In exchange, Citizens Water agreed that it would not seek to recover the costs of the SEI Plan projects over a period of two years or less. Instead, the parties agreed that Citizens Water would seek recovery, and the OUCC would support recovery, of the SEI Plan project costs over a three-year period in a future SEI Rider proceeding.

Ms. Mamuska-Morris testified that the agreed-upon three-year recovery period applies only to the SEI Plan projects at issue in this Cause and does not limit the positions either party may take in future proceedings involving other SEI-eligible investments.

C. <u>Ms. Stull</u>. Ms. Stull testified that the Settlement Agreement resolves the OUCC's concerns with the White River Diesel HSP Replacement project by excluding the replacement of diesel pumps 7 and 8. She testified that, aside from this exclusion, the OUCC agreed to support Citizens Water's SEI Plan and the recovery of the remaining project costs.

Ms. Stull further testified that the Settlement Agreement resolves the parties' disagreement regarding the appropriate cost recovery period and financing approach for the SEI Plan projects. She explained that, as part of the Settlement Agreement, the OUCC agreed to withdraw its recommendation that the SEI Plan projects be debt-financed. She stated that the Settlement Agreement also provides that Citizens Water will seek, and the OUCC will support, recovery of the SEI Plan project costs over a three-year period in a future SEI Rider proceeding, rather than the two-year period originally proposed by Citizens Water. She opined that this compromise balances the parties' positions by extending recovery to mitigate near-term rate impacts while avoiding the need for long-term debt financing.

Ms. Stull testified that the Settlement Agreement resolves the issues in dispute in this proceeding and avoids the need for continued litigation. She concluded that the Settlement Agreement is the result of compromise, is supported by the evidence of record, and is in the public interest. Ms. Stull recommended that the Commission approve the Settlement Agreement in its entirety.

8. Commission Discussion and Findings.

A. Settlement Agreement. Settlement agreements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as 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.

The Commission is not required to accept a settlement simply because the parties have agreed to it, and agreements must still be supported by probative evidence. *Id.* 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 procedural rules require settlements to be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether enough evidence in this Cause supports the conclusion that the Settlement Agreement is reasonable, just, and serves the public interest.

Here, the parties have presented substantial evidence from which the Commission can determine the reasonableness of the Settlement Agreement. The Settlement Agreement balances the concerns raised by the OUCC regarding the impact of the rate increase with Citizens Water's requests for continued, reasonable, and appropriate investments to further or maintain health, safety, or environmental protection for Petitioner's customers, employees, and/or the public and to recover such investment costs outside of a general rate case.

B. **<u>SEI Statutory Framework</u>.** Under the SEI Statute, "eligible additions" are new utility plant or equipment that (1) do not increase revenues by connecting to new customers, even though the plant or equipment may provide the eligible utility with greater available capacity and, (2) for a municipally owned or not-for-profit utility (i) are or will be an extension or replacement, consistent with Ind. Code § 8-1-31.7-8; and (ii) were not included in the utility's balance sheet as plant in service in its most recent general rate case. Ind. Code § 8-1-31.7-2(2)(B).

Ind. Code § 8-1-31.7-7 provided[1] that, to qualify as a service enhancement improvement, an expenditure must fall in one of two categories:

> (1) Made, or to be made, by an eligible utility and related to:
> (A) direct or indirect compliance with one (1) or more requirements [as defined in Ind. Code § 8-1-31.7-6]; or
> (B) installation of new plant or equipment:
> (i) that is not replacement of a plant or equipment; and
> (ii) that the [C]ommission determines is reasonable and appropriate to further health, safety, or environmental protection for the eligible utility's customers, employees, or the public.
>
> (2) Replacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public.

For expenditures under Ind. Code § 8-1-31.7-7(1), before an eligible utility may seek to recover its SEI costs through a periodic rate adjustment (that is, an SEI Rider), the utility must obtain preapproval from the Commission of its plan for the proposed service enhancement improvements. Ind. Code § 8-1-31.7-9(a). Citizens Water's SEI Plan projects are all "[r]eplacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public" under Ind. Code § 8-1-31.7-7(2). Accordingly, though Citizens Water's SEI Plan projects may not necessarily require preapproval as part of an SEI Plan, Citizens Water has asked for approval of an SEI Plan. Thereafter, Citizens Water "will seek approval of its SEI Rider through an appropriate proceeding under Ind. Code § 8-1-31.7-12 and will update the SEI Rider annually pursuant to Ind. Code § 8-1-31.7-18." Pet. Ex. 6, ¶ 10.

For expenditures under Ind. Code § 8-1-31.7-7(2), the Commission looks to the standard established by Ind. Code § 8-1-31.7-12(h)(2): "[T]o approve recovery of the service enhancement improvement costs associated with service enhancement improvements described in section 7(2) of this chapter, the commission must find that the service enhancement improvements described in section 7(2) of this chapter are reasonable and necessary[.]"

For Petitioner, "service enhancement improvement costs" are defined by Ind. Code § 8-1-31.7-8 as costs that an eligible utility incurs in connection with an eligible addition, including: (1)

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[1] Effective July 1, 2026, the General Assembly enacted additional categories of costs now included under Ind. Code § 8-1-31.7-7(2), in addition to other modifications to the SEI Statute. All references to the SEI Statute in this Final Order are to the effective version as of the time Petitioner initiated this Cause.

depreciation expenses; (2) extensions and replacements, to the extent that the extensions and replacements are not provided for through depreciation, in the manner provided for in Ind. Code § 8-1.5-3-8 or Ind. Code § 8-1.5-3-125; (3) debt service on funds borrowed to pay for the eligible addition; and (4) property taxes to be paid by the eligible utility based upon the first assessment date following the placement in service of the eligible addition. Although Citizens Water is not seeking recovery of such costs in this Cause, the parties have reached an agreement in the Settlement Agreement that applies to the recovery of proposed project costs of the SEI Plan projects in proceedings filed under Ind. Code § 8-1-31.7-12, which the Commission finds reasonable, as discussed below.

C. <u>Citizens Water's SEI Plan and Eligible Improvements</u>. Citizens Water's SEI Plan consists of capital expenditures to be made across multiple areas of its water system, including treatment, transmission, and system infrastructure. The Settlement Agreement defines the SEI Plan projects to include four discrete capital projects: the White River Settled Water Duct Rehabilitation, the White River Diesel HSP Replacement, Tacoma Dam Improvements, and Aqueduct Rehabilitation Phase 2.

Citizens Water's evidence described in detail the purpose and scope of each SEI Plan project, the operational or regulatory drivers supporting the need for the improvements, the estimated costs and timing for implementation, and how the projects contribute to maintaining or improving system performance. Ms. Mamuska-Morris testified that the projects were identified through Citizens Water's long-term capital planning process and are necessary to maintain system reliability, ensure adequate capacity, and support continued compliance with applicable environmental, safety, and operational requirements.

Ms. Mamuska-Morris provided evidence that each of the four SEI Plan projects is necessary. The Aqueduct Rehabilitation Phase 2 project is necessary to stabilize and extend the useful life of a facility built in 1906 with significant deterioration and which is integral to approximately 60% of Central Indiana's daily water supply. The White River Settled Water Duct Rehabilitation is necessary to mitigate the risk of catastrophic failure of critical treatment infrastructure, eliminate employee safety hazards, and ensure continued operation of Citizens Water's largest treatment plant. The White River Diesel HSP Replacement project will replace aging equipment at risk of failure and improve reliability, operational efficiency, and system resiliency. The Tacoma Dam Improvements are needed to preserve a critical water supply source, maintain reliable plant operations, and improve public safety.

Citizens Water's evidence also described alternative approaches considered for certain projects and explained why the selected project scope represents the most reasonable and prudent course of action. Citizens Water further presented sufficient evidence to demonstrate that the proposed expenditures qualify as SEI. The record establishes that the projects involve the replacement, rehabilitation, or improvement of existing infrastructure and are designed to maintain or enhance system functionality, reliability, and safety. In particular, Ms. Mamuska-Morris testified that the projects qualify as service enhancement improvements and eligible additions under the statute.

The OUCC did not dispute that the White River Settled Water Duct Rehabilitation, Tacoma Dam Improvements, and Aqueduct Rehabilitation Phase 2 projects are reasonable, necessary, and appropriate for Commission approval as part of Citizens Water's SEI Plan. The OUCC also did not oppose most improvements included as part of the White River Diesel HSP Replacement Project. However, OUCC witness Seals objected to including certain components of the White River Diesel HSP Replacement Project within Citizens Water's SEI Plan. Specifically, Mr. Seals disagreed that proposed additional high service pumps 7 and 8 were needed to meet the required flows at the White River treatment plant.

In the Settlement Agreement, the parties agreed to remove from the SEI Plan the portion of the White River Diesel HSP Replacement Project associated with the replacement of diesel pumps 7 and 8. This modification results in a reduction of $955,000 in costs eligible for recovery under the SEI Plan.

Based on the Settlement Agreement and evidence presented, the Commission finds the four SEI Plan projects (as modified per the Settlement Agreement) are reasonable and necessary to further or maintain health, safety, or environmental protection for Petitioner's customers, employees, and/or the public pursuant to Ind. Code § 8-1-31.7-7(2), and so should be approved.

D. Accounting and Ratemaking. As discussed above, in this proceeding, Citizens Water requested Commission approval of the form of an adjustment mechanism, the SEI Rider, to recover 80% of approved service enhancement improvement costs incurred for eligible additions as a fixed charge based upon equivalent meter size. Citizens Water also sought authority to defer and recover in its next general rate case the remaining 20% of SEI costs not recovered through its SEI Rider. The OUCC did not oppose Citizens Water's ratemaking proposal in this regard.

The OUCC, however, made recommendations with respect to the ratemaking and accounting relief to be granted in a subsequent Ind. Code § 8-1-31.7-12 rider proceeding. Specifically, the OUCC proposed that the Commission compel Citizens Water to debt-fund the SEI Plan projects when it determined the rider in an Ind. Code § 8-1-31.7-12 proceeding to promote affordability and mitigate intergenerational rate inequities. Citizens Water opposed this recommendation because, as Mr. Jackson testified, Citizens Water needs to continue to reduce its debt burden and maintain financing flexibility for future larger-scale, non-recurring projects and that debt-funding the SEI Plan projects will make them more costly and rates less affordable in the long term.

As a compromise, the parties agreed in the Settlement Agreement that Citizens Water would seek recovery of the approved SEI Plan project costs through an SEI Rider over a three-year period in a subsequent rider proceeding. The OUCC agreed to withdraw its recommendation that the SEI Plan projects be financed through long-term debt. The Settlement Agreement preserves the statutory framework by maintaining that 80% of eligible SEI Plan costs will be recovered through the SEI Rider and 20% will be deferred for recovery in a future general rate case. The Settling Parties agreed the three-year recovery period is limited solely to the SEI Plan projects requested for approval in this Cause and that Citizens Water is not prohibited by this from seeking approval of a different recovery period for any SEI-eligible costs aside from those SEI

Plan projects.

OUCC witness Stull testified that the Settlement Agreement provides certainty as to what is being included in the SEI Rider with respect to the SEI Plan projects and what will be paid for by ratepayers. The Commission finds that Citizens Water's proposed accounting and ratemaking treatment and the agreement made with respect to recovery of SEI Plan project costs in future Ind. Code § 8-1-31.7-12 rider proceedings should be approved.

The Settlement Agreement is consistent with the SEI Statute and supported by the evidence of record. The SEI Rider will be set to zero upon approval of new basic rates and charges during Citizen Waters' next general rate case (in which the remaining SEI project costs are incorporated are included in the utility's base rates) or recovery of the 80% of approved SEI project costs—whichever occurs first.

E. <u>Conclusion</u>. Based on the evidence of record, the Commission finds that the Settlement Agreement presents a reasonable resolution of the issues raised by the parties and minimizes the cost of litigation. Therefore, we find that the Settlement Agreement is reasonable and in the public interest, and we approve it in its entirety.

The parties agreed 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, and request the Commission expand this prohibition on citation to "any person." Joint Ex. 1, p. 5. However, the Commission retains "flexibility to determine the appropriateness of the use of prior Commission action on a case-by-case basis," and declines to add constraints to the Commission's future actions in this Order. *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at *8 (IURC Mar. 19, 1997). As the Commission noted in *Richmond Power & Light*:

> A review of the evidence presented demonstrates that the substantive provisions in the [Settlement Agreement] are supported by the evidence of record, are just and reasonable, and represent an appropriate balance of the interests of the parties and reasonable resolutions of all issues in this Cause. . . . However, the specific language mandating what this Commission can and cannot do in the future will not be accepted. This is not an issue between the parties; it is a concern of the Commission and therefore, the position set forth in this Order is not intended to modify the resolution of the issues regarding the relief requested presented in this Cause.

Id. Accordingly, the Commission approves the Settlement Agreement and all its material terms.

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

1. The Settlement Agreement, which is attached to this Order and incorporated herein by reference, is approved in its entirety.

2. Citizens Water's SEI Plan, as modified by the Settlement Agreement, is approved.

3. Citizens Water's proposed form of SEI Rider is approved.

4. Following the filing of a petition under Ind. Code § 8-1-31.7-12, Citizens Water is authorized to timely recover 80% of its approved service enhancement improvement costs incurred for eligible additions through its proposed form of SEI Rider.

5. Following the filing of a petition under Ind. Code § 8-1-31.7-12, Petitioner is authorized to defer 20% of the approved service enhancement improvement costs incurred for eligible additions until such costs are reflected in Petitioner's rates for water service.

6. In accordance with Ind. Code § 8-1-2-70, Citizens Water shall pay the following itemized charges within 20 days from the date of this Order into the state general fund described in Ind. Code § 8-1-6-2, through the Secretary of the Commission, as well as any additional costs that were incurred in connection with this Cause:

Commission Charges	$3,649.19
OUCC Charges	$5,607.67
Legal Advertising Charges	$32.86
TOTAL	$9,289.72

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

SWINGER, BAIN, DEIG, JERRELLS, AND ZIEGNER CONCUR:

APPROVED: SEP 16 2026

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

Dana Kosco Digitally signed by Dana Kosco Date: 2026.09.16 10:08:54 -04'00'

Dana Kosco
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS, AS TRUSTEE OF A PUBLIC CHARITABLE TRUST FOR THE WATER SYSTEM D/B/A CITIZENS WATER, FOR, PURSUANT TO IND. CODE CH. 8-1-31.7: (1) APPROVAL OF ITS PLAN FOR PROPOSED SERVICE ENHANCEMENT IMPROVEMENTS ("SEI"); (2) AUTHORITY TO TIMELY RECOVER 80% OF ITS SEI COSTS THROUGH AN ADJUSTMENT RIDER ("SEI RIDER"); AND (3) AUTHORITY TO DEFER AND RECOVER IN ITS NEXT GENERAL RATE CASE THE REMAINING 20% OF ITS SEI COSTS NOT RECOVERED THROUGH ITS SEI RIDER	**CAUSE NO. 46370**

STIPULATION AND SETTLEMENT AGREEMENT

On February 17, 2026, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System d/b/a Citizens Water ("Citizens Water" or "Petitioner"), filed its Verified Petition (the "Verified Petition") with the Indiana Utility Regulatory Commission ("Commission") requesting, pursuant to Ind. Code ch. 8-1-31.7 (the "SEI Statute"), (1) approval of its plan for proposed service enhancement improvements ("SEI Plan"); (2) authority to timely recover 80% of service enhancement improvement costs ("SEI Costs") through an adjustment rider to its rate schedules ("SEI Rider"); and (3) authority to defer and recover in its next general rate case the remaining 20% of SEI Costs not recovered through its SEI Rider. Petitioner also filed the testimony and exhibits constituting its case-in-chief on February 17, 2026. Petitioner filed its Notice of Corrections to Direct Testimony and Attachments on April 30, 2026. On May 5, 2026, the Indiana

Office of Utility Consumer Counselor ("OUCC") filed its direct testimony and exhibits. Petitioner filed rebuttal testimony and exhibits on May 27, 2026.

After all testimony and exhibits had been filed, Petitioner and the OUCC (collectively the "Settling Parties") communicated with each other regarding potential resolution of the issues in this proceeding through a settlement agreement, subject to Commission approval. On June 12, 2026, the Settling Parties notified the Commission that they had reached an agreement with respect to all of the issues before the Commission, subject to preparation and execution of a written agreement.

The Settling Parties, solely for purposes of compromise and settlement of this Cause, stipulate and agree that the terms and conditions set forth in this Stipulation and Settlement Agreement ("Settlement Agreement") represent a fair, just and reasonable resolution of this proceeding, subject to their incorporation by the Commission into a final, non-appealable order without modification or further condition that may be unacceptable to any Settling Party ("Final Order").

I. TERMS OF SETTLEMENT AGREEMENT

1. SEI Plan Approval. Subject to the limitations in Paragraph 3, the Settling Parties agree that the SEI Plan Projects are reasonable and appropriate to further or maintain health, safety, or environmental protection for Petitioner's customers, employees, and/or the public and therefore, Petitioner's SEI Plan for the proposed service enhancement improvements should be approved by the Commission. For purposes of this Settlement Agreement, "SEI Plan Projects" means, and is expressly limited to, the following discrete capital projects included in the proposed SEI Plan, as described in Petitioner's evidence of record in this Cause: (a) White River Settled Water Duct Rehabilitation; (b) White River Diesel High Service Pump Replacements; (c) Tacoma Dam

Improvements; and (d) Aqueduct Rehabilitation Phase 2. No other projects, plant, costs, or investments shall be deemed included within the definition of SEI Plan Projects for purposes of this Settlement Agreement.

2. **<u>Timely Recovery of SEI Plan Projects</u>.** The Settling Parties agree that Petitioner should be authorized to timely recover 80% of the extensions and replacements costs of the SEI Plan Projects through Petitioner's proposed SEI Rider pursuant to Ind. Code § 8-1-31.7-9(f)(1) following the Commission's Order in a proceeding filed pursuant to Ind. Code § 8-1-31.7-12 (a "Rider Case"), subject to Paragraphs 3 and 4, below. The Settling Parties further agree Petitioner should be authorized to defer and recover any remaining extensions and replacements costs associated with the SEI Plan Projects not recovered through the SEI Rider in its next general rate case pursuant to Ind. Code § 8-1-31.7-9(f)(2).

3. **<u>Exclusion of Portions of White River Diesel High Service Pump Replacement Project</u>.** The Settling Parties agree that the replacement of diesel pumps 7 and 8 that Petitioner proposed be a part of the White River Diesel High Service Pump Replacement Project should be excluded from the SEI Plan Projects and accordingly, $955,000 shall be deducted from any cost recovery sought by Citizens Water for the White River Diesel High Service Pump Replacement Project.

4. **<u>Recovery of Extensions and Replacements Costs for SEI Plan Projects Over Three Years</u>.** The OUCC agrees that pursuant to this Settlement Agreement and in exchange for the consideration established by this settlement agreement, the OUCC withdraws its recommendation that the projects approved in this Cause be funded through financing for purposes of any cost recovery in any petition filed pursuant to Ind. Code § 8-1-31.7-12 following the Commission's order in Cause No. 46370. Petitioner agrees that pursuant to this Settlement

Agreement, and in exchange for the consideration established herein, it agrees it shall not seek to recover the cost of the SEI Plan Projects over two years or less. The Settling Parties agree that, Citizens Water shall request, and the OUCC shall support, recovery of the extensions and replacements costs associated with the SEI Plan Projects, as defined above, over a three (3) year period commencing upon the Commission's issuance of an Order in Petitioner's initial Rider Case. The Settling Parties further agree that the three (3) year recovery period is limited solely to the SEI Plan Projects as defined herein and agree that Citizens Water is not prohibited by this Settlement Agreement from seeking approval of a different recovery period for any SEI-eligible costs aside from the SEI Plan Projects approved in this Cause. Likewise, the OUCC is not prohibited by this Settlement Agreement from making any recommendation in any subsequent proceeding aside from the SEI Plan Projects approved in this Cause.

II. SCOPE OF SETTLEMENT AGREEMENT AND APPROVAL

5. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. The Settling Parties intend that 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.

6. 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 or asserted to be controlling except as necessary and solely to enforce its terms before the Commission or any tribunal of competent jurisdiction. 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 an admission or 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 proceeding. Each of the Settling Parties has entered into this Agreement solely to avoid further disputes and litigation with the attendant inconvenience and expenses in this Cause. In accordance with the Commission's Order in *Richmond Power & Light,* Cause No. 40434, p. 10, the Settling Parties agree and ask the Commission to incorporate as part of its Final Order that this Settlement Agreement, or the Order approving it, not be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or any court of competent jurisdiction on these particular issues.

7. The communications and discussions during the negotiations and conferences regarding this Settlement Agreement have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are both privileged and inadmissible. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are both privileged and inadmissible.

8. 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. 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 party in a subsequent proceeding. Moreover, the concurrence of the Settling Parties with the terms of the Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement in its entirety without any material modification or any material condition deemed unacceptable by any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Agreement shall be null and void and deemed withdrawn, upon notice in writing by any of the Settling Parties 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 an Attorneys' Conference to be convened to establish a procedural schedule for the continued litigation of this proceeding.

9. The Settling Parties stipulate that the evidence of record presented in this Cause constitutes substantial evidence sufficient to support the Settlement Agreement and provides an adequate evidentiary basis upon which the Commission may make any findings of fact and conclusions of law necessary for the approval of the Settlement Agreement, as filed.

10. Each Settling Party shall 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 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 will waive cross-examination of each other's witnesses regarding such testimony.

11. 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 is conditioned on it being accepted and approved in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party.

12. The Settling Parties will work together to prepare an agreed-upon proposed order to be submitted in this Cause. The Settling Parties will request that the Commission issue a Final Order promptly accepting and approving this Settlement Agreement in accordance with its terms.

13. The Settling Parties shall not appeal or seek rehearing, reconsideration, or a stay of any Final Order entered by the Commission provided the Commission has approved 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.

14. The undersigned have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.

15. This Settlement Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

Accepted and Agreed on this 15 day of June, 2026.

[Signature Page Follows]

The Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System d/b/a Citizens Water

Lauren Toppen

Lauren Toppen

An Attorney for the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System d/b/a Citizens Water

Indiana Office of Utility Consumer Counselor

Daniel M. Le Vay

Daniel Le Vay

An Attorney for the Indiana Office of Utility Consumer Counselor