

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION) CAUSE NO. 44416 U
OF FLOYDS KNOBS WATER)
COMPANY, INC. FOR A NEW) APPROVED:
SCHEDULE OF RATES AND CHARGES)

NOV 25 2014

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Jeffery A. Earl, Administrative Law Judge

On October 31, 2013, Floyds Knobs Water Company, Inc. ("Floyds Knobs") filed a Small Utility Rate Application under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. On November 14, 2013, Floyds Knobs filed a copy of its notice to customers as required by 170 IAC 14-1-2(b). On November 15, 2013, the Commission's Water and Sewer Division issued a Memorandum stating that the application was deemed complete.

On April 8, 2014, as required by 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor ("OUCC") filed its report.

On May 21, 2014, Floyds Knobs filed a Motion for Temporary Stay of Proceedings. The motion requested that this case be stayed while Floyds Knobs sought a loan from the Indiana State Revolving Fund ("SRF") loan program. On September 22, 2014, Floyds Knobs filed an Amended Application.

On November 7, 2014, Floyds Knobs and the OUCC filed a Joint Proposed Order and updated rate computation schedules.

Under 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. On February 4, 2014, the OUCC filed a Notice of Customer Comments and Request for Field Hearing that included communications from many customers, more than ten of whom requested a hearing. Based on these requests, the Commission held a public field hearing at 6:00 p.m. on April 1, 2014, at Floyd Central High School, 6575 Old Vincennes Road, Floyds Knobs, Indiana. In addition, the comments submitted by the customers, both orally and in writing, have been presented by the OUCC and are incorporated in the record of this Cause.

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

1. Commission Jurisdiction and Notice. Floyds Knobs 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 §

Handwritten signatures and initials in blue ink, including "ARW" and a date "NOV 25 2014".

8-1-2-61.5. Floyds Knobs 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 Floyds Knobs 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. Floyds Knobs's Characteristics. Floyds Knobs is a not-for-profit public utility that provides water utility service to approximately 2,200 customers in a portion of Floyd County, Indiana. Its office is at 4781 Paoli Pike, Suite 1, Floyds Knobs, IN 47119.

3. Test Period. The test period selected for determining revenues and expenses reasonably incurred in providing water utility services to customers is the 12 months ending December 31, 2013. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period is sufficiently representative of normal operations to provide reliable data for ratemaking purposes.

4. Background and Relief Requested. The Commission approved Floyds Knobs's current base rates and charges in its April 1, 1981 Order in Cause No. 36297. Subsequently, Floyds Knobs has had eight approved purchase water trackers with the most recent approved on October 24, 2012 in 30-Day Filing No. 3063. In its amended application, Floyds Knobs requests a 32.48% across-the-board increase, and approval of borrowing \$4.7 million to finance capital improvement projects. The proposed increase would allow Floyds Knobs the opportunity to earn an additional \$350,324 in annual revenues.

5. OUCC Report. The OUCC's report was prepared by Harold Riceman, Harold Rees, and Edward Kaufman. In response to the original application, the OUCC recommended a smaller rate increase and a true-up reporting requirement. The OUCC proposed a 23.63% increase and recommended that Floyds Knobs seek SRF financing.

The OUCC did not amend its report in response to the amended application. However, the OUCC and Floyds Knobs filed a joint proposed order and supporting schedules that reflect an agreed-upon rate increase of 28.77% that would allow Floyds Knobs the opportunity to earn an additional \$310,282 in annual revenues.

6. Commission Discussion and Findings.

A. Floyds Knobs's Rates and Revenue Requirements. Floyds Knobs and the OUCC proposed the following revenue requirements:

	Per Applicant (Revised)	Per Agreement
<u>Revenue Requirements:</u>		
Operation & Maintenance Exp.	\$ 1,056,005	\$ 1,031,881
Extensions and Replacements	169,594	153,729
Working Capital	-	-
Debt Service	211,415	211,415
Total Revenue Requirements	1,437,014	1,397,025
Less: Interest Income	4,451	4,451
Other Revenues	4,015	4,015
Net Revenue Requirements	1,428,548	1,388,559
Less: Revenues at Current Rates	1,078,650	1,078,650
Revenue Increase Required Excluding Taxes	349,898	309,909
Times: URT	1.0012	373
Net Revenue Increase Required	\$ 350,324	\$ 310,282
Recommended Percentage Increase	32.48%	28.77%

Based on the evidence presented, including the Joint Proposed Order and supporting schedules, we approve the agreed revenue requirement and increase in rates.

B. Capital Improvement Plan. The OUCC agreed that the projects listed in Floyds Knobs’s capital improvement plan (“Plan”) are reasonable and that financing for the Plan should be authorized. Floyds Knobs proposes to fund the Plan by borrowing up to \$4,700,000 from the SRF as recommended by the OUCC in its report.

The OUCC proposed that Floyds Knobs file a standard true-up report within 45 days of completing its proposed construction that describes the total costs incurred, by project, and specifically identifies the non-construction costs.

Based on the evidence presented, we find that the Plan is reasonable and we approve the Plan. Floyds Knobs is authorized to borrow up to \$4,700,000 from the SRF to fund the Plan. In addition, we find that the proposed true-up requirement is reasonable. Floyds Knobs shall file the true-up report as described in the OUCC’s report within 45 days of completing its proposed construction.

C. Tank Painting. The agreed-to schedules include a \$35,000-per-year adjustment for tank painting and maintenance to be placed in a restricted account and used only for that purpose. The OUCC recommended that Floyds Knobs establish a schedule for contracted inspections of the tank coatings, both inside and outside, for its storage tanks at least every five years. This proposal would allow Floyds Knobs to better determine when tanks will need to be repainted and to estimate the associated cost.

In addition, the parties agreed that Floyds Knobs may use funds from the restricted account, if necessary, to make payments on the SRF debt. If the funds in Floyds Knobs's restricted accounts were not available for debt service payments, they could not be counted toward Floyds Knobs's debt service coverage ratio. The parties also agreed that should Floyds Knobs make payments on its SRF debt from a restricted account, it shall notify the OUCC within 10 business days. The notice shall include the amount spent, the affected fund, and plans to replenish the affected fund.

Based on the evidence, we find that the OUCC's proposed tank coatings inspection plan is reasonable. In addition, we find that the proposed treatment of restricted funds and the notice requirement are reasonable.

D. Fire Protection. In its report, the OUCC recommended that Floyds Knobs create a priority list for fire hydrant replacement and begin replacing hydrants as necessary funds are available. In addition, the OUCC recommended that Floyds Knobs evaluate the water mains in areas that do not currently receive fire protection and identify where replacement of existing mains with 6-inch or larger mains might be incorporated into its main replacement plan so that fire protection can be extended to additional customers.

Based on the evidence, we find that this requirement is reasonable. In its next rate case, Floyds Knobs shall include testimony and exhibits presenting its priority list for fire hydrant replacement and the status of expanding fire protection to additional customers.

E. Customer Complaints. The OUCC also recommended that Floyds Knobs maintain a record of customer complaints and submit a summary report with its Annual Report to the Commission for the next five years.

Based on the evidence presented, we find that this requirement is reasonable. Floyds Knobs shall maintain a record of customer complaints and submit a summary report with its Annual Report to the Commission for the next five years.

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

1. Floyds Knobs is authorized to increase its rates and charges by \$310,282 or \$28.77% so as to produce net annual revenues of \$1,392,947.

2. The proposed capital improvement plan is approved. Within 45 days of the completion of the proposed projects, Floyds Knobs shall file a true-up report under this Cause Number that includes the information described in paragraph 6B and the OUCC's report.

3. Floyds Knobs is authorized to borrow up to \$4,700,000 through the Indiana State Revolving Fund Loan Program to fund its capital improvement plan.

4. Floyds Knobs shall develop a schedule for contracted inspections of tank coatings, both inside and outside, at least every five years.

5. Floyds Knobs shall set aside \$35,000 per year for tank painting and maintenance in a restricted account to be used only for that purpose. However, funds placed in a restricted account may be used, if necessary, to make SRF debt payments. In the event that Floyds Knobs makes SRF debt payments from a restricted account, it shall provide notice to the Commission's Water/Sewer Division staff and to the OUCC within 10 business days of the payment. The notice shall identify the affected account, the amount of money spent from the account, and any plans to replenish the account.

6. Floyds Knobs shall establish a priority list for fire hydrant replacement and shall begin replacements as necessary funds are available. In addition, Floyds Knobs shall evaluate the water mains in areas that do not currently receive fire protection and identify where replacement of existing mains with 6-inch or larger mains might be incorporated into its main replacement plan so that fire protection can be extended to additional customers. In its next rate case, Floyds Knobs shall submit testimony and exhibits presenting its priority list for fire hydrant replacement and the status of expanding fire protection to additional customers.

7. Floyds Knobs shall maintain a record of customer complaints. In its Annual Reports for the next five years, Floyds Knobs shall include a summary report of customer complaints by category.

8. Floyds Knobs 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 above. Upon approval by the Water/Sewer Division, Floyds Knobs's revised rate schedules shall immediately take effect and cancel all of Floyds Knobs's previously approved schedules of user rates and charges.

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

STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: NOV 25 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**