

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) CAUSE NO. 45435 U
 EASTERN HEIGHTS UTILITIES INC. FOR A)
 NEW SCHEDULE OF RATES AND CHARGES) APPROVED: APR 07 2021

ORDER OF THE COMMISSION

Presiding Officers:
David L. Ober, Commissioner
Jennifer L. Schuster, Administrative Law Judge

On September 18, 2020, Eastern Heights Utilities Inc. (“Eastern Heights”) 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, along with a copy of its notice to customers as required by 170 IAC 14-1-2(b). On October 8, 2020, the Commission’s Water and Wastewater Division issued a Memorandum stating that the Application was complete.

On January 6, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter, including the testimony of Carla F. Sullivan, Kristen Willoughby, and Shawn Dellinger. The OUCC filed Ms. Sullivan’s supplemental testimony on January 15, 2021. Eastern Heights did not file a response to the OUCC’s filings.

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, or by the OUCC. No public hearing was requested in this case.

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

1. Commission Jurisdiction and Notice. Eastern Heights 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. We find that Eastern Heights 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, and, therefore, we find that the Commission has jurisdiction over Eastern Heights and the subject matter of this proceeding and may issue an Order in this Cause based upon the information filed as provided by 170 IAC 14-1-6.

2. Eastern Heights’s Characteristics. Eastern Heights is a not-for-profit rural water utility that provides retail water service to approximately 7,010 customers in portions of Greene, Owen, Monroe, Lawrence, Martin, and Daviess counties. Its address is 316 North Washington Street, P.O. Box 8, Bloomfield, Indiana.

3. **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. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period is sufficiently representative of normal operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** In its final order in Cause No. 42839 (April 20, 2006), the Commission approved a 32.13% across-the-board rate increase, which produced total annual revenues of \$496,839. Eastern Heights was also authorized to charge \$18.70 monthly to extend service to customers in a rural area in northern Greene County.

In this Cause, Eastern Heights requested a new schedule of rates and charges for water service that would result in a 32.58% rate increase, or \$643,384 of additional revenues for operational costs and capital improvements. The proposed capital improvements include a water main replacement, booster station replacement, SCADA improvements, vehicles, wellfield generator, and additional projects. The revenue requirements include proposed extensions and replacements (“E&R”) of \$481,025 and would increase the utility’s operating revenues from \$2,045,575 to \$2,688,959.

5. **OUC’s Report.** The OUC’s Report was prepared by Ms. Sullivan, Ms. Willoughby, and Mr. Dellinger, and Ms. Sullivan also provided supplemental testimony. The OUC proposed a rate increase of 28.11%, or \$561,456 of additional revenue for Eastern Heights, \$81,928 less than the proposal in the Application.

The OUC accepted Eastern Heights’s proposed \$326,301 debt service, \$3,946 test-year normalization, and operating expense adjustments to salary and wages, health benefits, pension expense, purchased power, chemicals, insurance, rate case expense, miscellaneous expense, and postage expense.

The OUC did not agree with Eastern Heights’s proposed operating expense adjustments to capitalization of tap fee labor, amortization of engineering expenses related to wellhead protection, and water loss audit related costs. The OUC recommended several changes to Applicant’s E&R budget, which resulted in an annual E&R revenue requirement of \$424,751. The proposed adjustments included reclassifying the following E&R items as operating expenses: water loss audit and risk assessment (\$15,000), emergency response plan (\$10,000), cybersecurity plan (\$10,000), reducing the booster station #2 replacement by \$234,640, and increasing the U.S. 231 water main relocation by \$11,730, resulting in an annual difference of \$56,274 less than the proposal in the Application. The OUC also proposed additional operating expense adjustments, including an increase in post-test-year customer growth of \$26,253, reclassification of two of Eastern Heights’s proposed operating expense adjustments, meter calibration costs of \$3,327, and elimination of surcharge revenues of \$31,996.

Eastern Heights did not file any response to the OUC’s filings.

6. Commission Discussion and Findings.

A. Rates and Revenue Requirements. 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, measurable, and expected to occur within 12 months of the end of the test year. Eastern Heights and the OUCC proposed the following revenue requirements:

	Eastern Heights	OUCC	Difference
Operating Expenses	\$ 1,896,293	\$ 1,889,345	\$ (6,948)
Extensions and Replacements	481,025	424,751	\$ (56,274)
Debt Service	326,301	326,301	-
Total Revenue Requirements	2,703,619	2,640,397	(63,222)
Less: Revenue Requirement Offsets:			
Interest Income	(14,660)	(14,660)	-
Non Utility Income	-	(7,900)	(7,900)
Rental Income	-	(19,756)	(19,756)
Net Revenue Requirements	2,688,959	2,598,081	(90,878)
Less: Revenues at current rates subject to increase	(1,974,585)	(1,997,511)	(22,926)
Other revenues at current rates	(71,824)	(39,828)	31,996
Revenue Increase Required	642,550	560,742	(81,808)
IURC fee	834	714	120
Recommended Increase	643,384	561,456	81,928
Recommended Percentage Increase	32.58%	28.11%	-4.48%

The OUCC proposed adjustments to several operating expenses, E&R, and customer growth adjustment, to which Eastern Heights did not file a response. Adjustments proposed by the OUCC for operating expenses included decreasing capitalized labor by \$7,708; reclassifying water loss audit and risk assessment, emergency response plan, and cyber security plan E&R as operating expenses, for a decrease of \$7,000; removing non-recurring expenses (\$10,279); reducing contractual services (\$2,516); and increasing periodic maintenance (\$1,600). The OUCC also proposed several E&R adjustments, which are discussed above. Based on the evidence of record, we agree with and adopt the OUCC’s proposals for Eastern Heights’s operating expenses, E&R, and customer growth adjustment.

Based on the evidence of record, we find that an across-the-board rate increase of 28.11%

(the OUCC's proposal, to which Eastern Heights filed no response) for an annual revenue increase of \$561,456 is reasonable and in the public interest and, therefore, is approved.

B. Effect on Rates. Under this rate increase, a residential customer of Eastern Heights using 5,000 gallons per month would experience a bill increase of \$6.07 per month from \$21.59 to \$27.66.

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

1. Eastern Heights is authorized to increase its monthly recurring rates and charges by 28.11% for an annual net revenue increase of \$561,456 (producing net annual revenues of \$2,598,081).

2. Prior to implementing the rates and charges authorized in this Order, Eastern Heights 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.

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

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

APPROVED: APR 07 2021

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

Dana Kosco
Secretary of the Commission