

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE)
PETITION OF TROY MUNICIPAL) CAUSE NO. 43910 U
ELECTRIC UTILITY FOR A NEW)
SCHEDULE OF RATES AND) APPROVED:
CHARGES)

NOV 04 2010

BY THE COMMISSION:
David E. Ziegner, Commissioner
Jeffery A. Earl, Administrative Law Judge

On June 7, 2010, Troy Municipal Electric Utility (“Petitioner” or “Troy”) filed with the Indiana Utility Regulatory Commission (“Commission”) its Request for Changes in Rates and Charges pursuant to Ind. Code § 8-1-2-61.5 and 170 I.A.C. 14-1. Troy originally sought a decrease of 14.65% in its base rates.

On September 7, 2010, as required by 170 I.A.C. § 14-1-4(a), the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report, making minor adjustments to Petitioner’s revenue requirement calculations and recommending the Commission approve a decrease of 18.54% in Petitioner’s base rates. On September 17, 2010, Troy notified the Commission of its approval of the OUCC’s suggested changes and filed revised tariffs.

Pursuant to Ind. 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 by at least ten customers, a public or municipal corporation, or by the Indiana Office of Utility Consumer Counselor (“OUCC”). No requests for a hearing have been 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. Commission Jurisdiction and Notice.** Troy is a municipal electric utility owned by the Town of Troy, Indiana. Troy owns and operates electric facilities for the transmission and distribution of electric demand and energy, and as such is a “municipally owned utility” within the meaning of Ind. Code §§ 8-1-2-1(h) and 8-1.5-1-10. Troy’s rates and charges for electric service are subject to the jurisdiction of this Commission in the manner and to the extent provided by Ind. Code § 8-1.5-3-8(f). The Commission, therefore, has jurisdiction over Troy and the subject matter of this proceeding.
- 2. Petitioner’s Characteristics.** Troy is engaged in furnishing electricity to residential, commercial, and industrial customers located within its assigned service area.

Troy owns electric transmission and distribution facilities which are used and useful in providing adequate and reliable service to its approximate 319 customers located in the Town of Troy and surrounding areas in Perry and Spencer Counties, in Indiana. Troy purchases all of its power and energy requirements from Hoosier Energy. Troy's current schedule of rates and charges was placed into effect following the Commission's July 16, 1997 Order in Cause No. 40730.

3. Test Period. The test period selected for determining Petitioner's revenues and expenses reasonably incurred in providing electric utility service to its customers includes the twelve (12) months ending February 28, 2009. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period sufficiently represented Petitioner's normal operations to provide reliable data for ratemaking purposes.

4. Operating Revenue. Troy and the OUCG agree Troy's pro forma present rate revenue is \$1,374,715. Troy originally sought a 14.65% reduction in its revenues. The OUCG recommended, and Petitioner has agreed to, an 18.54% reduction in Troy's revenues.

Using Petitioner's adjusted income statement, the OUCG calculated Petitioner's revenue requirement and arrived at a revenue decrease of \$201,004. However, when the OUCG reviewed Troy's revenue requirements in accordance with Ind. Code § 8-1.5-3-8 using Troy's data, it calculated a revenue decrease of \$250,173. Petitioner accepts the OUCG's corrected revenue decrease of \$250,173. The OUCG also recommended the following adjustments to Petitioner's operation and maintenance expenses, which together result in an additional decrease of \$4,107 from Petitioner's original revenue requirement.

- 1) Removal of Petitioner's inflation adjustment to the test year operation and maintenance expenses, resulting in a decrease of \$7,049 to Petitioner's proposed amount.
- 2) Removal of a "transfer to other funds" line item from Petitioner's operating expenses, resulting in a decrease of \$21,867 to Petitioner's proposed amount.
- 3) Correction of an error in Petitioner's depreciation expense calculation from \$13,052 (Petitioner's calculation) to \$38,607 (OUCG's calculation), resulting in an increase of \$25,555 to Petitioner's proposed amount.
- 4) Correction of the Utility Receipts Tax in light of the above adjustments, resulting in a decrease of \$746 from Petitioner's proposed amount.

Petitioner accepts the adjustments recommended by the OUCG. In addition, the Commission has reviewed the adjustments and finds them to be reasonable. Petitioner and the OUCG have agreed to a total revenue requirement of \$1,120,435, which is a decrease of \$254,280 from Petitioner's present rate revenue of \$1,374,715. This amounts to an 18.54% decrease in Petitioner's revenue requirement. The following table summarizes the revenue requirement items agreed to by Petitioner and the OUCG:

Revenue Requirements

Purchased Power	\$870,376
Operation & Maintenance Expense	197,115
Taxes other than income taxes	17,897
Depreciation	<u>38,607</u>
Revenue Requirement	\$1,123,995
Less: Utility Receipts tax (Proposed decrease)	<u>(3,560)</u>
Total Revenue Requirement	\$1,120,435
Pro forma present rate revenue	<u>1,374,715</u>
Pro forma revenue decrease	\$(254,280)
Percent of revenue decrease	-18.54%

Having examined the calculations above, the Commission finds the calculations represent the agreement of the parties, are supported by sufficient evidence, and should be approved. Therefore, Petitioner is authorized to earn a total annual revenue of \$1,120,435.

5. **Rate Structure.** Petitioner filed a cost of service study performed by JDG Consulting LLC. The Commission has reviewed the cost of service study and finds the results to be fair and reasonable. Petitioner has also filed revised tariffs, which reflect the adjustments to Petitioner's revenue requirement outlined above and the results of the cost of service study. Having reviewed the revised tariffs, the Commission finds they are reasonably calculated to generate total operating revenues of \$1,120,435.

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

1. Consistent with the findings above, Troy Municipal Electric Utility is authorized to decrease its rates and charges by \$254,280 annually, so as to produce total annual revenue of \$1,120,435, which represents an 18.54% across-the-board decrease in its revenues.

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

Commission Charges	\$ 1,000
OUCG Charges	<u>\$ 2,000</u>
Total	\$ 3,000

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

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: NOV 04 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**