

**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 TRI- )  
TOWNSHIP WATER CORPORATION FOR ) CAUSE NO. 45563 U  
APPROVAL OF A NEW SCHEDULE OF RATES )  
AND CHARGES AND TO ISSUE LONG-TERM ) APPROVED: JAN 19 2022  
DEBT )

**ORDER OF THE COMMISSION**

**Presiding Officers:**

**Stefanie N. Krevda, Commissioner**

**Loraine L. Seyfried, Chief Administrative Law Judge**

On June 16, 2021, Tri-Township Water Corporation (“Tri-Township” 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. On July 14, 2021, Tri-Township filed its proof of publication notice.

The Commission’s Water and Wastewater Division issued a Memorandum on July 14, 2021, indicating the Application was complete.

On September 14, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter. After further discussions with Applicant, the OUCC filed a supplement to its Report on December 10, 2021.

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 presented, the Commission now finds:

**1. Commission Jurisdiction and Notice.** Tri-Township 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. Tri-Township published legal notice of the filing of this small utility rate case as required by 170 IAC 14-1-2(b). Therefore, we find notice of this Cause was given and published as required by law. Further, the Commission finds the Application satisfies the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, the Commission has jurisdiction over Tri-Township 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. Applicant’s Characteristics.** Tri-Township is a not-for-profit corporation that provides water utility service to approximately 3,885 customers in Dearborn and Franklin counties in southeastern Indiana. Applicant’s principal office is in Lawrenceburg, Indiana. Its water system

includes five wells in a single well-field and two treatment plants, which rely on three elevated storage tanks and two ground storage tanks within its service territory.

**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, 2020. 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.** Tri-Township's current rates were approved by the Commission in Cause No. 40327 on April 17, 1996. In its Application, Tri-Township requested authority to increase its rates and charges overall by 50.57%, consisting of Phase 1 and Phase 2 increases of 25.81% and 19.68%, respectively, to generate an additional \$479,147 of revenues. Tri-Township also requested borrowing authority of \$4.525 million at an interest rate of 3.00% to fund proposed capital improvements. The proposed Phase 2 rate increase would take effect one year after this proposed debt is issued.

**5. OUCC's Report.** The OUCC's Report was prepared by Thomas W. Malan, a Utility Analyst in the Water/Wastewater Division; Carl N. Seals, Assistant Director of the Water/Wastewater Division; and Shawn Dellinger, a Utility Analyst in the Water/Wastewater Division. The OUCC recommended a rate increase of 46.60%, consisting of Phase 1 and Phase 2 increases of 20.93% and 21.23%, respectively, to generate an additional \$444,360 of revenues.

Regarding Tri-Township's proposed operating revenue, the OUCC recommended an adjustment to capture test year residential customer growth. This adjustment resulted in a \$5,991 increase to test year operating revenues.

The OUCC noted Applicant proposed operating expense adjustments to test year operating expenses for: (1) an increase of \$103,336 to salaries and wages (along with a corresponding increase of \$8,332 for payroll tax expense); (2) a decrease of \$1,815 to employee benefits; (3) an increase of \$29 to IURC fees; (4) an increase of \$3,241 to bad debt expense; (5) an increase of \$64,588 to periodic maintenance expense, which reflects tank painting and cleaning amortized over 15 years and well cleaning and pump maintenance amortized over five years. The OUCC accepted these proposed adjustments but recommended a system delivery adjustment related to its proposed customer growth normalization adjustment and removal of the IURC fee adjustment proposed for Phase 2 to avoid double recovery. The OUCC also recommended a \$37,000 decrease to Applicant's rate case expense (i.e., a reduction in financial advisor fees, legal fees, IURC fees, and additional allowance) that was based primarily on estimates and lacked sufficient support. Finally, the OUCC also recommended approval of Tri-Township's proposed capital improvement projects.

Regarding Applicant's requested borrowing authority, the OUCC recommended approval of \$4.488 million, which reflected its reduction in rate case expense. The recommended reduction in debt service is based on the OUCC's recommendation that rates be based on the lower borrowing authority and a lower interest rate. The OUCC recommended an interest rate of 2.25% based on a 25-basis point adder along with the current State Revolving Fund ("SRF") program rates of 2.00%.

The amount of debt service reserve, \$55,981, is based on the revised borrowing authority and lower interest rate. The OUCC also recommended Tri-Township's borrowing authority be subject to certain true-up requirements and limitations.

**6. OUCC's Supplement to its Report.** The OUCC indicated that, after further discussions with Tri-Township, the parties had reached agreement concerning the issues raised in the OUCC's Report. Specifically, the parties agree Tri-Township should be authorized a rate increase of 44.29%, consisting of a Phase 1 increase of 19.12% and a Phase 2 increase of 21.13%, to generate additional revenues of \$422,342.

The parties also agree Tri-Township should be authorized to borrow up to \$4.488 million at an interest rate of 2.5%, which reflects the OUCC's recommended reduction in rate case expense and more recent data on interest rates from the SRF pooled financing program. For debt service reserve, the parties agree to an annual amount of \$27,500, which will require Tri-Township to use its available cash on hand to make up the shortfall. In addition, the parties agreed that Tri-Township's borrowing authority will not be subject to any true-up requirements given the reduction in debt service reserve and will expire two years after a final order is issued in this Cause. Further, within 30 days of closing on its debt, Tri-Township will file a report under this Cause providing: (1) the terms of the loan; (2) an itemized account of all issuance costs; and (3) a revised tariff, amortization schedule, and calculation of the effect on rates.

**7. Commission Discussion and Findings.** While the parties did not formally enter into a settlement agreement, we consider the parties' agreement reached in the OUCC's supplement to its Report in the same manner as we would a formal agreement. Thus, we consider whether the evidence presented supports finding that the agreement reached between the parties is reasonable, just, and consistent with the purpose of Ind. Code Ch. 8-1-2, and that such agreement serves the public interest.

**A. Applicant's 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. The parties agree that Tri-Township should be authorized to issue long-term debt not to exceed \$4.488 million and that such debt is reasonably necessary in the operation and management of the utility to provide adequate water services and facilities. The parties also agree that such financing authority should expire after two years from the date of this Order and Tri-Township will provide a report regarding the actual financing within 30 days of closing on the debt. The evidence also demonstrates the financing will be used to fund capital improvements necessary to provide water service and the total outstanding capitalization of Applicant will not exceed the fair value of Applicant's property.

**B. Applicant's Rate Increase.** 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, and measurable, and expected to occur within 12 months of the end of the test year. The table below reflects a comparison of the various proposed revenue requirements:

**PRO FORMA ANNUAL REVENUE REQUIREMENTS  
AND ANNUAL OPERATING REVENUES**

	<u>Petitioner Phase I</u>	<u>OUCC Phase I</u>	<u>Settlement Phase I</u>
<u>Revenue Requirements:</u>			
Operation and Maintenance Expenses	\$932,888	\$933,614	\$933,614
Additional IURC Fee (0.13%)	311	254	232
Debt Service:			
Proposed Bonds	135,750	100,980	112,200
Debt Service Reserve	60,830	55,981	27,500
Replacements and Improvements	100,000	100,000	100,000
Total Revenue Requirements	1,229,779	1,190,829	1,173,546
Less Miscellaneous Revenues	(26,075)	(26,075)	(26,075)
Less Interest Income	(11,629)	(11,629)	(11,629)
Net Revenue Requirements	\$1,192,075	\$1,153,125	\$1,135,842
Less Revenues at Current Rates Subject to Increase	\$947,537	\$953,528	\$953,528
Net Revenue Increase Required	<u>\$244,538</u>	<u>\$199,597</u>	<u>\$182,314</u>
Recommended Percentage Increase	<u>25.81%</u>	<u>20.93%</u>	<u>19.12%</u>

	<u>Petitioner Phase II</u>	<u>OUCC Phase II</u>	<u>Settlement Phase II</u>
<u>Revenue Requirements:</u>			
Operation and Maintenance Expenses	\$933,580	\$933,868	\$933,846
Additional IURC Fee (0.13%)	299	312	306
Debt Service:			
Proposed Bonds	304,151	279,903	286,394
Debt Service Reserve	60,830	55,981	27,500
Replacements and Improvements	165,528	165,528	165,528
Total Revenue Requirements	1,464,388	1,435,592	1,413,574
Less Miscellaneous Revenues	(26,075)	(26,075)	(26,075)
Less Interest Income	(11,629)	(11,629)	(11,629)
Net Revenue Requirements	1,426,684	\$1,397,888	\$1,375,870
Less Revenues at Current Rates Subject to Increase	\$1,192,075	\$1,153,125	\$1,135,842
Net Revenue Increase Required	<u>\$234,609</u>	<u>\$244,763</u>	<u>\$240,028</u>
Recommended Percentage Increase	<u>19.68%</u>	<u>21.23%</u>	<u>21.13%</u>

**C. Conclusion.** Based on the evidence presented as discussed above, we find the parties' agreement is reasonable, consistent with applicable legal requirements, and in the public interest. Accordingly, Tri-Township is authorized to increase its rates and charges by 44.29% to generate additional revenues of \$422,342. This increase will be implemented in two phases. Tri-Township is authorized an increase of 19.12% in Phase 1, which will be implemented

upon issuance of this Order, and an increase of 21.13% in Phase 2, which will be implemented upon issuance of the debt authorized in this Order. Tri-Township is also authorized to issue long-term debt not to exceed \$4.488 million. Such authorization will expire two years after the date of this Order. In addition, within 30 days of closing on the debt, Tri-Township shall file a report under this Cause providing: (1) the terms of the loan; (2) an itemized account of all issuance costs; and (3) a revised tariff, amortization schedule, and calculation of the effect on rates.

**8. Effect on Rates.** A residential customer using 5,000 gallons per month would experience an increase in Phase 1 of \$3.79 per month from \$19.85 to \$23.64 and in Phase 2 of \$4.99 per month from \$23.64 to \$28.63.

**9. Alternative Regulatory Program (“ARP”).** If Tri-Township elects to participate in the Small Utility ARP in accordance with procedures approved in Cause No. 44203, the eligible operating expenses to which the Annual Cost Index will be applied are \$934,152. Extensions and Replacements of \$165,528 are also eligible expenses to which the Annual Cost Index will be applied.

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

1. Tri-Township is authorized to increase its rates and charges by 44.29%, consisting of a Phase 1 increase of 19.12% and a Phase 2 increase of 21.13%, to generate additional revenues of \$422,342.

2. Tri-Township is authorized to issue long-term debt not to exceed \$4.488 million as approved herein. Within 30 days of debt issuance, Tri-Township shall file its report on financing under this Cause.

3. Prior to implementing the rates and charges authorized in this Order, Tri-Township 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. This Order shall be effective on and after the date of its approval.

**HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:**

**APPROVED: JAN 19 2022**

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

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**Dana Kosco**  
**Secretary of the Commission**