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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION ) CAUSE NO. 44345 U  
OF BRUSHY HOLLOW UTILITIES, )  
INC. FOR A NEW SCHEDULE OF ) APPROVED:  
RATES AND CHARGES ) NOV 06 2013

ORDER OF THE COMMISSION

Presiding Officers:

**Kari A.E. Bennett, Commissioner**  
**Jeffery A. Earl, Administrative Law Judge**

On May 22, 2013, Brushy Hollow Utilities, Inc. (“Brushy Hollow” or “Petitioner”), filed a Small Utility Rate Application pursuant to Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. On June 10, 2013, Petitioner filed a copy of its notice to customers as required by 170 IAC 14-1-2(b). On June 11, 2013, the Commission’s Water and Sewer Division issued a Memorandum stating that Petitioner’s application was incomplete. On June 26, 2013, Petitioner filed additional information in support of the application. On June 27, 2013, the Commission’s Water and Sewer Division issued a Memorandum stating that Petitioner’s application was deemed complete.

On September 25, 2013, as required by 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report, recommending adjustments to Petitioner’s revenue requirement and that the Commission order Petitioner to provide monthly reports to the OUCC and the Commission.

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 OUCC. The Commission received communications from three customers, one of which requested a hearing. Based on the lack of sufficient requests for a public hearing, we find there is no need for a hearing in this Cause. Accordingly, no hearing has been held. However, the comments submitted by the customers have been presented by the OUCC in its report and are incorporated in the record of this Cause.

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

1. **Commission Jurisdiction and Notice.** Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a) and qualifies for treatment as a small utility under Ind. Code § 8-1-2-61.5. Petitioner published legal notice of the filing of this small utility rate case as required by 170 IAC 14-1-2(b). Therefore, we find that notice of this Cause was given and published as required by law. Further, the Commission finds the Application satisfies all of the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, the 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. **Petitioner's Characteristics.** Petitioner is an investor owned utility that provides sewer utility service to approximately 30 residential customers in rural Perry County, Indiana.

3. **Test Period.** The test period selected for determining Petitioner's revenues and expenses reasonably incurred in providing water utility service to its customers includes the twelve (12) months ending December 31, 2012. With adjustments for changes that are fixed, known, and measurable, the Commission finds this test period is sufficiently representative of Petitioner's normal operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** The Commission approved Petitioner's current rates and charges of \$27.10 in its January 27, 1999 Order in Cause No. 41285. In this Case, Brushy Hollow seeks authority to increase its rates to \$93.76 through a structured rate increase in six-month periods over eighteen months.

5. **OUCR Report.** The OUCR filed its Report, which was prepared by Charles Patrick, Harold Rees, and Scott Bell. The OUCR proposed a revenue increase of \$8,928, which is \$559 less than the net revenue requirement of \$9,487 proposed by the Petitioner, based on the following adjustments. The OUCR proposed a \$1,504 increase in Petitioner's working capital based, in part, on a \$1,408 increase in Operating and Maintenance ("O&M") expense. The increase in working capital resulted in an OUCR calculated total original cost rate base of \$28,284.

The OUCR adjusted Petitioner's operating revenues by \$2,005 to account for 30 total connections. The OUCR also proposed an increase of \$1,200 for annual maintenance expense to provide Petitioner with additional resources to maintain the system. Petitioner did not propose a test year adjustment for the IURC fee. Using the current rate for fiscal year 2013-2014, the OUCR calculated an adjustment of \$13 for this fee. Petitioner did not propose an adjustment for bad debt expense. Using an estimated 2% bad debt expense rate, the OUCR proposed a \$195 adjustment for bad debt expense. Finally, the OUCR made adjustments to Petitioner's income tax calculation and utility receipts tax calculation based on the adjustments discussed above.

In addition to its proposed adjustments to Petitioner's revenue requirement, the OUCR discussed the importance of the utility's compliance with IDEM requirements and the terms of its NPDES permit. As a result, the OUCR recommended that the utility be required to submit monthly reports to the Commission with copies to the OUCR detailing how the utility has used its revenues to maintain the system, improve operations, and comply with the IDEM agreed order and other requirements.

**6. Commission Discussion and Findings.**

**A. Brushy Hollow’s Rates and Revenue Requirements.** Brushy Hollow and the OUCC proposed the following revenue requirements:

	Per Petitioner	Per OUCC	Variance
Rate Base	\$ 28,108	\$ 28,284	\$ 176
Times: Cost of Capital	0%	0%	0%
Net Operating Income Req'd	-	-	-
Less: Proforma Net Operating Income @ Present Rates	(7,338)	(6,766)	572
Increase in net Operating Income required	7,338	6,766	(572)
Gross Revenue ConversionFactor	1.2930	1.3195	0.0265
Recommended Increase	\$ 9,487	\$ 8,928	\$ (559)
Recommended Percentage Increase	122.44%	91.51%	-30.93%

The OUCC presented a more comprehensive calculation of Petitioner’s revenue requirement. The OUCC’s calculation properly includes adjustments for the IURC fee and bad debt expense, and properly calculates Petitioner’s income taxes and utility receipts tax. In addition, the OUCC’s proposed revenue requirement includes a \$1,200 annual maintenance fund to provide revenues specifically to provide money for Petitioner to make necessary repairs and maintenance on the system, in order to operate the system in compliance with IDEM regulations. Therefore, we find that the OUCC’s proposed revenue requirement is reasonable, and we adopt the OUCC’s calculations in this order.

**B. Reporting Requirement.** The OUCC’s report detailed the extent to which Petitioner is not in compliance with IDEM regulations and an agreed order with IDEM. The OUCC also included a \$1,200 annual maintenance expense to allow the utility to address issues associated with achieving compliance. The OUCC recommended that Petitioner be required to file a monthly report detailing how it has used its revenues to maintain the system and achieve compliance. We find that the OUCC’s reporting recommendation is reasonable; however, we believe that a monthly reporting requirement is overly burdensome on the utility. Therefore, we find that Petitioner shall submit a quarterly report to the Commission’s Water/Sewer Division, with a copy to the OUCC, using the form attached to this Order.

**C. Effect on rates.** The OUCC’s proposed revenue requirement results in an \$8,928 increase in Petitioner’s revenues. Petitioner’s customers currently pay a flat rate of \$27.10. Following the rate increase, customers will pay a flat rate of \$51.90.

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

1. Consistent with the findings above, Brushy Hollow is authorized to increase its rates and charges by \$8,928 annually, so as to produce net annual revenues of \$19,119.
2. Petitioner shall file with the Water/Sewer Division of the Commission its new schedules of rates and charges that place into effect the rate increase authorized herein. Upon

approval by the Water/Sewer Division, Brushy Hollow's revised rate schedules shall immediately take effect and cancel all of Brushy Hollow's previously approved schedules of rates and charges.

3. Petitioner shall submit a quarterly report of its revenues and expenses to the Commission's Water/Sewer Division, with a copy to the OUCC, using the form attached to this Order. This reporting requirement shall continue indefinitely unless modified or terminated by the Commission's Water/Sewer Division.

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

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

APPROVED:           NOV 06 2013

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



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

Brushy Hollows Utilities, Inc.

Schedule of Receipts and Disbursements (Page 1 of 2)

For the Quarter Ending \_\_\_\_\_ (for example March 31, 2014)

Total Amount of Cash Receipts (Collected): \_\_\_\_\_

Name of Entity (Person) Paid	Reason for Payment	Amount Paid
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
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Brushy Hollows Utilities, Inc.

Schedule of Receipts and Disbursements (Page 2 of 2)

For the Quarter Ending \_\_\_\_\_ (for example March 31, 2014)

Name of Entity (Person) Paid	Reason for Payment	Amount Paid
26		
27		
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33		
34		
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