

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION)
OF KNIGHTSTOWN MUNICIPAL) CAUSE NO. 44460 U
ELECTRIC UTILITY FOR A NEW)
SCHEDULE OF RATES AND) APPROVED:
CHARGES) AUG 06 2014

ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On March 5, 2014, the Knightstown Municipal Electric Utility (“Knightstown” or “Applicant”) filed its Application with the Indiana Utility Regulatory Commission (“Commission”) for a small utility rate change (the “Application”) pursuant to the provisions of Indiana Code § 8-1-2-61.5 and 170 IAC 14-1. On March 18, 2014, Applicant filed proof of publication in accordance with 170 IAC 14-1. On March 25, 2014, the Commission determined that the Application was complete.

On June 3, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report with the Commission (the “Report”) as required by 170 IAC 14-1-4. Applicant did not file a reply in response to the Report. On August 5, 2014, the OUCC and Knightstown filed a Notice of Agreement indicating that Knightstown agreed with the OUCC recommendations made in the Report.

Pursuant to Indiana Code § 8-1-2-61.5, a formal public evidentiary 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. In this Cause, the Commission did not receive any requests for a hearing, and thus, no public evidentiary hearing was conducted.

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

1. Statutory Notice and Commission Jurisdiction. The information presented by Knightstown in this Cause establishes that legal notice of the Application filing was published in accordance with law and that Knightstown 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. Knightstown is an Indiana municipal utility. Accordingly, the provisions of 170 IAC 14-1-2(a)(5) and (6) are

applicable to the Application, and Knightstown 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 Application satisfies all of the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. The Commission, therefore, has jurisdiction over the parties and the subject matter of this Cause.

2. Applicant's Characteristics. Knightstown is an Indiana municipal utility providing electric service in a rural area of Henry County, Indiana.

3. Test Period. The test year selected for determining Knightstown's revenues and expenses reasonably incurred in providing electric utility service to its customers included the 12 months ending December 31, 2012. With adjustments for changes that occurred in the 12-month period following the end of the test year that are fixed, known and measurable, the Commission finds that this test period is sufficiently representative of Knightstown's normal operations to provide reliable data for ratemaking purposes.

4. Operating Revenues. Knightstown reported its pro forma present rate annual operating revenues to be \$2,193,054. The OUCC proposed an adjustment of \$88,697, which represented the increased revenues received using the updated purchased power cost tracking factor revenues. As a result, the OUCC proposed pro forma present rate revenues of \$2,281,751. We agree with the OUCC adjustment of Applicant's operating revenues.

5. Revenue Requirements. Knightstown requested a 9.6% across-the-board rate increase. In its Report, the OUCC recommended an across-the-board rate increase of 5.8%. While the main driver in this reduction was the correction in present rate operating revenues, discussed above, the OUCC made adjustments to the following categories: Operation and Maintenance ("O&M") and Taxes Other Than Income.

A. Operation and Maintenance. The OUCC made several adjustments to Applicant's test year O&M expenses. First, the OUCC adjusted purchased power in the amount of \$27,827 to reflect an increase in cost. The OUCC also reduced several other miscellaneous O&M expenses in the amount of \$17,915. The Commission finds that the OUCC adjustments of O&M expenses are reasonable and supported by the evidence.

B. Taxes Other Than Income. The Applicant proposed \$47,343 to account for pro forma present rates taxes other than income. The OUCC proposed that \$48,822 is necessary to meet Applicant's annual requirements. The Commission finds that \$48,822 is appropriate.

6. Conclusion. The Commission finds that the rates proposed by Knightstown, as adjusted by the OUCC, are just and reasonable. A summary of the above findings, including other revenue requirements not in dispute in this Cause, are illustrated in the following table:

Revenue Requirements

Operation and Maintenance Expenses	\$ 2,229,623
Taxes other than Income	48,822
Extensions & Replacements	127,200
PILT	9,201
Total Revenue Requirements	<u>2,414,846</u>
Less: Interest Income	<u>3,714</u>
Net Revenue Requirements	2,411,132
Less: Present Rate Revenues	2,281,751
Net Revenue Increase Required	<u>129,381</u>
Divide by Rev. Conversion Factor	<u>0.986</u>
Total Revenue Increase Required	<u><u>\$ 131,218</u></u>
Percent Increase	<u><u>5.8%</u></u>

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

1. Consistent with the findings above, Knightstown is hereby authorized to increase its rates and charges by 5.8% across-the-board, to produce additional revenue of \$131,218.

2. Prior to placing into effect the rates and charges approved herein, Knightstown shall file with the Commission's Electricity Division a schedule of rates and charges in a manner consistent with this Order and the Commission's rules for filing such schedules. Once the Commission's Electricity Division approves the rate schedule, it shall cancel all prior rates and charges.

3. In accordance with Ind. Code § 8-1-2-70, Knightstown shall pay the following itemized charges within 20 days from the date of the Order to the Secretary of this Commission, as well as any additional costs which were or may be incurred in connection with this Cause:

Commission Charges:	\$ 1,000.00
OUCG Charges:	\$ 2,000.00

Total: \$ 3,000.00

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

STEPHAN, WEBER, AND ZIEGNER CONCUR; MAYS ABSENT:

APPROVED: AUG 06 2014

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



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