

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF LAWRENCEBURG, )	
MANCHESTER AND SPARTA )	CAUSE NO. 44224 U
TOWNSHIPS CONSERVANCY DISTRICT )	
FOR AN ACROSS THE BOARD WATER )	APPROVED:
RATE INCREASE )	MAR 14 2013

ORDER OF THE COMMISSION

**Presiding Officers:**

**Kari A. E. Bennett, Commissioner**  
**Marya E. Jones, Administrative Law Judge**

On July 23, 2012, Lawrenceburg, Manchester, Sparta Townships Conservancy District ("Applicant" or "LMS") 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 IAC 14-1. The request filed by LMS seeks an across the board water rate increase of 47.77%.

On October 30, 2012, as required by 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor ("OUCC") filed its report, making adjustments to Applicant's revenue requirement calculations and recommending the Commission approve an increase of 19.42% in Applicant's base rates.

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. The OUCC's Notice of Request for Field Hearing was filed on September 10, 2012 after receiving a request from ten (10) individuals from the Applicant's customer base. Attempts by the OUCC to follow up with the request for field hearing were met with either a lack of response or withdrawal of the request. No further 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.** The evidence presented reflects that legal notice of the filing of this small utility rate case was published in accordance with applicable law, and Petitioner has given proper notice to its customers of the nature and extent of the proposed rate increase. The Commission thus finds that due, legal, and timely notice of this matter was given and published as required by law. Further, the Commission finds that the Application satisfies all of the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, this Commission has jurisdiction over the Petitioner and the subject matter of this proceeding, and may issue an Order in this Cause based upon the information filed as provided by 170 IAC 14-1-6.

2. **Applicant's Characteristics.** LMS is an Indiana Conservancy District that provides water utility service to approximately 2,036 customers, including 2,023 residential, 12 commercial customers, and 1 wholesale customer (the Hogan Water Corporation) in Dearborn County, Indiana.

3. **Relief Requested.** LMS currently charges a declining block rate that equates to \$18.94 per month for 5,000 gallons. LMS's current schedule of rates and charges was placed into effect following the Commission's Interim Order in Cause No. 40991 U dated February 25, 1998, granting LMS a two-phase rate increase. Phase I increased rates 17.14%. On July 15, 1999, the Commission issued a final order authorizing the Phase II increase in rates and charges of 19.20%. LMS seeks an across the board water rate increase of 47.77%. The increase as requested would result in a rate of \$27.99 per month for 5,000 gallons.

4. **Test Period.** The test period selected for determining Applicant's revenues and expenses reasonably incurred in providing water utility service to its customers includes the twelve (12) months ending December 31, 2011. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period sufficiently represents Applicant's normal operations to provide reliable data for ratemaking purposes.

5. **Operating Revenue.** LMS calculated its net revenue requirement to be \$860,716. The OUCC disagreed with this amount in its report and proposed a net revenue requirement of \$698,238.

6. **Revenue Requirements.** As noted above, in its application LMS requested a 47.77% rate increase while the OUCC recommended an increase of 19.42%. The OUCC eliminated all debt service from Applicant's revenue requirement, reduced operating and maintenance expense ("O&M") and reduced extension and replacements ("E&R"). The OUCC reduced all debt from Applicant's revenue requirement as only one debt issuance would be outstanding by the OUCC's estimated order date (February 2013) in this Cause. This final issuance would have 18 payments remaining. The OUCC also reduced E&R due to the spreading of Applicant's planned capital expenditures over five years instead of three, a reduction for buying equipment in bulk and adding depreciation expense in years three through five.

The following table demonstrates a comparison of the recommended revenue requirements:

Comparison of Applicant's and OUCC  
Revenue Requirements

<u>Revenue Requirements:</u>	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Difference</u>
Operation & Maintenance Exp.	\$ 490,131	\$ 472,011	\$ (18,120)
Extensions and Replacements	310,508	227,832	(82,676)
Debt Service	61,682	-	(61,682)
Total Revenue Requirements	862,321	699,843	(162,478)
Less: Interest Income	1,605	1,605	-
Net Revenue Requirements	860,716	698,238	(162,478)
Less: Revenues at Current Rates	574,311	574,311	-
Other revenues at current rates	12,395	12,395	-
Revenue Increase Required Excluding Tax:	274,010	111,532	(162,478)
Times: URT	1.0012	1.0000	(0.0012)
Net Revenue Increase Required	<u>\$ 274,334</u>	<u>\$ 111,532</u>	<u>\$ (162,802)</u>
Recommended Percentage Increase	<u>47.77%</u>	<u>19.42%</u>	<u>-28.35%</u>

7. **Other Recommendations.** The OUCC made several additional recommendations for Applicant as follows: develop a Water Conservation Plan by mid-2013 since Applicant currently has no plan in place; update its list of Indiana Department of Environmental Management (“IDEM”) approved distribution system sample sites; collect water samples at the ends of its distribution system; perform all required free chlorine and total chlorine residual tests; report on its Monthly Report of Operation forms all chemicals used in the treatment process and all required test results; and investigate joining InWarn.

8. **Commission Discussion and Findings.** The Commission finds the OUCC’s adjustments for O&M expenses and taxes are reasonable. The Commission also accepts the OUCC’s debt adjustment for both the 1968 revenue bonds and the 1998 revenue bonds, but not the 1999 revenue bonds. The 1968 revenue bonds are retired and the 1998 revenue bonds will be retired in February 2013. The 1999 revenue bonds, however, will be retired in August 2014 and will require \$53,921 in payments to retire the bonds. Although Applicant may have had the cash required to retire this bond issuance on its test year (December 31, 2011) balance sheet, Applicant may actually have less cash immediately on hand. Considering the timing of Applicant’s capital expenditure plan coupled with the fact that Applicant does have \$53,921 in payments coming due, the Commission finds that recovery of the future debt payment with regard to the 1999 revenue bonds is in both the ratepayers’ and Applicant’s interest. Therefore, the Commission finds that \$13,480 should be included (\$53,921 amortized over four years) in the rates to allow Applicant to recover these costs.

With respect to Applicant’s E&R expenditure plan, the Commission finds that neither Applicant nor the OUCC has put forth a reasonable plan. Applicant has extensive capital plans over the next two years so that its capital expenditure request is large, especially when amortized over

Applicant's suggested three years. The OUCC recommended adding three years of depreciation to Applicant's two year E&R to spread the requirement over five years. The Commission rejects this methodology because it provides Applicant with funds through the depreciation allowance without designating a specific need or project while, as discussed below, Petitioner has other needs and projects that have been identified, but not included in its E&R calculation. The Commission finds that Applicant should use planned E&R spread over four years.

In its Report, the OUCC noted that Applicant's 500,000 gallon Hogan Hill tank is scheduled for a new coating in 2015 and observed that both Wye tanks show signs of coating failure. The Applicant did not propose any E&R budget, investigation or rehabilitation measures to address these problems. Consequently, in response to a Commission Docket Entry issued on January 24, 2013, Applicant submitted two extremely different estimates: a formal estimate to perform simultaneously the necessary tank maintenance of \$300,000; and a second hand written estimate to individually perform tank maintenance of \$725,000. The Commission finds that the formal estimate of \$300,000 for the maintenance of the three (3) tanks simultaneously is reasonable and should be factored into Applicant's revenue requirement. Including the \$300,000 estimate for the Hogan and Wye Tanks in E&R results in Applicant receiving \$1,164,469 over the next four years.

The Commission expects Applicant to make its stated capital improvements, and particularly the necessary maintenance and repair to the Hogan and Wye tanks over the next four years. In order to monitor Applicant's progress, LMS shall annually file a Report under this Cause detailing the capital projects completed, the capital projects in progress and any related capital expenditures. The first Report shall be filed one (1) year from the date of this Order and annually thereafter until the projects are completed.

Finally, the Commission finds that the OUCC's recommendations as reflected in Paragraph 7 above are reasonable and should be accepted. We also note that Applicant did not oppose any of the recommendations. With respect to the Water Conservation Plan, Applicant shall develop a Plan by September 30, 2013 and file it with the Commission under this Cause.

Based on the evidence presented, the Commission approves the revenue requirements and rates set forth below:

Debt Service	13,480
Total Revenue Requirements	<u>776,608</u>
Less: Interest Income	1,605
Other Revenues	<u>12,395</u>
Net Revenue Requirements	762,608
Less: Revenues at Current Rates	<u>574,311</u>
Revenue Increase Required Excluding Taxes	188,297
Times: URT	<u>1.0000</u>
Net Revenue Increase Required	<u>\$ 188,297</u>
Percentage Increase	<u>32.79%</u>

A residential customer using approximately 5,000 gallons of water per month will experience a monthly bill increase of \$6.21.

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

1. Consistent with the above findings, LMS is hereby authorized to increase its rates and charges by \$188,297 annually, to produce total annual revenue of \$776,608, which represents a 32.79% across-the-board increase in its rates and charges.

2. Prior to placing into effect the rates and charges approved herein, LMS shall file with the Water/Sewer Division of the Commission a schedule of rates and charges in accordance with Commission rules for filing utility tariffs, which shall be prepared for the purpose of accomplishing the findings set forth above. Such rates and charges for water service will become effective upon approval thereof by the Water/Wastewater Division and shall cancel all prior rates and charges.

3. LMS shall develop a Water Conservation Plan by September 30, 2013 and shall file a copy of the same under this Cause on or before October 15, 2013.

4. LMS shall file an annual Report under this Cause detailing the capital projects completed, those in progress, and the expenditures made for each project beginning one (1) year from the date of this order and annually thereafter until the projects are completed.

5. In accordance with Ind. Code § 8-1-2-70 and GAO 2009-3, LMS 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	\$ 1,000.00
OUCG Charges	\$ 2,000.00
Total	\$ 3,000.00

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

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

APPROVED: MAR 14 2013

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

  
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Brenda A. Howe  
Secretary to the Commission