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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF ) CAUSE NO. 43948 U  
VAN BUREN WATER, INC. FOR A NEW )  
SCHEDULE OF RATES AND CHARGES ) APPROVED: MAR 02 2011

**BY THE COMMISSION:**  
**Carolene R. Mays, Commissioner**  
**Gregory R. Ellis, Administrative Law Judge**

On September 10, 2010, Van Buren Water, Inc. (“Van Buren” or “Petitioner”) filed its Small Utility Rate Application (“Petition”) with the Indiana Utility Regulatory Commission (“Commission”) pursuant to the provisions of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. On September 23, 2010, the Commission determined that the Application was complete.

On December 9, 2010, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report (“Report”) with the Commission as required by 170 IAC 14-1-4. The Report made several recommendations to the Commission concerning the relief requested by Petitioner. Van Buren filed a response to the OUCC’s Report on January 4, 2011.

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 the OUCC. No request for a hearing was received by the Commission. Accordingly, no hearing has been held.

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

**1. Notice and Commission Jurisdiction.** The evidence presented by Van Buren in this Cause establishes that legal notice of the filing of the Petition was published in accordance with applicable law, and that Van Buren 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. Van Buren is an Indiana not-for-profit utility. Accordingly, the provisions of 170 IAC 14-1-2 are applicable to the Petition, and Van Buren is entitled to request an increase in its rates and charges for service pursuant to Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. The Commission, therefore, has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Petitioner’s Characteristics.** Petitioner is a not-for-profit water utility serving approximately 2,311 customers within a rural area of Monroe County and Greene County, Indiana. Petitioner has its principal office at 4385 W. State Road 45, Bloomington, Indiana. Petitioner purchases all of its water from the City of Bloomington (“Bloomington”), which amounted to 129,172,000 gallons in 2009. Petitioner’s distribution system consists of nearly ninety-two (92) miles of pipe, two booster stations, and 2 storage tanks. The original water facilities were installed in 1968. Van Buren is operated by three employees and managed by a

Board of Directors. Because Petitioner operates as a not-for-profit entity, its revenue requirement is determined on a “cash needs” basis which includes Operation and Maintenance Expenses and Extensions and Replacements.

3. **Test Year.** The test year selected for determining Van Buren’s revenues and expenses reasonably incurred in providing water service to its customers included the twelve (12) months ended December 31, 2009. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test year is sufficiently representative of Van Buren’s normal operations to provide reliable data for ratemaking purposes.

4. **Existing Rates and Relief Requested.** Van Buren’s existing rates and charges were established in the Commission’s September 4, 2002 Order in Cause No. 42159. In the current application, Van Buren originally requested an increase of 16.97% or \$91,478 in its rates and charges to cover increased operating expenses and provide for capital improvements.

5. **OUC Report.** The OUC filed its Report on Van Buren’s Petition on December 9, 2010. The Report indicates the OUC has conducted a thorough analysis of the Utility’s application, reviewed the Utility’s books and records, analyzed responses to discovery, reviewed historical documents, and discussed various issues with team members. As a result, the OUC has accepted certain adjustments proposed by the Petitioner and rejected certain adjustments proposed by the Petitioner.

The OUC notes Petitioner has a Capital Improvement Program planned over a six-year period which will include replacing water mains, the relocation of seven water lines, and water meter replacement. The estimated cost of the improvements is \$1,377,500 that is to be financed through its extensions and replacement (“E&R”) budget. The OUC further notes that Petitioner will use reserve funds to replace a water tank. Petitioner proposed a net revenue requirement of \$674,973 for an overall rate increase of 16.97%. The OUC proposed a net revenue requirement of \$640,962 or an overall rate increase of 10.64%. The primary differences in the two proposals being summarized below:

- 1) The OUC proposed an additional \$72 increase to Petitioner’s Purchased Power expense adjustment due to a \$388 omission by Petitioner and Petitioner’s use of 140 additional customers instead of 320.
- 2) The OUC also proposed a \$306 increase to Petitioner’s FICA expense that was inadvertently omitted by Petitioner. Petitioner calculated this adjustment correctly, but failed to include it in their Schedule 4.
- 3) Extensions and Replacements - The OUC accepted Petitioner’s E&R calculation of \$216,212 based on a three year history (2007-2009) of capital improvements. However, the OUC proposed that Petitioner use \$150,000 of its cash reserves (\$50,000 annually) toward this revenue requirement.
- 4) Petitioner proposed reducing total revenue requirements by \$21,361 for interest income. The OUC reduced interest income to \$5,750 to reflect the OUC’s proposed \$150,000 reduction to Petitioner’s cash reserves and a reduction in Petitioner’s CD interest rates from 5.25% in 2009 to 2.3% in 2010.

Considering the adjustments, the OUCC’s Report recommended the Commission grant Petitioner a rate increase of 10.64% or \$57,863. On January 4, 2011, Van Buren filed with the Commission a letter indicating that they accept the OUCC’s recommended adjustments. The Commission finds the amounts proposed by the OUCC to be reasonable and supported by the evidence.

**6. Revenue Requirements.** Petitioner originally proposed a net revenue requirement of \$674,973 or 16.97% across-the-board increase in rates. The OUCC proposed a net revenue requirement of \$640,962 or 10.64% increase in rates. The table below provides a comparison of the two parties’ proposed revenue requirements.

	<b>Per Petitioner</b>	<b>Per OUCC</b>
Operating Expenses	\$ 472,962	\$ 473,034
Taxes Other than Income	7,160	7,466
Extensions and Replacements	216,212	166,212
Working Capital	-	-
Debt Service	-	-
Total Revenue Requirements	<u>696,334</u>	<u>646,712</u>
Less: Interest Income	<u>21,361</u>	<u>5,750</u>
Net Revenue Requirements	<u><u>\$ 674,973</u></u>	<u><u>\$ 640,962</u></u>

**7. Calculation of Rate Increase.** The percentage rate increase required is calculated by taking the revenue increase required and dividing it by the total revenues subject to increase. Although the Petitioner originally proposed a different amount, it accepted the OUCC’s proposed overall increase of 10.64%. The Commission finds the amounts proposed by the OUCC to be reasonable and supported by the evidence. Therefore, Petitioner should be allowed to increase its rates by 10.64% or \$57,863.

**8. 30-Day Filing.** On September 10, 2010, Van Buren filed with the Commission’s technical staff a 30-day filing in accordance with 170 IAC 1-6, 170 IAC 6-5, and Ind. Code § 8-1-2-61.6. The 30-day filing indicates Van Buren purchases all of its water from Bloomington and requests a revision in Van Buren’s tariff to account for increased purchased water costs resulting from an anticipated increase in rates granted to Bloomington in Cause No. 43939. In order to avoid two rate increases within a short period of time, the Commission issued a Docket Entry on January 21, 2011, indicating its intent to take administrative notice in this Cause of the 30-day filing. In addition, the Commission indicated it would issue its Order in this Cause concurrent with the Order in Cause No. 43939 and authorize rates that would reflect the increased purchased water costs resulting from the Order in Cause No. 43939. On March 2, 2011, the Commission issued an Order in Cause No. 43939, granting Bloomington a two-phased increase in rates.

**A. Phase I Increase.** The Phase I increase takes effect immediately and

includes a 15.45% across-the-board increase in rates – from \$1.37 to \$1.58 per 1,000 gallons. During the test year, Petitioner purchased 129,172,000 gallons of water from Bloomington. Therefore, the Phase I rate increase results in an immediate increase in Petitioner’s revenue requirements of \$27,341.

The Order in Cause No. 43939 also includes an increase in the 4” monthly meter charge from \$57.01 to \$65.82 each and an increase in the 6” monthly meter charge from \$112.88 to \$130.32 each. Petitioner currently has three 4” meters and two 6” meters. Therefore, Petitioner’s total annual meter charge will increase by \$735.65. Fire protection charges will increase from \$117.56 to \$135.72, which results in annual increase of \$217.95. The result of the rate increase, the meter charge increase, and fire protection charge increase results in a total annual increase in Petitioner’s revenue requirement of \$28,295. The table below summarizes Petitioner’s revenue requirement after the increase in purchased water costs:

<u>Revenue Requirement:</u>	
Extensions and Replacements	\$ 166,212
Taxes other than Income	7,466
Operation & Maintenance Exp.	501,329
Total Revenue Requirement	<u>675,007</u>
Less: Interest Income	5,750
Net Revenue Requirement	<u>669,257</u>
Less: Revenues at Current Rates	543,623
Other Revenues at current rates	39,545
Revenue Increase Required	<u>86,089</u>
Add: Additional IURC Fee	103
Net Revenue Increase Required	<u><u>\$ 86,192</u></u>
Recommended Percentage Increase	<u><u>15.86%</u></u>

Considering the increase in purchased water costs, the Commission finds Petitioner’s net revenue requirement is \$669,257. As a result, Petitioner should be authorized to increase its rates by 15.86% or \$86,192. At the 15.86% rate increase, an average customer using 5,000 gallons of water per month will experience a monthly bill increase of \$3.53 to \$25.78.

**B. Phase II Increase.** The Phase II rate increase in Cause No. 43939 will take effect upon the issuance of Waterworks Revenue Bonds by Bloomington and will consist of up to an additional 30.23% across-the-board increase in rates. The Commission ordered Bloomington to notify its customers at least thirty days prior to the Phase II rate increase. Upon notification by Bloomington of the Phase II increase, Van Buren shall file with Commission staff a 30-day filing for a revision to its tariff to account for the increase purchased water charges.

**9. Conclusion.** Based on the evidence presented, the Commission finds that an across-the-board rate increase of 15.86% should be approved for Petitioner.

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

1. Consistent with the above findings, Van Buren is hereby authorized to increase its rates and charges by \$86,192 annually, which represents a 15.86% across-the-board increase in its water service rates and charges.

2. Prior to placing into effect the rates and charges approved herein, Van Buren shall file with the Commission's Water/Sewer Division a schedule of rates and charges in a manner consistent with this Order and the Commission's rules. Such rates and charges will become effective for all water service usage upon approval thereof by the Water/Sewer Division of the Commission and shall cancel all prior rates and charges.

3. Upon notification by Bloomington Municipal Utilities of the Phase II rate increase authorized in Cause No. 43939, Van Buren shall file a 30-day filing with Commission staff to revise its tariff in light of the increased water rate and meter charges.

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

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

APPROVED: MAR 02 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