

**ORIGINAL**

STATE OF INDIANA

Commissioner	Yes	No	Not Participating
Huston	✓		
Freeman	✓		
Krevda	✓		
Ober	✓		
Ziegner	✓		

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF GERMAN TOWNSHIP ) CAUSE NO. 45340 U  
WATER DISTRICT'S APPLICATION FOR A )  
NEW SCHEDULE OF RATES AND CHARGES ) APPROVED: DEC 23 2020

**ORDER OF THE COMMISSION**

**Presiding Officers:**

**David E. Ziegner, Commissioner**

**David E. Veleta, Senior Administrative Law Judge**

On February 4, 2020, the German Township Water District (“German Township”) 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 February 20, 2020, the Commission’s Water and Wastewater Division issued a Memorandum stating that the Application was complete.

On May 5, 2020, German Township filed a request to modify the procedural schedule for this proceeding, which was granted by the Presiding Officers on the same day. On September 25, 2020, German Township filed a supplemental application in this proceeding. On November 2, 2020, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Report in this matter. On November 6, 2020, German Township 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.** German 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. German 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 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 German 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. German Township’s Characteristics.** German Township is a not-for-profit water utility serving approximately 4,844 customers in an area surrounding German Township in Vanderburgh County. German Township purchases its water on a wholesale basis from the City of Evansville.

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 normal operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** German Township's last rate order was issued on March 26, 2003 in Cause No. 42282. In its Application, German Township requested a 2.76% rate increase, which would increase its annual operating revenues by \$48,889 for operational costs and maintenance projects. German Township filed a supplemental application where the percent increase remained 2.76% with a decrease of \$32 in revenues.

5. **OUCC's Report.** The OUCC's Report was prepared by Richard J. Corey and Carl N. Seals. The OUCC proposed a rate increase of 2.44% or \$43,207 of additional revenue for German Township, a decrease of (\$5,650) from the Supplemental Application proposed. The OUCC accepted German Township's proposed \$238,800 extensions and replacements and proposed revenues at current rates and interest income amounts. The OUCC agreed with German Township's proposed operating expense adjustments to purchased water, IURC fee, miscellaneous expense and proposed conditions to salaries and wages, employee benefits, taxes other than income and pension expense. The OUCC agreed with German Township's adjustments to periodic maintenance expense, disallowed expense, and rate case expense. The OUCC requested that German Township should file within 90 days of the issuance of the order a report which certifies that the two additional employees, which have been included in labor expenses, have been hired. If the employees have not been hired, German Township's rates should be adjusted to reflect the reduction of its operating costs by the expense of hiring these two individuals otherwise allowed in rates. The OUCC also recommended that German Township segregate funds for future tank maintenance in a restricted account.

6. **German Township's Response.** In its Response to the OUCC's Report, German Township agreed to the OUCC's proposed across-the-board rate increase of 2.44%. German Township noted that the OUCC's recommendation requiring German Township to segregate funds for future tank maintenance in a restricted account is unnecessary, but did not object to it in interest of progressing this case. Additionally, German Township agreed to file a report within 90 days regarding the two employees and will inform the Commission and OUCC in advance if it appears unable to fill the proposed positions within the time-frame.

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. German Township and the OUCC proposed the following revenue requirements:

	<u>Applicant Filing</u>	<u>Per OUCC</u>	<u>Difference</u>
<b>REVENUE REQUIREMENTS:</b>			
Operating Expenses (includes taxes, not depreciation)	\$ 1,580,930	\$ 1,582,191	\$ 1,261
Taxes other than Income	39,216	32,313	\$ (6,903)
Extensions and Replacements	238,800	238,800	-
			-
Total Revenue Requirements	1,858,946	1,853,304	(5,642)
Less: Interest Income	(8,657)	(8,657)	-
Net Revenue Requirements	1,850,289	1,844,647	(5,642)
Less: Other Revenues Not Subject to Increase	30,519	30,519	-
Less: Pro Forma Present Rate Operating Revenue:	1,770,977	1,770,977	-
Revenue Increase Required Excluding Taxes	48,793	43,151	(5,642)
Add: IURC fee	63	56	7
<b>Recommended Increase</b>	<u>48,857</u>	<u>43,207</u>	<u>5,650</u>
<b>Recommended Percentage Increase</b>	2.76%	2.44%	-0.32%

Based on the evidence presented, we find that an across-the-board rate increase of 2.44% (as proposed by the OUCC in its Report and agreed to by German Township in its Response) for an annual revenue increase of \$43,207 is reasonable and in the public interest and, therefore, is approved.

**B. Restricted Account.** The OUCC proposes German Township place \$51,933 each year during the life of the rates in a restricted account and hold funds in the account until used for tank maintenance expenses. German Township replied that segregating funds for future tank maintenance in a restricted account is unnecessary but will not object to it in interest of progressing this case. We find that German Township shall place the funds for tank maintenance in a restricted account as it ensures these funds cannot be used for other purposes.

**C. Post-Order Compliance Reporting Requirements.** German Township agreed to provide the following post-order compliance to the Commission and OUCC: (1) tank maintenance restricted account notification and (2) a report within 90 days regarding whether Applicant has hired the two employees. We find these post-order compliance filings reasonable and in the public interest.

**8. Alternative Regulatory Program (“ARP”).** If German 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 \$786,815. This amount excludes \$795,376 approved for purchased water Taxes Other Than Income of \$32,313 and Extensions & Replacements of \$238,800 are also eligible expenses to which the Annual Cost Index will be applied. All other components of German Township’s revenue requirement will

remain unchanged.

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

1. German Township is authorized to increase its monthly recurring rates and charges by 2.44% for an annual net revenue increase of \$43,207 so as to produce net annual revenues of \$1,844,647.

2. Prior to implementing the rates and charges authorized in this Order, German 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.

3. German Township shall file a report within 90 days regarding the hiring of two employees and will inform the Commission and OUCC in advance if it appears unable to fill the proposed positions within the time-frame.

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

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

**APPROVED: DEC 23 2020**

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

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