

**ORIGINAL**

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner	√		

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**IN THE MATTER OF THE PETITION OF )**  
**BLOOMINGTON, INDIANA, FOR )**  
**APPROVAL OF A NEW SCHEDULE OF ) CAUSE NO. 45533**  
**RATES AND CHARGES FOR WATER )**  
**UTILITY SERVICE AND FOR AUTHORITY ) APPROVED: DEC 22 2021**  
**TO ISSUE AND APPROVAL OF BONDS, )**  
**NOTES, OR OTHER OBLIGATIONS )**

**ORDER OF THE COMMISSION**

**Presiding Officers:**  
**Sarah E. Freeman, Commissioner**  
**Brad J. Pope, Administrative Law Judge**

On April 16, 2021, the City of Bloomington, Indiana (“Bloomington” or “Petitioner”) filed with the Indiana Utility Regulatory Commission (“Commission”) its Petition for approval of a new schedule of rates and charges for utility service rendered by Petitioner’s waterworks and the issuance of up to \$17.2 million of waterworks revenue bonds to finance the costs of improvements to its waterworks utility. Also on April 16, 2021, and in support of its Petition, Petitioner prefiled the testimony and attachments of the following witnesses: Vic Kelson, Director of Bloomington’s Utilities Department; Jennifer Z. Wilson, Consulting Managing Director with Crowe LLP; Jeffrey Underwood, Controller for Bloomington; and Mark C. Beauchamp, President of Utility Financial Solutions, LLC.

On April 20, 2021, Washington Township Water Authority (“WTWA”) filed a Petition to Intervene, which was granted by docket entry dated May 5, 2021.

On April 23, 2021, Trustees of Indiana University on Behalf of its Bloomington Campus (“IU”) filed a Petition to Intervene, which was granted by docket entry dated May 5, 2021.

WTWA and Van Buren Water, Inc. both filed a Request for Simultaneous Water Tracker and Notice to Secretary of the Commission All Pursuant to Ind. Code 8-1-2-61.6 on April 20, 2021, and April 28, 2021, respectively. On April 28, 2021, Southern Monroe Water Authority filed a Request for Simultaneous Water Tracker.

The Commission conducted a Public Field Hearing in this matter on July 6, 2021, at 6:00 p.m. at the City of Bloomington’s Council Chambers, 201 North Morton Street, Bloomington, Indiana. On July 30, 2021, the OUCC, IU, and WTWA each filed their respective cases-in-chief. On September 3, 2021, Petitioner filed its rebuttal testimony, and the OUCC, IU, and WTWA filed their respective cross-answering evidence.

On September 20, 2021, counsel for Petitioner emailed the parties and the Presiding Administrative Law Judge advising that all parties (the “Parties”) had reached a global settlement in principle. On September 23, 2021, the Presiding Officers issued a docket entry establishing a settlement procedural schedule. On October 6, 2021, the Parties filed their Joint Stipulation and Settlement Agreement (“Settlement”) and supporting testimony.

The Commission held an Evidentiary Hearing in this Cause on October 22, 2021, at 1:30 p.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner, WTWA, IU, and the OUCC appeared and participated in the hearing at which the Settlement, testimony, and exhibits of the respective parties were admitted into the record without objection.

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

1. **Notice and Jurisdiction.** Notice of the time and place of the hearings in this Cause was given as required by law. Petitioner owns and operates a municipally owned utility providing water utility service to the public. Petitioner is subject to Commission jurisdiction as prescribed by Ind. Code ch. 8-1-2, § 8-1.5-2-19, and § 8-1.5-3-8. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner’s Characteristics.** Petitioner owns and operates a water utility that serves approximately 25,000 customers, including nine wholesale customers, both within the municipal corporate limits of Bloomington and outside of its municipal corporate limits in Monroe County. Petitioner’s existing rates and charges for water utility service were approved by the Commission in Cause No. 44855 through the Order issued on March 29, 2017.

3. **Test Year.** The test year for determining Petitioner’s current revenues and expenses incurred in providing service to the public is the 12-months ended March 31, 2020, adjusted for changes that are representative of current operations and sufficiently fixed, known, and measurable for ratemaking purposes. The Commission finds the test year selected is sufficiently representative of Petitioner’s normal operations to provide reliable data for ratemaking purposes.

4. **Requested Relief.** Petitioner’s original case-in-chief requested approval of a two-phase, cost-of-service compounded revenue increase of 22.22%. On rebuttal, Petitioner maintained a two-phase, cost of service increase but lowered its revenue request to a compounded increase of 19.21%. Petitioner further requested approval to issue waterworks revenue bonds in an amount not to exceed \$17.2 million to fund certain capital improvements to its waterworks system and to the extent necessary, to approve certain long-term debt incurred by the City of Bloomington’s Common Council and related to an advanced metering infrastructure system and solar energy facilities, a portion of the cost of which is allocated to the water utility.

5. **Petitioner’s Case-in-Chief.**

A. **Vic Kelson.** Mr. Kelson, Director of Petitioner’s Utilities Department, testified that Petitioner requests a total increase in rates of 22.22% to be divided over two phases, which will increase rates by 11.73% and 9.38%, respectively. He stated that the increase for

metered sales in each customer class is limited to 20% per phase to avoid rate shock. He added that the two-step increase uses gradualism principles to take significant steps toward cost-based rates. He explained that under the proposed rates, all customer classes will be increased to a level that eliminates receiving subsidies from other customer classes, except for the Irrigation class. The Irrigation class will take steps to achieve cost of service in Petitioner's next rate case.

Mr. Kelson testified that the capital projects to be undertaken by Petitioner include improvements at the Monroe Water Treatment Plant ("MWTP") and major capital projects throughout Petitioner's water system, including infrastructure replacements, all of which are listed on Petitioner's Capital Improvement Plan ("CIP") included with the testimony of Jennifer Wilson as Petitioner's Exhibit No. 2, Attachment JZW-1. He explained that the MWTP improvements include dewatering system improvements, standby power improvements, and filter media and underdrain replacements. He testified that the capital projects throughout Petitioner's water system include various distribution system improvements, including rehabilitation of several booster stations, tank coating replacement, and an enhanced main replacement program. Petitioner proposes to fund the foregoing through a combination of extensions and replacements ("E&R") and proceeds of water utility revenue bonds as set forth in the CIP.

Mr. Kelson testified that Petitioner proposes to issue up to \$17,200,000 in water utility revenue bonds ("Proposed Bonds") to fund a portion of the capital improvements. He stated that these capital improvements are reasonable and necessary for Petitioner to continue providing safe and reliable water utility service. Without the Proposed Bonds, Petitioner would have to revenue fund the projects, resulting in an even higher rate increase to customers. He explained that the balance between bond-funding and revenue-funding the projects strikes an appropriate balance for Petitioner.

Finally, Mr. Kelson testified that Petitioner has complied with the requirements of the settlement reached in Cause No. 44855 and requirements for public notice. He concluded that the rate relief requested by Petitioner was reasonable, just, and nondiscriminatory and that the financing proposed is a reasonable method to fund Petitioner's projects.

B. Jennifer Z. Wilson. Ms. Wilson, a Consulting Managing Director with Crowe LLP, testified on behalf of Petitioner concerning Petitioner's proposed rates and financing. She based her analysis on Petitioner's books, records, and other information, as documented in her December 29, 2020 Preliminary Revenue Requirements Report (the "Report"), which was prefiled as Petitioner's Exhibit No. 2, Attachment JZW-1.

Ms. Wilson testified that the results of the calculations in the Report demonstrate that, without the rate relief requested in this Cause, Petitioner would generate an operating income of approximately \$4.1 million in a pro forma 12-month period. The total of the debt service and lease payments on the Outstanding Debt, Proposed Bonds, and Leases is approximately \$7.1 million annually. She explained that as a result, the adjusted net operating income is not sufficient to make the required debt service and lease payments.

Ms. Wilson testified that Petitioner's Phase I pro forma revenue requirement total is \$19,684,117 for Phase I. Phase I revenue requirement necessitates a 11.73% increase in operating

revenues. Petitioner's Phase II pro forma revenue requirement total is \$21,454,627. She explained that the Phase II revenue requirement necessitates a 9.38% incremental increase in operating revenues above the Phase I increase in order for Petitioner to fully fund its Phase II revenue requirements. Phase I is to be effective upon approval, and Phase II is to be effective January 1, 2024. She testified that the total compounded rate increase for both phases is 22.22%.

C. Jeffrey Underwood. Mr. Underwood, Controller for Bloomington, testified in support of Petitioner's request for Commission approval of two City-level long-term financings to the extent required. One of the long-term financings concerned the Smart Meter Equipment Lease/Purchase Agreement (Attachment JU-1; "Smart Meter Contract"), and the other concerned the Solar Energy Guaranteed Savings Contract (Attachment JU-3; "Solar Energy Contract") and the Solar Energy Equipment Lease/Purchase Agreement (Attachment JU-4; "Solar Energy Lease Contract") (Solar Energy Contract and Solar Energy Lease Contract, together, "Solar Contracts"). He explained that each of the Smart Meter Contract and the Solar Contracts were entered into by the Bloomington Common Council and include a series of one-year terms that Petitioner could terminate if it so chose. He testified that Petitioner then allocates a portion of the costs of these contracts to Bloomington's water utility.

Mr. Underwood explained that the Smart Meter Contract provides for cost savings and other benefits through the use and installation of the smart meter equipment over the term of the contract for Petitioner's water utility and wastewater utility. He testified that Bloomington's water utility is allocated 40% of the annual cost, or approximately \$457,000 on an annual basis during the life of the Smart Meter Contract. He stated that Petitioner selected an equipment lease/purchase financing contract format due to the projected savings from the installation of the advanced metering infrastructure ("AMI") smart meters. He stated that the AMI smart meters benefit Petitioner, and ultimately the ratepayers, by improving system efficiency, accuracy, and customer engagement and satisfaction. He further testified that the smart meters are reasonably necessary for the provision of adequate and efficient utility service, and the Smart Meter Contract is a reasonable method to finance the deployment and usage of smart meters.

Mr. Underwood then testified as to the Solar Contracts entered into for the purpose of acquiring, constructing, and installing solar photovoltaic ("PV") equipment. The Solar Energy Contract guarantees energy savings over a 20-year term. To pay for the solar PV equipment, Petitioner entered into the Solar Energy Lease Contract. The water utility's allocated annual lease payment for the solar PV equipment under the Solar Energy Lease Contract is approximately \$189,646. Petitioner selected a guaranteed savings contract format due to the guarantee of savings from the installation of the solar PV equipment. The guaranteed savings benefit Petitioner by deferring capital replacement costs and reducing utility energy costs, resulting in savings to Petitioner and to customers. He testified that the Solar Energy Contract is reasonably necessary for the provision of adequate and efficient utility service, and the Solar Energy Lease Contract is a reasonable method to finance the deployment and use of solar energy.

D. Mark C. Beauchamp. Mr. Beauchamp is the owner and President of Utility Financial Solutions, LLC ("UFS"), a consulting firm that provides electric, water, wastewater, gas, and refuse cost of service studies primarily for municipal and cooperative utilities. He testified in support of the cost of service and rate design studies used as a guide in developing Petitioner's

schedules of rates and charges for water service. He stated that he prepared the cost of service and rate design studies for Phase I and Phase II revenue requirements based on each of the applicable test years.

Mr. Beauchamp testified that the AWWA “base-extra capacity” method was used to allocate costs to customer classes, which is widely utilized and is a methodology accepted by public service commissions and water systems throughout the United States. Under the base-extra capacity method, Petitioner’s costs (*i.e.*, revenue requirements) are first functionalized to the following cost functions according to the design and operation of the water system: base, extra capacity, customer, and direct public fire protection costs. He stated that the functionalized costs are then allocated to each customer class according to their usage and demand characteristics and other factors which establish the cost responsibility of each customer class. He testified that Petitioner’s cost of service study (“COSS”) identified an overall rate increase of 22.2% with a Phase I rate adjustment of 11.7% and a Phase II rate adjustment of 9.3%.

Mr. Beauchamp testified that changes are needed in all rate classes to move toward cost of service rates as determined by the class cost of service studies he prepared. He testified that gradualism is necessary to balance the competing interests of achieving cost-based rates and mitigating rate shock. To achieve that objective, he developed rate design criteria that limit the maximum increase for any class to 20% in each of the two phases, freezing any rates currently above cost of service until actual costs meet or exceed rates, and merging the commercial and industrial classes over two phases.

**6. The OUCC’s Direct Evidence.** The OUCC filed testimony on behalf of the following witnesses: Carla F. Sullivan, Shawn Dellinger, Carl N. Seals, and Jerome D. Mierzwa.

A. Carla Sullivan. Ms. Sullivan, Utility Analyst in the OUCC’s Water/Wastewater Division, presented the OUCC’s accounting schedules and recommended several revenue and operating expense adjustments. After describing the OUCC’s analysis of Petitioner’s proposed rate increase, Ms. Sullivan provided the OUCC’s recommended overall increase of 19.01%, to be implemented over two phases, producing \$3,238,432 in additional annual revenue. She also recommended that the Commission approve a \$73,058 offset to the net revenue requirement, comprised of interest and non-utility income. She recommended test year and post-test year customer growth and revenue normalization adjustments for the residential and multi-family rate classes, resulting in a \$107,685 increase to test year operating revenue in Phase I, producing Phase I pro forma operating revenue of \$17,812,283.

She accepted Bloomington’s bad debt, shared services, PILT, and non-recurring expense adjustments but disagreed with Bloomington’s adjustments to salary and wages, employee benefits, and payroll taxes. She recommended an additional non-recurring expense adjustment and a system delivery adjustment related to her proposed normalization and growth adjustments. Taken together, and including expense adjustments proposed by other OUCC witnesses, Ms. Sullivan recommended an increase to Bloomington’s test year operating expenses of \$129,128 in Phase I, producing Phase I pro forma operating expenses of \$13,510,845, and an adjustment to pro forma operating expenses of \$38,817 (\$17,392 in Phase I + \$21,425 in Phase II = \$38,817) for Utility Receipts Tax, producing Phase II pro forma operating expenses of \$13,549,662.

B. Shawn Dellinger. Mr. Dellinger, Utility Analyst in the OUCC's Water/Wastewater Division, testified as to the reasonableness of Petitioner's long-term debt proposal and its proposed expenses associated with Bloomington's Smart Meter Contract and Solar Contracts. He also testified as to the Proposed Bonds and proposed a true-up process to conform Bloomington's utility rates to the actual terms of its debt, once it is issued. He described the terms of Bloomington's Smart Meter and Solar Contracts and testified that he did not oppose the Smart Meter Contract expense allocation, but he opposed expense allocation to Petitioner's water utility for the Solar Contracts. He proposed an annual revenue requirement of \$79,682.73 for the Solar Contracts. Finally, Mr. Dellinger testified that Petitioner should be required to file a report within 30 days of closing on its long-term debt issuance explaining the terms of the new loan and the amount of debt service reserve and providing an itemized account of issuance costs so that Petitioner's rates can be true-up to reflect the actual cost of the debt.

C. Carl Seals. Mr. Seals, Assistant Director of the OUCC's Water/ Wastewater Division addressed Bloomington's proposed capital improvement projects, operational characteristics, and its water loss. He explained that Bloomington's capital projects appear reasonable and should enhance the utility's ability to serve its customers effectively and efficiently. Given that some of Bloomington's capital projects will not be completed for three to five years, Mr. Seals recommended that Bloomington file annual status reports within 60 days of the end of the calendar year identifying which CIP projects it completed during the preceding period, the final costs for each project (total and detailed breakdown), and identifying any project not included in its CIP that was completed during the preceding year including final costs.

D. Jerome Mierzwa. Mr. Mierzwa, Principal and Vice President of Exeter Associates, Inc., testified on behalf of the OUCC addressing Petitioner's COSS and rate design proposals. He testified that Petitioner's COSS does not properly follow the AWWA Manual M1 methods and other cost of service principles. Specifically, he stated that Bloomington's COSS: (1) improperly determines coincident peak demands based on water flow into treatment facilities, rather than outflow; (2) fails to recognize that Petitioner provides service to wholesale customers and IU through mains which are generally sized less than 16 inches in diameter; and (3) unreasonably classifies a portion of water distribution main costs as customer-related while failing to adjust average day, maximum day, and maximum hour demands to reflect the demands that could be met with the minimum system to prevent a double allocation of costs. Mr. Mierzwa was able to modify Bloomington's COSS to address his first concern, but the COSS could not be modified to reflect his second and third concerns. He testified that Petitioner's proposed revenue distribution is generally reasonable and, with limited exception, recommended approval of Petitioner's revenue distribution. He testified that, based on his modification and in anticipation of further modifications to address his second and third concerns, the revenue increase assigned to wholesale customers and IU should be increased, and the increase assigned to residential customers be decreased.

## **7. IU's Direct Evidence.**

A. Jessica A. York. IU filed the testimony of Ms. York, an Associate with Brubaker & Associates, Inc. She testified regarding her concerns with Petitioner's COSS, the

proposed spread of Petitioner's claimed revenue deficiency, and the equity of the resulting rate increases. She stated that the COSS is unreasonable because it fails to accurately measure the demands each class places upon the system, specifically that the customer class maximum day and maximum hour peaking factors do not accurately measure each class's contribution to the extra-capacity demands based on Petitioner's water system. She testified further that Petitioner's proposed revenue allocation will not produce just and reasonable rates. She also opposed Petitioner's attempt to move nearly all rate classes to cost of service based on the COSS. She further testified that Petitioner's proposal will result in several classes experiencing increases with implementation of Phase II rates greater than 1.5 times the system average. She explained that this increase is unreasonable and does not align with the principles of gradualism and avoidance of rate shock. Ms. York recommended that rather than relying on a flawed COSS, the Commission should require an equal percent increase for all customer classes.

B. Michael P. Gorman. Mr. Gorman, a Managing Principal with Brubaker & Associates, Inc., testified regarding the impact of Petitioner's proposed rate increase and revenue allocation on some customer classes, including IU. Specifically, he stated Petitioner's claimed revenue deficiency was overstated and should be adjusted. He proposed several adjustments to Petitioner's revenue requirement that would mitigate costs to customers while still fully funding the CIP by increasing debt funding including adjusting the bond issue to reflect current market interest rates and using a 30-year bond instead of a 20-year bond. He testified in support of matching the cost of the Solar Contracts to the purchased power reduction benefits, aligning overtime expense with Petitioner's 2021 budget, and adjusting of revenue and current rates to reflect Petitioner's growth in customers and additional volumetric sales resulting from customer growth.<sup>1</sup>

8. WTWA's Direct Evidence. WTWA filed the testimony of Edward T. Rutter, a Manager at LWG CPAs and Advisors. Mr. Rutter testified that the Commission should deny Petitioner's request for a rate increase. He explained that Petitioner did not show the proposed increases are necessary to its operations and reasonable in amount. Regarding the Solar Contracts and the Smart Meter Contract, he also testified that Petitioner did not provide persuasive documentation of the benefits that would be realized by the water customers most particularly, WTWA. He further testified that Petitioner's COSS is flawed in part because it does not recognize WTWA's available storage, which he stated reduces Petitioner's maximum day and maximum hour demands on the overall cost of service. Mr. Rutter ultimately recommended that any increase granted be an across-the-board increase and any future COSS recognize wholesale customer storage capability and employ a full year of AMI water sales data.

9. The OUCC's and Intervenors' Cross-Answering Testimony.

A. The OUCC's Cross-Answering Evidence. The OUCC filed the cross-answering testimony of Mr. Mierzwa in response to Mr. Rutter's and Ms. York's testimony. First, Mr. Mierzwa testified that Mr. Rutter did not demonstrate that the maximum day and maximum hour extra-capacity factors of WTWA are lower than the factors of other wholesale customers due to WTWA's storage facilities or that the factors assigned to the wholesale class overall are unreasonable. Second, Mr. Mierzwa testified that while Ms. York's assertion that Petitioner's

---

<sup>1</sup> IU filed a corrected version of Mr. Gorman's Verified Direct Testimony on September 10, 2021.

highest sales year was 2018 is correct and the demands from that year should be used in the cost of service studies, sales during the test year are not materially different from 2018. Mr. Mierzwa explained that, nevertheless, he adjusted his extra-capacity analysis to reflect 2018 demands. He testified that he adjusted Bloomington's extra-capacity analysis to reflect a maximum day to maximum month ("MD/MM") ratio of 1.32 based on actual 2018 data. In response to Ms. York's testimony regarding Petitioner's weekly usage adjustments, Mr. Mierzwa stated that in the absence of a formal demand study, which Bloomington has not done, using the AWWA Manual M1 methodology to calculate extra-capacity factors is commonly used in water cost of service studies. He then testified that he has revised the Phase II COSS to reflect revised extra-capacity factors. Mr. Mierzwa testified that, with the exception of Irrigation customers, the results of his revised study are not materially different from his original COSS, and therefore, he did not propose to modify the revenue distribution presented in his direct testimony.

B. IU's Cross-Answering Evidence. IU filed the cross-answering testimony of Ms. York in response to Mr. Mierzwa's direct testimony. Ms. York testified that IU takes service from 12-inch mains and thus no distribution costs associated with mains less than 12 inches should be allocated to IU. She testified that Mr. Mierzwa's recommended revenue allocation is based on his recommended COSS adjustments, and the results of Petitioner's COSS, which all interveners agree is inaccurate, unreliable, and cannot be corrected, which indicates that it does not accurately reflect the cost of service to customers. She testified that Mr. Mierzwa's recommended revenue allocation results in increases for several classes that are around 40%, nearly double the system average increase at Petitioner's proposed revenue requirement. She found that Mr. Mierzwa's recommended revenue spread, which relies in part on Petitioner's COSS does not reflect a gradualistic movement toward an accurate measure of Petitioner's cost of providing service to each customer class, meaning the resulting rates proposed by Mr. Mierzwa would not be just and reasonable. Finally, Ms. York testified that an equal percentage for all customer classes remains the most equitable and balanced approach given that all consumer cost of service witnesses, including Mr. Mierzwa, have testified that Petitioner's COSS model is inaccurate and cannot be corrected.

C. WTWA's Cross-Answering Evidence. WTWA filed the cross-answering testimony of Mr. Rutter in response to Mr. Mierzwa's testimony. He testified that Petitioner's COSS is flawed, should be rejected, and should not be used to support any rate design in this Cause. He testified that, in his opinion, Mr. Mierzwa's proposed rate design is unjust and unreasonable because it appears to unevenly allocate benefits and costs among the rate classes.

## **10. Petitioner's Rebuttal Testimony.**

A. Vic Kelson. In rebuttal, Mr. Kelson responded to certain issues raised by the OUCC, IU, and WTWA. He testified that Petitioner largely accepts the revenue requirement adjustments made by the OUCC, resulting in a proposed 19.21% increase in revenues as more particularly described in the rebuttal testimony of Ms. Wilson and with respect to the Solar Contracts, the rebuttal testimony of Jeffrey Underwood. He testified that Petitioner makes several adjustments to the COSS proposed by the OUCC, as more particularly described in the testimonies of Mr. Beauchamp and Andrew Burnham.



Mr. Kelson testified that Petitioner's CIP is likely more expensive than presented in its case-in-chief, so it is likely that some projects might also be included in a future rate case. He stated that Petitioner is willing to consider a storage rate in the future if justified by the data. He stated his belief that AMI data will provide additional perspectives on water use that highlight the range of usage characteristics of all customers to inform allocations of cost in a subsequent rate case. He also testified that Petitioner agrees to use its AMI system to efficiently reduce its non-revenue water, but it does not believe random system non-revenue water checks would be a good use of resources.

B. Jeffrey Underwood. Regarding the Solar Contracts, Mr. Underwood testified that Petitioner accepts the OUCC's revenue requirement figure of \$79,683. He also testified that, as to the Smart Meter Contract, Mr. Gorman's analysis overlooks the costs of financing associated with a longer term lease. He explained that Mr. Rutter ignores the record evidence of AMI smart meter benefits and implicitly contradicts his own position by acknowledging the greater accuracy of AMI data.

C. Jennifer Z. Wilson. In rebuttal, Ms. Wilson opposed Mr. Gorman's proposed changes with respect to the issuance of the Proposed Bonds, including his adjustments to the interest rate and impact of the use of 30-year bonds. She testified that the extension of the Proposed Bonds issuance from 20 years to 30 years increases the amount of interest paid, and thus it should not be extended, and the Proposed Bond issuance should be maintained at the \$17.2 million requested to allow for bids on projects that exceed estimated costs. She testified that Mr. Gorman's growth assumptions are neither known nor reasonable and were based solely on the number of accounts for only the residential customer class.

Ms. Wilson further testified that Petitioner acquiesces to the OUCC's adjustments as described in Ms. Sullivan's testimony, with certain modifications. She also countered Mr. Dellinger's recommendations concerning the Proposed Bonds.

D. Mark C. Beauchamp. Mr. Beauchamp testified on rebuttal that he revised the COSS to use statistics from one billing month, addressed MD/MM issues, and updated the COSS to reflect peaking hour factors. He stated that Ms. York's concerns regarding atypical peaking factors and demand ratios lack merit due primarily to the fact that many students of IU who are direct retail customers of Petitioner leave during the summer months, which reduces summer water sales.

Mr. Beauchamp testified that he responded to Mr. Mierzwa's concerns by revising the COSS to use outflow figures, reclassifying transmission and distribution main pipe, and removing the distribution system component from the meter charge.

Mr. Beauchamp testified that neither of the concerns raised by Mr. Rutter's testimony were merited. First, he testified that Mr. Rutter was concerned that the COSS did not recognize the distribution storage capacity investments made by certain wholesale customers, but distribution storage was not allocated to the wholesale customers. Second, he testified that Mr. Rutter was concerned that WTWA's contributions approximately 20 years ago were not considered in the

COSS, but the COSS was performed on a cash needs basis of ratemaking, which does not consider contributions.

Mr. Beauchamp testified that IU and the OUCC expressed concern that max day factors used in the COSS were not consistent with the AWWA Manual M1. He testified that, in the updated COSS, the max day factor was developed considering each class's usage characteristics.

Mr. Beauchamp testified that he made four main modifications to the COSS: (1) modification of revenue requirements to reflect the acceptance of many of the OUCC's proposed revenue adjustments, as further detailed in Ms. Wilson's rebuttal testimony, lowering the overall revenue increase from 22.2% to 19.21%; (2) modification of the max-hour and max-day factors; (3) elimination of the 2" distribution line as a minimum system cost allocation to meter charges; and (4) modification of the water main sizes considered transmission lines.

In response to the concerns expressed by IU and the OUCC regarding Max Day Factors and their consistency with the AWWA Manual M1, Mr. Beauchamp testified that he revised the concentrated usage hours factors in the updated cost of service model and developed the concentrated usage hour factor for IU by again using the weighted average of Petitioner's residential, commercial, and industrial customers. He testified that this assumed pattern more closely resembles Petitioner's retail customers. Mr. Beauchamp testified that this revision produced a max hour to average day demand ratio of 1.32, which falls within the AWWA Manual M1 prescribed range of 1.10 to 1.40. Mr. Beauchamp testified that the revised rate design moves customer classes closer to cost of service and that rates were established to achieve the overall objective to limit the increase in any phase to 19%.

E. Andrew Burnham. Petitioner also offered the rebuttal testimony of Mr. Burnham, Vice President and Director of Management Consulting with Stantec Consulting Services Inc., a consulting business focused primarily within the water industry.

Mr. Burnham testified that he is a listed author of the AWWA Manual M1, 7<sup>th</sup> Edition. He addressed the testimony of Mr. Mierzwa, which criticized Petitioner's COSS for not following the AWWA Manual M1. He explained that the AWWA Manual M1 is to be used as a guide but that the unique characteristics of the utility must be taken into account. He testified as to Mr. Mierzwa's concerns raised as to the determination of system peak demands based on inflow by stating that he concurred with Mr. Mierzwa's recommendation to utilize average day, maximum day, and peak hour production data for 2018, 2019, and 2020 in the COSS, as well as main sizes used for transmission.

Mr. Burnham testified that he did not agree with Ms. York's opinion that the magnitude of the proposed increase to IU makes Petitioner's rate recommendation inequitable. He explained that Petitioner has not conducted a COSS for 25 years, in which time there was an Irrigation rate reduction by way of settlement in 2005, and significant changes have occurred to Petitioner's costs and consumer base. He testified that Petitioner proposed phasing in the recommended increases and further limiting the increases in each phase to no more than two times the overall average increase in revenue. In the context of balancing revenue requirements, equity and fairness of

allocating costs, and customer impacts, Mr. Burnham testified that it was his opinion that Petitioner's rate proposals for each customer class were reasonable.

Mr. Burnham testified in response to Ms. York's concern regarding the application of a system MD/MM ratio of 1.09 to each customer class, stating that he considers Mr. Beauchamp's method of applying the system maximum month ratio to all classes is technically correct and consistent with the methodology of estimating non-coincident peaking factors as identified in Appendix A of the AWWA Manual M1.

Next, Mr. Burnham responded to Mr. Rutter's concerns regarding the lack of recognition of storage facilities in the COSS. He testified that, based upon his review of the data referenced for Petitioner, the cost allocation methodology being employed, and from his experience with other systems performing similar studies, he believes the revised COSS is giving reasonable consideration of the storage facilities of Petitioner's wholesale customers in establishing maximum day and peak hour factors utilized in the base-extra capacity cost allocation process. He testified that the COSS does not allocate any portion of Petitioner's storage costs to the wholesale customer class, recognizing that some wholesale customers have storage facilities.

In conclusion, Mr. Burnham testified that the original COSS was done in conformance with industry practice and that the rate proposals were reasonable. He disagreed with assertions that the COSS is flawed. He testified that, despite this fact, he thought certain points identified by the various parties had merit and should be reflected in the COSS. He testified that, upon Mr. Beauchamp's incorporation of these points, the revised COSS and rate proposals reflect proportional and equitable allocations of cost to Petitioner's customer classes that are reasonable and should be approved by the Commission.

## **11. Settlement Agreement and Settlement Testimony.**

A. The Settlement. The Settlement filed with the Commission, a copy of which is attached to this Order and is incorporated by reference, provided the terms and conditions upon which the all Parties agreed with respect to the issues presented by Petitioner in its case-in-chief. Among other things, the Parties were able to agree to specifics concerning Petitioner's rates and charges and the issuance of water utility revenue bonds.

The Parties stipulated and agreed that Petitioner should increase its rates and charges to generate an additional \$1,424,754 in Phase I revenues (8.39% increase) and an additional \$1,675,788 in Phase II revenues (9.11% increase), for a compounded increase in revenues of 18.26%.

The Parties also agreed to an allocation of the rate increase among the customer classes as set forth in the Settlement and agreed to certain provisions concerning Petitioner's next COSS.

B. Petitioner's Settlement Testimony. In support of the Settlement, Petitioner filed the settlement testimony of Mr. Kelson, Mr. Beauchamp, and Ms. Wilson. Mr. Kelson testified that the Settlement is a reasonable resolution of the issues in this Cause. He also stated

that the Settlement will help Bloomington issue debt sooner, fund capital projects sooner, and eliminate costly and expensive litigation.

Mr. Kelson further testified that the agreed allocations set forth in Attachment 2 of the Settlement are reasonable. He explained that in its case-in-chief and rebuttal filings, it had proposed limits to per phase increases on customer classes to approximately two times the system average increase. In the Settlement, the agreed allocations reflect a 1.5 times system average increase limit per customer class, except for the Irrigation class.

Mr. Kelson testified the full 43.86% increase to the Irrigation class was justified for three reasons. First, he explained that the percentage increase was consistent with the messaging to Irrigation customers from the start, so the Irrigation class is expecting that level of increase. Second, the COSS demonstrated that the Irrigation class receives the largest subsidy, so reducing that subsidy by a greater percentage increase is justified in order to move closer to cost-based rates. Finally, he noted that the Irrigation class was the primary beneficiary of the settlement in Cause No. 42858, which settlement helped create the existing subsidy, so taking extra steps to eliminate that subsidy in this case is warranted.

Mr. Kelson further testified that while Bloomington did not reduce the subsidies as much as it desired in this case, the compromise reached in the Settlement still allows a significant subsidy reduction while adhering to a more lenient use of gradualism than was initially proposed. He also stated that Bloomington will undertake a COSS in its next case, and if that future COSS demonstrates that the subsidies persist, Bloomington will take another step toward cost-based rates in that future case. Pertaining to the next COSS, he testified that a series of protocols, as reflected in Attachment 4 to the Settlement, have been agreed to by the Parties.

Mr. Kelson also testified that the Settlement recognizes that the Parties are in agreement that the Smart Meter Contract, the Solar Contracts, and their respective annual expenses should be approved.

Ms. Wilson's settlement testimony supported the reasonableness of the revenue requirement. She also described the adjustments agreed to by the Parties for purposes of settlement. She explained that the Settlement represents a fair and reasonable resolution of the issues in this proceeding and that the Settlement is in the public interest.

Mr. Beauchamp's settlement testimony supported the reasonableness of the allocation of the rate increases among customer classes. He also testified that although the Parties were unable to reach agreement on the COSS, the agreed allocations are supported by the evidence. He testified that even in the cost of service studies he prepared in this Cause, Bloomington did not move to full cost-based rates. Rather, the rates proposed by Bloomington reflected principles of gradualism and achieve the objectives of gradualism because they bring rates closer to cost-based rates. Finally, Mr. Beauchamp testified that the Settlement is a reasonable compromise and is in the public interest.

C. The OUCC's Settlement Testimony. Ms. Sullivan and Mr. Mierzwa provided testimony on behalf of the OUCC in support of the Settlement.

Ms. Sullivan summarized and supported the accounting adjustments and overall revenue requirement, as well as the agreed capital project status and debt true-up reporting set forth in the Settlement. She also supported the Settlement's term regarding Bloomington's commitment to file a rate case on or before December 31, 2027. She explained that the Parties have agreed to an annual revenue requirement of \$20,903,711, which provides Bloomington with an overall rate increase of 18.26% or \$3,100,542 in additional annual revenues. She explained the Settlement reduced Bloomington's case-in-chief revenue requirement request by adding a revenue offset adjustment, adjusting test year operating revenue to account for growth, and decreasing Bloomington's operating expense adjustments. The Parties also agreed to reduce Bloomington's proposed annual debt service and requested E&R allowance. She stated the Settlement eliminates over half the solar lease expense from rates. She explained the Parties agree the increase is reasonable and necessary for Bloomington's continued provision of safe, reliable water service. After reviewing relevant terms of the Settlement in more detail, Ms. Sullivan concluded that the Settlement is an appropriate compromise between the Parties and balances Bloomington's financial needs with the interest of its customers. She concluded that the Settlement is fair, reasonable, and in the public interest.

Mr. Mierzwa provided testimony in support of the cost allocation and rate design aspects of the Settlement, which he recommends the Commission approve. He explained that the Settlement provides for gradualism by limiting the increase to each customer classification, except Irrigation, to 1.5 times the system average increase in each phase. In comparing the Settlement to the Parties' litigation positions, Mr. Mierzwa concluded that the Settlement provides for a distribution of the revenue increase in a manner that could have resulted from the various positions of the Parties. He stated that all of the Parties, however, moved from their respective litigation positions in order to arrive at a compromise. He explained that the Parties request that the Commission make no finding approving any particular COSS methodology. He also testified that the Settlement provides that in future proceedings, no presumption would be given to any prior methodology for determining cost of service or rate design, and the Parties reserve all rights to present evidence and advocate positions with respect to cost of service, cost allocation, and rate design issues different from those set forth in the Settlement. He stated that Attachment 4 to the Settlement addresses concerns raised in this proceeding about the inability to revise Bloomington's COSS through agreement to certain protocols that will apply to Bloomington's next rate case that will assist in enabling the Parties to evaluate the impact of varying the inputs to that study. Mr. Mierzwa concluded that the Settlement resolves contentious issues without the need for protracted litigation and is in the public interest.

D. IU's Settlement Testimony. Both Mr. Gorman and Ms. York provided testimony on behalf of IU supporting the Settlement.

Mr. Gorman testified that the Settlement represents a reasonable resolution of the issues in the case. He highlighted the adjustment to the forecast of the projected 2022 bond issuance combined with a true-up mechanism to reflect the actual cost of the proposed issuance; the reduction of the cash-funded E&R that, combined with increased use of debt, permits the water utility to fund its CIP with reduced immediate impacts on ratepayers; and several other concessions by the Parties to reach a negotiated resolution. He also testified that the Settlement reflects

reasonable utility regulation by emulating the competitive marketplace as it brought all parties to a negotiated result amid differences regarding price and the provision of service.

Ms. York testified that the Settlement reflects an agreed revenue allocation without explicit agreement to a particular COSS. She stated that the resulting allocation was within the range of possible outcomes based on the evidence presented. She explained that in her opinion, the agreed revenue allocation was reasonable and in the public interest. She testified that the Settlement resolves the issues between and among the Parties related to the class COSS and generally toward the allocation proposed by Petitioner with adjustments to reflect the application of gradualism.

**12. Applicable Law.** Ind. Code § 8-1.5-3-8(a) states, “A municipality owning a utility under this chapter shall furnish reasonably adequate services and facilities.” Ind. Code § 8-1.5-3-8(c) provides, “Reasonable and just rates and charges for services” means rates and charges that produce sufficient revenue to:

- (1) pay all the legal and other necessary expenses incident to the operation of the utility, including:
  - (A) maintenance costs;
  - (B) operating charges;
  - (C) upkeep;
  - (D) repairs;
  - (E) depreciation;
  - (F) interest charges on bonds or other obligations, including leases; and
  - (G) costs associated with the acquisition of utility property under IC 8-1-5.2;
- (2) provide a sinking fund for the liquidation of bonds or other obligations, including leases;
- (3) provide a debt service reserve for bonds or other obligations, including leases, in an amount established by the municipality, not to exceed the maximum annual debt service on the bonds or obligations or the maximum annual lease rentals;
- (4) provide adequate money for working capital;
- (5) provide adequate money for making extensions and replacements to the extent not provided for through depreciation in subdivision (1); and
- (6) provide money for the payment of any taxes that may be assessed against the utility.

**13. Commission Discussion and Findings.** Pursuant to the Commission’s procedural rules and prior determinations, a settlement agreement will not be approved by the Commission unless it is supported by probative evidence. 170 IAC 1-1.1-17. 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 a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coalition v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406.

Furthermore, any Commission decision, ruling, or order – including the approval of a settlement – must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). Therefore, before the Commission can approve the Settlement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

For the following reasons, we find the Settlement to be reasonable and in the public interest.

Upon review of the evidence of record, the Commission finds that Petitioner’s proposed CIP is reasonably necessary for the continued provision of safe and reliable water service by Petitioner and is supported by the evidence. The Commission also finds that the proposed bond issue in an amount not to exceed \$17.2 million and at an interest rate not to exceed 6% per annum is a reasonable manner in which to finance the capital improvements and that the proposed bond issue should be approved subject to the conditions and limitations agreed to by the Parties and approved herein.

Under Ind. Code § 8-1.5-2-19(b), when a municipality issues debt, it must show that the rates and charges will provide sufficient funds for the operation, maintenance, and depreciation of the utility, and to pay the principal and interest of the proposed bond issue, together with a surplus or margin of at least 10% in excess. Based on the schedule below, the Commission finds Bloomington will meet the standard under Ind. Code § 8-1.5-2-19(b) and, therefore, certifies that Petitioner’s authorized rates and charges provide sufficient funds for the utility’s operation, maintenance, and depreciation, and to pay the principal and interest of the proposed bond issue, together with a surplus or margin of at least 10% in excess.

The Commission finds that the reduction of Petitioner’s cash-funded E&R to \$3,700,000 as set out in the Settlement is reasonable. The Commission also finds that recovery of the costs allocated by Petitioner to the water utility for the Smart Meter Contract and the Solar Contracts are reasonable and should be approved. To the extent that any approval of the contracts themselves is required, the Commission approves them consistent with the Parties’ agreement not to contest their approval.

Thus, the Commission finds that Petitioner’s current rates and charges are inadequate to provide for Petitioner’s annual revenue requirement. Based upon the evidence presented, the Commission finds that the net revenue increase required for Petitioner’s municipally owned utility is \$1,424,754 for Phase I and \$1,675,788 for Phase II.

The Parties settled on a two-phase, compounded 18.26% increase in revenues, which the Commission finds reasonable. Pro forma test year operating revenues at the proposed rates will be \$19,227,505 for Phase I and \$20,903,711 for Phase II, and Petitioner’s net revenue requirements are illustrated below:

<b>Settlement Revenue Requirements</b>	<b>Phase I</b>	<b>Phase II</b>
Proforma Operating Expenses	\$ 9,791,599	\$ 9,791,599
Proforma Taxes Other Than Income Taxes	202,272	222,219
Proforma Payment in Lieu of Taxes	358,542	358,542
Average Annual Extensions and Replacements	2,809,000	3,700,000
Current Average Annual Debt Service (2021-2025)	5,278,299	5,278,299
Proposed Bonds - Average Annual Debt Service	304,468	1,066,213
Average Annual Lease Payment: AMI Equipment	456,755	456,755
Annual Lease Payment: Solar Lease	79,683	79,683
Total Revenue Requirements	19,280,618	20,953,310
Less Revenue Requirement Offsets	73,060	73,060
Net Revenue Requirement	19,207,558	20,880,250
Less: Revenues at current rates subject to increase	16,986,560	18,411,732
Other revenues not subject to increase	816,191	816,191
Net Revenue Increase Required	1,404,807	1,652,327
Additional Utility Receipts Tax	19,947	23,461
Revenue Increase Required	<u>\$ 1,424,754</u>	<u>\$ 1,675,788</u>
Recommended Percentage Increase	<u>8.39%</u>	<u>9.11%</u>
Compounded Rate Increase		<u>18.26%</u>
Total Revenue Requirements with additional URT	<u>\$ 19,227,505</u>	<u>\$ 20,903,711</u>

Petitioner requested a cost of service based rate increase rather than an across-the-board increase. While Petitioner presented a COSS, the Parties ultimately agreed to an allocation of the proposed rate increase that limits the rate increase to each customer class to 1.5 times the system average increase per phase with the exception of the Irrigation class. This agreed limit on the requested rate increase reflects a rate increase that, in Petitioner's view, helps eliminate the subsidies inherent in its rate structure and in the consumer parties' view represents a more gradual increase in rates than that originally proposed by Petitioner. The Parties stipulated and agreed that the agreed allocation resolves the cost of service and rate design issues in this case without the need for Commission determination on the merits of the COSS and without any party acquiescing in or waiving any position with respect to the appropriate methodology for determining cost of service or rate design. Accordingly, in future proceedings, no presumption will be given to any prior methodology for determining cost of service or rate design. Petitioner has further agreed that it will present a COSS using AMI data in its next rate case, and that COSS will meet certain accessibility and operability parameters as set forth in the Settlement.



The Commission, having reviewed the evidence, determines that it is ample to support the Settlement. The Settlement addresses the issues described above and reasonably resolves them. Specifically, the Settlement provides Petitioner with sufficient operating revenues to undertake its capital improvements and to provide adequate service pursuant to Ind. Code § 8-1.5-3-8. The Commission finds that the Settlement is reasonable, just, and in the public interest. Therefore, the Settlement is approved.

The Parties agreed in the Settlement that the Settlement should not be used as an admission or as precedent against the Parties in any other proceeding, except to the extent necessary to implement or enforce its terms. Consequently, in regard to future citation of the Settlement, the Commission finds that our approval herein should be construed in a manner consistent with the Commission's findings in *Richmond Power & Light*, Cause No. 40434 (March 19, 1997).

**14. True Up.** As discussed previously, the actual cost of debt service will not be known precisely until sometime after Petitioner issues its proposed bonds. The Settlement requires Bloomington to use its best efforts to issue debt at a rate that is at least consistent with that used in reaching the agreed revenue requirement. Within 30 days of closing on the proposed bonds, Petitioner shall file a true-up report with the Commission and serve a copy thereof on the Parties. The true-up report shall use the same calculation methodologies used to calculate the revenue requirement agreed to by the Parties. The true-up report shall provide the following information: the actual principal amount borrowed, the interest rate, the term of the bonds, an amortization schedule, the actual average annual debt service requirements, the actual debt service reserve requirement, all issuance costs (e.g., fee for bond counsel, municipal advisor, rating agency, and all other fees), and the impact that any difference would have on Petitioner's rates and charges. Petitioner's rates should be adjusted to match its actual cost of debt service, whether lower or higher up to an interest rate of 6% per annum.

If the average annual debt service requirements are lower than those provided for in the authorized rates, and the OUCC or any interested intervenor deems the difference to be material, the OUCC or any interested intervenor shall have 14 days after service of Petitioner's true-up report to file an objection with the Commission. The objection may request that Petitioner file an amended tariff giving prospective effect to Petitioner's actual average debt service requirements, to take effect at the start of Petitioner's next billing cycle. Petitioner shall then have 14 days to file a response to the objection or shall file its amended tariff within 14 days of receiving such a request and in accordance with Ordering Paragraph 3. If both parties state in writing that the increase or decrease indicated by the true-up report need not occur because the increase or decrease would be immaterial, the true up need not be implemented.

Further, if the average annual debt service requirements are higher than those provided for in the authorized rates, and Petitioner deems the difference to be material, Petitioner shall so state in its true-up report and shall file an amended tariff.

**15. Confidentiality.** On April 20, 2021, and on September 8, 2021, Petitioner filed a Motion for Protection of Confidential and Proprietary Information (together, the "Motions for Protection") in this Cause, each of which were supported by an affidavit from Mark Beauchamp showing that certain information to be submitted to the Commission was trade secret information

as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. The Presiding Officers issued two docket entries on May 5, 2021, and on September 16, 2021, finding the information subject to each of the Motions for Protection should be held confidential on a preliminary basis, after which the information was submitted under seal. After review of the information and consideration of the affidavits supporting the Motions for Protection, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, which shall be held confidential and protected from public access and disclosure by the Commission.

**16. Effect on Rates.** A residential customer using 5,000 gallons per month will experience an increase of \$1.89 per month from \$26.50 to \$28.39 in Phase I. For Phase II, the same residential customer will experience an additional increase of \$2.21 per month from \$28.39 to \$30.60.

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

1. The Settlement is approved consistent with Finding Paragraph No. 13.
2. Petitioner is authorized to increase its rates and charges for water utility in two phases: immediately, in Phase I by 8.39% over adjusted test year revenues in order to increase annual operating revenues by \$1,424,754 so as to produce total annual operating revenues of \$19,227,505; and on January 1, 2024, in Phase II by 9.11% over Phase I revenue requirements so as to increase annual operating revenues by \$1,675,788 produce total annual operating revenues of \$20,903,711.
3. Petitioner is authorized to increase its rates and charges pursuant to the allocations agreed to by the Parties and found reasonable as provided in Finding Paragraph No. 13.
4. Prior to implementing both rate increases authorized herein, Petitioner shall file new schedules of rates and charges under this Cause for approval by the Commission's Water/Wastewater Division in a manner consistent with this Order and the Commission's rules for filing such schedules. These schedules, once approved by the Water/Wastewater Division, shall be effective on or after the Order date and shall cancel all previously approved schedules of rates and charges.
5. Petitioner is granted a Certificate of Authority to issue waterworks revenue bonds in an amount not to exceed \$17,200,000 and at an interest rate not to exceed 6.0% per annum as provided in Finding Paragraph Nos. 13 and 14.
6. The Smart Meter Contract and the Solar Contracts are approved consistent with Finding Paragraph No. 13.
7. Petitioner shall pay the following itemized charges within 20 days of the date of this Order into the Treasury of the State of Indiana, through the Secretary of the Commission:

Commission Charges:	\$ 7,674.92
OUCG Charges:	\$24,348.08
Legal Advertising Charges:	\$114.84
Total:	\$32,137.84

8. In accordance with Ind. Code § 8-1-2-85, Petitioner shall pay to the Secretary of the Commission \$0.25 for every \$100 of financing proceeds received. This payment shall be made within 30 days of the receipt of the financing proceeds authorized herein.

9. Petitioner shall file the true up report as provided in Finding Paragraph No. 14 hereof.

10. The information filed in this Cause pursuant to the Motions for Protection under Ind. Code § 5-14-3-4 is exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

11. This Order shall become effective on and after the date of its approval.

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

**APPROVED: DEC 22 2021**

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

---

**Dana Kosco**  
**Secretary of the Commission**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**IN THE MATTER OF THE PETITION OF )  
BLOOMINGTON, INDIANA, FOR )  
APPROVAL OF A NEW SCHEDULE OF )  
RATES AND CHARGES FOR WATER ) CAUSE NO. 45533  
UTILITY SERVICE AND FOR AUTHORITY )  
TO ISSUE AND APPROVAL OF BONDS, )  
NOTES, OR OTHER OBLIGATIONS )**

**JOINT STIPULATION AND SETTLEMENT AGREEMENT**

On April 16, 2021, the City of Bloomington, Indiana (“Petitioner” or “Bloomington”) filed with the Indiana Utility Regulatory Commission (the “Commission”) its Petition initiating this Cause and its case-in-chief. Washington Township Water Authority (“WTWA”) and the Trustees of Indiana University on behalf of its Bloomington Campus (“IU”), respectively, filed petitions to intervene in this Cause, which were each granted by the presiding officers.

The Indiana Office of the Utility Consumer Counselor (“OUCC”), WTWA and IU (collectively, the “Consumer Parties”) filed their respective cases-in-chief on July 30, 2021. The Consumer Parties filed their cross-answering evidence on September 3, 2021. Petitioner filed its rebuttal evidence on September 3, 2021.

Bloomington, the OUCC, IU and WTWA (collectively, the “Parties”, and individually, a “Party”) have after arms-length and protracted settlement negotiations reached an agreement with respect to all of the issues before the Commission in this Cause. The Parties therefore stipulate and agree for purposes of resolving all of the issues in this Cause, to the terms and conditions set forth in this Joint Stipulation and Settlement Agreement (this “Settlement”).

**1. Borrowing Authority.**

- A. Approval of Debt; Authorization to Issue Bonds. The Parties stipulate and agree that the Commission should approve Bloomington’s request for authorization to issue water utility revenue bonds (the “Bonds”) in an amount not to exceed the \$17.2 million principal amount at interest rates not to exceed six percent (6%) per annum as described in the testimony of Bloomington’s witness, Jennifer Z. Wilson.
- B. Borrowing Authority & Capital Projects. Petitioner agrees to forego its request for additional borrowing authority beyond that approved as part of this Settlement and associated with the identified projects and costs in its Capital Improvement Program (“CIP”) as set forth in Attachment JZW-1 to its case-in-chief. Petitioner agrees to fund an additional \$333,000 of its CIP from that set forth in its case-in-chief through the Bonds and as a result, to reduce the rate revenue funding of the CIP from the amount set forth in its case-in-chief. While the amount of the CIP to be funded by the Bonds increased by \$333,000 from the case-in-chief, the Parties acknowledge that, as set forth in Attachment 1 to this Settlement, other changes related to the change in coupon rates result in a net increase of \$205,000 to the par amount of the issuance from the \$15,745,000 set forth in Petitioner’s case-in-chief. Bloomington agrees to use all reasonable efforts to obtain, at least, the interest yields set forth in Attachment 1 at the time the Bonds are issued at market. The Parties stipulate and agree that the annual revenue funded portion of Bloomington’s proposed CIP in Phase II will be reduced to \$3,700,000. Petitioner retains discretion as to what capital projects it undertakes. For example, in the event the costs of the capital projects proposed in this case are higher than shown in Attachment JZW-1 and not all can be completed or that unexpected capital projects must be completed. Petitioner agrees it will prioritize the projects identified in Attachment JZW-1 unless, in Petitioner’s discretion, unanticipated and unforeseen events arise making an unidentified project necessary to complete in order to continue the provision of safe drinking water.

- i. Petitioner agrees to file annual status reports in this Cause within sixty (60) days of the end of the calendar year identifying which capital projects it completed during the preceding period, the final costs for each project (total and a detailed breakdown, including soft costs (e.g., engineering costs)), and identifying any project not included in its CIP (as shown in Attachment JZW-1) that was completed during the preceding period including final costs (total and a detailed breakdown, including soft costs) (e.g., engineering costs).
- C. Termination of Borrowing Authority. Petitioner agrees that any financing authority not used by Petitioner expires twelve (12) months after a Final Order has been issued in this Cause.
- D. True-Up. Within thirty (30) days of closing on the Bonds, Bloomington shall file a report with the Commission and serve a copy on the Consumer Parties, explaining the terms of the new loan, including an amortization schedule, the amount of debt service reserve, and all issuance costs (e.g., fee for bond counsel, municipal advisor, rating agency, and all other fees). The report should include a revised tariff and also calculate the rate impact in the same manner as the schedules set forth in Attachment 1 hereto (“Agreed Schedules”). Bloomington’s rates should be adjusted to match its actual cost of debt service, whether lower or higher up to an interest rate of six percent (6%) per annum.
  - i. The Parties agree that the OUCC and any interested intervenor has no less than fourteen (14) days after service of the true-up report to file an objection with the Commission. The Parties agree that Petitioner has fourteen (14) days to file a response to the objection Party or Parties. Thereafter, the Commission should resolve any issue raised through a process it deems appropriate. Any true-up report should state the time frames for objections or responses.
  - ii. If both parties state in writing that the increase or decrease indicated by the report need not occur because the increase or

decrease would be immaterial, the true-up need not be implemented.

- E. Smart Meter Contract. To the extent Commission approval is required for the Smart Meter Contract (Attachment JU-1), the OUCC, IU and WTWA agree not to contest the Commission's approval of the Smart Meter Contract and the annual expense associated with the Smart Meter Contract as set forth in the Agreed Schedules.
- F. Solar Contracts. To the extent Commission approval is required for the Solar Energy Contract and the Solar Energy Lease Agreement (Attachments JU-3 and JU-4, respectively; the "Solar Contracts"), the OUCC, IU and WTWA agree not to contest the Commission's approval of the Solar Contracts and the annual expense associated with the Solar Contracts as set forth in the Agreed Schedules.

## **2. Stipulated Revenues.**

- A. Test Year Operating Revenues. The Parties stipulate and agree that Bloomington's adjusted test year operating revenue at present rates is \$17,802,751, which is the test year Operating Revenues amount of \$17,704,598 plus an adjustment of \$98,153 to metered sales as depicted on Schedule 4 to the Agreed Schedules.
- B. Revenue Requirement. The Parties stipulate and agree that Bloomington's current rates and charges are inadequate and that, subject to the True-Up provision set forth in Paragraph 1.D. above, Bloomington's rates and charges should be increased as follows:
  - i. Phase I: Bloomington's rates and charges should be immediately increased upon the issuance of a Commission Order pursuant to the allocations set forth in Section 3 below by 8.39% so as to produce \$1,424,754 in additional annual operating revenue.
  - ii. Phase II: Effective on January 1, 2024, Bloomington's Phase I rates and charges should be increased pursuant to the allocations set forth in Section 3 below by 9.11% so as to produce \$1,675,788 in additional annual operating revenue.

The Parties stipulate and agree that the compound increase in revenues for the foregoing Phase I and Phase II increases is 18.26%.

- C. Pro Forma Authorized Revenues. After adjustments (including the issuance of the Bonds), subject to the True-Up provision set forth in Paragraph 1D above, the Parties stipulate and agree that Bloomington's pro forma operating revenues (total revenue requirements with additional utility receipts tax) will be \$19,227,505 for Phase I, and \$20,903,711 for Phase II, as shown in Schedule 3 of the Agreed Schedules. The Parties further stipulate and agree that Bloomington's revenue requirements for the rate increase is depicted on Schedule 3 to the Agreed Schedules. The Parties stipulate and agree that the revenue increases provided herein are just and reasonable and should be approved.
- D. Financial Schedules. The Parties stipulate for settlement purposes to the Agreed Schedules, including all adjustments identified therein.

**3. Stipulated Cost Allocation and Rate Design.**

- A. Allocations Limited to 1.5 Times System Average Maximum Increase. The Parties agree that in order to resolve their differences on cost of service issues and rate design issues, and guided by principles of gradualism as previously applied by the Commission, the amount of the revenue requirement increase should be allocated as set forth on Attachment 2 hereto, which limits the maximum increase for any rate class, except Irrigation, to 1.5 times the system average increase.
- B. Agreed Tariff. The Parties agree that the proposed tariff setting forth Phase I and anticipated Phase II rates attached as Attachment 3 hereto sets forth rates that are reasonable, just and non-discriminatory and that such proposed tariff should be approved.
- C. No Approval of Cost of Service Study. The Parties agree that the foregoing allocation of the revenue requirement among the customer classes and resulting rates are based on a compromise of the revenue requirement set forth in this Settlement. The Parties agree that in light of the proposed and agreed upon rate design and allocation among the customer classes, no specific cost of service



model was adopted. Commission approval of this Settlement will resolve the cost of service and rate designs issues in this case without the need for Commission determination on the merits of the cost of service study and the Parties request that the Commission make no finding approving any particular cost of service study. Except as expressly stated in this Settlement, no Party, by entering into this Settlement, has acquiesced in or waived any position with respect to the appropriate methodology for determining cost of service, cost allocation or rate design in any other proceeding, including future proceedings initiated by Petitioner. Accordingly, in all future proceedings, including those initiated by Petitioner, no presumption will be given to any prior methodology for determining cost of service or rate design, and the Parties reserve all rights to present evidence and advocate positions with respect to cost of service, cost allocation and rate design issues different from those set forth in this Settlement.

**4. Next Rate Case and Cost of Service Study.**

A. Next Rate Case Prior to 2029. Petitioner agrees to file a new rate case so that new rates are effective no later than 2029 when debt service is expected to decline as shown on Page 24 of 32 of Attachment JZW-1. If Petitioner files its case-in-chief for the rate case on or before December 31, 2027, it shall be deemed to have satisfied this condition provided that: (1) the case makes provision for the removal of the debt service associated with the 2020B Refunding bonds and any other bonds which have been fully amortized between this rate case and that future rate case; and (2) in the absence of agreement by parties to such a case to extend the schedule, it seeks implementation of those rates on or prior to January 1, 2029.

B. Cooperation on Future Cost of Service Study. The Parties agree that in Bloomington's next rate case Bloomington will submit a cost of service study and adhere to the protocols set forth on Attachment 4.

**5. Submission of Evidence.** The Parties stipulate to the admission into evidence in this Cause of the testimony each previously filed (each Party's case-in-chief, each Consumer Party's cross-answering testimony, and Bloomington's rebuttal testimony), and any testimony in support of this Settlement offered by the Parties or any of them.

Further, each Party waives cross-examination of the other's witnesses with respect to such testimony. The Parties shall not offer any further testimony or evidence in this proceeding, other than this Settlement and the above-identified testimony and exhibits. If the Commission should request additional evidence to support the Settlement, the Parties shall cooperate to provide such requested additional evidence.

6. **Settlement Fair and Reasonable; Proposed Final Order.** The Parties stipulate and agree that the terms of this Settlement represent a fair, reasonable, and just resolution of all the issues in this Cause, provided they are approved by the Commission in their entirety without material change, except as provided in Paragraph 8 hereof. The Parties agree to cooperate on the preparation and submission to the Commission of a proposed order that reflects the terms of this Settlement and the settlement testimony submitted pursuant to Section 5 hereof.
7. **Sufficiency of Evidence.** The Parties stipulate and agree that the evidentiary material identified immediately above constitutes a sufficient evidentiary basis for the issuance of a final order by the Commission adopting the terms of this Settlement, and granting the relief as requested herein by Bloomington and agreed to by the Parties.
8. **Commission Alteration of Agreement.** The concurrence of the Parties with the terms of this Settlement is expressly predicated upon the Commission's approval of this Settlement. If the Commission alters this Settlement in any material way, unless that alteration is unanimously and explicitly consented to by the Parties, this Settlement shall be deemed withdrawn.
9. **Authorization.** The undersigned represent that they are fully authorized to execute this Settlement on behalf of their respective clients or parties, who will be bound thereby.
10. **Non-Precedential Nature of Settlement.** The Parties stipulate and agree that this Settlement shall not be cited as precedent against any Party in any subsequent proceeding or deemed an admission by any Party in any other proceeding, except as necessary to enforce the terms of this Settlement or the final order to be issued in this Cause before the Commission or any court of competent jurisdiction on these particular issues and in this particular matter. This Settlement is solely the result of compromise in the settlement process and, as provided herein, is without prejudice to

and shall not constitute a waiver of any position that any Party may take with respect to any or all of the items resolved herein in any future regulatory or other proceeding, and, failing approval by the Commission, shall not be admissible in any subsequent proceeding.

**11. Counterparts.** This Settlement may be executed in one or more counterparts (or upon separate signature pages bound together into one or more counterparts), all of which taken together shall constitute one agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Settlement on the dates set forth below.

City of Bloomington, Indiana

By: Phillippa M. Guthrie  
for John Hamilton  
Mayor

Dated: 10-6-2021

Indiana Office of the Utility Consumer Counselor

By: \_\_\_\_\_  
Tiffany Murray  
Deputy Consumer Counselor

Dated: \_\_\_\_\_

Trustees of Indiana University on behalf of its Bloomington Campus

By: \_\_\_\_\_  
Donald S. Lukes  
University Treasurer

Dated: \_\_\_\_\_

Washington Township Water Authority

By: \_\_\_\_\_  
Mark Schmitter  
General Manager

Dated: \_\_\_\_\_

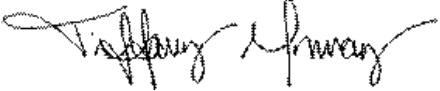
IN WITNESS WHEREOF, the Parties have executed this Settlement on the dates set forth below.

City of Bloomington, Indiana

By: \_\_\_\_\_  
John Hamilton  
Mayor

Dated: \_\_\_\_\_

Indiana Office of the Utility Consumer Counselor

By:  \_\_\_\_\_  
Tiffany Murray  
Deputy Consumer Counselor

Dated: 10/05/2021

Trustees of Indiana University on behalf of its Bloomington Campus

By: \_\_\_\_\_  
Donald S. Lukes  
University Treasurer

Dated: \_\_\_\_\_

Washington Township Water Authority

By: \_\_\_\_\_  
Mark Schmitter  
General Manager

Dated: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have executed this Settlement on the dates set forth below.

City of Bloomington, Indiana

By: \_\_\_\_\_  
John Hamilton  
Mayor

Dated: \_\_\_\_\_

Indiana Office of the Utility Consumer Counselor

By: \_\_\_\_\_  
Tiffany Murray  
Deputy Consumer Counselor

Dated: \_\_\_\_\_

Trustees of Indiana University on behalf of its Bloomington Campus

By: Donald S. Lukes  
Donald S. Lukes  
University Treasurer

Dated: Oct 6, 2021

Approved as to legal form by: Joseph Scodro (Oct 6, 2021 13:24 EDT)

Washington Township Water Authority

By: \_\_\_\_\_  
Mark Schmitter  
General Manager

Dated: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have executed this Settlement on the dates set forth below.

City of Bloomington, Indiana

By: \_\_\_\_\_  
John Hamilton  
Mayor

Dated: \_\_\_\_\_

Indiana Office of the Utility Consumer Counselor

By: \_\_\_\_\_  
Tiffany Murray  
Deputy Consumer Counselor

Dated: \_\_\_\_\_

Trustees of Indiana University on behalf of its Bloomington Campus

By: \_\_\_\_\_  
Donald S. Lukes  
University Treasurer

Dated: \_\_\_\_\_

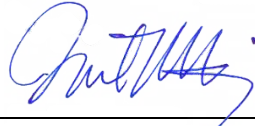
Washington Township Water Authority

By:   
Mark Schmitter  
General Manager

Dated: 10/6/2021

This 6<sup>th</sup> Day of October, 2021.

Respectfully submitted,

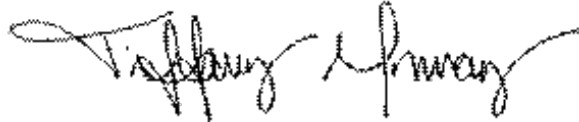


---

David T. McGimpsey (21015-49)  
DENTONS BINGHAM GREENEBAUM LLP  
212 W. 6<sup>th</sup> Street  
Jasper, Indiana 47546  
Telephone: (812) 482-5500  
Facsimile: (812) 482-2017  
E-mail: [david.mcgimpsey@dentons.com](mailto:david.mcgimpsey@dentons.com)

Michael T. Griffiths (26384-49)  
Hannah G. Bennett (35991-49)  
DENTONS BINGHAM GREENEBAUM LLP  
2700 Market Tower  
10 West Market Street  
Indianapolis, IN 46204  
Phone: (317) 635-8900  
Facsimile: (317) 236-9907  
E-mail: [michael.griffiths@dentons.com](mailto:michael.griffiths@dentons.com)  
E-mail: [hannah.bennett@dentons.com](mailto:hannah.bennett@dentons.com)

*Attorneys for the Petitioner,  
City of Bloomington, Indiana*

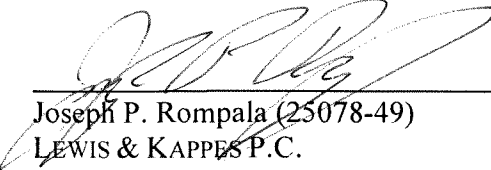


---

Tiffany T. Murray (28916-49)  
Deputy Consumer Counselor  
OFFICE OF UTILITY CONSUMER COUNSELOR  
115 West Washington Street  
Suite 1500 South  
Indianapolis, Indiana 46204  
Telephone: (317) 232-2494  
Facsimile: (317) 232-5923  
E-mail: [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov)

*Attorney for the Office of Utility Consumer  
Counselor*





---

Joseph P. Rompala (25078-49)  
LEWIS & KAPPES P.C.  
One American Square, Suite 2500  
Indianapolis, Indiana 46282-0002  
Telephone: (317) 639-1210  
Facsimile: (317) 639-4882  
E-mail: [jrompala@lewis-kappes.com](mailto:jrompala@lewis-kappes.com)

*Attorney for Intervenor,  
the Trustees of Indiana University on behalf  
of its Bloomington Campus*

*/s/ Mark Cooper*

---

Mark Cooper (4139-49)  
ATTORNEY AT LAW  
1449 North College Avenue  
Indianapolis, Indiana 46202  
Telephone: (317) 635-8312  
Facsimile: (317) 685-2666  
E-mail: [attymcooper@indy.rr.com](mailto:attymcooper@indy.rr.com)

*Attorney for Intervenor,  
Washington Township Water Authority*

Settlement Amortization Schedule

Date	Principal	Coupon (1)	Interest	Period Total	Fiscal Total
7/1/22			\$ 152,234	\$ 152,234	
1/1/23			152,234	152,234	\$ 304,468
7/1/23			152,234	152,234	
1/1/24			152,234	152,234	304,468
7/1/24	\$ 385,000	1.03 %	152,234	537,234	
1/1/25	380,000	1.16	150,251	530,251	1,067,485
7/1/25	385,000	1.16	148,047	533,047	
1/1/26	385,000	1.31	145,814	530,814	1,063,861
7/1/26	390,000	1.31	143,292	533,292	
1/1/27	390,000	1.48	140,738	530,738	1,064,030
7/1/27	400,000	1.48	137,852	537,852	
1/1/28	395,000	1.58	134,892	529,892	1,067,744
7/1/28	400,000	1.58	131,771	531,771	
1/1/29	405,000	1.71	128,611	533,611	1,065,382
7/1/29	410,000	1.71	125,148	535,148	
1/1/30	410,000	1.81	121,643	531,643	1,066,791
7/1/30	420,000	1.81	117,932	537,932	
1/1/31	415,000	1.88	114,131	529,131	1,067,063
7/1/31	425,000	1.88	110,230	535,230	
1/1/32	425,000	1.97	106,235	531,235	1,066,465
7/1/32	430,000	1.97	102,049	532,049	
1/1/33	435,000	2.00	97,814	532,814	1,064,863
7/1/33	445,000	2.00	93,464	538,464	
1/1/34	440,000	2.04	89,014	529,014	1,067,478
7/1/34	450,000	2.04	84,526	534,526	
1/1/35	450,000	2.08	79,936	529,936	1,064,462
7/1/35	460,000	2.08	75,256	535,256	
1/1/36	460,000	2.11	70,472	530,472	1,065,728
7/1/36	465,000	2.11	65,619	530,619	
1/1/37	475,000	2.14	60,713	535,713	1,066,332
7/1/37	480,000	2.14	55,630	535,630	
1/1/38	480,000	2.17	50,494	530,494	1,066,124
7/1/38	490,000	2.17	45,286	535,286	
1/1/39	490,000	2.20	39,970	529,970	1,065,256
7/1/39	505,000	2.20	34,580	539,580	
1/1/40	500,000	2.23	29,025	529,025	1,068,605
7/1/40	510,000	2.23	23,450	533,450	
1/1/41	515,000	2.26	17,763	532,763	1,066,213
7/1/41	525,000	2.26	11,944	536,944	
1/1/42	525,000	2.29	6,011	531,011	1,067,955
<b>Totals</b>	<b>\$ 15,950,000</b>		<b>\$ 3,850,773</b>	<b>\$ 19,800,773</b>	
Average Annual Debt Service (2024-2041)					<u>\$1,066,213</u>
Net Interest Cost					<u>2.16%</u>

(1) Coupon rates are based on A rates as of July 1, 2021, plus 65 basis points.

Settlement Sources and Uses for Proposed Bonds

	Amount
<b>Sources of Funds:</b>	
Par Amount	\$ 15,950,000
<b>Total Sources of Funds</b>	<b>\$ 15,950,000</b>
<b>Uses of Funds:</b>	
Project Fund - Original Petition	14,104,000
Additional Projects to Fund from Settlement	333,000
Debt Service Reserve Fund	1,068,605
Insurance Expense (50 bps)	99,004
Underwriter's Discount (1% of Par)	159,500
IURC Regulatory Fee	39,875
Other Costs of Issuance	146,016
<b>Total Uses of Funds</b>	<b>\$ 15,950,000</b>

## Settlement Revenue Requirements

	Phase I	Phase II
Adjusted Operation and Maintenance Expense	\$ 9,791,599	\$ 9,791,599
Adjusted Taxes Other Than Income Taxes	560,814	580,761
Average Annual Debt Service Outstanding Debt (2021-2025)	5,278,299	5,278,299
Estimated Average Annual Debt Service Proposed Bonds	304,468	1,066,213
Average Annual Lease Payment: Equipment for Advance Meter Infrastructure	456,755	456,755
Annual Lease Payment: Solar Lease	79,683	79,683
Average Annual Extensions and Replacements	2,809,000	3,700,000
Less: Revenue Offsets from Settlement	<u>(73,060)</u>	<u>(73,060)</u>
Total Revenue Requirements	19,207,558	20,880,250
Less: Adjusted Operating Revenues	<u>(17,802,751)</u>	<u>(19,227,923)</u>
Deficit	1,404,807	1,652,327
Divide by: Revenue Conversion Factor	<u>0.986</u>	<u>0.986</u>
Revenue Increase Required	1,424,754	1,675,788
Divide by: Adjustable Operating Revenues	<u>16,986,560</u>	<u>18,411,732</u>
Percent Rate Increase Required	<u>8.39%</u>	<u>9.11%</u>
Compounded Rate Increase		<u>18.26%</u>
Total Revenue Requirements with Additional Utility Receipts Tax	<u>\$ 19,227,505</u>	<u>\$ 20,903,711</u>

Settlement Revenue Requirements with Adjustments from Petition

	Phase I			Phase II		
	Petition	Adjustment	Settlement	Petition	Adjustment	Settlement
Adjusted Operation and Maintenance Expense	\$ 9,868,378	\$ (76,779) (1)	\$ 9,791,599	\$ 9,868,378	\$ (76,779) (1)	\$ 9,791,599
Adjusted Taxes Other Than Income Taxes	560,814		560,814	588,528	(7,767) (6)	580,761
Average Annual Debt Service Outstanding Debt (2021-2025)	5,278,299		5,278,299	5,278,299		5,278,299
Estimated Average Annual Debt Service Proposed Bonds	493,512	(189,044) (2)	304,468	1,181,756	(115,543) (2)	1,066,213
Average Annual Lease Payment: Equipment for AMI	456,755		456,755	456,755		456,755
Annual Lease Payment: Solar Lease	189,646	(109,963) (3)	79,683	189,646	(109,963) (3)	79,683
Average Annual Extensions and Replacements	2,809,000		2,809,000	3,866,500	(166,500) (7)	3,700,000
Less: Revenue Offsets from Settlement		(73,060) (4)	(73,060)	-	(73,060) (4)	(73,060)
Total Revenue Requirements	19,656,404	(448,846)	19,207,558	21,429,862	(549,612)	20,880,250
Less: Adjusted Operating Revenues	<u>(17,704,598)</u>	<u>(98,153) (5)</u>	<u>(17,802,751)</u>	<u>(19,685,608)</u>		<u>(19,227,923)</u>
Deficit	1,951,806		1,404,807	1,744,254		1,652,327
Divide by: Revenue Conversion Factor	0.986		0.986	0.986		0.986
Revenue Increase Required	1,979,519		1,424,754	1,769,020		1,675,788
Divide by: Adjustable Operating Revenues	16,888,407	(98,153) (5)	16,986,560	18,869,417		18,411,732
Percent Rate Increase Required	<u>11.73%</u>		<u>8.39%</u>	<u>9.38%</u>		<u>9.11%</u>
Compounded Rate Increase						<u>18.26%</u>
Total Revenue Requirements with Additional Utility Receipts Tax	<u>\$ 19,684,117</u>		<u>\$ 19,227,505</u>	<u>\$ 21,454,628</u>		<u>\$ 20,903,711</u>

- (1) Adjustment to include budgeted overtime in lieu of test year overtime and related employee benefits and taxes, system delivery adjustment to account for normalization and growth adjustments (see adjustment 5), and removal of various non-recurring or unallowed invoices.
- (2) Adjustment to debt service related to (a) the Parties' mutual agreement to shift a portion of the funding of the Petitioner's Capital Improvement Plan from pay as you go, which is funded through the Extensions and Replacements revenue requirement, to bond financing and (b) an adjustment to the estimated interest rates.
- (3) Reduction to the Utility's annual provision for its share of the Solar Lease.
- (4) Revenue offsets including interest income and other utility income.
- (5) Revenue normalization and customer growth adjustment
- (6) Reduction to additional Utility Receipts Tax required due to decrease in Phase I rate increase.
- (7) Reduction to the Phase II provision for Average Annual Extensions and Replacements to reflect \$333,000 of additional projects financing through the proposed bonds in lieu of pay as you go capital funding.

	<u>Test Year</u>		<u>Phase I Settlement</u>			<u>Increase/Decrease</u>	
	<u>Revenues</u>	<u>Rates</u>	<u>Revenues</u>	<u>Increase</u>	<u>Rates</u>	<u>Revenues</u>	<u>Rates</u>
<b>Meters</b>							
5/8" Meter	\$ 463,349 (1)	\$ 5.89	\$ 485,376	4.75% (1)	\$ 6.17	\$ 22,027	\$ 0.28
3/4" Meter	1,425,945	7.86	1,431,388	0.38%	7.89	5,443	0.03
1" Meter	431,447	10.59	433,077	0.38%	10.63	1,630	0.04
1.5" Meter	106,092	18.39	115,957	9.30%	20.10	9,865	1.71
2" Meter	167,130	26.20	177,400	6.14%	27.81	10,270	1.61
3" Meter	67,392	60.55	67,659	0.40%	60.79	267	0.24
4" Meter	99,968	99.57	100,360	0.39%	99.96	392	0.39
6" Meter	164,801	197.13	165,444	0.39%	197.90	643	0.77
8" Meter	36,542	294.69	36,684	0.39%	295.84	142	1.15
10" Meter	14,121	392.24	14,176	0.39%	393.77	55	1.53
<b>Volumetric Revenue</b>							
Residential / Multi Family	6,041,595 (1)	3.73	6,527,514	8.04% (1)	4.03	485,919	0.30
Comm, Gov, Interdept.	2,491,162	3.16	2,790,733	12.03%	3.54	299,571	0.38
Industrial	148,842	2.92	167,192	12.33%	3.28	18,350	0.36
Wholesale	2,479,465	2.39	2,780,321	12.13%	2.68	300,856	0.29
Indiana University (IU) Usage	840,125	2.37	942,925	12.24%	2.66	102,800	0.29
Irrigation Usage	385,328	3.42	463,070	20.18%	4.11	77,742	0.69
Fire Protection	1,633,005	Various	1,724,031	5.57%	Various	91,026	Various
Total Adjustable Revenues	16,996,309 (1)		18,423,307			1,426,998	
Other Operating Revenues	816,191		816,191			-	
Rounding	(9,749)		(11,993)			(2,244)	
Total Operating Revenues	<u>\$17,802,751</u>		<u>\$19,227,505</u>			<u>\$1,424,754</u>	
			<u>\$ 1,424,754</u>				

	Phase II Settlement			Increase/Decrease Over Phase I		Increase/Decrease Combined		
	Revenues	Increase	Rates	Revenues	Rates	Revenues	Increase	Rates
Meters								
5/8" Meter	\$ 511,336	5.35% (1)	\$ 6.50	\$ 25,960	\$ 0.33	\$ 47,987	10.36% (1)	\$ 0.61
3/4" Meter	1,438,645	0.51%	7.93	7,257	0.04	12,700	0.89%	0.07
1" Meter	435,114	0.47%	10.68	2,037	0.05	3,667	0.85%	0.09
1.5" Meter	127,610	10.05%	22.12	11,653	2.02	21,518	20.28%	3.73
2" Meter	189,456	6.80%	29.70	12,056	1.89	22,326	13.36%	3.50
3" Meter	67,960	0.44%	61.06	301	0.27	568	0.84%	0.51
4" Meter	100,812	0.45%	100.41	452	0.45	844	0.84%	0.84
6" Meter	166,197	0.46%	198.80	753	0.90	1,396	0.85%	1.67
8" Meter	36,852	0.46%	297.19	168	1.35	310	0.85%	2.50
10" Meter	14,240	0.45%	395.56	64	1.79	119	0.84%	3.32
Volumetric Revenue								
Residential / Multi Family	7,094,419	8.69% (1)	4.38	566,905	0.35	1,052,824	17.43% (1)	0.65
Comm, Gov, Interdept.	3,137,603	12.43%	3.98	346,870	0.44	646,441	25.95%	0.82
Industrial	189,111	13.11%	3.71	21,919	0.43	40,269	27.05%	0.79
Wholesale	3,143,422	13.06%	3.03	363,101	0.35	663,957	26.78%	0.64
Indiana University (IU) Usage	1,059,904	12.41%	2.99	116,979	0.33	219,779	26.16%	0.62
Irrigation Usage	554,332	19.71%	4.92	91,262	0.81	169,004	43.86%	1.50
Fire Protection	1,829,051	6.09%	Various	105,020	Various	196,046	12.01%	Various
Total Adjustable Revenues	20,096,064			1,672,757		3,099,755		
Other Operating Revenues	816,191			-		-		
Rounding	(8,544)			3,449		1,205		
Total Operating Revenues	<u>\$20,903,711</u>			<u>\$1,676,206</u>		<u>\$3,100,960</u>		
Revenue Increase	<u>\$ 1,676,206</u>							

(1) Test Year residential and 5/8 inch meter units adjusted for operating adjustment. Increase reflected is rate increase instead of revenue increase.

**BLOOMINGTON MUNICIPAL WATER UTILITY**  
 Bloomington, Indiana

Schedule of Rates and Charges

Monthly usage charge applicable to Residential, Commercial, Governmental, Interdepartmental, Industrial, Indiana University – Master Metered, Indiana University – Non-Master Metered, and Irrigation classes

<u>Category</u>	<u>Phase I Rates Per 1,000 Gallons</u>	<u>Phase II Rates Per 1,000 Gallons</u>
Residential	\$ 4.03	\$ 4.38
Commercial, Governmental, Interdepartmental	3.54	3.98
Industrial	3.28	3.71
Indiana University – Master Metered	2.66	2.99
Indiana University – Non-Master Metered	3.54	3.98
Irrigation	4.11	4.92

Monthly Service Charge, in Addition to Monthly Usage for the customer categories listed above

<u>Meter Size</u>	<u>Phase I</u>	<u>Phase II</u>
5/8"	\$ 6.17	\$ 6.50
3/4"	7.89	7.93
1"	10.63	10.68
1 1/2"	20.10	22.12
2"	27.81	29.70
3"	60.79	61.06
4"	99.96	100.41
6"	197.90	198.80
8"	295.84	297.19
10"	393.77	395.56

Monthly Surcharges for Fire Protection Service for the customer categories listed above (excluding Indiana University – Master Metered)

<u>Meter Size</u>	<u>Phase I Charge</u>		<u>Phase II Charge</u>	
	<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 2.07	\$ 3.46	\$ 2.20	\$ 3.67
3/4"	3.09	5.21	3.28	5.52
1"	5.16	8.68	5.48	9.21
1 1/2"	10.33	17.33	10.95	18.38
2"	16.52	27.76	17.52	29.44
3"	36.15	60.72	38.34	64.40
4"	61.96	104.05	65.71	110.35
6"	129.12	216.79	136.94	229.92
8"	185.92	312.15	197.19	331.07
10"	299.51	502.94	317.67	533.42

The monthly Fire Protection Charge for Indiana University – Master Metered accounts as a group shall be \$1,480 in Phase I and \$1,480 in Phase II.



**BLOOMINGTON MUNICIPAL WATER UTILITY**  
 Bloomington, Indiana

Schedule of Rates and Charges

Contract Sales for Resale

The rate for contract sales for resale shall be \$2.68 per one thousand gallons for Phase I and \$3.03 per one thousand gallons for Phase II.

Contract Sales for Resale Monthly Service Charge in Addition to Monthly Usage Charge

<u>Meter Size</u>	<u>Phase I</u>	<u>Phase II</u>
5/8"	\$ 6.17	\$ 6.50
3/4"	7.89	7.93
1"	10.63	10.68
1 1/2"	20.10	22.12
2"	27.81	29.70
3"	60.79	61.06
4"	99.96	100.41
6"	197.90	198.80
8"	295.84	297.19
10"	393.77	395.56

Private fire connections per connection

<u>Line Size</u>	<u>Phase I</u>		<u>Phase II</u>	
	<u>Monthly</u>	<u>Annually</u>	<u>Monthly</u>	<u>Annually</u>
4" and under	\$ 10.41	\$ 124.92	\$ 11.04	\$ 132.48
6"	28.93	347.16	30.69	368.28
8"	59.29	711.48	62.89	754.68
10"	103.85	1,246.20	110.14	1,321.68
12"	163.73	1,964.76	173.66	2,083.92

**BLOOMINGTON MUNICIPAL WATER UTILITY**  
 Bloomington, Indiana

Non-Recurring Charges

<u>Description of Charge</u>		<u>Charges</u>
1)	5/8" to 1" Connection	- with tap \$1,533.00 - without tap \$1,327.00
2)	Greater than 1" Connection	Cost of connection but not less than charge for 5/8" to 1" connection
3)	Service Call	- During hours \$45.00 - After hours \$171.00
4)	Bad Check Charge	\$25.00
5)	Late Payment Charge	3% of unpaid balance
This charge shall be paid only once and shall be based on the unpaid over-due balance.		
6)	Deposit*	- Residential Not to exceed \$39.00 - Commercial Not to exceed 1/6 of estimated annual bill

If a present residential customer has been mailed disconnect notices for two consecutive months or any three months within the preceding twelve-month period or has had service disconnected because of nonpayment within the past four years, a security deposit not to exceed one-sixth of the expected annual billing for the customer at the address at which service is rendered may be required.

7) Meter Testing

The utility shall make a free test of the accuracy of a meter upon written request by a customer and a second free test may be requested twelve months subsequent to the first test. The fee for all meter tests requested within thirty-six months after the preceding test shall be \$39.00 if the meter is found not to be at fault.

8) Inspection Charge

All inspections of new mains during normal business hours shall be free of charge. All inspections of new mains during overtime hours shall be based on the amount of time required for the inspection.

9) Temporary Service \$10.00/week

\$10.00 minimum plus a deposit equal to the cost of the meter and a charge for the water used.

10) Extension of Service

Free if estimated 3-year revenue is greater than the construction cost. Actual cost if not.

11) Unauthorized Use of Hydrants

Cost of Water billed for up to 8 hours at maximum flow rate of the hydrant for each day the hydrant is used.

\*Deposit is not under the jurisdiction of the Indiana Utility Regulatory Commission (IURC).

## Protocols for Next Cost of Service Study

1. In its next rate case (expected in late 2024 or early 2025, but Bloomington retains full discretion on when it files its next rate case within the parameters of Section 4.A. of the Settlement), Bloomington will present a new cost of service study (“COSS”) utilizing data collected from AMI meters. Bloomington agrees to provide opportunities for WTWA, IU and the OUCC, including their respective consultants, to participate in the preparation of Bloomington’s next COSS in good faith collaboration to address areas of concern with any study or related model. That participation will involve, but not be limited to, the sharing of all COSS related data, any COSS related workpapers, the ability to contact/meet (may be electronic meetings) with Bloomington’s consultants, and the provision of preliminary and final COSSs that Bloomington intends to present to its Utility Service Board. The sharing of information will be subject to a mutually acceptable confidentiality agreement, where appropriate.
2. Bloomington retains final discretion with respect to the presentation of its cost of service and rate design proposals in its next rate case. In order to facilitate the provision of information set forth in Paragraph 1 above, however, during the course of COSS preparation Bloomington will provide, at least, the following four (4) specific opportunities for the Parties to meet, provide input, suggest changes to, and review COSS materials:
  - a. Data Review meeting to go over test year customer billing and AMI data;
  - b. Revenue Requirement meeting;
  - c. Cost Allocation by Customer Class meeting; and
  - d. Rate Design meeting.

Bloomington agrees to provide 10-days’ written notice to WTWA, IU, and the OUCC (email notice is acceptable) of the date, time and location of each meeting. Such meetings may be held by electronic means to facilitate participation. Bloomington may not file its rate case if these four (4) meetings have not been held. In the event these meetings extend the filing of the rate case more than one year after the end of the test year, all Parties to this Settlement agree to waive staleness as an objection to the test year for rate-setting purposes provided the filing is made not more than 18 months following the close of the test year. The Parties, however, retain the right to otherwise raise any challenge to the use and reasonableness of Bloomington’s test year, and do not waive their right to challenge any test year cost, or to take any position with respect to revenue, usage, other adjustments to the test year or use of the test year for, and relating to, the COSS. The four (4) meetings identified above are not meant to be exclusive opportunities for pre-filing discussion between Bloomington and any Party, and other meetings, or other communications, may be arranged and held as appropriate. No inferences shall be drawn from a Party’s participation, or non-participation, in any pre-filing meeting.

3. Bloomington will take steps to assure that any preliminary or final cost of service models can be fully accessed, operated and manipulated by WTWA, IU and the OUCC, or their respective consultants. For purposes of effectuating this agreement, a fully accessible, operable and manipulatable cost service model shall, at a minimum, meet the following criteria:

- a. Be in Excel format with all formulas and inputs intact, unlocked and accessible
  - b. Not have hidden or otherwise protected cells, tabs or worksheets
  - c. Not include external links to data which is not also provided
  - d. Not contain formula errors
  - e. Be formatted in such a manner as to be legible without extensive re-formatting by users
  - f. Utilize consistent and readily identifiable units of service (e.g., volumes sold) across testimony, the COSS model, and discovery responses in a manner that is clearly and consistently separated by rate class.
  - g. Permit users to make modifications to any input that results in clearly updated results
  - h. Permit users to easily modify any input including the functionalization and allocation of costs.
  - i. Permit users to save modifications
4. Bloomington agrees to review the appropriateness of a wholesale storage class or sub-class, or other cost of service and rate design proposals for Wholesale contract customers that is supported by the data. Bloomington agrees that WTWA will not be assigned to a customer class consisting only of WTWA unless either 1) Bloomington develops rates unique to each wholesale customer; or 2) WTWA consents to such assignment.