

# ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	✓		
Freeman	✓		
Krevda	✓		
Ober			✓
Ziegner	✓		

## STATE OF INDIANA

### INDIANA UTILITY REGULATORY COMMISSION

PETITION OF CATARACT LAKE WATER ) CAUSE NO. 45663 U  
CORPORATION FOR A NEW SCHEDULE OF )  
RATES AND CHARGES FOR WATER SERVICE ) APPROVED: MAY 18 2022

### ORDER OF THE COMMISSION

#### Presiding Officers:

Sarah E. Freeman, Commissioner

Loraine L. Seyfried, Chief Administrative Law Judge

On December 30, 2021, Cataract Lake Water Corporation (“Cataract Lake” or “Applicant”) filed a Small Utility Rate Application (“Application”) under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. On January 12, 2022, Applicant filed its proof of publication concerning the Application.

On January 12, 2022, the Water and Wastewater Division of the Indiana Utility Regulatory Commission (“Commission”) issued a Memorandum determining the Application was complete.

On March 30, 2022, as required by 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report on the Application through the testimony of Margaret A. Stull, Chief Technical Advisor in the OUCC’s Water/Wastewater Division, and Kristen Willoughby, a Utility Analyst in the OUCC’s Water/Wastewater Division.

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 the OUCC. The Commission did not receive a request for a hearing and, accordingly, no hearing was held.

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

**1. Commission Jurisdiction and Notice.** Cataract Lake 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. The Commission has authority under Ind. Code § 8-1-2-125 to approve Cataract Lake’s rates and charges. Cataract Lake 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 the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Accordingly, the Commission has jurisdiction over Cataract Lake and the subject matter of this proceeding.

**2. Applicant’s Characteristics.** Cataract Lake is an Indiana not-for-profit corporation providing water utility service to approximately 1,220 customers located in Putnam,

Owen, and Clay Counties within Indiana. Applicant's infrastructure consists of three wells, one booster station, two storage tanks, and associated water mains.

**3. Test Period.** The test period selected for determining Cataract Lake's revenues and expenses reasonably incurred in providing water utility service to its customers includes the 12 months ending December 31, 2020. With adjustments for changes that are fixed, known, and measurable, the Commission finds this test period is sufficiently representative of Cataract Lake's normal operations to provide reliable data for ratemaking purposes.

**4. Background and Relief Requested.** The Commission approved Cataract Lake's current rates and charges on May 31, 2017, in Cause No. 44897 U. The Commission's Order in that Cause required Applicant to either file for a rate increase by December 31, 2021 or reduce its rates to exclude the debt service payments on a Rural Development Note expected to be paid in full during 2021.

In its Application, Cataract Lake indicates that the Rural Development Note has been paid in full, but rates should not be decreased due to current needs for infrastructure investment. Additionally, although the information in its Application supports a 4.77% rate increase, Cataract Lake requests that its rates and charges remain as authorized in Cause No. 44897 U.

**5. OUCC Report.** The OUCC took issue with Applicant's revenue requirement related to certain expenses as well as extensions and replacements ("E&R") but ultimately agreed that Cataract Lake's rates and charges are sufficient for utility operations and recommended they remain unchanged.

Regarding Applicant's expenses, OUCC witness Stull testified that Cataract Lake expensed periodic maintenance costs during the test year that are not recurring annual expenses. Instead, she asserted such costs should be amortized based on the frequency of the maintenance being performed. She also noted there were meters and pumps and other utility plant purchased during the test year that Applicant expensed but should have capitalized.

Regarding E&R, OUCC witness Willoughby indicated Cataract Lake could have justified a higher E&R revenue requirement. She stated Applicant's requested E&R revenue requirement of \$47,559 is less than its pro forma test year depreciation expense of \$87,470. Recognizing that not-for-profit utilities are not permitted to include depreciation expense, she explained comparing the E&R revenue requirement to a hypothetical depreciation expense is a useful benchmark. Ms. Willoughby also noted that, based on information from a data request, Applicant's Capital Improvement Plan for 2022 – 2025 contained an average of \$144,779 per year of projects.

Ms. Willoughby also addressed Cataract Lake's water loss and its impact on the utility's costs and operations. She noted Applicant's water loss was 16.2% in 2014 but had risen to 27.5% in 2020. To address the increased water loss, she stated Applicant plans to replace its 16-year-old billing software, install leak detection equipment, continue replacing meters, and replace aging water mains. She recommended Applicant continue to employ cost-effective solutions to further reduce its water loss.

## 6. Commission Discussion and Findings.

A. **Rates and Revenue Requirement.** Under Ind. Code § 8-1-2-125, rates for a not-for-profit utility are calculated by first determining the amount of the adjusted net operating expenses based on the utility's current rates. The adjusted amounts are based on known recurring expenses, updated to include changes that are fixed, known, and measurable, and expected to occur within 12 months of the end of the test year.

The table below compares the revenue requirements from Cataract Lake's Application and as calculated by the OUCC.

	Applicant	OUCC	Difference
Operating Expenses (Including Taxes Other Than Income)	\$ 447,231	\$383,464	\$ (63,767)
Extensions & Replacements	47,559	87,470	39,911
Debt Service	62,361	62,361	-
Total Revenue Requirements	557,151	533,295	533,295
Less: Interest Income	122	122	122
Other Income	-	-	-
Net Revenue Requirements	557,029	533,173	533,173
Less: Revenues at current rates subject to increase	533,173	533,173	533,173
Revenue Increase Required	23,856	0	(23,856)
Additional IURC Fees	71		(71)
Recommended Increase	23,927	0	(23,927)
Recommended Percentage Increase	4.77%	0.00%	-4.77%

Therefore, based on the evidence presented, we find that Cataract Lake's current rates and charges as approved by the Commission in its May 31, 2017 Order in Cause No. 44897 U remain just, reasonable, and sufficient for utility operations, and we approve them without change. In addition, as recommended by the OUCC, Cataract Lake is encouraged to continue its planned operational changes to further reduce its water loss.

B. **Alternative Regulatory Program ("ARP").** If Cataract Lake 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 \$383,464. In addition, E&R of \$87,470 is also an eligible expense to which the Annual Cost Index will be applied. All other components of Cataract Lake's revenue requirement will remain unchanged.

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

1. Cataract Lake's rates and charges shall remain as approved by the Commission's May 31, 2017 Order in Cause No. 44897 U.
2. This Order shall be effective on and after the date of its approval.

**HUSTON, FREEMAN, KREVDA, AND ZIEGNER CONCUR; OBER ABSENT:**

**APPROVED: MAY 18 2022**

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

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**Dana Kosco  
Secretary of the Commission**