

**ORIGINAL**

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

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**APPLICATION OF ELLETTSVILLE ) CAUSE NO. 45900 U**  
**MUNICIPAL WATER UTILITY FOR A )**  
**NEW SCHEDULE OF RATES AND ) APPROVED: FEB 07 2024**  
**CHARGES FOR WATER SERVICE )**

**ORDER OF THE COMMISSION**

**Presiding Officers:**  
**Wesley R. Bennett, Commissioner**  
**David E. Veleta, Commissioner**  
**Jennifer L. Schuster, Senior Administrative Law Judge**

On May 31, 2023, Ellettsville Municipal Water Utility (“Ellettsville” or “Applicant”) 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 and a copy of its notice to customers, as required by 170 IAC 14-1-2(b). Ellettsville filed its proof of publication on May 31, 2023. The Commission’s Water and Wastewater Division issued a memorandum stating that the Application was complete on July 24, 2023.

On September 27, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter, including the testimony of Jason T. Compton, Kristen Willoughby, and Shawn Dellinger. Ellettsville filed a response to the OUCC’s Report on November 10, 2023, including the direct testimony of Douglas L. Baldessari. Ellettsville also filed Revised Revenue Requirements and Proposed Rates (Settlement) on December 5, 2023.

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

**1. Commission Jurisdiction and Notice.** Ellettsville 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. Ellettsville 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 of the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, the Commission has jurisdiction over Ellettsville and the subject matter of this proceeding and may issue an order in this Cause based upon the information filed, pursuant to 170 IAC 14-1-6.

**2. Field Hearing.** 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. However, due to the number of customer comments received by the Commission and the OUCC, the Commission held a public field hearing in this matter on August 10, 2023 at 6 p.m. in Ellettsville Town Hall’s Meeting Room, 1150 W. Guy McCown Drive, Ellettsville, Indiana. Due, legal, and timely notice of the field hearing was given and published as required by law.

3. **Ellettsville's Characteristics.** Ellettsville has a service territory covering five square miles in Monroe County, serving 5,588 customers, all of which are metered. Ellettsville has 69 miles of main and two storage tanks, with combined storage capacity of one million gallons. Applicant purchases all its water from Bloomington Water on a wholesale basis.

4. **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, 2022. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period is sufficiently representative of Ellettsville's normal operations to provide reliable data for ratemaking purposes.

5. **Background.** Ellettsville's last rate increase occurred in Cause No. 44670. The Commission's April 13, 2016 order in that matter approved a settlement agreement that resulted in a net revenue requirement of \$1,706,980. Ellettsville agreed to use any excess debt service reserve to pre-fund its debt service reserve fund or place in debt service reserve account.

6. **Parties' Evidence.** Ellettsville initially requested a new schedule of rates and charges for water service that would have resulted in a 33.4% rate increase, or \$695,898 of additional revenues for operational costs, planned extensions and replacements ("E&R"), and a commitment to provide funds to Ellettsville's sewer utility towards payment of debt service on a prospective loan to build a new shared maintenance facility.

In its Report, the OUCC proposed a Phase I rate increase of 20.85%, or \$436,634 of additional revenue for Ellettsville, a decrease of \$259,264 from Applicant's initial proposal. The OUCC recommended bifurcating this rate increase into two phases, with the costs related to a new maintenance facility included in Phase II rates with completion of a compliance filing. The OUCC also proposed to allocate the maintenance facility one-third each to the water, sewer, and street departments rather than the 50/50 split between water and sewer departments proposed by Ellettsville. The OUCC also proposed Applicant's Phase II increase should not exceed the initial request for relief for the facility or \$227,247 and should not be more than one-third (33.3%) of the cost of the wastewater utility's debt payments on the facility. The OUCC also recommended detailed reporting requirements with the Phase II compliance.

The OUCC accepted Ellettsville's proposed \$92,839 increase in operating revenue adjustments, which include \$26,152 in test year revenue normalization, \$37,398 in water tracker revenues (approved June 2022), a decrease of \$15,408 for the removal of utility receipts tax ("URT"), and \$44,697 in reclassification of cell tower rental income from non-operating income (previously recorded below the line), increasing test year revenues of \$2,086,307 to pro forma operating revenues of \$2,179,146. The OUCC agreed with Ellettsville's proposed expense adjustments for salaries and wages, employee benefits, payroll taxes, elimination of URT, the management contract, and inclusion of an additional employee. The OUCC did not accept \$19,915 of operating expenses, \$12,542 E&R, and \$227,247 debt service payback.

In its response to the OUCC's Report, Ellettsville agreed to the OUCC's proposed across-the-board rate increase. Mr. Baldessari testified that the removal for the payback of debt service on the maintenance facility was due to the uncertainty surrounding the ultimate costs of the facility and the proposed allocation of the space between the water, sewer, and street department. Ellettsville also agreed with the OUCC's recommendation to bifurcate the case into two phases and to allow Ellettsville in Phase II to secure revenue requirements related to the debt service and debt service reserve for the proposed bonds to construct the maintenance facility, which will not exceed \$227,247 and not be more than one-third (33.3%) of the cost of the wastewater utility's debt payments on the facility. Ellettsville agreed to the OUCC's proposed reporting requirement and compliance filing regarding its maintenance facility. Ellettsville and the OUCC also agreed to include the purchased water cost increase from Bloomington Municipal Water ("Bloomington Water"), effective January 1, 2024, in this Cause, using \$0.44 per 1,000 gallons water tracker, subject to Commission approval.

After a meeting between Commission staff, Applicant, and the OUCC regarding the rate impact not fully reflected in Applicant's response to the OUCC's Report, Applicant filed a revised response to correct those issues. Applicant's revised response to the OUCC's Report reflects that the parties have agreed upon a Phase I rate increase of 26.90%, or \$563,439 of additional revenue, and a Phase II rate increase of 8.55%, or \$227,247 of additional revenue to cover costs related to a new maintenance facility with the completion of a compliance filing. The parties also agreed to apply the increase from the water tracker solely to the volumetric charge, causing the volumetric charge to increase by 27.9%, while the remaining charges will increase by 20.89%, resulting in the overall Phase I increase of 26.9%.

**7. Consumer Comments.** Both the Commission and the OUCC received several consumer comments, which generally opposed Ellettsville's proposed rate increase, citing, among other things, the sudden nature of the rate increase, the amount of the rate increase, inflation, and resulting financial strain on customers.

**8. Commission Discussion and Findings.**

**A. Rates and Revenue Requirement.** Ellettsville and the OUCC agreed to a revised Phase I rate increase of 26.90% or \$563,439 of additional revenue, and a Phase II rate increase of 8.55% which reflects the use of \$227,247 for debt service payback (discussed further below). For Phase I, the agreement reflects the following changes: removal of \$19,915 operating expense, removal of \$12,542 E&R, and increasing debt service by \$440. Inclusion of \$126,807 for the purchased water tracker was part of the agreement.

After reviewing the evidence of record, we find that the parties' agreement on Ellettsville's rate increase is reasonable and in the public interest. Ellettsville should generate sufficient funds to meet its operations and maintenance expense requirements, debt service, payments in lieu of taxes, and E&R.

**B. Inclusion of New Maintenance Facility in Phase II Rates.** Ellettsville initially proposed to include in rates \$227,747 of debt service payback for a new maintenance facility. Ellettsville indicated that the cost for the new facility would be shared between the town's municipal water, sewer, and street departments.

OUCC witness Willoughby initially opined that Ellettsville is not far enough along in the planning process for the new building to provide information to evaluate the cost of the project. She noted that the cost provided in the application was based on a \$250-per-square-foot estimate provided by a contractor over the phone.

In Ellettsville's response to the OUCC's Report, Mr. Baldessari agreed to the OUCC's proposal to transfer the debt service payback on the maintenance facility to Phase II rates once a compliance report has been submitted to the Commission regarding the cost.

After reviewing the evidence of record, the Commission finds that the parties' proposal to include debt service payback for the maintenance facility in Phase II rates to be reasonable. Applicant may include in Phase II rates up to the initial relief request of \$227,247, or one-third (33.3%) of the cost of the wastewater utility's debt payments on the facility, whichever is lower.

The parties also agreed that the Phase II compliance filing regarding the new maintenance facility would include the following: design drawings, project cost estimate, water department percentage and total dollar share, and anticipated project schedule. We also find these agreed reporting requirements to be reasonable.

Within 30 days of completing all of the documents needed to make its Phase II compliance filing, Applicant will file those documents in this Cause. After receiving the documents, the OUCC will have 30 days to review the information and file any objection. Applicant will have 14 days to reply. If parties are unable to resolve any disputes, Commission staff will attempt to work with the parties and informally resolve the dispute. If this process is unsuccessful, the Commission will issue an order resolving the dispute. When the issue is resolved, Applicant shall implement Phase II rates no sooner than 30 days before a scheduled closing on the wastewater utility's bond.

Within 30 days after closing on the bond, Applicant will file a true-up report with the actual amount of debt service and debt service reserve. Applicant should state the interest rate, total amount borrowed, terms of the loan, debt service reserve requirements, and support for all other fees and charges associated with the borrowed funds. The OUCC will have 21 days to review the true-up filing and respond with its analysis and recommendations to the Commission. Applicant will have 14 days to reply. If a dispute still exists, the Commission will issue an order resolving the dispute.

**C. Bloomington Water Tracker Rate.** Mr. Baldessari testified that the purchased water cost increase from Bloomington Water (tracker effective January 1, 2024), \$0.44 per 1,000 gallons, is included in the calculation of Ellettsville's revenue requirement. He opined that to include the January 1, 2024 tracker rate in its revenue requirement would make the most economical sense and allow Ellettsville to avoid the additional time and expenses needed to go

through a separate 30-day filing. After reviewing the evidence of record, we agree with the proposal to include the January 1, 2024 Bloomington Water tracker rate in its revenue requirement.

**9. Effect on Customer Rates.** While we sympathize with the concerns raised by customers who oppose Ellettsville’s proposed rate increase, Ellettsville’s request for an increased revenue requirement is supported by applicable law and the evidence of record in this Cause.

Under this rate increase, a residential customer of Ellettsville using 4,000 gallons per month currently pays \$26.20. Under this rate increase, such a customer would pay \$33.42 in Phase I an increase of \$7.22 (27.6%) from current rates) and \$36.27 in Phase II (an increase of \$10.07 (38.4%) from current rates).

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

1. Ellettsville is authorized to implement a Phase I rate increase of 26.90%, or \$563,439 of additional revenue, and a Phase II rate increase of 8.55%, or \$227,247, as described above.

2. Ellettsville shall file under this Cause the compliance filings regarding its proposed new maintenance building as described above.

3. Prior to implementing the rates and charges authorized in this order, Ellettsville 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.

4. In accordance with Ind. Code § 8-1-2-70 and GAO 2009-3, Ellettsville shall pay the following charges within 20 days from the date of this order to the Secretary of the Commission and any additional costs that were or may be incurred in connection with this Cause:

Commission Charges	\$1,000.00
OUCG Charges	\$2,000.00
Legal Advertising Charges	<u>\$47.17</u>
<b>TOTAL</b>	<b>\$3,047.17</b>

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

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

**APPROVED: FEB 07 2024**

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

---

**Dana Kosco  
Secretary of the Commission**