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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY UTILITIES OF INDIANA,)
INC. FOR (1) AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER AND WASTEWATER)
UTILITY SERVICE; (2) APPROVAL OF NEW)
SCHEDULES OF RATES AND CHARGES APPLICABLE)
THERE TO; AND (3) APPROVAL OF NEW)
DEPRECIATION RATES)

CAUSE NO. 44724

APPROVED: MAR 21 2018

ORDER OF THE COMMISSION
ON RECONSIDERATION

Presiding Officers:
Angela Rapp Weber, Commissioner
Lora L. Manion, Administrative Law Judge

On January 24, 2018, the Indiana Utility Regulatory Commission (“Commission”) issued an Order in this Cause approving an increase in rates and charges for water and wastewater utility service, approving a new schedule of rates and charges, and approving new depreciation rates for Community Utilities of Indiana, Inc. (“Petitioner”).

On February 13, 2018, Petitioner filed a Petition for Reconsideration regarding one element of that Order. Petitioner argued that \$17,145 on Invoice No. 3357 (“Disputed Cost”) is a capital cost associated with construction of Petitioner’s sewer main and should be included in Petitioner’s wastewater rate base; however, the Commission disallowed the cost in Petitioner’s wastewater rate base. On February 23, 2018, the Office of Utility Consumer Counselor (“OUCC”) filed a Response to Petitioner’s Petition for Reconsideration. On March 2, 2018, Petitioner filed a Reply to OUCC’s Response to Petitioner’s Petition for Reconsideration.

After reviewing Petitioner’s Petition for Reconsideration, the OUCC’s response, Petitioner’s reply, and the record evidence, the Commission now finds as follows:

1. Petitioner Argues That The Disputed Cost Should Be Included in Rate Base.
The invoice billed to Petitioner showing the Disputed Cost was provided in evidence, and it describes the Twin Lakes Sewer project at 2370 Four Seasons Parkway, in relevant part, as follows:

2012 Sewer Repair Project, MH 24 [manhole], pipe upstream of MH 24 has several dips in pipe, replace from MH to MH. Saw cut and remove existing concrete driveway. Remove and replace approx. 150 ft. of sanitary sewer main from manhole at 2370 to manhole located at 2371 Four Seasons Parkway. Core into existing manhole for new connection. Attach. MAS-38, at 1.

During Petitioner's rebuttal testimony, Mr. Justin P. Kersey, Vice President of Operations of Utilities, Inc. and its subsidiaries, testified regarding the Disputed Cost as follows:

With regard to Invoice 3357, shown in Attachment MAS-38, the Company considers the pipe running between manhole to manhole a sewer main and has recorded costs appropriately. Though the OUCC is considering this pipe a sewer lateral, **it is a sewer main running between two manholes for which the Company is responsible for.** This invoice should not be removed from rate base. Pet. Ex. R2, at 48. (Emphasis added.)

In Petitioner's Reply to the OUCC's Response, Petitioner argues that the OUCC offered no basis for the Commission to ignore the undisputed record evidence that the Disputed Cost was in fact for a sewer main repair.

During rebuttal, when Mr. Kersey was questioned about other invoices, he did not identify any customer contribution made in regard to the Disputed Cost. In its Reply, Petitioner explains that there is no evidence in the record indicating that the Disputed Cost was funded by a Contribution in Aid of Construction ("CIAC").

2. OUCC Argues That The Disputed Cost Should Not Be Included in Rate Base.

In the OUCC's case-in-chief, Ms. Margaret A. Stull, Senior Utility Analyst, testified that the pipe in question is a customer-owned sewer lateral as follows:

In November 2012, [Petitioner] installed a sewer lateral at 2371 Four Seasons Parkway Ct. at a cost of \$17,145. The sewer laterals in question are the property of the customer, and not the wastewater utility. Such capital costs should not be included in rate base for all customers to pay a return "on" and "of" property the utility does not own. Pub. Ex. 6, at 39.

In the OUCC's Response, the OUCC argues that although the OUCC opposes Petitioner's Petition for Reconsideration, if the Commission adds the Disputed Cost to Petitioner's rate base, the OUCC requests that a corresponding increase to CIAC be made also. The OUCC did not provide any evidence in the record to support its conclusion that the pipe in question is a customer-owned sewer lateral that was paid for by a customer.

3. Commission Findings. The Commission reviewed and reconsidered the evidence submitted by the parties with respect the Disputed Cost. Petitioner testified that the Disputed Cost was for the construction of a sewer main that is owned by Petitioner and the Disputed Cost should be added to rate base. Ms. Stull surmised that the Disputed Cost is for a sewer lateral that is the property of a customer. However, Ms. Stull did not offer evidence to refute Petitioner's claim that the Disputed Cost was a sewer main running between two manholes that the Petitioner is responsible for and owns. The Commission notes that if the Disputed Cost is for the construction of a customer's sewer lateral, then a customer should have paid for the cost of construction, and that payment would be considered CIAC for accounting purposes. In Section 7F of its Order, the Commission accepted the OUCC's proposal to exclude several capital costs including the Disputed Cost that the OUCC characterized as being water service lines and sewer laterals. But the evidence

before the Commission shows that it is a main owned by Petitioner and Petitioner is responsible for it.

Thus, the Commission finds that Invoice No. 3357 for \$17,145 is for capital costs associated with a sewer main that the Petitioner was responsible to replace and shall be included in Petitioner's wastewater rate base. Petitioner is permitted to increase its wastewater rates and charges to produce additional operating revenue of \$338,618 to produce total annual operating revenues of \$2,612,356 and net operating income of \$658,522. The pertinent updated schedules related to Petitioner's wastewater system are as follows:

A. Rate Base Determination. The Commission finds Petitioner's rate base for consolidated wastewater operations as of September 30, 2017, to be \$8,055,298 as shown below, subject to the Rate Base Update Mechanism.

	<u>9/30/2017</u>
Utility Plant in Service at 9/30/15	\$ 18,675,607
Add: Allocation of Vehicles	25,213
GIS Mapping	42,359
2015 Sewer Capital Improvement Project	148,122
General Plant Additions Phase I	79,107
Difference from 2/29/16 Trial Balance	120,688
Utility Plant in Service at 2/29/2016	19,091,095
Add: Restb. Values for Computers and Vehicles	367,254
Add: 2016 Sewer Capital Improvement Project	107,404
2017 Sewer Capital Improvement Project	180,903
Vehicles	3,682
General Plant Additions Phase I	110,750
General Plant Additions Phase II	189,857
Less: Retirements	364,570
Non-Capital Costs	4,222
Sewer Laterals	33,603
Manhole Repairs	60,490
CS&W Invoices	230,113
RedZone Robotics Invoices	26,555
Capitalized Time (Management and Repairs)	41,405
Retirement Reversal	(873)
AFUDC	1,575
Gross Utility Plant in Service	<u>19,289,285</u>
Less: Accumulated Depreciation	6,256,180
Less: Remaining Phase I Depreciation Expense	270,149
Phase II Depreciation Expense	478,355
Add: A/D on Disallowed Capital Costs	12,783
Retirements	364,570
Restb. Values for Computers and Vehicles	41,490
Less: Contributions in Aid of Construction, net	3,748,895
Add: Disallowed Plant	11,732
Amortization of CIAC Phase I	457
Amortization of CIAC Phase II	783
Net Utility Plant in Service	<u>8,967,520</u>
Less: Accumulated Deferred Income Taxes	987,512
Acquisition Adjustment, net	-
Customer Deposits	23,759
Add: Net Deferred Charges	-
Working Capital (see below)	99,049
Total Original Cost Rate Base	<u>\$ 8,055,298</u>

B. Depreciation Expense for Wastewater.

Depreciation

Utility Plant in Service	\$19,289,285
Less: Land and Land Rights	<u>155,076</u>
Depreciable UPIS	19,134,209
Times: Composite Depreciation Rate	<u>2.50%</u>
Pro forma Depreciation Expense	478,355
Less: Base Year Depreciation Expense	<u>492,427</u>
Pro forma Adjustment	<u>\$ (14,072)</u>

C. Net Operating Income for Wastewater.

NOI under Present Rates

Operating Revenues	\$ 2,273,738
O&M Expense	711,329
General Expenses	295,327
Depreciation Expense	478,355
Amortization Expense	19,612
Taxes Other Than Income	198,917
Federal Income Tax	96,818
State Income Tax	20,587
Total Operating Expenses	<u>1,820,945</u>
Net Operating Income	<u>\$ 452,793</u>

D. Authorized Rate Increase for Wastewater. The Commission finds Petitioner is permitted to increase its rates and charges by 14.92% to produce additional operating revenue of \$338,618, total operating revenues of \$2,612,356, and net operating income of \$658,522 as depicted below:

Authorized Rate Increase

Operating Revenues	\$ 2,612,356
O&M Expense	711,329
General Expenses	296,866
Depreciation Expense	478,355
Amortization Expense	19,612
Taxes Other Than Income	203,640
Federal Income Tax	202,799
State Income Tax	41,233
Total Operating Expenses	1,953,834
Net Operating Income	\$ 658,522

Original Cost rate Base	\$ 8,055,298
Times: Weighted Cost of Capital	8.175%
Net Operating Income Required for Return on Rate base	658,521
Less: Adjusted Net Operating Income	452,792
Net Revenue Requirement	205,729
Gross Revenue Conversion Factor	164.59454%
Recommended Revenue Increase	\$ 338,618
 Approved Percentage Increase	 14.92%

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

1. Community Utilities of Indiana, Inc.'s February 13, 2018 Petition for Reconsideration is granted, and Petitioner is authorized to include \$15,752 (\$17,145 UPIS - \$1,393 Accumulated Depreciation) in its wastewater rate base.


2. Petitioner is authorized to increase its wastewater rates and charges to produce additional operating revenue of \$338,618 to produce total annual operating revenues of \$2,612,356 and net operating income of \$658,522.

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

HUSTON, FREEMAN, AND WEBER CONCUR; ZIEGNER ABSENT:

APPROVED: MAR 21 2018

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



Mary Becerra
Secretary of the Commission