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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF) CAUSE NO. 44051 U
PENCE WATER WORKS FOR A NEW)
SCHEDULE OF RATES AND CHARGES.) APPROVED: FEB 01 2012

ORDER BY THE COMMISSION

Presiding Officers:
Carolene Mays, Commissioner
Angela Rapp Weber, Administrative Law Judge

On July 28, 2011, Pence Water Works (“Pence”) filed with the Indiana Utility Regulatory Commission (“Commission”) an Application requesting authority, pursuant to Indiana Code § 8-1-2-61.5 and 170 IAC 14-1, to increase its rates and charges by 40%, which would increase its monthly flat rate of \$25 to \$35 for the provision of water utility service. On October 26, 2011, the OUCC filed its Report with the Commission as required by 170 IAC 14-1-4.

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

1. **Notice and Jurisdiction.** The information presented by Pence in this Cause establishes that legal notice of the filing of the Application was published in accordance with law and that Pence gave proper notice 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. Pence filed an Application to increase its rates and charges for water service pursuant to Indiana Code § 8-1-2-61.5 and 170 IAC 14-1. The Commission has jurisdiction over Pence and the subject matter of this Cause.

2. **Pence’s Characteristics.** Pence is an Indiana not-for-profit utility that provides water utility service to approximately twenty-one residential customers in the small town of Pence, located in Jordan Township, Warren County, Indiana. Pence serves no industrial or commercial customers and currently bills water service at a flat rate of \$25.00 per month.

Pence operates and maintains a single five inch domestic size well that serves as its water supply source. The well was drilled in 1986, and the average daily demand is approximately 9,600 gallons. There is no back-up well or metering for the existing well or system. Pence has no treatment plant but injects chlorine at the well house. Pence’s distribution system consists of, at maximum, four inch galvanized steel and PVC piping, along with four flush hydrants. Pence uses a 2,500 gallon hydro-pneumatic tank as a storage tank.

3. **Test Year.** The test year selected for determining Pence’s rates and charges is the twelve months ended December 31, 2010 adjusted for changes that were fixed, known, and measurable or likely to occur within one year of the end of the test year.

4. **Relief Requested.** Pence proposed in the Application to increase its monthly recurring flat rate for sewage disposal service to \$35 and thereby increase its annual operating revenue by \$2,500, or approximately 40%.

5. **OUCC's Report.** The OUCC noted in its Report that Pence made two expense adjustments. The first adjustment provides for an additional \$808 per year for infrastructure maintenance. The second adjustment altered the Commission fee to allow for pro-forma present rate operating revenues. The OUCC used the Commission fee effective for 2011–2012. The OUCC found Pence's expense adjustments to be reasonable. The Report also noted Pence requested an annual working capital requirement of \$241. The OUCC did not object to this request.

According to the OUCC's Report, the Indiana Department of Environmental Management's ("IDEM") most recent Sanitary Survey regarding Pence lists several operation and maintenance ("O&M") concerns relating to pressure tank painting, spare parts, and a master meter for the well. The requested \$808 per year for infrastructure maintenance should address IDEM's O&M concerns, according to the OUCC. The Report also indicates \$808 for infrastructure maintenance includes an allowance for Volatile Organic Compounds and Synthetic Organic Compounds testing.

Finally, the OUCC recommended that the Commission approve Pence's request to increase its rates and charges by 40%, which would increase the monthly flat rate for water service by \$10 to \$35. The OUCC also recommended that the Commission require Pence to complete the IDEM recommendations provided in IDEM's Sanitary Survey.

6. **Commission Discussion and Findings.** Based on the evidence presented, the Commission finds Pence is permitted to increase its rates and charges by 40%. This increase will increase Pence's annual operating revenues by \$2,500 and its monthly flat rate by \$10, or from \$25 to \$35. Pence's approved increase in rates and charges is calculated as follows:

Revenue Requirements	
Operating Expenses	\$ 8,501
Taxes other than Income	5
Working Capital	241
Total Revenue Requirements	8,747
Less Other Income	-
Add Other Expenses	-
Net Revenue Requirements	8,747
Less Revenues at current rates subject to increase	(6,250)
Other revenues at current rates	-
Net Revenue Increase Required	2,497
Add Additional IURC Fee	3
Recommended Increase	\$ 2,500
Recommended Percentage Increase	40.00%

The evidence indicates an increase of \$2,500 in operating revenue is fair and reasonable and will provide Pence with the ability to render adequate, reliable, and safe water utility service.

Finally, the Commission finds Pence shall complete the recommendations made in IDEM's Sanitary Survey concerning pressure tank painting, spare parts, and a master meter for the well.

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

1. Pence is authorized to increase its rates and charges by 40%, which will increase annual operating revenues by \$2,500 and its monthly recurring flat rate for water utility service from \$25 to \$35.

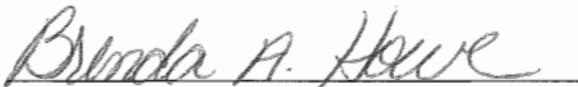
2. Pence shall complete IDEM's recommendations made in the IDEM Sanitary Survey as discussed in this Order.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: FEB 01 2012

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



Brenda A. Howe
Secretary to the Commission