

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 WELLS) CAUSE NO. 45450 U
HOMEOWNERS ASSOCIATION, INC. FOR A NEW)
SCHEDULE OF RATES AND CHARGES.) APPROVED: MAR 17 2021

ORDER OF THE COMMISSION

Presiding Officers:

Sarah E. Freeman, Commissioner

Lora L. Manion, Administrative Law Judge

On November 4, 2020, Wells Homeowners Association, Inc. (“Applicant”) filed a Small Utility Rate Application (“Application”) with the Indiana Utility Regulatory Commission (“Commission”) under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1 and a copy of its notice to customers, as required by 170 IAC 14-1-2(b). On November 17, 2020, Applicant filed its proof of publication, and the Commission’s Water and Wastewater Division issued a memorandum stating that the Application was complete on November 30, 2020.

On February 2, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter, including the testimony of Thomas W. Malan, Utility Analyst, and Carl N. Seals, Assistant Director in the Water/Wastewater Division. Applicant did not file a response to the OUCC’s Report.

Under Ind. Code § 8-1-2-61.5, a formal public hearing is not required in rate cases involving small utilities with fewer than 8,000 customers unless a hearing is requested by at least 10 customers, a public or municipal corporation, or by the OUCC. Applicant serves 37 customers, and, therefore, no public hearing is required. Additionally, no public hearing was requested.

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

1. 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. Applicant published legal notice of the filing of this small utility rate case as required by 170 IAC 14-1-2(b). The Application satisfies all the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, the Commission has jurisdiction over Applicant and the subject matter of this proceeding and may issue an Order in this Cause based upon the information filed pursuant to 170 IAC 14-1-6.

2. Applicant’s Characteristics. Applicant is a not-for-profit utility that provides water service to Forest Hills subdivision in Miami County, Indiana. Applicant’s sole water sources are two wells, and its distribution system consists of approximately 2,400 feet of main, four hydrants used solely for system flushing, and nine 119-gallon pressure tanks. In 2019, Applicant

pumped a total of 1.722 million gallons of water, which equates to 3,878 gallons per customer per month.

2. Test Period. The test period selected for determining revenues and expenses reasonably incurred in providing water utility services to customers is the 12 months ended December 31, 2019. The Commission finds that this test period, with adjustments for changes that are fixed, known, and measurable, is sufficiently representative of Applicant's normal operations to provide reliable data for ratemaking purposes.

3. Background and Relief Requested. In 1995, the Commission in its April 12, 1995 Order in Cause No. 40056 approved: (1) a monthly flat rate of \$30 for customers; and (2) the transfer of assets from Forest Hills Utilities, Inc. to Applicant's predecessor company, Pipe Creek Water Company. In 2003, Pipe Creek Water Company changed its name to Wells Homeowners Association, Inc. in Articles of Amendment filed with the Indiana Secretary of State.

In this case, Applicant provided data supporting a 34.75% revenue increase, which would increase Applicant's current flat monthly rate to \$40.43. However, based on Applicant's Case Summary Description, Applicant's Board requests to limit its flat rate to \$40 per month in consideration of the current pandemic. Therefore, Applicant requests a new schedule of rates and charges for water service, resulting in a 32.19% rate increase, which would increase Applicant's monthly flat fee to \$40, yielding an increased annual revenue of \$17,760.

As a not-for-profit utility, Applicant's rates are based on the utility's cash costs. Applicant proposed \$3,105 of annual extensions and replacements ("E&R") be included in its revenue requirement. This proposal covers well pump replacements through 2025.

4. OUCC's Report. The OUCC supports Applicant's rate increase to \$40 per month, and Thomas W. Malan stated that Applicant has an all-volunteer staff who does what it can to reduce costs and maintain low rates. Mr. Malan recommended that Applicant discontinue charging a \$10 late fee because it is not in Applicant's tariff, has not been approved by the Commission, and is inconsistent with 170 IAC 6-1-13(B). Mr. Malan also recommended that Applicant: (1) implement a matching system where invoices approved and paid are matched with the applicable monthly bank statement for reconciliation purposes; (2) task one person with the responsibility to keep utility records; (3) attend the Small Utility Workshop presented by the Commission; (4) review the American Water Works Association's Small Utility Handbook; and (5) take advantage of other Commission Small Utility Resources.

Mr. Seals testified regarding Applicant's water system and explained that Applicant plans to fund replacement of its well pumps, which are approximately 25 and 64 years old. Mr. Seals stated that Applicant's plan to replace the well pumps is reasonable and would enhance its ability to serve its customers. The OUCC reported that limiting Applicant's monthly flat rate to \$40 may cause it to defer E&R, but neither Applicant nor the OUCC expressed concern that a deferral would negatively impact Applicant's ability to meet its service obligations.

5. Consumer Comments. Neither the Commission nor the OUCC received any comments from Applicant's customers regarding this Cause.

6. Commission Discussion and Findings.

A. Expenses and Revenue. Applicant originally provided documentation for a total annual revenue requirement of \$18,097. However, Applicant’s Board requests to limit the flat rate to \$40, and the OUCC recommends approval of that request. Therefore, to support the \$40 flat rate, Applicant requests authorization to increase its monthly recurring rates and charges by 32.19%, for an annual net revenue increase of \$4,325, producing total net annual revenues of \$17,760. Expenses include the \$6 Commission fee.

Applicant’s Board request may necessitate Applicant delaying some of its planned E&R. Neither Applicant nor the OUCC expressed concern that a one-year deferral in E&R, if needed, would negatively impact Applicant’s ability to meet its service obligations.

The following chart shows Applicant’s requested increase amount and percentage increase in support of its \$40 flat rate fee:

	Per Petitioner	Per OUCC
Operating Expenses	\$ 14,992	\$ 14,992
Extensions and Replacements	3,105	3,105
Total Revenue Requirements	18,097	18,097
Less: Board request to Limit Rate Increase	337	337
Total Revenue Requirements Requested by Board	17,760	17,760
Less: Revenues at current rates subject to increase	13,435	13,435
Requested Revenue Increase	\$ 4,325	\$ 4,325
Requested Percentage Increase	32.19%	32.19%

B. Late Fee Charge and OUCC Recommendations. Mr. Malan recommended that Applicant discontinue charging a \$10 late fee because it is inconsistent with 170 IAC 6-1-13(B). 170 IAC 6-1-13(B) allows on a net bill a late payment charge of: (1) 10% of the first \$3; and (2) 3% of the excess of \$3. Applicant’s flat \$10 late fee is inconsistent with 170 IAC 6-1-13(B). Therefore, Applicant shall cease charging a \$10 late fee, and any late fee shall comply with the requirements of 170 IAC 6-1-13(B).

Mr. Malan also recommended that Applicant: (1) implement a matching system wherein invoices approved and paid are matched with the applicable monthly bank statement for reconciliation purposes; (2) task one person with the responsibility to keep utility records; (3) attend the Small Utility Workshop presented by the Commission; (4) review the American Water Works Association’s Small Utility Handbook; and (5) take advantage of other Commission Small Utility Resources. These are all good recommendations that will benefit Applicant and its customers. We encourage Applicant to consider the OUCC’s recommendations and implement them as feasible.

C. **Conclusion and Effect on Rates.** Based on the evidence of record, we find that Applicant's proposed rate increase, which is supported by the OUCC, is reasonable and in the public interest and is therefore approved. Under this rate increase, a residential customer would experience an increase of \$10 per month from \$30 to \$40 in a flat monthly bill. We find that Applicant's request is supported by applicable law and the evidence of record in this Cause, and is, therefore, approved.

D. **Alternative Regulatory Program ("ARP").** If Applicant elects to participate in the Small Utility ARP in accordance with the procedures approved in Cause No. 44203, the eligible operating expenses to which the Annual Cost Index will be applied are \$17,760. All other components of Applicant's revenue requirement will remain unchanged.

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

1. Applicant Wells Homeowners Association, Inc. is authorized to increase its monthly recurring rates and charges 32.19%, for an annual net revenue increase of \$4,325, producing total net annual revenues of \$17,760.

2. Applicant shall cease charging a \$10 late fee, and any late fee shall comply with the requirements of 170 IAC 6-1-13(B).

3. Prior to implementing the rates and charges 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 and after the Order date, subject to Division review and agreement with the amounts reflected.

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

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: MAR 17 2021

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

Dana Kosco
Secretary of the Commission