Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta			√
Ziegner	√		

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF EVERTON WATER CORPORATION FOR A NEW SCHEDULE OF RATES AND CHARGES FOR WATER SERVICE AND REQUEST FOR FINANCING AUTHORIZATION	)))))	**CAUSE NO. 46136 U** **APPROVED: MAR 26 2025**

ORDER OF THE COMMISSION

Presiding Officers:
Wesley R. Bennett, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On October 3, 2024, Everton Water Corporation ("Applicant" or "Everton") filed a Small Utility Rate Application ("Application") with the Indiana Utility Regulatory Commission ("Commission" or "IURC") under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1.

On October 29, 2024, the Commission's Water and Wastewater Division issued a Memorandum indicating that the Application was complete.

On December 20, 2024, as required by 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor ("OUCC") filed its report making certain recommendations. The OUCC supplemented this report on January 22, 2025.

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 ten customers, a public or municipal corporation, the OUCC, or ten complainants of any class described in Ind. Code § 8-1-2-61.5. The Commission received hearing requests from fewer than ten customers and no request for a hearing was received from a public or municipal corporation or the OUCC. Accordingly, no hearing was held.

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

1. <u>Commission Jurisdiction and Notice</u>. Everton 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 to approve Everton's rates and charges under Ind. Code § 8-1-2-125. Everton published legal notice of filing 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. The Commission also 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 Everton and the subject matter of this proceeding.

2. **Applicant's Characteristics.** Everton is a not-for-profit public utility that provides water service covering five square miles in Monroe County, serving 5,588 customers, all of which are metered. Applicant has 69 miles of main and two storage tanks, with a combined storage capacity of one million gallons. Applicant purchases its water from Bloomington Water on a wholesale basis. There are two connection points to Bloomington Water, both connecting to a single 12-inch water main. The 12-inch main has a capacity of 1.2 million gallons per day.

3. **Test Period.** The test period selected for determining Everton's revenues and expenses reasonably incurred in providing wastewater utility service to its customers includes the 12 months ending December 31, 2023. With adjustments for changes that are fixed, known, and measurable, the Commission finds this test period is sufficiently representative of Everton's normal operations to provide reliable data for ratemaking purposes.

4. **Background and Requested Relief.** The Commission approved Everton's current base rates in its August 2, 2016 Order in Cause No. 44744 U. In its Application, Everton requests a 15.23% across-the-board rate increase to produce an additional $51,450 of operating revenues for operational costs, debt service, planned extensions and replacements ("E&R"), and an increase its tap fee from $910 to $2,100. Everton also requests financing authority in the amount of $174,450 to replace its Supervisory Control and Data Acquisition ("SCADA") system and to paint its 250,000-gallon storage tank. If approved, a residential customer using 4,000 gallons per month would see their bill increase from $34.25 to $39.46.

5. **OUCC Report.** The OUCC's report consists of the testimony and attachments of Chief Technical Advisor Margaret A. Stull and Senior Utility Analyst Shawn Dellinger, both in the OUCC's Water/Wastewater Division. Ms. Stull explained that the OUCC proposed a rate increase of 15.55% to produce $52,295 of additional revenue. If approved, a residential customer using 4,000 gallons per month would see their bill increase from $34.25 to $39.58.

Ms. Stull explained Everton proposed pro forma present rate operating revenues of $342,117, which is a $3,394 decrease from test year operating revenues of $345,511. Everton's $3,394 decrease consists of two adjustments: (1) a $1,156 increase to normalize test year residential sales and (2) a $4,550 decrease to remove test year tap fees. The OUCC agreed with Everton's proposed residential sales adjustment but recommended a $5,950 increase to tap fee revenues to reflect Everton's proposed increase to its current tap fee. Ms. Stull testified Everton currently charges a $910 tap fee, but the actual connection cost is $2,100. While Everton proposed to increase its tap fee to $2,100, the OUCC's adjustment reflects the tap fees that will be collected going forward and offsets the costs being incurred, ensuring that current customers do not subsidize new customers' connections to the system. Ms. Stull explained that to reach her recommended $5,950 increase to test year tap fee revenues, the tap fee increase of $1,190 was multiplied by the number of test year connections (i.e., five). The OUCC's recommendations would result in an increase of $7,106 to Everton's proposal for a total recommended pro forma present rate operating revenue of $352,617.

Ms. Stull noted that Everton proposed pro forma operating expense of $242,174, which is an increase of $25,103 over test year operating expense of $217,071. Everton's operating expense adjustments are itemized as follows:

Everton Operating Expense Adjustments	
Salaries and Wages – Employees	$ 17,396
Purchased Power	
Duke Rate Increase	57
System Delivery Adjustment	99
Chemicals	
Chemical Cost Adjustment	(1,715)
System Delivery Adjustment	4
Periodic Maintenance	7,697
Rate Case Expense	20
IURC Fee	513
Postage – System Delivery Adj.	20
Payroll Taxes	1,012
Total	$ 25,103

Public Exhibit 1 at 7.

Ms. Stull testified that the OUCC agreed with all of Everton's proposed expense adjustments, other than its adjustment to the IURC fee. Ms. Stull recommended a $45 adjustment to the IURC fee based on the OUCC's proposed operating revenue. She recommended pro forma operating expense of $241,706, which is an increase of $24,635 to test year operating expenses of $217,071.

Additionally, Ms. Stull proposed Everton be required to place $16,462 annually ($1,372 per month) in a restricted account to be used to pay periodic maintenance costs.[1]

Ms. Stull accepted Everton's annual E&R revenue requirement of $57,011, which was based on historical cash funded capital expenditures.

Ms. Stull identified three issues related to Everton's tariff: (1) a damaged meter fee that is not reflected on its tariff, (2) the bulk water sales rate reflected on its tariff is not the rate being charged, and (3) the customer deposit amount is understated based on Everton's current rates. Ms. Stull explained Everton imposes a $200 charge on customers that intentionally damage their Advanced Meter Reading meter antenna, but this charge is not reflected on the tariff and does not appear to have been approved by the Commission. She stated the cost of the replacement antenna is approximately $130. Ms. Stull said that including the cost of labor, travel to and from the customer's location, and considering this charge is only imposed in situations where the damage was intentional, the OUCC believes this charge to be reasonable.

Ms. Stull also testified that Everton has a "water drop" where residents can purchase bulk water from a machine located at the utility's office. Currently, Everton's tariff shows unmetered bulk water sales to be $0.44 for 23 gallons, but Everton actually charges $0.25 for 30 gallons. She

[1] We note that Ms. Stull did not provide any support for the $16,462 that she recommended be placed in a restricted account and that the Application indicates an annual period maintenance expense of $13,170. Application, Schedule 6(f).

stated the actual amount charged is more or less equivalent to the first volumetric block included in Everton's tariff. She explained that the change in the rate does not affect the determination of the dollar amount of the increase required because the utility has not been charging the tariffed rate. However, bulk water sales (unmetered) are included in revenues subject to increase when determining the percentage increase required. To ensure the calculated percentage rate increase will provide the revenues needed for Everton to operate its utility, the OUCC classified bulk water sales (unmetered) as revenues not subject to increase. This has the effect of slightly increasing the percentage rate increase.

Ms. Stull also contended that customer deposits should be set to collect two months of average consumption. She noted Everton currently collects a $50 deposit, but the current rate for 4,000 gallons will be approximately $40 once the rates authorized in this Cause are implemented. She therefore recommended that the customer deposit for a residential customer be increased to $80.

Mr. Dellinger recommended that the Commission authorize Everton to incur up to $200,000 in debt, rather than the $174,450 in borrowing authority requested by Everton. He testified that he spoke with a National Rural Water Association representative regarding the loan program through which Everton intended to obtain its loan. The representative told Mr. Dellinger that the maximum loan term is ten years (not 20 years as Everton had based its projected rates) and that payments through this program are monthly (not semi-annually as Everton had projected). Further, Everton would be required to fund 25% of the borrowing minimum. The representative confirmed that the loan program interest rate is 3%. There is also no debt service reserve mechanism involved with this loan, the borrower can prepay with no penalty, and the loan has a very simple application process with a relatively short turnaround time.

Given that the age of Everton's estimates for the SCADA and painting projects is between one to two years old and there is a $200,000 cap on loans through the program, Mr. Dellinger recommended the Commission authorize Everton to incur $200,000 of debt. He noted that since the loan program requires 25% of the total value to be paid in cash, if Everton were to borrow $200,000, then the utility would be required to have $66,667 of available cash. He noted that as of November 30, 2024, Everton had $138,144 in available cash on hand.

Mr. Dellinger testified that Everton is requesting a total debt service revenue requirement of $131,507, of which $119,844 is for existing debt, and $11,663 is for the requested debt. He agreed with Everton's calculation for the existing debt of $119,844, but he said the debt service amount for the new debt should be $23,174.58 due to: (1) the change in term to ten years (the maximum allowed under this program, and a change from the 20 years assumed in the Application); (2) a change to a monthly payment (from the assumed semi-annual payments in the Application); and (3) accepting the interest rate assumption of 3%.

Although no additional debt service reserve is appropriate in this case, terms for Everton's existing debt service reserve should still apply. Mr. Dellinger recommended that Applicant's debt service reserve should be placed in a restricted account, and Applicant should notify the Commission and the OUCC if it spends any funds from its debt service reserves for any reason other than to make the last payment on its current or proposed debt issuances. Applicant should be required to provide a report to the Commission and the OUCC within five business days of any such transaction. The report should: (1) state how much Applicant spent from its debt service reserve; (2) explain why it spent funds from its debt service reserve; (3) cite to any applicable loan documents that allow it to spend funds from its debt service reserve; (4) describe its plans to replenish its debt service reserve; and (5) describe any saving measures it has implemented to forestall spending funds from its debt service reserve.

He also recommended Applicant be required to true-up its proposed annual debt service once the interest rates on its proposed debt are known, with specific reporting requirements. He added that if both parties state in writing to the Commission that the increase or decrease indicated by the report need not occur because the increase or decrease would be immaterial, the true-up need not be implemented.

6. Consumer Comments. The OUCC submitted seven written customer comments, six of which opposed Everton's proposed rate increase.

7. OUCC Report Supplement. The OUCC filed a supplement to the OUCC's Report which supports the costs of new connections completed during the test year were not capitalized. The OUCC relied upon this email from the Applicant's certified public accountant in treating tap fees as revenues.

8. Applicant's Reply. Everton did not file a reply to the OUCC's Report.

9. Commission Discussion and Findings.

A. Borrowing Authority. Under Ind. Code §§ 8-1-2-76 through -81 and Ind. Code § 8-1-4-1, the Commission has authority to approve a public utility's proposal to issue bonds, notes, or other evidence of indebtedness payable more than one year from their execution. Everton indicated in its Application that its elevated storage tank has not been painted for 24 years and Everton's SCADA system needs to be upgraded as it is 23 years old. The evidence establishes that the projects are estimated to cost $334,240 ($125,040 for SCADA and $209,200 for tank painting). Everton requested $174,450 in debt authority for these two projects, which when combined with its $58,150 cash-funded requirement, results in a funding deficit of $101,640.

As described by Mr. Dellinger, the maximum loan amount Everton could obtain through the National Rural Water Association is $200,000, which would obligate Everton to provide $66,667 in cash towards the projects. Ms. Stull noted that, as of November 30, 2024, Everton had $138,144 in available cash on hand. Under the OUCC's proposal, a $200,000 loan and the $66,667 cash payment would result in a funding deficit of $67,573. We agree with the OUCC that its proposal would better position Everton to pursue these projects than Everton's proposal.

The parties agreed to Everton's $119,844 of debt service for its existing debt. We agree with the OUCC that the debt service revenue requirement for the newly authorized $200,000 borrowing should be $23,175, rather than Everton's proposed debt service of $11,663.[2] This

[2] We note the OUCC's Schedule 9 incorrectly lists the debt service amount as $23,475, rather than $23,175 as stated by Mr. Dellinger.

increase is appropriate given that the evidence establishes the maximum loan term is ten years (as opposed to the 20 years set forth in the Application), monthly payments will be required (as opposed to the semi-annual payments set forth in the Application), and we approved $200,000 in borrowing authority (as opposed to the $174,450 set forth in the Application). The $23,175 debt service is also based on Everton's assumed interest rate of 3%.

Therefore, we approve a debt service in the amount of $143,019 ($119,844 in existing debt service plus $23,175 for the new debt service). Further, we authorize Everton to incur up to $200,000 in debt pursuant to undertake the SCADA and painting projects.

B. **True-Up.** We find the OUCC's true-up proposals, which Everton did not contest, to be reasonable and approve them. As noted by the OUCC, Everton's precise interest rates, borrowing amount and annual debt service for the newly approved borrowing authorization will not be known until Applicant's debt has been issued. Therefore, Everton's rates should be trued up to reflect the actual cost of the debt. Everton shall file a report within 30 days of closing its debt issuance explaining the terms of the new loan, indicating the actual balance borrowed, and providing bid tabulations (the results of the bids for the projects, or the cost support if these bids are not available). The report shall include a revised tariff, amortization schedule, and a calculation of the rate impact in a form similar to the OUCC's schedules. Collection of revenues for the debt will be immediate with the implementation of rates authorized by this Order. To help prevent a misalignment of costs and revenues if the debt is not issued promptly, if new debt is not issued within 90 days of the receipt of this Order, an amount of $1,931.21 per month shall be placed in a restricted account and used to reduce the ultimate borrowing. If the borrowing has not taken place within one year of this Order, the amount in this restricted fund shall be refunded to ratepayers and the tariff adjusted to remove the debt service revenue requirement. The true-up report shall state the time frames for objections and responses.

Mr. Delinger recommended that if Everton and the OUCC state in writing to the Commission that the increase or decrease indicated by the true-up report need not occur because the increase or decrease would be immaterial, the true-up need not be implemented. We find this recommendation to be reasonable and approve the same.

We also find the OUCC's recommendations as to the filing deadlines for disputes regarding Everton's true-up report, which Everton did not contest, to be reasonable. The OUCC's request for 21 days to review the true-up report is a reasonable amount of time for the OUCC to review such information. A mirroring timeframe for Everton to review the OUCC's response is equally appropriate. As such, the OUCC shall file any objection to Everton's true-up report within 21 days after service of the true-up report, after which Everton shall have 21 days to file a reply to the OUCC's objection.

C. **Operating Revenue.** 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 adjustment amounts are based on known recurring expenses, updated to include changes that are fixed, known, measurable, and expected to occur within 12 months of the end of the test year. A comparison of Everton's and the OUCC's proposed revenue requirements, as well as the Commission's approved revenue requirements, is shown in the table below:

	Per Applicant	Per OUCC	Per IURC
Operating Expenses	$ 242,174	$ 241,706	$ 241,706
Extensions and Replacements	57,011	57,011	57,011
Working Capital	-	-	-
Debt Service	131,507	143,319	143,019
Debt Service Reserve	-	-	-
Total Revenue Requirements	430,692	442,036	441,736
Less: Interest Income	(2,117)	(2,117)	(2,117)
Other Income	(35,085)	(35,085)	(35,085)
Net Revenue Requirements	393,490	404,834	404,534
Less: Revenues at current rates subject to increase	(337,912)	(336,285)	(336,285)
Other revenues at current rates	(4,205)	(16,332)	(16,332)
Net Revenue Increase Required	51,373	52,217	51,917
Add: Additional IURC Fees	78	78	78
Recommended Increase	$ 51,450	$ 52,295	$ 51,995
Recommended Percentage Increase	15.23%	15.55%	15.46%

The parties agree upon Everton's proposed $1,156 increase to normalize test year residential water sales. We find this increase to be reasonable, and it is approved.

Based on the evidence, we find the OUCC's proposed treatment of the increased tap fee revenues equaling the tap fee expensed as maintenance and repairs is an appropriate accounting treatment. Therefore, we approve the OUCC's recommended $5,950 increase to tap fee revenues.

D. **<u>Operating Expense</u>.** The OUCC agreed to all of Everton's $25,103 operating expense adjustments, other than its test year IURC fees. We find the parties' agreed-upon costs to be reasonable and approve them. Ms. Stull recommended a decrease of $468 to the IURC fee to account for the OUCC's recommended revenue requirement and adjustment to tap fee revenues. Given that we are approving the OUCC's recommended revenue requirement and adjustment to tap fee revenues, we also find the OUCC's proposed $45 IURC fee adjustment to be reasonable.

We also approve of the OUCC's recommendation that Everton be required to place its periodic maintenance expense in a restricted account to pay for such costs. The evidence shows that Everton must borrow funds to paint its 250,000-gallon tank, despite recovering tank painting expense in rates. We find the OUCC's recommendation to be a reasonable approach for addressing the utility's long-term financial health. Therefore, Everton shall place $13,170 annually ($1,098 per month) in a restricted account to fund periodic maintenance costs.

E. <u>Tariff Issues</u>. OUCC witness Stull proposed three updates to Everton's tariff: (1) adding a damaged meter fee of $200 that is not reflected on its tariff, (2) adjusting the bulk water sales rate reflected on the tariff to the rate actually charged of $0.25, and (3) adjusting the customer deposit amount of $50 because it is understated based on Everton's current rates.

i. <u>Damaged Meter Fee</u>. Given that the estimated actual cost to replace an intentionally damaged meter is $130, we agree that Everton's proposed $200 damaged meter fee is reasonable and approve it. Everton is directed to update its tariff accordingly.

ii. <u>Bulk Water Sales</u>. The evidence establishes that Everton is charging $0.25 per 30 gallons of bulk water. The evidence also indicates that this charge is more or less equivalent to the first volumetric block included in Everton's tariff. We therefore find the OUCC's recommendation that Everton's tariff should be amended to reflect this bulk water charge is reasonable. Everton is directed to update its tariff accordingly.

iii. <u>Customer Deposit</u>. We find the OUCC's proposal that customer deposits should be set to collect two months of average consumption to be reasonable. Ms. Stull noted that after the rates approved in this Order are implemented, the rate for 4,000 gallons will be approximately $40. Therefore, we find that customer deposits shall be increased to $80 as recommended by the OUCC. Everton is directed to update its tariff accordingly.

10. <u>Effect on Rates</u>. While we sympathize with the concerns raised by customers who oppose Everton's proposed rate increase, the increased revenue requirement authorized herein is supported by applicable law and the evidence of record in this Cause.

Under this rate increase, a residential customer of Everton using 4,000 gallons per month currently pays $34.25. Under this rate increase, such a customer would pay $39.55, an increase of $5.30 from current rates.

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

1. Everton is authorized to increase its rates and charges by 15.46% for an annual net revenue increase of $51,995, subject to the true-up process set forth above.

2. Everton is authorized to incur up to $200,000 in debt in the form of a loan from the National Rural Water Association as approved in this Order.

3. Everton shall place $13,170 annually ($1,098 per month) in a restricted account to be used to pay periodic maintenance costs.

4. Prior to implementing the rates and charges authorized in this Order, Everton 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 date of this Order, subject to the Division's review and agreement with the amounts reflected.

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

HUSTON, BENNETT, FREEMAN, AND ZIEGNER CONCUR; VELETA ABSENT:

APPROVED: MAR 26 2025

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

Regina K. Joyner

Digitally signed by Regina K. Joyner
Date: 2025.03.26 10:19:39 -04'00'

______________________________ on behalf of

Dana Kosco
Secretary of the Commission