

**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. 45363 U**  
**SILVER CREEK WATER CORPORATION FOR )**  
**A NEW SCHEDULE OF RATES AND CHARGES ) APPROVED: SEP 02 2020**

**ORDER OF THE COMMISSION**

**Presiding Officers:**  
**Stefanie N. Krevda, Commissioner**  
**Jennifer L. Schuster, Administrative Law Judge**

On April 2, 2020, Silver Creek Water Corporation (“Silver Creek”) 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 April 21, 2020, the Commission’s Water and Wastewater Division issued a Memorandum stating that the Application was incomplete because Silver Creek had not filed a proof of publication as required by 170 IAC 14-1-2(b)(1). Silver Creek filed its proof of publication on April 21, 2020, and the Commission’s Water and Wastewater Division then issued a Memorandum stating that the Application was complete on that same day.

On July 10, 2020, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter, including the testimony of Carla F. Sullivan and Carl N. Seals. On July 16, 2020, Silver Creek filed its Response to the OUCC’s Report.

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.** Silver Creek 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. Silver Creek published legal notice of the filing of 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. Further, the Commission finds 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 Silver Creek 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. **Silver Creek's Characteristics.** Silver Creek is a not-for-profit rural distribution system that provides retail water utility service to approximately 7,411 customers in Clark and Floyd counties in southern Indiana. Its address is 8104 County Line Road, Sellersburg, Indiana. Silver Creek purchases all of its distributed water from Indiana American Water Company, Inc. ("IAWC").

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, 2018. 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.** Silver Creek's last rate order was issued on June 5, 1985 in Cause No. 37734. In its Application, Silver Creek requested a 6.46% across-the-board rate increase, which would increase its annual operating revenues by \$198,116 for higher operating expenses and necessary capital improvements.

5. **OUCC's Report.** The OUCC's Report was prepared by Carla F. Sullivan and Carl N. Seals. The OUCC recommended an across-the-board 4.87% rate increase, resulting in an annual revenue increase of \$151,729. The OUCC accepted Silver Creek's proposed adjustments to its extensions and replacements budget, debt service, and test year revenue adjustments. The OUCC recommended adjustments to post-test year customer growth revenue and several operations and maintenance ("O&M") expenses: post-test-year customer growth-related expenses, non-recurring expenses of capital and legal costs, and the IURC Fee. The OUCC also recommended disallowing O&M expenses related to advertising, an employee Christmas party, and prepaid software maintenance. The OUCC also recommended that Silver Creek place annual periodic maintenance funds for storage tanks into a restricted account.

6. **Silver Creek's Response.** In its Response to the OUCC's Report, Silver Creek accepted the OUCC's recommended adjustments to its post-test-year customer growth revenue and O&M expenses. Silver Creek did not respond to the OUCC's recommendation that it place annual periodic maintenance funds for storage tanks into a restricted account.

7. **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. Silver Creek and the OUCC proposed the following revenue requirements:

	Silver Creek	OUCC
Operating Expenses	\$2,956,250	\$2,957,452
Taxes Other Than Income	\$47,871	\$47,252
Debt Service	\$207,690	\$207,690
Debt Service Reserve	-	-
Extensions & Replacements	\$161,940	\$161,940
Working Capital	-	-
Total Revenue Requirements	\$3,373,751	\$3,374,324
Less: Interest Income	(\$4,211)	(\$4,211)
Net Revenue Requirements	\$3,369,540	\$3,370,113
Less: Revenues at Current Rates Subject to Increase	(\$3,067,453)	(\$3,114,352)
Less: Other Revenues at Current Rates	(\$104,228)	(\$104,228)
Net Revenue Increase Required	\$197,859	\$151,533
IURC Fee	\$257	\$196
<b>Net Revenue Increase</b>	<b>\$198,116</b>	<b>\$151,729</b>
<b>Percentage Increase</b>	<b>6.46%</b>	<b>4.87%</b>

Based on the evidence presented, we find that an across-the-board rate increase of 4.87% (as proposed by the OUCC in its Report and agreed to by Silver Creek in its Response) for an annual revenue increase of \$151,729 is reasonable and in the public interest and, therefore, is approved.

**B. Water Tracker.** At the time this case was filed, Silver Creek had a water tracker of \$2.70 per 1,000 gallons of water pursuant to 30-day filing #50283, which was approved by the Commission on August 7, 2019. On July 15, 2020, while this Cause was pending, the Commission approved 30-day filing #50350, which increased Silver Creek's purchased water tracker by \$0.17 per 1,000 gallons based on IAWC's Cause No. 45142 Phase II rate increase, which became effective May 1, 2020. Thus, Silver Creek's purchased water tracker increased from \$2.70 per 1,000 gallons to \$2.87 per 1,000 gallons.

Normally, in rate cases, water trackers are reset to zero, as their costs are incorporated into a utility's pro forma purchased water expense. However, at the time of its rate case filing, April 2, 2020, Silver Creek's pro forma purchased water expense of \$1,502,997 only incorporated costs associated with the previous \$2.70 per 1,000-gallon water tracker. Therefore, rather than resetting the current \$2.87 per 1,000-gallon water tracker to zero (and thereby including the additional purchased water expense from the recent 30-day filing #50350), the Commission finds that a \$0.17 per 1,000 gallon water tracker, representing the increase approved by 30-day filing #50350, shall continue.

**C. Effect on Rates.** Under this rate increase, a residential customer of Silver Creek using 5,000 gallons per month would experience a bill increase of \$1.53 per month from \$31.75 to \$33.28, including a fire protection charge.

**D. Restricted Account.** Silver Creek did not respond directly to the OUCC's recommendation that it put annual periodic maintenance funds for storage tanks into a restricted account. However, the OUCC did not provide evidence indicating that maintaining a restricted account for the maintenance is necessary based on Silver Creek's history. Thus, we find that requiring Silver Creek to deposit funds into a restricted account as recommended by the OUCC is not necessary.

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

1. Silver Creek is authorized to increase its monthly recurring rates and charges by 4.87% for an annual net revenue increase of \$151,729 so as to produce net annual revenues of \$3,370,113.

2. Silver Creek's purchased water tracker of \$0.17/1,000 gallons, approved by the Commission on July 15, 2020 in 30-day filing #50350, shall continue.

3. Prior to implementing the rates and charges authorized in this Order, Silver Creek 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: SEP 02 2020**

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



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**Mary M. Becerra  
Secretary of the Commission**