

ORIGINAL



STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF SOUTH 43 WATER ASSOCIATION, INC. FOR A NEW SCHEDULE OF RATES AND CHARGES ) CAUSE NO. 43909 U )  
 ) APPROVED: OCT 27 2010

**BY THE COMMISSION:**

**Carolene R. Mays, Commissioner**

**Gregory R. Ellis, Administrative Law Judge**

On June 2, 2010, South 43 Water Association, Inc. ("South 43" 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 June 28, 2010, the Commission determined that the Application was complete.

On September 27, 2010, the Indiana Office of Utility Consumer Counselor ("OUCC" or "Public") filed a report with the Commission (the "Report"). The Report made several recommendations to the Commission concerning the relief requested by South 43. South 43 did not file a response to the OUCC's Report.

Pursuant to Indiana 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. No request for a hearing was received by the Commission and accordingly, no hearing has been held.

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 South 43 in this Cause establishes that legal notice of the Application filing was published in accordance with applicable law and that South 43 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. South 43 is an Indiana not-for-profit utility. Accordingly, the provisions of 170 IAC 14-1-2 are applicable to the Application, and South 43 is entitled to request an increase in its rates and charges for service pursuant to Indiana Code § 8-1-2-61.5 and 170 IAC 14-1. The Commission, therefore, has jurisdiction over the Applicant and the subject matter of this Cause.

2. **Applicant's Characteristics.** South 43 was formed on June 6, 1966, as an Indiana not-for-profit utility providing water service to customers in rural areas of Greencastle and Warren Townships in Putnam County, Indiana. South 43 obtains its water from the City of Greencastle, Department of Water via two interconnections. South 43 serves approximately 530 customers. South 43 is operated by a two (2) part-time employees and managed by a seven (7) member Board of Directors.

3. **Existing Rates and Relief Requested.** South 43's existing rates and charges were established on June 23, 1967 in Cause No. 31465. Subsequently, South 43 requested and received Commission approval to increase rates via five (5) water trackers. South 43 has requested a 17.33%

across-the-board rate increase pursuant to Indiana Code § 8-1-2-61.5. South 43's proposed rate adjustment would increase its *pro forma* revenue by \$29,394.

4. **Test Year.** The test year selected for determining South 43's revenues and expenses reasonably incurred in providing water service to its customers included the twelve (12) months ending December 31, 2009. With adjustments for changes that are fixed, known and measurable, the Commission finds that this test year is sufficiently representative of South 43's normal operations to provide reliable data for ratemaking purposes.

5. **Operating Revenue.** Applicant's total operating revenue for the test year was \$169,941. Applicant proposed operating revenue adjustments for residential customer growth of \$303 and commercial customer growth of a negative \$312. The OUCC's residential customer growth calculation of \$301 is slightly different than Applicant's calculation. The OUCC accepts Applicant's commercial growth adjustment. The Commission finds the amounts proposed by the Applicant to be reasonable and supported by the evidence.

6. **Extensions and Replacements.** Applicant requested \$16,429 annually for Extensions and Replacements ("E&R"). Requested funds will be used for an expedited meter replacement schedule, professional assistance as necessary regarding distribution mapping, and valve and hydrant replacement. The OUCC regards the E&R costs to be necessary and reasonable. The Commission finds that an annual amount of \$16,429 for extensions and replacements is reasonable and supported by the evidence filed in this Cause.

7. **Revenue Requirements.** As noted above, South 43 has requested a \$29,394 or 17.33% across-the-board increase in rates. The OUCC's rate calculations yielded a \$29,503 or 17.47% increase. The table below provides a comparison of the two parties' proposed revenue requirements.

|                             | Per<br>Applicant  | Per<br>OUCC       |
|-----------------------------|-------------------|-------------------|
| Operating Expenses          | \$ 184,913        | \$ 185,162        |
| Taxes Other than Income     | 3,161             | 3,380             |
| Extensions and Replacements | 16,429            | 16,429            |
| Working Capital             | 215               | -                 |
| Debt Service                | -                 | -                 |
| Debt Service Reserve        | -                 | -                 |
| Total Revenue Requirements  | 204,718           | 204,971           |
| Less: Interest Income       | 5,393             | 5,393             |
| Other Income                | -                 | 145               |
| Net Revenue Requirements    | <u>\$ 199,325</u> | <u>\$ 199,433</u> |

8. **Calculation of Rate Increase.** The percentage rate increase required is calculated by taking the revenue increase required and dividing it by the total revenues subject to increase. The Applicant and the OUCC both included \$5,393 of interest income as an offset to total revenue requirements. The OUCC included \$145 of other income as an offset to total revenue requirements, yielding a slightly smaller overall increase than if these revenues were excluded. South 43 did not include these additional revenues in their calculation. Although the OUCC commented on specific

revenue requirements, it accepted Applicant's proposed overall increase of 17.33%. The Commission finds the amounts proposed by the Applicant to be reasonable and supported by the evidence.

9. **Accounting Adjustments.** The OUCC, in its Report, proposed accounting adjustments based on its review of South 43's books and records. The OUCC included \$145 of other income as an offset to total revenue requirements. The OUCC's residential growth adjustment is \$2 less than Applicant's adjustment. The OUCC proposed additional adjustments to modify Applicant's IURC fee, to include additional postage and bad debt expense and an adjustment to either capitalize or disallow certain expenses. Finally, the OUCC also proposed adjustments to payroll taxes. All these adjustments net to an increase of \$108. The Commission finds that the OUCC's recommendations and proposed adjustments have an immaterial impact on Applicant's requested rate increase.

10. **Working Capital.** South 43 requested working capital of \$215 as an annual working capital revenue requirement. The OUCC calculated working capital, which includes total cash available to South 43, at \$174,365. The Commission finds that Applicant did not include cash investments as part of their cash on hand when calculating the annual working capital revenue requirement. Therefore, South 43 does not require additional working capital.

11. **Conclusion.** Based on the evidence presented, the Commission finds that Applicant's proposed across-the-board rate increase of 17.33% should be approved.

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

1. Consistent with the above findings, South 43 is hereby authorized to increase its rates and charges by \$29,394 annually, which represents a 17.33% across-the-board increase in its water service rates and charges.

2. Prior to placing into effect the rates and charges approved herein, Applicant shall file with the Commission's Water/Sewer Division a schedule of rates and charges in a manner consistent with this Order and the Commission's rules. Such rates and charges will become effective for all water service usage upon approval thereof by the Water/Sewer Division of the Commission and shall cancel all prior rates and charges.

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

**LANDIS, ZIEGNER AND MAYS CONCUR; ATTERHOLT ABSENT:**

**APPROVED: OCT 27 2010**

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



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