

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF ) CAUSE NO. 43777 U  
MAPLETURN UTILITIES, INC. FOR A NEW )  
SCHEDULE OF RATES AND CHARGES ) APPROVED:

MAR 24 2010

**BY THE COMMISSION:**

**David E. Veleta, Administrative Law Judge**

On September 2, 2009, Mapleturn Utilities, Inc. (“Mapleturn” or “Applicant”) filed its Application with the Indiana Utility Regulatory Commission (“Commission”) for a small utility rate change (the “Application”) pursuant to the provisions of Indiana Code § 8-1-2-61.5 and 170 IAC 14-1. On September 23, 2009, Mapleturn submitted proof of publication of the notice of its Application. On September 29, 2009, the Commission issued a memorandum stating that Mapleturn’s Application was complete.

On December 28, 2009, the Indiana Office of Utility Consumer Counselor (“OUCC” or “Public”) filed a report with the Commission (the “Report”). The Report made several recommendations to the Commission concerning the relief requested by Mapleturn. On January 11, 2010, Mapleturn filed a written response to the OUCC’s Report indicating that it had no objections to the OUCC Report.

Pursuant to Indiana Code § 8-1-2-61.5, a formal public hearing is not required in rate cases involving small utilities with fewer than 5,000 customers, unless a hearing is requested. No request for a hearing was received by the Commission and accordingly, no hearing has been held.

Based upon the applicable law and the evidence presented herein, the Commission now finds as follows:

**1. Statutory Notice and Commission Jurisdiction.** The information presented by Mapleturn in this Cause establishes that legal notice of the Application filing was published in accordance with applicable law and that Mapleturn gave proper notice to its customers of the nature and extent of the relief it is seeking. Therefore, due, legal, and timely notice of the matters in this proceeding was given and published as required by law. Mapleturn is an Indiana not-for-profit utility. Accordingly, the provisions of 170 IAC 14-1-2 are applicable to the Application, and Mapleturn is entitled to request an increase in its rates and charges for service pursuant to Indiana Code § 8-1-2-61.5 and 170 IAC 14-1. The Commission, therefore, has jurisdiction over the parties and the subject matter of this Cause.

**2. Applicant’s Characteristics.** Mapleturn is an Indiana not-for-profit utility providing water and wastewater utility service to customers in Martinsville, Indiana. Mapleturn serves approximately 551 customers in rural areas in Morgan County, Indiana. Mapleturn is operated by a manager and three other full-time employees. Mapleturn’s existing rates and charges were established on May 10, 2000 in Cause No. 41656.

3. **Test Year.** The test year used by Mapleturn for determining Mapleturn's annual revenue requirement in this Cause was the twelve (12) months ending March 31, 2009, with adjustments for changes which are fixed, known, and measurable and which will occur within twelve (12) months following the end of the test year. We find this test year to be sufficiently representative of Mapleturn's ongoing operations to use for ratemaking purposes.

4. **Relief Requested.** Mapleturn has requested approval of a new schedule of wastewater rates and charges and authority to finance the construction of certain improvements to its facilities by the issuance of indebtedness. Mapleturn has requested approval to borrow \$1,752,000 from the United States Department of Agriculture Rural Development Agency ("USDA-RDA") for the construction of a new wastewater treatment plant.

Mapleturn has requested an across-the-board increase in its wastewater rates and charges in the total amount of 50.94%. Mapleturn's rate increase will be implemented in two phases, with Phase I to occur upon issuance and compliance by Mapleturn with the Commission's order granting the requested relief, and prior to Mapleturn incurring the requested additional long-term debt for planned capital improvement projects. Phase I rates will provide sufficient revenue for increased operating expenses incurred since Mapleturn's last rate case order. The Phase II rate increase will occur after the closing date for Mapleturn's USDA-RDA loan. The Phase II rate increase will provide sufficient revenue for increased debt service and debt service reserve on the new indebtedness. Mapleturn has proposed a Phase I rate increase of 16.00% and a Phase II rate increase of 30.12%.

5. **Applicant's Proposed Capital Improvement Projects.** Mapleturn has requested authority to incur long-term indebtedness in the form of a loan in the amount of \$1,752,000 from USDA-RDA, to finance construction of a new wastewater treatment plant. Mapleturn's current wastewater treatment plant has been in use for approximately 26 years with a total capacity of 225,000 gallons per day ("gpd"). The Schneider Corporation prepared a Wastewater Treatment Preliminary Engineering Report ("Schneider Report") for Mapleturn to use for obtaining USDA-RDA funding through the Rural Development Utilities Program. The Schneider Report recommended that Mapleturn build a 250,000 gpd wastewater plant with a minimum life of 20 years, which can be expanded for a build-out treatment capacity of 500,000 gpd. The OUCC agreed with Mapleturn's plan to construct a new wastewater treatment plant. The new structure is concrete and is expected to last approximately 50 years. Longevity is an important consideration since the debt payment structure of 40 years corresponds with the proposed life of the plant. In addition, the new wastewater treatment facility will incorporate existing concrete basins currently used by the existing wastewater treatment facility.

6. **Operating Revenue.** Mapleturn calculated its operating revenue to be \$291,559 for Phase I and \$337,772 for Phase II. The OUCC proposed an adjustment of (\$4,559), which resulted in operating revenues in the amount of \$287,000 for Phase I. The OUCC proposed an adjustment of (\$15,034), which resulted in operating revenues in the amount of \$322,738 for Phase II. As set forth further below, we find the amounts proposed by the OUCC to be reasonable and supported by the evidence.

7. **Revenue Requirements.** As noted above, Mapleturn has proposed a Phase I rate increase of 16.00% and a Phase II rate increase of 30.12%. The OUCC has proposed a Phase I rate

increase of 12.45% and a Phase II rate increase of 32.13%. The following table provides a comparison of the parties' proposed revenue requirements.

	Phase I			Phase II		
	Per Petitioner	Per OUCC	Difference More/(Less)	Per Petitioner	Per OUCC	Difference More/(Less)
<u>Revenue Requirements:</u>						
Extensions and Replacements	41,600	41,600	-	41,600	41,600	-
Operation & Maintenance Exp.	291,656	283,970	7,686	292,107	284,008	8,099
			-			-
Taxes Other Than Income	9,641	9,053	588	9,641	9,053	588
Working Capital			-			-
Debt Service			-	90,543	90,543	-
Debt Service Reserve			-	9,054	9,054	-
Total Revenue Requirements	342,897	334,623	8,274	442,945	434,258	8,687
Less: Interest Income	5,125	7,364	(2,239)	3,589	3,364	225
Other Revenues			-			-
Forfeited Discounts			-			-
Net Revenue Requirements	337,772	327,259	10,513	439,356	430,894	8,462
Less: Revenues at Current Rates	291,559	287,000	4,559	337,772	322,738	15,034
Other Revenues at current rates		4,559	(4,559)		4,559	(4,559)
Revenue Increase Required	\$ 46,213	\$ 35,700	10,513	101,584	103,597	(2,013)
Add: Additional IURC Fee	451	38	413	137	111	26
Recommended Increase	\$ 46,664	\$ 35,738	10,926	101,721	103,708	(1,987)
Recommended Percentage Increase	16.00%	12.45%	3.55%	30.12%	32.13%	-2.02%

A. Operations and Maintenance. The OUCC accepted Mapleturn's adjustments for payroll expenses, employee benefits, liability insurance and rate case expenses. We find these proposed adjustments included in Mapleturn's original small utility filing to be reasonable and supported by the evidence. However, the OUCC has taken exception to other operating expense adjustments. As to those exceptions, we find as follows:

1. Non-Recurring Expense and Capital. Included in Mapleturn's test year operating and maintenance expenses are consulting fees from Williams Creek Consulting, Inc. in the amount of \$8,000. These fees were for an analysis of the wetlands process as a possible alternative to a mechanical or package treatment plant. As such, according to the OUCC these costs are non-recurring and should be capitalized as part of the project costs. The OUCC has recommended eliminating this expense from *pro forma* operating and maintenance expenses. Mapleturn agreed with the OUCC's recommendations. The Commission finds that the OUCC's recommendation is reasonable and should be implemented.

2. IURC Fees. The OUCC recommended modifying Mapleturn's IURC Fees expense adjustment by using the current fee of .1073599% of total revenues. Mapleturn had used a prior year fee in its calculation. As a result, the OUCC and Mapleturn have agreed that \$283,970 in *pro forma* present operations and maintenance expenses are appropriate. The Commission finds that the OUCC's recommendation is reasonable and should be implemented.

B. Extensions and Replacements. Mapleturn has proposed an extensions and replacements schedule consisting of three generators, ten grinder pumps, two vacuum tanks

and two trucks for a total of \$208,000 or \$41,600 per year. The OUCC accepted Mapleturn's proposed expenditures for generators and grinder pumps. However, the OUCC proposes a five-year total of \$19,500 for vacuum tanks and \$55,500 for trucks. In addition, the OUCC has added \$45,000 for inflow and infiltration remediation. Overall, the OUCC is proposing the same extensions and replacements revenue requirements as Mapleturn. The Commission finds that an annual amount of \$41,600 for extensions and replacements is reasonable and supported by the evidence filed in this Cause.

C. Debt Service. Mapleturn presented its annual debt service requirement for a five year period 2010-2014, yielding an annual revenue requirement of \$90,543. Mapleturn's annual debt service is based on a \$1,752,000 loan for forty years at a 4.32% interest rate. Mapleturn is using \$200,000 of its own funds for the construction of the new wastewater treatment plant and will use more of its funds, if necessary, to reduce debt service to the approved level. The OUCC concurred with Mapleturn's proposed annual debt service. However, the OUCC recommended that if Mapleturn issues debt in a manner that is different than that shown in its Application, then Mapleturn's debt service should be trued-up to reflect actual changes to Mapleturn's annual debt service. The Commission finds that the OUCC's recommendations are reasonable and should be implemented.

D. Debt Service Reserve. Mapleturn proposed \$9,054 for debt service reserve. The OUCC accepted Mapleturn's calculation of its annual debt service reserve. However, the OUCC recommended that Mapleturn deposit \$755 per month ( $\$9,054 / 12$ ) into a restricted account to fund its debt service reserve. The OUCC recommended that Mapleturn begin depositing \$755 per month into its debt service reserve as soon as Phase II rates are effective. In addition, if Mapleturn does not make its monthly deposit or withdraws funds from the debt service reserve fund, then it shall inform both the Commission and the OUCC of its actions and explain why such actions were necessary. The Commission finds that the OUCC's recommendations are reasonable and should be implemented.

E. Interest Income. Mapleturn proposed \$5,125 for Phase I interest income and \$3,589 for Phase II interest income. The OUCC recommended \$7,364 for Phase I interest income and \$3,364 for Phase II interest income. Mapleturn agreed to the OUCC's adjustments to interest income. The Commission finds that the OUCC's recommended adjustments to interest income are reasonable and should be implemented.

8. Conclusion. Mapleturn and the OUCC have agreed to an increase in Mapleturn's wastewater rates and charges in the total amount of 48.59%, to be implemented in two phases. With regard to the Phase I rate increase, the Commission finds that based on the evidence presented, Mapleturn should be allowed to increase its rates by 12.45%.

The existing plant has served its purpose and its replacement is reasonable. The Commission finds the proposed wastewater treatment plant is in the public interest and therefore is approved. Mapleturn is proposing to borrow \$1,752,000 from the USDA-RDA in order to finance the construction of the new wastewater treatment plant. The Commission finds the proposed long term debt is necessary to fund Mapleturn's construction of the proposed wastewater treatment plant, and therefore, authorizes the issuance of \$1,752,000 proposed debt.

With regard to the Phase II rate increase, the Commission finds that based on the evidence presented, Mapleturn should be allowed to increase its rates by 32.13%, subject to the true-up. The Phase II rates should not be effective until after closing of the USDA-RDA loan. Before the Phase II rates approved herein can be effective, we find that Mapleturn should file with the Commission and the OUCC a true-up report indicating the total amount borrowed and the interest rate to be paid. The Phase II rate approved herein will be trued-up to take into account the actual financing costs incurred by Mapleturn.

A summary of the findings, including other revenue requirements not in dispute in this Cause, is set forth in the following table:

	Phase I	Phase II
<u>Revenue Requirements:</u>		
Extensions and Replacements	\$ 41,600	\$ 41,600
Operation & Maintenance Expense	283,970	284,008
Taxes Other Than Income	9,053	9,053
Working Capital		
Debt Service		90,543
Debt Service Reserve		9,054
Total Revenue Requirements	<u>334,623</u>	<u>434,258</u>
Less: Interest Income	7,364	3,364
Other Revenues		
Forfeited Discounts		
Net Revenue Requirements	<u>327,259</u>	<u>430,894</u>
Less: Revenues at Current Rates	287,000	322,738
Other Revenues at current rates	4,559	4,559
Revenue Increase Required	<u>35,700</u>	<u>103,597</u>
Add: Additional IURC Fee	38	111
Recommended Increase	<u>\$ 35,738</u>	<u>\$ 103,708</u>
Recommended Percentage Increase	<u>12.45%</u>	<u>32.13%</u>

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

1. Mapleturn is hereby authorized to increase its annual revenues in the amount of \$139,446, or 48.59% across-the-board, to be implemented in two phases (12.45% and 32.13% respectively), subject to the true-up requirements in Paragraph Nos. 7.C. and 8.

2. Mapleturn shall and is hereby authorized to incur additional long-term indebtedness, not to exceed \$1,752,000, in the form of a loan from USDA-RDA.

3. Mapleturn is hereby authorized to commence and complete its capital improvement projects, as discussed and approved in this Order.

4. Mapleturn shall begin depositing \$755 per month into a restricted account to fund its debt service reserve as soon as Phase II rates are effective, as set forth in Paragraph 7.D. If Mapleturn does not make its monthly deposit or withdraws funds from the debt service fund, then it shall inform both the Commission and the OUCC of its actions and explain why such actions were necessary.

5. Mapleturn shall file with the Water/Sewer Division of the Commission new schedules of rates and charges placing in effect the rate increase authorized herein. Upon approval by the Water/Sewer Division, Mapleturn's revised rate schedules shall immediately take effect and cancel all of Mapleturn's previously approved schedules of rates and charges.

6. In accordance with Indiana Code § 8-1-2-70 and GAO 2009-3, Mapleturn shall pay the following itemized charges within twenty (20) days from the date of this Order to the Secretary of this Commission, as well as any additional costs which were or may be incurred in connection with this Cause:

Commission charges:	\$1,000.00
OUCC charges	<u>\$2,000.00</u>
<b>TOTAL</b>	<b>\$3,000.00</b>

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

**HARDY, ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:**

APPROVED: MAR 24 2010

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



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