



STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF KINGSBURY ) CAUSE NO. 44589 U
UTILITY CORPORATION FOR A NEW SCHEDULE OF )
RATES AND CHARGES FOR WATER SERVICE ) APPROVED: JUL 05 2018

PHASE 2 ORDER OF THE COMMISSION

Presiding Officers:
James F. Huston, Chairman
Loraine L. Seyfried, Chief Administrative Law Judge

On February 9, 2015, Kingsbury Utility Corporation ("KUC") filed a Small Utility Rate Application. The Commission issued a Phase 1 Order on March 9, 2016 ("Phase 1 Order"), authorizing KUC to increase its rates and charges for water service in two phases. KUC implemented its authorized Phase 1 rates on April 1, 2016.

On September 1, 2017, KUC filed its Capital Project Completion Report, Report on Loan Closing and Terms, Phase 2 Rates Schedules, and an affidavit of its professional engineer, Zachary Baker. KUC filed Revised Phase 2 Rate Schedules on September 21, 2017.

On October 13, 2017, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its Notice of Objection to KUC's filings. On October 23, 2017, KUC filed another affidavit of Mr. Baker. In accordance with an October 25, 2017 Docket Entry, the parties met with Commission staff on November 6, 2017, to discuss the OUCC's objections to KUC's filings.

On December 5, 2017, KUC filed its Report and Request for Interim Phase 2 Rates requesting authority to implement interim Phase 2 rates based on matters not disputed by the OUCC while the parties continued to discuss the disputed issues. On January 17, 2018, the Commission issued an Interim Order approving Phase 2 rates on an interim basis and requiring KUC to either file a settlement agreement on the remaining issues or provide the documentation necessary to support its final proposed Phase 2 rates.

On March 23, 2018, KUC filed its supplemental evidence in support of its requested Phase 2 rates. The OUCC filed its response on April 12, 2018.

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

- 1. Notice and Jurisdiction. KUC is a public utility as that term is 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. Under Ind. Code § 8-1-2-61.5, the Commission may enter an order affecting a utility's rates and charges for service without a formal public hearing. Accordingly, the Commission has jurisdiction over KUC and the subject matter of this proceeding.

2. **KUC's Characteristics.** KUC is a for-profit, combined water and wastewater utility that serves approximately 95 residential, commercial, and small-industrial water customers in LaPorte County. KUC's water and wastewater infrastructure is over 60 years old and was originally installed to serve a United States Army munitions plant covering an area of approximately 3,000 acres.

3. **Background and Relief Requested.** The Phase 1 Order authorized KUC to increase its rates in Phase 2 by 5.18% across the board to produce additional operating revenues of \$12,674. However, the Phase 2 rate increase was made subject to true-up following KUC's compliance filing. Phase 1 Order at 9.

Prior to implementing the Phase 2 rate increase, KUC was required to complete certain approved capital projects and place the new utility plant in service. Upon completion of the projects, KUC was to identify the capital improvements made and provide specific detailed invoices to support the project costs. KUC was also required to file revised schedules reflecting actual project costs, the actual amount and cost of long-term debt, the updated Phase 2 cost of capital, and any other changes to the amount reflected in KUC's original and revised schedules. Phase 1 Order at 11.

KUC now seeks to increase its rates under Phase 2 by 11.00% across the board to produce additional operating revenues of \$26,924.

4. **Commission Discussion and Findings.** In accordance with the Phase 1 Order, KUC has identified the capital projects it has completed and the new utility plant is in service. KUC has also filed revised schedules purporting to reflect the actual project costs, the actual amount and cost of long-term debt, and the updated Phase 2 cost of capital.

While the OUCC filed a response to KUC's supplemental evidence, the response only addresses issues associated with KUC's wastewater utility.

Therefore, based on the evidence presented, we find that KUC's proposed Phase 2 rates are reasonable and in compliance with the Phase 1 Order. However, we find that the Phase 2 rates should be adjusted to reflect KUC's current tax rate based on the Tax Cuts and Jobs Act of 2017. Therefore, we approve a Phase 2 rate increase of 11.77% to produce additional operating revenues of \$28,792 as reflected below:

Rate Base	\$373,328
Times: Cost of Capital	6.390%
Net Operating Income Required	<u>23,856</u>
Less: Pro-forma Net Operating Income at Present Rates	<u>2,933</u>
Increase in Net Operating Income Required	20,923
Multiply By: Gross Revenue Conversion Factor	<u>1.3761</u>
Recommended Increase	<u>\$28,792</u>
Recommended Percentage Increase	<u>11.77%</u>

For a residential customer using 5,000 metered gallons of water, this will result in an increase from \$48.23 to \$53.90.

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

1. KUC is authorized to increase its rates and charges under Phase 2 by 11.77% to produce additional operating revenues of \$28,792.
2. Prior to implementing the rates authorized in this Order, KUC shall file new rate schedules under this Cause for approval by the Commission's Water and Wastewater Division. Such rates shall be effective on or 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: JUL 05 2018**

**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