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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF EASTERN )  
 RICHLAND SEWER CORPORATION AND ) CAUSE NO. 43921  
 NORTHERN RICHLAND SEWER )  
 CORPORATION FOR AUTHORITY TO MERGE ) APPROVED: JUN 22 2011  
 AND CONSOLIDATE OPERATIONS )

**BY THE COMMISSION:**

**Carolene R. Mays, Commissioner**  
**Jeffery A. Earl, Administrative Law Judge**

On July 15, 2010, Eastern Richland Sewer Corporation (“ERSC”) and Northern Richland Sewer Corporation (“NRSC”) (collectively “Joint Petitioners”) filed their Verified Joint Petition with the Indiana Utility Regulatory Commission (“Commission”) seeking authority to merge NRSC’s assets, liabilities, and operations into ERSC in order to consolidate the two entities’ operations. The Commission held a Prehearing Conference on September 10, 2010, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. The Commission issued a Prehearing Conference Order on September 22, 2010, which set the procedural schedule for this Cause.

On September 21, 2010, Joint Petitioners prefiled their direct testimony in support of the merger. On November 10, 2010, the Indiana Office of the Utility Consumer Counselor (“OUCC”) prefiled its evidence in this Cause.

On November 12, 2010, the Town of Ellettsville (“Ellettsville”) filed a Petition to Intervene and a Motion to Stay Proceedings. On November 18, 2010, Joint Petitioners filed their Objection to the Petition to Intervene, and on November 19, 2010, Joint Petitioners filed a Motion to Strike and Objection to Ellettsville’s Motion to Stay Proceedings. Ellettsville filed its response to the Joint Petitioners’ Objection on November 29, 2010. The Commission issued a docket entry on December 6, 2010, which granted Ellettsville’s Petition to Intervene but denied Ellettsville’s Motion to Stay Proceedings and Joint Petitioners’ Motion to Strike.

Also on December 6, 2010, Ellettsville filed a Motion for Leave to File Prefiled Testimony, seeking to file the report of rate consultant Doug Baldessari of Umbaugh and Associates. On December 10, 2010, Joint Petitioners filed a Motion to Strike and Objection to the Town of Ellettsville’s Motion for Leave to File Prefiled Testimony. On December 14, 2010, the Commission denied Ellettsville’s Motion for Leave to File Prefiled Testimony, on the basis that the Motion was filed well after the conclusion of the briefing schedule established in the Prehearing Conference Order and failed to comply with Commission rules regarding extensions of time. The Docket Entry also denied Joint Petitioners’ Motion to Strike. Also on December 14, 2010, Ellettsville filed an Objection to Joint Petitioners’ Exhibit A, which the Presiding Administrative Law Judge denied on the record during the Evidentiary Hearing in this Cause.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this Cause at 9:30 a.m. on December 15, 2010, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. Joint Petitioners, the OUCC, and Ellettsville appeared and participated in the hearing. At the hearing, Joint Petitioners submitted the testimony of Larry D. Barker and Richard F. Sanders. The OUCC submitted the testimony of Charles E. Patrick and Roger A. Pettijohn. Ellettsville did not present any testimony. No member of the public participated in the hearing.

The Commission, based upon the applicable law and the evidence of record, now finds as follows:

1. **Notice and Commission Jurisdiction.** Due, legal, and timely notice of these proceedings and the public hearings were given and published as required by law. ERSC and NRSC are public utilities as defined by Ind. Code § 8-1-2-1. Ind. Code § 8-1-2-84 allows two public utilities furnishing a like service in the same locality within Indiana to merge with the consent of the Commission. Thus, the Commission has jurisdiction over ERSC and NRSC and the subject matter of this Cause.

2. **Joint Petitioners' Characteristics.** The Joint Petitioners are public utilities organized and existing as nonprofit corporations under the laws of the State of Indiana. Each Petitioner currently operates a wastewater collection system in Richland Township, Monroe County, Indiana.

3. **Relief Requested.** Joint Petitioners request Commission approval of the merger of NRSC's assets, liabilities, and operations into ERSC.

4. **Joint Petitioners' Evidence.**

A. **Eastern Richland Sewer Corporation.** Larry D. Barker, President of ERSC's Board of Directors, testified on behalf of ERSC. He stated that ERSC is a nonprofit corporation that operates a rural wastewater collection system in eastern Richland Township, Monroe County, Indiana. NRSC is also a nonprofit corporation that operates a rural wastewater collection system in northern and western Richland Township, Monroe County, Indiana. The southern boundary line of NRSC's service territory adjoins the northern boundary line of ERSC's service territory.

Mr. Barker explained that the structure of the proposed merger is set forth in Exhibit A to the Verified Joint Petition. ERSC would be the surviving entity and would assume NRSC's assets and liabilities and thereafter operate NRSC's wastewater collection system as part of ERSC. The members of NRSC will become full members of ERSC and will, following the merger, have the same rights as the current members of ERSC. Additionally, ERSC proposes to acquire the Certificate of Territorial Authority granted to NRSC by the Commission through the merger. Because NRSC does not have any employees, it will not be necessary for any NRSC employees to be integrated into ERSC.

Mr. Barker testified that ERSC has the corporate authority to request the Commission to approve the merger as evidenced by the following: the Verified Joint Petition; a June 7, 2010 Resolution of ERSC's Board of Directors adopting the plan of merger; and the Certification of ERSC's Secretary as to the vote of ERSC's members.

Mr. Barker also stated that based upon discussions he and other members of ERSC's Board of Directors have had with NRSC's Board of Directors, ERSC determined that it would be beneficial to the members of both corporations for ERSC and NRSC to merge. Mr. Barker testified that the benefits to ERSC's and NRSC's members would be that rather than being separate utilities with 1,827 customers/members and 240 customers/members respectively, the surviving entity will be a single utility with approximately 2,069 customers/members and therefore, through economies of scale, each utility's customers/members should be able to obtain lower rates over time. Additionally, the combined company would be able to meet NRSC's needs for maintenance to its system, improved services, or additional facilities, better than NRSC could if it continued on as a separate utility.

Mr. Barker further testified that in addition to ERSC and NRSC, Ellettsville also provides wastewater collection service in Richland Township, Monroe County, Indiana. Ellettsville's services, however, are provided only to the residents of the Town of Ellettsville. Mr. Barker indicated that while NRSC's rates are slightly higher than ERSC's rates, both utility's rates are lower than those paid by Ellettsville's customers.

Mr. Barker explained that if the merger is approved each utility's rates and charges for service will remain in effect. ERSC, as the surviving corporation, will begin the process of seeking the Commission's approval to charge a uniform and equitable rate to its members following approval of the merger. With the additional savings each utility will obtain through the economies of scale resulting from the merger of NRSC into ERSC, any future uniform rate will most likely be lower than what ERSC's current members pay.

On cross examination, Mr. Barker testified that although ERSC did not obtain any engineering studies on the physical condition of NRSC's collection system prior to filing the Verified Joint Petition, ERSC was aware that NRSC's collection system, like ERSC's collection system, utilizes, in part, clay lines and was installed in the early 1970's. Based on this knowledge ERSC concluded that NRSC's system was in approximately the same condition as ERSC's. Mr. Barker indicated that ERSC and NRSC utilize the same inspector for their collection systems and, had there been any serious problems with NRSC's system, ERSC's inspector would have brought those problems to ERSC's attention.

On cross examination Mr. Barker also testified that while ERSC was unable to review NRSC's current financials at the time ERSC's Board of Directors voted to proceed with the merger, ERSC's Board of Directors did review this information prior to its annual meeting on July 21, 2010. ERSC disclosed this information in detail to its membership at the July 21, 2010 annual meeting; the same meeting where ERSC's membership voted to adopt the proposed plan of merger and proceed with the merger of NRSC into ERSC.

On rebuttal, Mr. Barker testified about ERSC's current financial condition. As of September 30, 2010, ERSC has approximately \$3,834,545 in unrestricted cash and long-term debt of \$111,478 consisting of two FHMA loans. ERSC's accumulation of unrestricted cash is primarily due to its investment in long-term certificates of deposit when interest rates were exceptionally high. Additionally, ERSC's decision to develop and adopt its current five year work plan for completing costly improvements and repairs to its system has required ERSC to accumulate the funds necessary to complete these projects. ERSC's current five year work plan consists of inspecting, televising, maintaining, and repairing its lines in order to address inflow and infiltration problems that naturally result from the use of clay lines. For 2011, Mr. Barker testified that ERSC has allocated \$485,000 for the inspection, repair, and maintenance of existing mains and for the total replacement of non-repairable mains in the ERSC system.

Finally, Mr. Barker testified that ERSC does not have any objection to the Commission expanding the requirement imposed on NRSC in Cause No. 43791-U. Specifically, ERSC would not object to being required to provide the Commission with a report of the status of its efforts to address inflow and infiltration in its collection system. Mr. Barker also testified that ERSC desires that any additional reporting requirements imposed on it be on an annual as opposed to a semi-annual basis.

**B. Northern Richland Sewer Corporation.** Richard F. Sanders, President of NRSC's Board of Directors, testified on behalf of NRSC. He testified that NRSC has continuously operated a wastewater collection system that serves approximately 240 members in portions of northern and western Richland Township, Monroe County, Indiana. NRSC has the corporate authority to request the merger of NRSC into ERSC, as evidenced by the following: the Joint Petition; a June 7, 2010 resolution of the Board of Directors of Northern Richland Sewer Corporation adopting the plan of merger; and the Certification of NRSC's Secretary-Treasurer as to the vote of NRSC's members.

Mr. Sanders further testified that the merger of NRSC into ERSC would be beneficial to members of NRSC because NRSC's members would retain their voice in the affairs of ERSC through the election of four (4) Directors to represent their interests on ERSC's Board of Directors. Additionally, rather than NRSC continuing as a utility with only 240 customers/members, the newly merged entity would be a utility with approximately 2,069 customers/members. Thus, through economies of scale, NRSC's customers/members would be able to obtain lower rates; especially NRSC's lower volume residential customers. Moreover, the combined company will likely be better able to meet NRSC's members' needs of maintenance to its system, improved services, or additional facilities better than NRSC could if it continued as a separate utility.

Mr. Sanders also testified that on April 13, 2010, Ellettsville offered to purchase NRSC for the sum of \$16,500. Mr. Sanders stated that because this offer did not even approach the fair market value of NRSC, NRSC's Board of Directors determined that it was not in the best interests of NRSC's members and rejected the offer. Mr. Sanders further testified that NRSC's members would be better served by a merger of NRSC into ERSC as opposed to a sale of NRSC to the Town of Ellettsville because the Town has contracted with a private for-profit entity to operate its wastewater collection system at very high cost to its customers. Additionally, the

Town of Ellettsville does not have a citizens' utility service board, and, as a result, NRSC's members would have very little, if any, direct say in the sewer business of the Town of Ellettsville.

On cross examination, Mr. Sanders testified that in 2008 and 2009 NRSC's income was less than its expenditures. He noted that for the current year, due to a rate increase that was approved by the Commission in 2010, NRSC was accumulating capital. The 2010 rate increase was the only rate increase NRSC had ever requested.

On cross examination, Mr. Sanders also testified that NRSC had rejected Ellettsville's offer to purchase NRSC's collection system because the offer was an order of magnitude below the 40-year depreciated value of the assets of the corporation. He also stated that Ellettsville's offer to purchase did not take into account NRSC's potential for expansion.

On redirect, Mr. Sanders testified that the deficits that occurred in 2008 and 2009 caused NRSC to look more carefully and with more detail at their proposed expenditures. He also testified that the deficits caused NRSC to review their rate structure and ultimately resulted in NRSC's decision to request a rate increase. Despite experiencing operating deficits in 2008 and 2009, NRSC remained solvent at all times.

Mr. Sanders further testified on redirect that NRSC had recently contracted with its maintenance contractor, Stranger Excavation, for the repair of approximately 200 feet of pipe. He noted that as a result of recent weather conditions Stranger Excavation had been unable to begin the repairs. Mr. Sanders stated that he expected that this work would be completed as soon as the weather permitted.

## **5. OUCC's Testimony.**

**A. Charles E. Patrick.** The OUCC presented the testimony of Charles E. Patrick, Utility Analyst in the Water/Wastewater Division. Mr. Patrick's testimony discussed both the benefits of the proposed merger of NRSC into ERSC and the OUCC's concerns regarding ERSC's accumulation of cash reserves.

Mr. Patrick testified that both ERSC and NRSC are nonprofit corporations with their principal offices located in Richland Township, Monroe County, Indiana. Both ERSC and NRSC operate collection systems that interconnect with Ellettsville's collection mains. Neither ERSC nor NRSC have waste treatment plants, and, as a result, both entities have entered into Sewage Treatment Purchase Contracts with Ellettsville to process their waste. ERSC and NSRC have comparable rates.

Mr. Patrick noted certain dissimilar characteristics of ERSC and NRSC. According to an interim financial statement dated September 30, 2010, ERSC had \$3,834,545 in unrestricted cash and an operating income of \$224,263. In contrast, according to its interim financial statement dated September 30, 2010, NRSC had \$59,713 in unrestricted cash and an operating income of \$1,267. In addition, while NRSC has no long-term debt, ERSC has long term debt of \$125,558 consisting of four (4) FHMA loans.

Regarding the structure of the proposed merger, Mr. Patrick testified that ERSC will be the surviving entity with all of NRSC's members becoming full members of ERSC. ERSC would assume ownership and control of all assets and operations of NRSC and take responsibility for all of NRSC's liabilities. ERSC will enlarge its Board of Directors by four (4) directors who will be elected to represent the interests of NRSC's former customers. Further, ERSC and NRSC have requested that the Commission allow the initial rates and charges for services to remain the same for each existing service territory.

Mr. Patrick testified that in less than four years, ERSC has increased its unrestricted cash by nearly \$1 million dollars. Mr. Patrick recommended that ERSC's available cash should be used to improve the collection system for both NRSC and ERSC. The improvements will help protect ground source water by reducing potential contamination and improving local streams and rivers. These improvements could also potentially reduce the amount of inflow and infiltration that flows into the Ellettsville wastewater treatment plant, thus possibly forestalling the need to increase its plant processing capacity.

Mr. Patrick testified that based on the proximity of these two public utilities, the similarities of operations, the expansion of the board of directors, and the large amount of cash available to ERSC to repair and upgrade the collection mains of both NRSC and ERSC, he considers a merger of these two utilities to be in the public interest. Mr. Patrick also recommended that the Commission authorize the transfer of Northern Richland's Certificate of Territorial Authority to Eastern Richland. Additionally, Mr. Patrick testified that ERSC, as the surviving entity, should be permitted to continue to charge NRSC's former customers at the existing rates and charges authorized for NRSC by the Commission until ERSC can file a new rate case for the consolidated company.

Mr. Patrick also recommended that ERSC assume responsibility for the reporting requirement imposed on NRSC in Cause No. 43791-U. He also recommended that ERSC's Five-Year-Plan be updated to include NRSC's service area and forwarded to the Commission semi-annually beginning six months after the date of the Commission's Final Order in this Cause. Mr. Patrick noted that this report should include the status of ERSC's Five-Year-Plan, as well as documentation relating to maintenance and repair of the expanded system.

On cross examination, Mr. Patrick testified that it was neither unique nor unusual for a nonprofit sewer corporation, such as ERSC, to have a large amount of unrestricted cash on hand. He also stated that ERSC has a strong financial position and is capable of taking NRSC's assets and liabilities and merging them into ERSC. Further, Mr. Patrick stated that given ERSC's financial position, ERSC could replace large portions of NRSC's system without a rate increase.

**B. Roger A. Pettijohn.** The OUCC also presented the testimony of Roger A. Pettijohn, Senior Utility Analyst in the Water/Wastewater Division. Mr. Pettijohn's testimony described the characteristics, service area, and facilities of ERSC and NRSC. In addition, Mr. Pettijohn's testimony discussed ERSC's and NRSC's need to address aging infrastructure to prevent inflow and infiltration.

Mr. Pettijohn discussed similarities between ERSC and NRSC. Both entities are nonprofit corporations providing sanitary sewer service, and each is controlled by its own Board of Directors. The physical plant of both systems consists almost entirely of collection systems, which are designed to convey sanitary sewage only, not storm water. Neither entity treats the waste it collects but conveys the waste to the Ellettsville Wastewater Treatment Plant for processing. Both systems include a significant amount of clay pipe that is more than thirty years old and, as a result, is naturally susceptible to inflow and infiltration.

Mr. Pettijohn also testified about the differences of the two utilities. While ERSC has approximately 1,829 members and 31 miles of collection system, NRSC has only approximately 240 members and 5.5 miles of collection system. Also, ERSC has accumulated and continues to accumulate significant cash reserves, but NRSC, in contrast, operated at a net loss in calendar years 2008 and 2009.

Mr. Pettijohn's testimony also included a description of each utility's last proceeding before the Commission. NRSC last appeared before the Commission in Cause No. 43791-U, in which the Commission granted NRSC an across-the-board increase in its rates, approved a system development charge, and ordered NRSC to resume its practice of televising and repairing its clay lines. The Commission also ordered NRSC to file a progress report before the end of January, 2011.

Mr. Pettijohn testified that in his investigation of Cause No. 43791-U, he discussed NRSC's inflow and infiltration history with Mike Farmer, Manager of Ellettsville Utilities. Mr. Pettijohn stated that Mr. Farmer believes that after periods of heavy rain, both ERSC and NRSC contribute significant inflow and infiltration to the Ellettsville system. Consequently, Mr. Pettijohn recommended that the televising and replacement program imposed on NRSC in Cause No. 43791-U should be expanded to include ERSC's system and ERSC should continue to inspect, maintain, and replace the defective infrastructure in the entire ERSC/NRSC system. He also recommended that the reporting requirement imposed on NRSC in Cause No. 43791-U survive the merger and be expanded to include a status of ERSC's efforts to address inflow and infiltration in its system. Mr. Pettijohn indicated that ERSC's report should include the following: (1) a description of any repair or replacement of either system's infrastructure, including costs incurred; (2) a description of ERSC's maintenance program; (3) a description of ERSC's progress in televising the entire system; and (4) a detail of the expenses incurred, including copies of invoices. Mr. Pettijohn stated that this report should be provided each year at the time the utility files its annual report with the Commission.

Mr. Pettijohn further testified that, provided the Commission imposes the reporting requirements described above, the proposed merger would be beneficial to both ERSC and NRSC in the long view, but would be especially beneficial to NRSC. Mr. Pettijohn stated that it is common for companies to merge or acquire another company for the purpose of cost, production, or administrative efficiencies and ERSC will benefit from economies of scale with the addition of NRSC's 240 members. Consequently, Mr. Pettijohn recommended that the Commission approve the merger of NRSC and ERSC subject to the reporting requirements he recommended.

On cross examination, Mr. Pettijohn testified that it is normal for a utility with clay pipe to have a budget for the maintenance of its lines. He also testified that if the merger is approved, ERSC would assume responsibility for any inflow and infiltration occurring in NRSC's wastewater collection system. Mr. Pettijohn stated, however, that he did not know whether the inflow and infiltration occurring in NRSC's collection system was significant.

**6. Ellettsville's Intervention.** Throughout the proceedings in this Cause, Ellettsville has attempted to present evidence and stay the proceedings based upon its desire to condemn NRSC. Ellettsville's primary argument in favor of denying the merger or staying the proceedings is that it plans to condemn NRSC's system. In its December 6, 2010 Docket Entry that denied Ellettsville's first motion to stay these proceedings, the Commission acknowledged that Ellettsville was seriously investigating the possibility of condemning NRSC, but found that Ellettsville had not taken any definitive action to effect the condemnation.

At the conclusion of the Evidentiary Hearing in this Cause, the Presiding Administrative Law Judge instructed all parties to keep the Commission apprised of all litigation in civil court regarding the parties and subject matter of this Cause. On March 1, 2011, Ellettsville filed a Notice of Status and Renewed Motion to Stay Proceedings, which indicated Ellettsville's Town Council had passed a resolution related to the condemnation issue. The resolution "confirms [Ellettsville's] desire to begin condemnation and appropriation proceedings to obtain the NRSC's sewage works." Notice of Status and Renewed Motion to Stay Proceedings, Attach. A. The resolution also requires that a report on the NRSC system be presented to the Town Council as soon as possible, after which the Town Council will determine under which mechanism to proceed to condemn and acquire NRSC. On March 29, 2011, Ellettsville filed a subsequent Notice of Status, which included a declaratory judgment issued by the Monroe County Circuit Court, ordering NRSC to allow Ellettsville to inspect and appraise the NRSC system.

Although Ellettsville has taken additional steps toward a possible condemnation of NRSC, it has not yet filed formal condemnation proceedings, or taken a final, definitive step such as passing a condemnation ordinance. On June 7, 2011, Ellettsville filed a Notice of Status, indicating it had obtained an appraisal of NRSC's system, and would be considering a condemnation ordinance at its regular Town Council meeting on June 13, 2011. The Commission then granted Ellettsville's Motion to Stay these proceedings in its June 10, 2011 Docket Entry and scheduled an Attorney Conference for June 16, 2011 to discuss the results of the June 13th Town Council vote. On June 14, 2011, Ellettsville filed a Notice of Status, indicating the Town Council had passed Resolution 10-2011, which determined that Ordinance 11-07 would be considered by the Town Council at a future meeting on June 27, 2011.

Although the Commission does not doubt the genuineness of Ellettsville's investigation of the possibility of condemning NRSC, we do not believe it is in the public interest to further delay our action in this Cause. As discussed below, ERSC and NRSC have presented evidence sufficiently supporting their merger. In addition, although we have considered the status of the Town's attempt to condemn NRSC in setting the procedural schedule for this Cause, the fact remains that a possible condemnation is not an evidentiary issue in this Case. Ind. Code § 8-1.5-2-15 requires Ellettsville to file a condemnation action "in the circuit or superior court of the county where the municipality is located." Therefore, this Commission is not the proper forum

for the parties to litigate a condemnation attempt. Finally, our authorization of the merger between ERSC and NRSC should have minimal effect on Ellettsville's ability to condemn the NRSC system. Ellettsville would remain free to condemn only the NRSC section of the combined system. As a result, the Commission issued a Docket Entry on June 17, 2011, lifting the stay of these proceedings.

**7. Commission Findings and Conclusions on Merger.** Pursuant to Ind. Code § 8-1-2-84, this Commission has the authority to investigate and approve or disapprove the merger of two or more regulated public utilities. ERSC and NRSC seek Commission approval of a merger of NRSC into ERSC, including all of NRSC's assets, liabilities, operations, and members. ERSC also seeks authorization to continue to charge NRSC's customers under NRSC's existing rates and charges, pending a rate case filed to establish rates for the newly combined entity.

Based upon the evidence presented, we find that a merger of ERSC and NRSC will be mutually beneficial to the utilities and their members/customers. The merger will enable NRSC's members to have lower costs which should lead to lower rates; especially for NRSC's lower volume residential customers. Moreover, ERSC has the financial capability to address the need for maintenance and replacements within NRSC's system. Further, NRSC's members will be able to retain their voice in the affairs of the surviving entity through the election of four Directors to represent their interests on ERSC's Board of Directors. At the same time, ERSC will achieve minimal savings due to economy of scale, and ERSC's customers/members should see a modest reduction in rates and charges after ERSC files its next rate case due to the influx of additional customers into the system. Therefore, we find the terms of the proposed merger are reasonable and in the public interest. In addition, we find that ERSC should continue to charge NRSC's customers at the current rates and charges approved for NRSC, pending the Commission's authorization of appropriate rates and charges for the entire system.

However, the Commission has two concerns that arise from the evidence in this Cause: 1) the infiltration problems identified in NRSC's system in the Commission's Order in Cause No. 43791-U; and 2) ERSC's substantial accumulated cash reserves. With respect to the infiltration problems in the NRSC system, we understand that inflow and infiltration occur in older wastewater collection systems that consist of clay lines. To address this issue, the Commission ordered NRSC to resume televising and repair of its collection system and to report its progress to the Commission. *N. Richland Sewer Corp.*, Cause No. 43791-U, 2010 Ind. PUC LEXIS 259, at \*10 (IURC July 28, 2010). On March 2, 2011, NRSC filed a report with the Commission, indicating that it had plans to televise its system in 2011 and had retained a contractor to complete some repair work, but that neither project had begun as of the filing of the report. In light of our continued concern with not only the state of NRSC's collection system, but also with ERSC's collection system, we find that the televising and replacement program we imposed on NRSC in Cause No. 43791-U should be expanded to include ERSC's system and that ERSC should continue to inspect, maintain, and replace its infrastructure and include the NRSC plant in its efforts. We further find that the reporting requirement imposed on NRSC in Cause No. 43791-U should survive the merger and be expanded to include a status of ERSC's efforts to address inflow and infiltration in its system. This report shall be filed annually until further notice from the Commission and shall include the information detailed in Mr. Pettijohn's testimony above.

With respect to ERSC's accumulated cash reserves, we find that ERSC's accumulation of nearly \$1 million in unrestricted cash in less than four years requires two actions. First, we agree with Mr. Patrick's recommendation that ERSC's available cash should be used to improve the collection system for both NRSC and ERSC. Second, consistent with ERSC's statement that it agrees to begin the process to seek approval of uniform rates for both systems, we order ERSC to file a Petition for new rates and charges for the entire wastewater system not later than one year from the effective date of this Order.

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

1. The merger of Northern Richland Sewer Corporation into Eastern Richland Sewer Corporation is hereby approved, and the current rates now applicable to each Petitioner's respective members should remain in effect until further order of the Commission.

2. The Certificate of Territorial Authority granted to Northern Richland Sewer Corporation in Cause No. 32784 shall be transferred to Eastern Richland Sewer Corporation.

3. The televising and replacement program imposed on NRSC in Cause No. 43791-U shall apply to ERSC and shall be expanded to include ERSC's system.

4. ERSC shall annually file, at the time it files its annual report with the Commission, a report regarding the status of its efforts to address inflow and infiltration issues in its system.

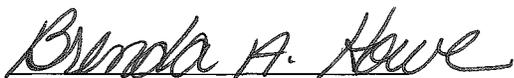
5. ERSC shall file a Petition for new rates and charges for the entire ERSC/NRSC system within one year of the effective date of this Order.

6. This order shall be effective on and after the date of its approval.

**ATTERHOLT, BENNETT, MAYS AND ZIEGNER CONCUR; LANDIS ABSENT:**

**APPROVED: JUN 22 2011**

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



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