ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF PLEASANTVIEW UTILITIES, INC. FOR A NEW SCHEDULE OF RATES AND CHARGES FOR WASTEWATER AND WATER SERVICE	)))))	**CAUSE NO. 46122 U (CONSOLIDATED WITH CAUSE NO. 46123 U)** **APPROVED: MAR 12 2025**

<u>ORDER OF THE COMMISSION</u>

Presiding Officers:
Wesley R. Bennett, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On September 13, 2024, Pleasantview Utilities, Inc. ("Pleasantview" or "Applicant") filed a Small Utility Rate Application ("Wastewater Application") under Cause No. 46122 U and a Small Utility Rate Application ("Water Application") under Cause No. 46123 U. Both applications were filed with the Indiana Utility Regulatory Commission ("Commission") in accordance with Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Pleasantview filed proofs of publication on September 18, 2024, and the Commission's Water and Wastewater Division issued memorandums on September 25, 2024, stating that the Applications were complete.

On October 22, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") filed a Motion requesting the Commission hold a public field hearing in both Cause No. 46122 U and Cause No. 46123 U. The Motions were granted, and a public field hearing was held on December 10, 2024, at 6:00 p.m. at the James E. Roberts Memorial Building at Roberts Park, 9 Park Road, Connersville, Indiana.

On December 12, 2024, the OUCC filed its Report on the Wastewater Application under Cause No. 46122 U and its Report on the Water Application under Cause No. 46123 U, making certain recommendations with respect to Applicant's applications. Pleasantview did not file a response to either of the OUCC's Reports.

On February 13, 2025, Pleasantview's Wastewater Application and Water Application were consolidated under Cause No. 46122 U.

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

1. <u>Commission Jurisdiction and Notice</u>. Pleasantview 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. Pleasantview published legal notice of the filing of its small utility rate cases as required by 170 IAC 14-1-2(b). The Wastewater and Water Applications satisfy the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, the Commission has jurisdiction over Pleasantview and the subject matter of this proceeding and may issue an Order based upon the information filed, pursuant to 170 IAC 14-1-6.

2. **<u>Applicant's Characteristics</u>.** Pleasantview is an investor-owned public utility providing wastewater and water service to approximately 205 customers in Fayette County, Indiana. Pleasantview is an S corporation whose common stock is solely owned by Matthew Sherck, who also serves as President of the utility.

Pleasantview's wastewater collection system serves residences via gravity mains made from vitrified clay pipe. The collection system delivers wastewater to the wastewater treatment plan ("WWTP") in the Pleasantview subdivision. The WWTP is a packaged plant rated to treat 60,000 gallons/day and was constructed in 1974. The existing facilities include an abandoned equalization tank, two polishing ponds with chlorination in advance of the ponds. The original surge tank and digester have been converted to perform aeration.

Regarding its water utility service, Pleasantview purchases all its water from the City of Connersville via a four-inch connection at the edge of the Pleasantview subdivision. Applicant's water system consists of approximately 13,400 feet of transmission main and 11,000 feet of distribution main.

3. **<u>Test Period</u>.** The test period used for determining revenues and expenses reasonably incurred in providing wastewater and water utility services to customers is the 12 months ended December 31, 2023. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period is sufficiently representative of Applicant's normal operations to provide reliable data for ratemaking purposes.

4. **<u>Background and Relief Requested</u>.** Applicant's last base wastewater rate case was filed under Cause No. 44351 U, wherein the Commission approved on March 26, 2014, a two-phase rate increase, with Phase I being an increase of 57.35%, or $32,048 in additional revenue, and Phase II being an increase of 19.31%, or $16,979 in additional revenue. Phase II rates were implemented on May 8, 2015. However, the rates were subsequently amended on February 1, 2020, after discovering that updates to the WWTP had not been made, contrary to Applicant's representations. Applicant was required to refund $187.76 per customer.

Applicant's last base water rate case was filed under Cause No. 44352 U, wherein the Commission approved on March 12, 2014, a two-phase rate increase, with Phase I being an increase of 37.08%, or $26,026 in additional revenue, and Phase II being a decrease of 18.41%, or $21,941 in revenue.

In this consolidated case, Applicant requests a new schedule of rates and charges for (1) wastewater service, which would result in a 55.57% rate increase, or $45,359 in additional revenues, and (2) water service, which would result in a 56.7% rate increase, or $34,451 of additional revenues. The basis for the requested rate increases is to recognize increases in base rate investments and operating and maintenance costs.

5. **<u>OUCC's Report</u>.** The OUCC's Report on Applicant's Wastewater Application includes the testimony of Jason T. Compton, Shawn Dellinger, Carl N. Seals, and Scott A. Bell, as well as consumer comments that it received concerning Applicant's requested relief. The OUCC recommended a rate increase of 8.12%, resulting in $8,388 of additional revenue.

The OUCC's Report on Applicant's Water Application includes the testimony of Jason T. Compton, Shawn Dellinger, and Carl N. Seals, as well as consumer comments that it received concerning Applicant's requested relief. The OUCC recommended a rate increase of 20.79%, resulting in $14,579 of additional revenue.

The specific issues raised by the OUCC's Reports on the Wastewater and Water Applications are addressed below.

6. <u>Field Hearing and Consumer Comments</u>. The consumer comments provided at the field hearing and included with the OUCC Report generally opposed Pleasantview's proposed wastewater and water rate increases, citing, among other things, the significant magnitude of the requested rate increases and issues with the quality of utility service.

7. <u>Commission Discussion and Findings</u>.

A. <u>Rate Base</u>.

i. <u>Utility Plant in Service ("UPIS")</u>. Pleasantview proposed UPIS as of the end of the test year in the amount of $249,287 for its wastewater system and $71,857 for its water system.

OUCC witness Compton disagreed with Applicant's proposed UPIS, noting that Applicant did not provide invoices or other documentation supporting certain assets. Mr. Compton explained that the OUCC started with the net asset values determined by the Commission in Applicant's prior base rate cases and then reviewed the utility's annual reports to identify assets that had been added or retired. Any assets that were unsupported were removed from UPIS. Mr. Compton explained the 2016 Ford F350 Super Duty truck was removed as unnecessary to Mr. Sherck's utility duties and the generator was reallocated fully to the wastewater utility because it is not used for water utility operations. Ultimately, the OUCC recommended UPIS of $231,242 for the wastewater utility and $26,411 for the water utility.

Pleasantview did not provide any response to the OUCC's proposed adjustments, all of which we find to be reasonable. However, we note that the OUCC's UPIS calculation for the wastewater utility failed to include $1,898 for the generator that should be fully allocated to the wastewater utility. Therefore, we find Applicant's UPIS should be $233,140 for the wastewater utility and $26,411 for the water utility.

ii. <u>Accumulated Depreciation</u>. Pleasantview included $201,309 in accumulated depreciation for its wastewater utility and $43,553 in accumulated depreciation for its water utility.

Based on the OUCC's recommended removal and reallocation of certain UPIS, Mr. Compton recommended an accumulated depreciation amount of $176,207 for the wastewater utility and $1,439 for the water utility. In making his recommendations, Mr. Compton used a 2.5% depreciation rate for the wastewater utility because Applicant has a WWTP and 1.7% depreciation rate for the water utility.

The Commission finds the OUCC's recommended adjustments and depreciation rates to be reasonable and appropriate. However, because the generator was not fully reflected in the OUCC's calculation of UPIS for the wastewater utility, we find the appropriate amount of accumulated depreciation for the wastewater utility to be $176,587.

iii. <u>Working Capital</u>. As noted by the OUCC, the inclusion of working capital in rate base is necessary to cover operating expenses during the period when the utility has provided services but has not yet received payment from customers for the services. To account for this gap, the Commission routinely uses the Federal Energy Regulatory Commission's 45-day method, which calculates working capital based on operating and maintenance ("O&M") expenses, excluding costs paid in the arrears before revenue is received. The remaining O&M is divided into eight to arrive at the working capital requirement.

While both Pleasantview and the OUCC used the 45-day method, their calculated amount of working capital differed based on the differing amounts of O&M that each included. Based on the Commission's determination of O&M, which is addressed further below, we find working capital should be $10,977 for the wastewater utility and $3,996 for the water utility.

iv. <u>Conclusion</u>. Based on a review of the evidence, the Commission finds that the rate base for Pleasantview's wastewater utility is $67,530 and for its water utility is $28,968.

The table below summarizes the parties' positions and the Commission's findings on rate base.

	Wastewater			Water		
	Petitioner	OUCC	IURC	Petitioner	OUCC	IURC
UPIS as of December 31, 2023	$249,287					
UPIS as of CN 44351-U (Ph. 2- Adjusted)		$ 232,285	$232,285			
UPIS as of CN 44352-U				$ 24,341	$ -	$ -
Additions		31,195	33,093	64,775	26,411	26,411
Retirements		(32,238)	(32,238)	(17,259)		
Gross UPIS	249,287	231,242	233,140	71,857	26,411	26,411
Accumulated Depr. as of December 31, 2023	(201,309)					
Accum. Depr. as of CN 44351-U (Ph. 2- Adjusted)		(151,598)	(151,598)			
Accum. Depr. as of CN 44352-U				(24,341)		
Additions 2013 - 2023		(56,847)	(57,227)	(36,471)	(1,439)	(1,439)
Retirements		32,238	32,238	17,259		
Total Accumulated Depreciation	(201,309)	(176,207)	(176,587)	(43,553)	(1,439)	(1,439)
Net Utility Plant in Service	47,978	55,035	56,553	28,304	24,972	24,972
Working Capital	11,507	11,083	10,977	4,693	4,101	3,996
Total Original Cost Rate Base	$ 59,485	$ 66,118	$ 67,530	$ 32,997	$ 29,073	$ 28,968

B. Cost of Capital. Pleasantview proposed a weighted average cost of capital ("WACC") of 8.67% for the wastewater utility based on the following table.

Components	Amount	Percent of Total Capital	Cost Rate	Weighted Cost
Common Equity	$ 47,547	77.54%	9.90%	7.68%
Long-term Debt (Loan for Truck)	11,801	19.25%	4.17%	0.80%
Customer Deposits	1,968	3.21%	6.00%	0.19%
Total	$ 61,316			8.67%

Pleasantview proposed a WACC of 7.51% for the water utility based on the following table.

Components	Amount	Percent of Total Capital	Cost Rate	Weighted Cost
Common Equity	$ 17,698	56.24%	9.90%	5.57%
Long-term Debt (Loan for Truck)	11,801	37.50%	4.17%	1.56%
Customer Deposits	1,968	6.25%	6.00%	0.38%
Total	$ 31,467			7.51%

The OUCC, however, recommends a WACC of 4.57% for both the wastewater and water utilities based on the following table.

Components	Amount	Percent of Total Capital	Cost Rate	Weighted Cost
Common Equity	$ 8,849	27.43%	9.65%	2.65%
Line of Credit	7,500	23.25%	8.25%	1.92%
Shareholder Loan	14,925	46.27%	-	-
Customer Deposits	984	3.05%	-	-
Total	$ 32,258			4.57%

Based on the evidence presented, we find that Pleasantview's cost of capital should be based on a ratio of rate base for each utility and not split equally between the wastewater and water utilities as recommended by the OUCC. However, we agree with the OUCC's removal of long-term debt for both utilities, which is in the form of a truck loan, because the truck was excluded from rate base. We also find the OUCC's recommended inclusion of a line of credit to be reasonable and that the cost of debt should reflect the bank charges.

As for customer deposits, we agree with the OUCC's amount of customer deposits but find the interest rate on such deposits should be 6% in accordance with 170 IAC 6-1-15(f)(1) and 170 IAC 8.5-2-3(f)(1). Additionally, the Commission's orders in Applicant's last base rate cases for its water and wastewater utilities, Cause Nos. 44351 U and 44352 U, also included 6% interest on customer deposits. Because Pleasantview indicated to the OUCC that it did not pay interest on customer deposits, we find that within 30 days of the issuance of this Order, Pleasantview shall identify and document each depositor and, if required, pay interest on the deposit that was refunded over the past five years consistent with 170 IAC 6-1-15(g) and 170 IAC 8.5-2-3(g). Applicant shall follow the Commission's rules regarding customer deposits going forward.

Finally, the Commission agrees with the OUCC's recommended amount of common equity and that the shareholder loan to Applicant's water utility should be removed from the common equity category and reclassified as paid-in-capital. Such treatment of the shareholder loan is consistent with the shareholder loan booked by Pleasantview for its wastewater utility in this case as well as prior decisions of the Commission. *See LMH Utilities Corp.*, Cause No. 43431, at 15 (IURC Jan. 21, 2009). However, we do not believe the shareholder loan should be set at a cost of 0%. Because Pleasantview indicated the shareholder funds went to pay for the water utility's operating expenses, we find a reasonable proxy for this cost is the utility's cost of debt currently applied to the line of credit, 8.25%. We find this reasonable because if not for the shareholder funds, Mr. Sherck would have needed to obtain a loan.

In determining an appropriate cost of equity, we also agree with the OUCC that because of Pleasantview's relatively low rate base, a range of potential cost of equity determinations will not have a significant effect on rates. As such, we find a 9.65% cost of equity for Applicant's water utility is reasonable and consistent with other recent Commission determinations. *See Indiana-American Water Co., Inc.,* Cause No. 45870 (IURC Feb. 14. 2024). However, because of the significant service quality issues associated with Applicant's wastewater utility, which we address further below, we find the cost of equity for Applicant's wastewater utility should be reduced by 0.6%, for a cost of equity of 9.05%. We find this reduction to be particularly appropriate given that in Applicant's last base rate case, Cause No. 44351 U, the Commission reduced the utility's cost of equity to reflect Pleasantview's poor service quality and no improvement in that service quality has been made.

Accordingly, we find a WACC of 8.4% for the wastewater utility is reasonable based on the following table.

Components	Amount	Percent of Total Capital	Cost Rate	Weighted Cost
Common Equity	$ 12,406	27.43%	9.05%	2.48%
Line of Credit	10,515	23.25%	8.25%	1.92%
Paid-In Capital	20,924	46.27%	8.25%	3.82%
Customer Deposits	1,380	3.05%	6.00%	0.18%
Total	$ 45,225			8.40%

We find a WACC of 8.57% for the water utility is reasonable based on the following table.

Components	Amount	Percent of Total Capital	Cost Rate	Weighted Cost
Common Equity	$ 5,292	27.44%	9.65%	2.65%
Line of Credit	4,485	23.25%	8.25%	1.92%
Paid-In Capital	8,925	46.27%	8.25%	3.82%
Customer Deposits	588	3.05%	6.00%	0.18%
Total	$ 19,291			8.57%

C. <u>Revenue Adjustments</u>. Pleasantview's proposed revenues were based on its 2023 annual report to the Commission. Pleasantview also proposed a revenue normalization adjustment for both its wastewater and water utilities based on changes in customer account by month during the test year.

The OUCC proposed two adjustments to Applicant's proposed revenues. The first was to use Pleasantview's billing records, rather than its 2023 annual report, as the basis for the proposed revenues because Pleasantview maintains its books and records on a cash basis. However, because Pleasantview still has not complied with the Commission's directive in Cause No. 44351 U to set up separate accounts receivable for its wastewater and water utilities, the OUCC developed an alternative methodology to calculate each utility's test year operating revenues. The second adjustment was to Pleasantview's proposed revenue normalization based upon the OUCC's revised test year operating revenues.

Based on the evidence presented, we find the OUCC's recommended revenue adjustments to be reasonable and find pro forma present rate revenues of $103,288 for the wastewater utility and $70,121 for the water utility.

D. <u>Expense Adjustments</u>. The OUCC accepted Pleasantview's proposed expense adjustments for both utilities regarding purchased power, insurance expense, rate case expense, and miscellaneous expense—postage. The OUCC also accepted Pleasantview's proposed water utility expense adjustments for purchased water and chemical expense and the proposed wastewater utility expense adjustments for purchased wastewater and contractual services related to operator contract and sludge removal. Based on the evidence presented, we find Applicant's proposed expense adjustments that were accepted by the OUCC to be reasonable and should be approved.

i. <u>Salaries, Wages, and Contractor Reclassification</u>. The OUCC recommended the Commission deny Pleasantview's proposed increase in salaries and wages, suggesting instead that the salary levels approved in each utility's prior base rate cases be maintained because Applicant has consistently not paid its employees the salary and wage expense included in its approved revenue requirement. The OUCC also expressed concern with the reclassification of a contractor, Mr. Landstrom, to an employee for certain tasks. The OUCC indicated the reclassification could unnecessarily increase costs and result in the duplication of duties between Mr. Landstrom and Mr. Sherck.

Based on the evidence presented, we find the proposed increase in salaries and wages to be reasonable given the amount of time since Applicant's last base rate cases and the level of inflation that has since occurred.[1] However, because Mr. Sherck indicated that he currently works an average of 20 hours per week at the utility as opposed to the approximate 30 hours he was working at the time of Applicant's last base rate cases, we find that Mr. Sherck's salary should be reduced by a third. We also deny Applicant's proposal to reclassify its contractor expense to employee wages. We agree with the OUCC that such reclassification may unnecessarily increase costs and require Mr. Landstrom to perform tasks that are duplicative of the duties for which Mr. Sherck is receiving a salary to perform. Therefore, we approve a pro forma salaries and wages expense of $13,167, and the associated payroll tax expense of $1,007, for each utility.

ii. **Miscellaneous Expense—Telephone.** While Applicant did not propose any adjustment to miscellaneous expense—telephone, the OUCC recommended a reduction based on a test year expense of $655.74 for one telephone line. The OUCC indicated that Applicant's proposed expense included five telephone lines, which is unnecessary since the utility only has one employee, Mr. Sherck, that is responsible for taking calls from customers, contacting contractors, and managing the utility. We agree with the OUCC's recommended adjustment and approve a test year decrease of $1,093 in miscellaneous expense—telephone for each utility.

iii. **Depreciation Expense.** Both Applicant and the OUCC calculated depreciation expense using a depreciation rate of 2.5% for wastewater and 1.7% for water but each used differing amounts of UPIS, which resulted in the differing amounts of depreciation expense. Based on the amounts of UPIS determined above, we approve a test year decrease to depreciation expense of $9,253 for the wastewater utility and $6,588 for the water utility.

iv. **Tax Expense.** The OUCC also recommended denying Applicant's proposed adjustment to property taxes, which it allocated equally between the wastewater and water utilities. The OUCC explained that Applicant's water utility consists primarily of meters, service lines, and mains because it does not have a water treatment plant, and the real property tax is tied to the land used for the WWTP. Mr. Compton also noted that Applicant failed to include the local property tax credits in its calculation. Therefore, the OUCC recommended a test year property tax increase of $1,028 for wastewater and a decrease of $1,153 for water. Based on the evidence presented, we find the OUCC's proposed adjustments to property taxes to be reasonable and approve them.

Finally, the OUCC noted that Applicant included federal and state income expense in its proposed revenue requirements. However, Applicant indicated during a site visit, which was later confirmed in discovery, the inclusion of that expense was in error. Therefore, we accept the OUCC's recommendation to eliminate state and federal income taxes from Applicant's revenue requirement.

[1] For example, according to the U.S. Bureau of Labor Statistics, $24,000 in March 2014 has the same buying power as $32,056 as of December 2024.

v. <u>Conclusion on Expense Adjustments</u>. The following table reflects the parties' proposed expense adjustments and the Commission's findings on those adjustments.

	Wastewater			Water		
	Petitioner	OUCC	IURC	Petitioner	OUCC	IURC
O&M Expense	$ 91,093	$ 91,093	$ 91,093	$ 80,657	$ 80,657	$ 80,657
Expense Adjustments:						
Salaries and Wages - M. Sherck	**7,608**	**3,608**	**2,275**	**7,608**	**948**	**2,275**
Salaries and Wages - A. Sherck	**1,498**	**948**	**1,498**	**1,498**	**3,608**	**1,498**
Salaries and Wages - New Employee	**6,000**	**-**	**-**	**6,000**	**-**	**-**
Purchased Water - Wholesale Adj.				3,719	3,719	3,719
- Revenue Normalization				367	367	367
Purchased Wastewater - Add'l Bills	2	2	2			
Purchased Power - Additional Bills	41	41	41	2	2	2
Contractual Services - Convert Labor	**(7,148)**	**-**	**-**	**(5,735)**	**-**	**-**
Chemicals				806	806	806
Insurance Expense	352	352	352	352	352	352
Rate Case Expense	1,500	1,500	1,500	1,500	1,500	1,500
Miscellaneous Expense - Postage	7	7	7	11	11	11
Miscellaneous Expense - Telephone	**-**	**(1,093)**	**(1,093)**	**-**	**(1,093)**	**(1,093)**
IURC Fee	**(28)**	**7**	**7**	**(101)**	**4**	**4**
Contractual Services - Operator Contract	4,920	4,920	4,920	-	-	-
Contractual Services - Sludge Removal	15,318	15,318	15,318	-	-	-
Depreciation Expense	**(8,850)**	**(9,301)**	**(9,253)**	**(5,600)**	**(6,588)**	**(6,588)**
Taxes Other than Income:						
Payroll Tax	**1,018**	**211**	**151**	**1,018**	**211**	**151**
Property Tax	**152**	**1,028**	**1,028**	**152**	**(1,153)**	**(1,153)**
State Income Tax	**(546)**	**-**	**-**	**(6,554)**	**-**	**-**
Federal Income Tax	**(2,443)**	**-**	**-**	**(1,574)**	**-**	**-**
Total Operating Expenses	$110,494	$108,641	$107,847	$84,125	$83,351	$82,508

E. <u>Conclusion on Rate Increases</u>. Based on the evidence presented and the discussion above, the Commission finds that Applicant should be authorized to increase its rates and charges across-the-board by 9.92% for a revenue increase of $10,247 for its wastewater utility, and by 21.23% for a revenue increase of $14,890 for its water utility as reflected in the following table.

	IURC Wastewater	IURC Water
Original Cost Rate Base	$ 67,530	$ 28,968
Times: Weighted Cost of Capital	8.40%	8.57%
Net Operating Income Required for Return on Rate base	5,673	2,481
Less: Adjusted Net Operating Income	(4,559)	(12,387)
Net Revenue Requirement	10,232	14,868
Gross Revenue Conversion Factor	100.15%	100.15%
Recommended Revenue Increase	$ 10,247	$ 14,890

F. Other Matters.

i. Utility Recordkeeping. The OUCC noted that, contrary to the Commission's March 26, 2014 Order in Cause No. 44351 U requiring certain financial record keeping practices, Applicant continues to send hand-written post card bills to customers and does not keep any copies of those bills for its records. In addition, Applicant's billing records continue to consist of an Excel spreadsheet, with one tab for each customer that includes monthly, manually entered information. Applicant's general ledgers are also not separated into water and wastewater accounts.

The Commission's Order in Cause No. 44351 U (at p. 14) required Applicant to:

> …set up its Accounts Receivable in QuickBooks, reconcile its checkbook to its bank statement monthly, use separate water and wastewater accounts to track transactions, and consider obtaining the services of a billing company to provide billing services. We also find that [Applicant] shall conform to the [National Association of Regulatory Utility Commissioners] Uniform System of Accounts for Class C Wastewater utilities and generally accepted accounting principles.

The evidence provided by the OUCC shows that Applicant has failed to comply with the Commission's directives. Therefore, we find that Applicant shall:

(1) file a report within 60 days of this Order certifying that it has set up accounts receivable in QuickBooks or other similar accounting software, reconciled its most recent month's bank statement(s), and has separate general ledger cash accounts for its water and wastewater utilities. Applicant shall also indicate whether it will use a billing service or continue billing in-house. If Applicant will use a billing service, it must provide documentation that a billing provider has been retained. If Applicant will continue billing in-house, it must provide a report detailing how billing records will be maintained and how accuracy will be ensured for each utility.

(2) for the remainder of 2025, file quarterly compliance filings under this consolidated Cause demonstrating that it has reconciled its checkbook to its bank statements and has maintained separate general ledger cash accounts for its water and wastewater utilities.

(3) submit a copy of its general ledger for the water and wastewater utilities as a supplemental filing to its 2025 annual report to demonstrate compliance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.

ii. **Utility Operations.** The OUCC's Wastewater Report identified and detailed the significant deterioration of Applicant's utility plant and infrastructure, numerous environmental violations, and multiple utility operational deficiencies that have occurred over the past 20 years. The OUCC made several recommendations Applicant should undertake to remedy continuing deficiencies.

Specifically, OUCC witness Parks detailed the poor physical and operating condition of the utility, noting the significant deterioration of the facilities due to age and lack of maintenance. He described Pleasantview's lack of regular maintenance regarding cleaning, televising, and smoke testing the utility sewer system as well as addressing the corrosion of the WWTP tanks. He also described Pleasantview's excessive inflow and infiltration ("I&I") issues that have occurred for over 25 years, creating wastewater treatment issues. He said these issues have resulted in multiple effluent violations of its national pollutant discharge and elimination system ("NPDES") permit and environmental enforcement actions. He noted Applicant has reported effluent violations in 20 of the last 24 months. Mr. Parks also explained that Applicant does not: (1) properly complete its Discharge Monitoring Reports, Monthly Reports of Operation, or the IURC Annual Report; (2) have an adequate asset inventory and system map as required by 170 IAC 8.5-2-6; or (3) have an Asset Management Plan ("AMP") for replacement of its deteriorated WWTP or sewer system, despite having reported that it has an AMP on its IURC Annual Reports since 2008.

OUCC witness Bell provided the long history of Pleasantview's environmental non-compliance, including the significant and recurring violations of its NPDES permit. He said the most recent enforcement action by the Environmental Protection Agency ("EPA") was initiated in 2022 through an Administrative Order on Consent ("AOC"). He said the AOC remains active because Applicant has failed to remedy the significant non-compliance with its NPDES permit as required by the EPA.

The OUCC's Water Report noted that Applicant's water utility has also experienced environmental noncompliance issues. OUCC witness Seals noted that the Indiana Department of Environmental Management issued a Notice of Violation in March 2024 for Pleasantview's failure to monitor and report trihalomethanes and haloacetic acids during 2022 and 2023 and to notify users of the water system of the failure to conduct such monitoring. He said that while it appears Applicant entered into an Agreed Order requiring Applicant to come into compliance and paid a civil penalty, he could not find any lab results showing the results of the required testing.

Based on the evidence presented, we agree with the OUCC that Pleasantview has a serious I&I problem that is not being addressed in an adequate manner, a WWTP and collection system that has not been actively maintained, and inadequate information about its utility facilities. Accordingly, we find that Pleasantview shall:

(1) immediately begin maintaining an asset register of its collection system assets and record pertinent related information (such as diameter, pipe material, year installed, segment length, manhole numbers, and invert elevations).

(2) immediately create and begin implementing a schedule for periodic inspection, cleaning, televising, and smoke testing of its collection system and file a copy of the schedule under this Cause within 60 days of the date of this Order.

(3) immediately begin creating a collection system map as required by 170 IAC 8.5-2-6(d) and file a copy of the map under this Cause within 60 days of the date of this Order.

(4) immediately begin creating an AMP and file a copy under this Cause within 6 months of the date of this Order.

(5) immediately require its certified operator (or another certified operator that Applicant may retain) to develop a maintenance plan for the cleaning and inspecting of the steel tanks and clarifiers at the WWTP. Applicant shall file a copy of the plan under this Cause within 60 days of the date of this Order and begin implementing the plan within six months thereafter.

iii. **Utility Investigation.** The OUCC recommended the Commission initiate an investigation of Applicant's wastewater utility under Ind. Code ch. 8-1-30.

As discussed above, the evidence shows that Pleasantview has a nearly 20-year history of continued failures to remedy severe deficiencies with its WWTP and collection system. While Applicant's water utility operations do not appear to be as deficient as its wastewater utility operations, Applicant has also recently violated state drinking water monitoring and reporting requirements. Pleasantview has also failed to comply with prior Commission orders relating to both its wastewater and water utility operations and provided incomplete and/or inaccurate information to the Commission.

Accordingly, we find that within 30 days of this Order becoming a final, non-appealable order and pursuant to Ind. Code §§ 8-1-2-58 and 59 and Ind. Code ch. 8-1-30, the Commission shall commence an investigation into Pleasantview's wastewater and water utility operations, including its technical, financial, and managerial capacity, the physical condition and capacity of the utility facilities, compliance with Indiana and federal law and Commission orders, and its provision of service to customers.

G. **Effect on Rates.** A wastewater utility customer will experience an increase of $4.19 per month, from $42.27 to $46.46, and water utility customer based on 4,000 gallons of usage will experience an increase of $6.63 per month, from $31.20 to $37.83.

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

1. Pleasantview is authorized to increase its wastewater rates and charges by 9.92% for a revenue increase of $10,247.

2. Pleasantview is authorized to increase its water rates and charges by 21.23% for a revenue increase of $14,890.

3. Prior to implementing the rates and charges authorized in this Order, Pleasantview 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. Within 30 days of the issuance of this Order, Pleasantview shall identify and document each depositor and, if required, pay interest on the deposit that was refunded over the past five years consistent with 170 IAC 6-1-15(g) and 170 IAC 8.5-2-3(g).

5. Pleasantview shall comply with the utility recordkeeping and reporting requirements of Finding Paragraph 7.F.i above.

6. Pleasantview shall comply with the utility operational requirements of Finding Paragraph 7.F.ii above.

7. Pleasantview shall submit a copy of its general ledger for the water and wastewater utilities as a supplemental filing to its 2025 annual report.

8. Within 30 days of this Order becoming a final, non-appealable order and pursuant to Ind. Code §§ 8-1-2-58 and 59 and Ind. Code ch. 8-1-30, the Commission shall commence an investigation into Pleasantview's wastewater and water utility operations, including its technical, financial, and managerial capacity, the physical condition and capacity of the utility facilities, compliance with Indiana and federal law and Commission orders, and its provision of service to customers.

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

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: MAR 12 2025

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

Dana Kosco Digitally signed by Dana Kosco
Date: 2025.03.12 10:09:57 -04'00'

Dana Kosco
Secretary of the Commission