ORIGINAL

| Commissioner | Yes | No | Not Participating |
|---|---|---|---|
| Huston | √ | | |
| Freeman | √ | | |
| Krevda | √ | | |
| Ober | √ | | |
| Ziegner | √ | | |

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

| | | |
|---|---|---|
| IN THE MATTER OF THE PETITION OF LMH UTILITIES, INC. FOR A NEW SCHEDULE OF RATES AND CHARGES. | ) ) ) ) | CAUSE NO. 45307 U<br><br>APPROVED: JUL 29 2020 |

**ORDER OF THE COMMISSION**

**Presiding Officers:**
**David E. Ziegner, Commissioner**
**Loraine L. Seyfried, Chief Administrative Law Judge**

On October 16, 2019, LMH Utilities, Inc. ("Applicant" or "LMH") filed a Small Utility Rate Application ("Application") under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1.

On November 6, 2019, the Water and Wastewater Division of the Indiana Utility Regulatory Commission ("Commission") issued a Memorandum finding that the Application was incomplete because it failed to include all of the required filings. On November 22, 2019, LMH filed the additional required filings and on the same day, the Water and Wastewater Division issued a Memorandum finding the Application to be complete.

Under Ind. Code § 8-1-2-61.5, a formal public hearing is not required in rate cases involving certain small utilities, such as LMH, unless a hearing is requested by at least ten customers, a public or municipal corporation, or by the Indiana Office of Utility Consumer Counselor ("OUCC"). Although no request for a formal public hearing was received, the OUCC filed a Request for Field Hearing on November 25, 2019. In accordance with a December 11, 2019 Docket Entry, a public field hearing was held on February 13, 2020 at 6:00 p.m. in the cafeteria of Bright Elementary, 22593 State Line Road, Lawrenceburg, Indiana.

On January 17, 2020, LMH filed an update to its Application ("Amended Application").

On March 27, 2020, the OUCC filed its report making certain recommendations. LMH filed its response to the OUCC's report on May 13, 2020 and additional information requested by Commission staff on May 18 and June 15, 2020.

Based on applicable law and the evidence presented, the Commission finds as follows:

**1.** **Commission Jurisdiction and Notice.** Applicant 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 for approval of wastewater rates and charges. Applicant 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 that the

Application satisfies the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Accordingly, the Commission has jurisdiction over LMH and the subject matter of this proceeding.

2. **Applicant's Characteristics.** LMH is an investor-owned wastewater that provides wastewater disposal service to approximately 1,261 customers in Dearborn County, Indiana. Applicant's system consists of a 480,000 gallon per day wastewater treatment plant, 17 lift stations, 1,261 service connections, approximately 180,339 feet of gravity collection mains and approximately 32,068 feet for force mains.

3. **Test Period.** The test period selected for determining Applicant's revenues and expenses reasonably incurred in providing wastewater utility service to its customers includes the 12 months ending December 31, 2018. With adjustments for changes that are fixed, known, and measurable, the Commission finds this test period is sufficiently representative of Applicant's normal operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** Applicant's current rates and charges were approved in the Commission's January 21, 2009 Order in Cause No. 43431. In its Amended Application, LMH requests authority to increase its rates across-the-board by 23.57% to generate an additional $169,554 in annual revenue.

5. **OUCC Report.** The OUCC's report was prepared by Thomas W. Malan, Utility Analyst; Margaret A. Stull, Chief Technical Advisor; James T. Parks, Utility Analyst; and Shawn Dellinger, Utility Analyst II, in the OUCC's Water/Wastewater Division. In its report, the OUCC presented its analysis of LMH's Application and ultimately recommended approval of a 2.49% rate increase.

6. **Applicant's Response to the OUCC Report.** In response to the OUCC's Report, LMH filed the testimony of Tracy Wyne, a Certified Public Accountant with Sherman, Barber and Mullikin, CPAs, and June Tucker, LMH's Chief Financial Officer. In its response, LMH revised its requested relief to an across-the-board rate increase of 7.9%.

7. **Public Comments.** In addition to the comments received at the public field hearing, the Commission also received numerous written comments from the public concerning LMH's requested relief. Many of the written comments addressed LMH's initial Application, which requested a rate increase of 95%, and expressed opposition to such a large rate increase. The public comments received at the public field hearing after LMH amended its Application also generally opposed the magnitude of the requested increase in rates and charges and expressed concern regarding the utility's long-term planning and general operations.

8. **Commission Discussion and Findings.** As noted by the OUCC, the first step in setting rates for an investor-owned utility is to determine the utility's rate base, net of accumulated depreciation and contributions-in-aid of construction. Next, the utility's weighted average cost of capital, which is based on a consideration of the utility's capital structure, is determined. Multiplying the utility's rate base by its weighted average cost of capital provides the utility's required net operating income. To then determine the rate increase necessary to provide the utility

with a reasonable return on its investment, its required net operating income is compared to its test year revenues and expenses, as adjusted to include changes that are fixed, known, and measurable.

**A. Rate Base.** In its Amended Application, LMH proposed an original cost rate base of $1,252,447, which included $548,228 of utility plant additions since September 30, 2007. The OUCC, however, recommended an original cost rate base of $1,116,795 based on recommended adjustments for: (1) reclassification of test year operating expenses that are capital in nature, (2) removal of unsupported additions, (3) recognition of plant retirements, (4) removal of additions that had already been included in rate base in Cause No. 43431, (5) elimination of costs not eligible for capitalization, and (6) recognition of customer advances for construction.

**i. Capitalized Test Year Expenses.** OUCC witness Stull recommended adding $15,659 of test year expenses that were capital in nature to LMH's rate base. LMH did not dispute this recommendation, but expressed concern with two $500 transactions related to contractor tap fee costs because they were below LMH's capitalization threshold of $2,500 and the Commission's capitalization threshold of $1,000.

The National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts, which governs the classification of utility accounts, provides for a $400 capitalization threshold for Class B wastewater utilities with revenues between $200,000 and $999,999. *See* 170 IAC 8-2-1. Therefore, we agree with the OUCC and find that $15,659 of test year expenses should be capitalized.

**ii. Unsupported Plant Additions.** OUCC witness Stull stated that LMH did not provide any support for a $3,023 adjustment to an account for structures and improvements and that LMH agreed that the amount should be removed from rate base. Accordingly, we find that $3,023 should be removed from Applicant's rate base.

**iii. Plant Retirements.** OUCC witness Stull noted that at least three assets (a truck, trailer, and sludge press) had been retired since LMH's last rate case and recommended removal of $23,668 from both utility plant in service and accumulated depreciation. On rebuttal, LMH agreed with removal of the sludge press, but disagreed with removal of the truck and trailer, noting that these assets were reported as disposed in 2016 and the appropriate General Ledger accounts were reduced at that time. LMH witness Wyne testified that because the truck and trailer were fully depreciated, and rate base is net of accumulated depreciation, their retirement has no bearing on the overall rate base calculation.

As the OUCC noted, when a utility uses the group or composite method of depreciation, as LMH does, the proper transaction to retire an asset is to remove the original cost of the asset from both the utility plant in service and accumulated depreciation. While we agree with LMH that the retirement of the truck and trailer does not impact rate base, it does affect the utility's depreciation expense amount. Therefore, we find that the proper accounting of retirements requires the removal of the truck and trailer from the utility plant in service and accumulated depreciation.

**iv. Plant Additions Already in Rate Base.** OUCC witness Stull noted that LMH purchased a sludge press and building in 2010 at an original cost of $67,375 and

$12,124, respectively. Ms. Stull stated the sludge press was included in LMH's rate base in Cause No. 43431 at a cost of $83,000, which presumably includes both the sludge press and the building in which it is located. Therefore, she recommended they be removed from rate base and the associated accumulated depreciation. On rebuttal, LMH witness Wyne stated that although those assets were included in base rates, those assets were not included in the books and records of LMH until they were purchased in 2010, which occurred after issuance of the rate case order. She also pointed out that the starting point for calculating rate base in this case is December 31, 2018.

The starting point for determining Applicant's rate base is December 31, 2018. The utility plant in service as of this date only includes the sludge press and building one time. If those assets were removed, as recommended by the OUCC, LMH would not earn a return on its investment. Therefore, we decline to make the adjustment recommended by the OUCC.

**v. Elimination of Capitalized Costs.** The OUCC recommended removing $5,875 for software training costs from LMH's rate base because under the U.S. Generally Accepted Accounting Principles ("GAAP"), these costs are period expenses, not investment in plant. Ms. Stull also recommended that these expenditures be amortized over the OUCC's recommended five-year life of the rates being set in this case. Although Ms. Wyne did not object to eliminating the software training costs from rate base, she did express disagreement with the life of the rates being five years. She believes a three-year period is more appropriate.

Based on the evidence presented, we agree that the software training costs are not appropriately capitalized and should be removed from rate base. We also find that these expenses should be amortized over the life of the software, rather than the life of the rates, and that five years is a reasonable estimate of the life of the software.

**vi. Customer Advances for Construction.** OUCC witness Stull noted that LMH did not include customer advances for construction in its rate base calculation, but should have recognized $81,000 in customer advances. On rebuttal, Ms. Wyne noted there was an error on the application workbook that prevented numbers from populating correctly, but agreed with the OUCC that reducing rate base by advances for construction is appropriate.

Accordingly, we find that customer advances for construction should be excluded from rate base.

**vii. Conclusion.** Based on the determinations above, we find LMH's original cost rate base is $1,180,507, as set forth in the table below.

**Rate Base**

| | |
|---|---|
| **Utility Plant in Service at 12/31/2018** | $ 8,221,938 |
| Add: Capitalized Expenses | 15,659 |
| Less: Disallowed UPIS | 5,949,842 |
| Unsupported Asset Additions | 3,024 |
| Plant Retirements | 23,668 |
| Removal of Software Training Costs | 5,875 |
| *Gross Utility Plant in Service at 12/31/2018 (a)* | 2,255,188 |
| **Accumulated Depreciation at 12/31/2018** | 3,984,678 |
| Less: Disallowed Accumulated Depreciation per CN 43431 | 3,392,325 |
| Unsupported Asset Additions | 304 |
| Plant Retirements | 23,668 |
| Removal of Software Training Costs | 110 |
| *Adjusted Accumulated Depreciation at 12/31/2018 (b)* | 568,271 |
| **Contributions in aid of Construction at 12/31/2018** | 4,450,742 |
| Less: Disallowed CIAC per CN 43431 | 4,100,720 |
| *Adjusted Contributions in aid of Construction at 12/31/2018 (c )* | 350,022 |
| **Accumulated Amortization of CIAC at 12/31/2018** | 2,008,992 |
| Less: Disallowed CIAC Accumulated Amortization at 12/31/2018 | 2,148,717 |
| *Adjusted Accumulated Amortization of CIAC at 12/31/2018 (d)* | (139,725) |
| **Net Utility Plant in Service at 12/31/2018** *(a-b-c+d)* | 1,197,170 |
| Add: Materials and Supplies | - |
| Working Capital | 64,038 |
| Less: Customer Advances for Construction | 80,701 |
| **Total Original Cost Rate Base** | $ 1,180,507 |

**B. Weighted Average Cost of Capital.** A utility's weighted average cost of capital accounts for both its cost of debt and its cost of equity as well as other components of the utility's capital structure, such as deferred income taxes.

In its Amended Application, LMH proposed a cost of debt of 6.17%. OUCC witness Dellinger stated that LMH's actual cost of debt for all three loans at the end of the test year is 6.42%. However, he noted that since the end of the test year, two of LMH's smaller loans have been paid off. In addition, LMH's remaining larger loan, which does not expire until the end of 2029, has an interest rate of 6.5%, but Mr. Dellinger indicated current interest rates for this type of loan are about 4.25%. Because two of LMH's loans have been paid off and the only current outstanding debt has an interest rate of 6.5%, we find 6.5% to be the appropriate cost of debt.

In its Amended Application, LMH proposed a cost of equity of 9.0%. OUCC witness Dellinger recommended a cost of equity of 8.5% based on the current general trend toward lower interest rates and LMH's capital structure, which is weighted more towards equity and less risk. On rebuttal, Ms. Wyne noted that Applicant's proposed 9.0% is substantially lower than its previously approved 10.25% cost of equity in Cause No. 43431 and is consistent with the cost of equity approved by the Commission in other small-U filings. She also pointed to LMH's small size and the current economic turmoil due to the COVID-19 pandemic as further support for a 9.0% cost of equity. Neither LMH nor the OUCC completed a cost of equity analysis, which is not unusual in these small utility proceedings. However, based on the limited evidence that was presented, we find a 9.0% cost of equity to be reasonable. We find it particularly so in light of the fact that 9.0% is lower than every other cost of equity approved in recent cases for other similar small utilities, including one with a capital structure that includes no debt. *See, Aqua Indiana, Inc – White Oak,* Cause No. 45308 U (IURC March 11, 2020) (9.8% cost of equity); *J.B. Waterworks, Inc.*, Cause No. 45311 U (IURC April 29, 2020) (9.5% cost of equity for utility with a 100% equity capital structure).

Finally, although LMH's proposed capital structure consists only of debt and equity, the OUCC recommended that deferred income taxes also be included in LMH's capital structure. OUCC witness Stull noted that a utility is allowed to recover more income tax than it actually pays to the Internal Revenue Service. Since income taxes not paid to the government are a source of funds available to the utility, they should be included as a component of its capital structure. Ms. Stull stated that although LMH currently has a net operating loss carryforward, the Commission previously rejected, in *Commission Investigation Into the Impacts of the Tax Cuts and Jobs Act of 2017*, Cause No. 45032 S17 at 6-9 (IURC Dec. 27, 2018) ("Tax Investigation"), LMH's assertion that it has no deferred taxes because of the net operating loss carryforward. The OUCC is correct and we find that LMH's capital structure should include deferred income taxes.

Therefore, based on the above determinations, we find LMH's weighted average cost of capital should be 7.11% based on the following table:

| | Amount | Weight | Cost | Weighted Average Cost of Capital |
|---|---|---|---|---|
| Equity | $ 1,598,544 | 0.67 | 9.00% | 6.05% |
| Long Term Debt | 389,915 | 0.16 | 6.50% | 1.07% |
| Deferred Income Taxes | 390,200 | 0.16 | 0.00% | 0.00% |
| | $ 2,378,659 | 1.00 | | 7.11% |

**C. <u>Revenues and Expenses</u>.** The evidence presented demonstrates that the parties agree, and we so find, that Applicant's present rate pro forma wastewater revenues are $746,753.

Applicant proposed pro forma operating expense of $738,822, which is a decrease of $1,746 to its test year operating expense of $740,568. The OUCC recommended a pro forma present rate operating expense of $684,248 based on various adjustments to Applicant's operating and maintenance ("O&M") expenses and requested rate case expense.

**i. O&M Expense.** The OUCC accepted LMH's operating expense adjustments related to Health Insurance, Purchased Power, Miscellaneous Expense, and Property Tax Expense. However, the OUCC proposed adjustments to Salaries and Wages, Employee Benefits, Non-recurring Capital Expenses, Contractual Services, Liability Insurance, the Tax Cuts and Jobs Act Revenue Over-Collection, and Materials and Supplies. LMH either agreed or did not respond to each of those adjustments. Accordingly, based on the evidence presented, we find the OUCC's recommended adjustments to those O&M expenses to be reasonable and should be made.

Regarding rate case expense, OUCC witness Malan noted that Applicant's pro forma rate case expense included $30,000 for this rate case and $36,934 associated with LMH's participation in the Tax Investigation. LMH also proposed to amortize the expense over three years for a calculated yearly rate case expense of $22,311. Mr. Malan disagreed with LMH's inclusion of the expenses related to the Tax Investigation because LMH: (1) did not support the reasonableness of the expense, (2) would have incurred some of the costs even if there was no Tax Investigation, and (3) chose to contest the amount to be returned to customers. Mr. Malan also recommended a five-year amortization period, which he believed to be a more reasonable estimate of the life of these rates since LMH's last rate case was 13 years ago.

On rebuttal, Ms. Wyne stated there was no dispute that LMH incurred $36,934 for work related to the Tax Investigation and took issue with the OUCC's suggestion that the costs be disallowed simply because LMH took a legal position that ultimately failed. She noted that the Commission recently rejected a similar objection to the recovery of expenses related to the Tax Investigation in Cause No. 45214 involving Community Natural Gas. Ms. Wyne also reiterated that Applicant's proposed three-year amortization was appropriate for these rates, particularly given the uncertainties related to the Coronavirus public health emergency.

Based on the evidence presented, we find that LMH provided sufficient information to support its requested rate case expense. Participation in regulatory proceedings is a reasonable and necessary cost of providing utility service and such cost is appropriately reflected in rates. The Commission required LMH's participation in the Tax Investigation and, although the Commission ultimately ruled against LMH on certain legal issues in that proceeding, we lack any evidence demonstrating LMH's participation or asserted legal arguments were unreasonable. Accordingly, we find that LMH shall be authorized to recover $66,934 in rate case expense. We also find that, given current economic conditions, a three-year amortization period is reasonable. However, if the three-year amortization period expires prior to LMH filing its next base rate case or has fully recovered its rate case expense through rates, LMH shall reduce its monthly recurring rates and charges in order to reflect that it has fully recovered the rate case expense approved in this Order. Within 30 days prior to the date LMH expects to fully recover its rate case expense or three years from the date of this Order, whichever comes first, LMH shall file a new schedule of rates and charges reflecting the net effect of the expense reduction for rate case expense to its overall revenue requirement approved herein.

**ii. Depreciation Expense.** The OUCC disagreed with LMH's proposed pro forma depreciation expense of $92,755. OUCC witness Stull agreed with Applicant's use of a 2.5% composite depreciation rate, but disagreed with its application to depreciable utility plant of $3,710,196. Ms. Stull proposed a pro forma depreciation expense of $52,867, based upon depreciable utility plant of $2,114,688.

Based on our accepted rate base adjustments, we find the utility plant in service is $2,255,188. After deducting land of $61,000, depreciable utility plant is $2,194,188, which multiplied by the 2.5% composite depreciation rate yields pro forma depreciation expense of $54,855.

**iii. Amortization Expense.** The OUCC proposed a pro forma amortization expense for contributions-in-aid-of-construction ("CIAC") of $(8,751), which was calculated by applying the 2.5% composite depreciation expense to Applicant's CIAC balance of $(350,022). Applicant did not oppose this adjustment. Based on the evidence presented, we find the OUCC's proposed CIAC amortization expense to be appropriate, reasonable, and is approved because it corrects the utility's test year CIAC amortization expense.

In addition, in accordance with our decision above concerning the removal of software training costs of $5,875 from LMH's capitalized costs, we find that these should be amortized over the five-year life of the software, resulting in $1,175 per year.

**iv. Amortization of Excess Accumulated Deferred Income Taxes.** OUCC witness Stull noted that Applicant's proposed excess accumulated deferred income tax ("EADIT") amortization was based on the amount proposed by the OUCC in Cause No. 45032 S17, rather than the amount approved by the Commission in that case. Therefore, Ms. Stull recommended using the EADIT amortization amount reflected in Applicant's February 1, 2019 compliance filing in Cause No. 45032 S17 of $(7,253). LMH did not respond to this correction and we find the correction is correct and should be made.

**v. Payroll Taxes.** OUCC witness Malan stated that the OUCC's recommended payroll tax expense adjustment differed from Applicant's not only because of differences in the calculated pro forma salary and wage expense, but also because LMH's calculation was based on an incorrect test year payroll tax expense amount. Mr. Malan stated that Applicant's amount did not tie to the trial balance or general ledger provided and, therefore, Mr. Malan proposed a decrease of $1,264 to test year payroll tax expense.

On rebuttal, Ms. Wyne stated that Applicant's calculation of the test year payroll tax expense amount was not intended to agree with the trial balance. She stated that the small-U application form does not consider federal and state unemployment taxes in the calculation and, therefore, the correct decrease in test year payroll tax expense based on the OUCC's recommended changes to salaries and wages should be $817.

We agree with LMH that the small-U application form does not consider federal and state unemployment taxes and that the correct decrease in test year payroll tax expense should be $817.

**D. Authorized Rate Increase.** The table below summarizes the rate increase proposed by LMH on rebuttal and the OUCC as well as the rate increase the Commission has determined would be reasonable based on the evidence presented by the parties.

| Revenue Requirements | OUCC | Rebuttal | IURC |
|---|---|---|---|
| Original Cost Rate Base | $ 1,116,795 | $1,179,632 | $ 1,180,507 |
| Times: Weighted Cost of Capital | 6.76% | 7.10% | 7.11% |
| Net Operating Income Required for Return on Original Cost Rate Base | 75,521 | 83,710 | 83,934 |
| Less: Adjusted Net Operating Income | 62,505 | 42,317 | 44,740 |
| Net Revenue Increase Required | 13,016 | 41,393 | 39,194 |
| Times: Gross Revenue Conversion Factor | 137.32% | 137.32% | 137.32% |
| Recommended Revenue Increase | $ 17,874 | $ 56,841 | $ 53,821 |
| Recommended Percentage Increase | 2.49% | 7.90% | 7.48% |

**Net Operating Income**

| | | |
|---|---|---|
| Operating Revenues | $ 800,574 | |
| Less: Operations & Maintenance Expense | 571,855 | |
| Depreciation Expense | 54,855 | |
| Amortization Expense | (7,576) | |
| Taxes Other Than Income | 79,888 | |
| Income Taxes | 17,619 | |
| Net Operating Income | $ 83,934 | * |

**rounding*

Therefore, based on the evidence presented, we find LMH shall be authorized to increase its rates across-the-board by 7.48% to generate an additional $53,821 in annual revenue.

**E. <u>Other Matters</u>.**

**i. <u>Refinancing of Outstanding Loan</u>.** OUCC witness Dellinger recommended that LMH be required within 30 days of this Order to refinance its current outstanding loan to secure a more reasonable interest rate. LMH witness Tucker agreed it may be possible to reduce the interest rate on its current loan, but expressed concern with refinancing during the current public health emergency. We agree with LMH that it should be allowed additional time to look for opportunities to refinance its loan. Therefore, we find that LMH shall investigate opportunities to refinance its loan and then file, under this Cause, a report on its efforts, including any documentation from financial institutions, within 60 days from the date of this Order. If LMH determines to refinance its loan with a lower interest rate, a true-up report shall be filed under this Cause within 30 days revising LMH's overall rate increase to reflect the new cost of capital.

**ii. <u>Non-recurring Fees</u>.** LMH proposed to increase its tap fee from

$635 to $2,135 and its non-sufficient funds ("NSF") check fee from $7 to $30. The OUCC did not oppose these increases. Although the increase in both of these fees is significant, they have not been increased for some time and now more accurately reflect the costs incurred by the utility. Accordingly, based on the evidence presented, we approve the requested increases to Applicant's tap fee and NSF check fee.

**iii. <u>Cost Option Election for Taxes related to CIAC</u>.** The Commission's December 27, 2018 Order in Cause No. 45032 S17 required LMH to identify the method chosen to handle taxes related to CIAC in its next rate case. In its June 15, 2020 filing in this Cause, LMH indicated that it has chosen to address the cost of main extensions in accordance with 170 IAC 8.5-4-32(a)(3), which we find to be reasonable and approve it.

**F. <u>Effect on Rates</u>.** A residential customer using 6,000 gallons per month would experience an increase of $3.80 per month from $50.83 to $54.63.

**G. <u>Alternative Regulatory Program ("ARP")</u>.** If LMH elects to participate in the Small Utility ARP in accordance with the procedures approved in Cause No. 44203, the eligible operating expenses and Taxes Other Than Income to which the Annual Cost Index will be applied are $571,855 and $79,888, respectively. All other components of Applicant's revenue requirement will remain unchanged, except that in years four and five, operating expenses shall be reduced by $22,311 related to rate case expense amortization.

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

1. Applicant is authorized to increase its monthly recurring rates and charges by 7.48% for an annual revenue increase of $53,821.

2. Prior to implementing the rates authorized in this Order, Applicant shall file new rate schedules under this Cause for approval by the Commission's Water and Wastewater Division. Such rates shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

3. Within 30 days prior to the date Applicant expects to fully recover its rate case expense or three years from the date of this Order, whichever comes first, Applicant shall file a new schedule of rates and charges reflecting the net effect of the expense reduction for rate case expense to its overall revenue requirement approved herein.

4. Applicant shall investigate opportunities to refinance its loan and then file, under this Cause, a report on its efforts, including any documentation from financial institutions, within 60 days from the date of this Order. If Applicant determines to refinance its loan with a lower interest rate, a true-up report shall be filed under this Cause within 30 days revising Applicant's overall rate increase to reflect the new cost of capital.

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

**<u>HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR</u>:**

**APPROVED: JUL 29 2020**

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

Mary M Becerra

**Mary M. Becerra**
**Secretary of the Commission**