

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. 45416 U
 AQUA INDIANA — WEDGEWOOD PARK)
 WATER DIVISION FOR A NEW SCHEDULE) APPROVED: FEB 17 2021
 OF RATES AND CHARGES)

ORDER OF THE COMMISSION

Presiding Officers:
Sarah E. Freeman, Commissioner
Jennifer L. Schuster, Administrative Law Judge

On August 14, 2020, Aqua Indiana, Inc. — Wedgewood Park Division (“Wedgewood” or “Petitioner”) 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). Wedgewood filed its proof of publication on August 26, 2020, and the Commission’s Water and Wastewater Division issued a memorandum stating that the Application was complete on September 23, 2020.

On November 12, 2020, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter, including the testimony of Carla F. Sullivan and Kristen Willoughby. Wedgewood did not file a 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. Wedgewood 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. Wedgewood 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 Wedgewood 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. Wedgewood’s Characteristics. Wedgewood provides water service to approximately 216 customers in St. Joseph County, Indiana and purchases all of its water from Niles Charter Township, Michigan. Wedgewood’s distribution system consists of approximately two miles of main and hydrants.

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 Wedgewood's normal operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** Wedgewood was previously owned by Wedgewood Park Water Company, Inc. ("Wedgewood Park"). Wedgewood Park's last base rate case was Cause No. 44369, in which the Commission approved a 33.90% rate increase in its order on November 6, 2013. In its December 28, 2016 order in Cause No. 44814, the Commission approved the acquisition of Wedgewood by Aqua Indiana, Inc. ("Aqua Indiana") and approved Aqua's request to continue charging the same rates and charges that Wedgewood Park was previously charging its customers.

In this case, Wedgewood is requesting a new schedule of rates and charges for water service, resulting in a 37.52% rate increase and \$32,801 of additional revenues for operational costs, for a total net annual revenue of \$120,234. This requested rate increase will provide Wedgewood an opportunity to earn a weighted cost of capital of 6.87% based on its proposed 9.8% cost of equity. Wedgewood also proposes to update the non-recurring fees included in its tariff and change the unit of measure stated on its schedule of rates and charges from cubic feet to gallons.

5. **OUCC's Report.** The OUCC's Report was prepared by Carla F. Sullivan and Kristen Willoughby. The OUCC proposed a rate increase that was 0.77% higher than that proposed by Wedgewood, resulting in \$680 of additional revenue. However, the OUCC agreed to Wedgewood's lower proposed rate increase of 37.52%, resulting in \$32,801 of additional revenue, and a weighted cost of capital of 6.87%, based on its proposed 9.8% cost of equity.

6. **Consumer Comments.** Both the Commission and the OUCC received several consumer comments, which generally opposed Wedgewood's proposed rate increase, citing, among other things, concerns with water and pipe quality, the sudden nature of the rate increase, and the ongoing COVID-19 pandemic and resulting financial strain on customers.

7. **Commission Discussion and Findings.**

A. **Rate Base.** Wedgewood proposed a rate base of \$356,796, including \$6,442 of working capital. The OUCC calculated a slightly lower rate base of \$350,591. Because Wedgewood's proposal results in lower rates overall and the OUCC did not object to Wedgewood's calculations, we adopt Wedgewood's proposed rate base in calculating its rates.

B. **Weighted Cost of Capital.** Wedgewood proposed a weighted cost of capital of 6.87%, which is the same as Aqua Indiana's other affiliates. *See, e.g.,* Cause No. 45314 U and Cause No. 45308 U. The cost of equity was based on the cost of equity established in the settlement agreement approved in our order in *Indiana-American Water Company*, Cause No. 45142 (June 26, 2019). The OUCC agreed with Wedgewood's weighted cost of capital calculation. Based on the evidence of record, we approve 6.87% as the weighted cost of capital.

C. **Expenses and Revenue.** Wedgewood proposed several operating expense adjustments with which the OUCC disagreed. However, despite this disagreement, the OUCC ultimately agreed to Wedgewood’s proposed lower rate increase, which incorporated these operating expense adjustments. Because we are approving Wedgewood’s proposed rate increase, we find that the OUCC’s disagreement regarding certain operating expense adjustments is moot.

The chart below shows Wedgewood’s proposed revenue requirement:

Item	Amount or percentage
Original Cost Rate Base	\$356,796
Weighted Cost of Capital	6.87%
Net Operating Income Required for Return on Original Cost Rate Base	\$24,501
Adjusted Net Operating Income	\$539
Net Revenue Increase Required	\$23,962
Gross Revenue Conversion Factor	136.89%
Revenue Increase Required	\$32,801
Revenue Percentage Increase	37.52%

D. **Charges.** Wedgewood proposed changes to several non-recurring charges, including the addition of a returned check fee and disconnect/reconnect fee and changes to its tap fees. The OUCC agreed with Wedgewood’s proposed new fees and changes to its tap fees. We find that Wedgewood provided sufficient evidence to support the need for these new and changed fees and therefore approve them.

E. **Conclusion and Effect on Rates.** Based on the evidence of record, we find that Wedgewood’s proposed rate increase, which was agreed to by the OUCC, is reasonable and in the public interest and is therefore approved. Under this rate increase, a residential customer of Wedgewood using 5,000 gallons per month would experience a bill increase of \$11.01 per month from \$29.34 to \$40.35.

While we sympathize with the concerns raised by customers who oppose Wedgewood’s proposed rate increase, Wedgewood’s request is supported by applicable law and the evidence of record in this Cause. Wedgewood’s rates have not increased since 2013, and, since the acquisition by Aqua Indiana in 2016, Wedgewood has invested approximately \$136,000 in utility plant and system improvements. In addition, Wedgewood’s new rate is the lowest rate charged among Aqua Indiana’s three water affiliates and is roughly in the middle of the range of rates for water service charged in Indiana.¹

¹ See 2020 Annual Water Bill Analysis, available at <https://www.in.gov/iurc/files/2020-IURC-Water-Billing-Survey.pdf>.

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

1. Wedgewood is authorized to increase its monthly recurring rates and charges by 37.52%, for an annual net revenue increase of \$32,801, producing total net annual revenues of \$120,234.

2. Prior to implementing the rates and charges authorized in this Order, Wedgewood 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, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: FEB 17 2021

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

Dana Kosco
Secretary of the Commission