

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF TRI-TOWNSHIP WATER CORPORATION TO MODIFY ITS AUTHORIZED LONG-TERM DEBT AUTHORITY AND FOR APPROVAL OF AN ASSOCIATED INCREASE IN ITS RATES AND CHARGES) CAUSE NO. 45563 U S1) APPROVED: MAY 18 2022)

ORDER OF THE COMMISSION

Presiding Officers:
Stefanie N. Krevda, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On April 5, 2022, Tri-Township Water Corporation (“Applicant” or “Tri-Township”) filed a Motion requesting establishment of a subdocket to Cause No. 45563 U to allow consideration of an increase in the amount of long-term debt authorized in the Commission’s January 19, 2022 Order (“45663 U Order”) and an associated increase in the utility’s water rates and charges. Applicant indicated the increase is needed due to higher than anticipated bids for the system improvements approved in the 45663 U Order and the unavailability of a \$25,000 State Revolving Fund grant. The Indiana Office of Utility Consumer Counselor (“OUCC”) had no objection to the Motion. On April 11, 2022, the Presiding Officers granted the Motion and this subdocket was established.

On April 12, 2022, Applicant filed its supplemental testimony and exhibits of Douglas L. Baldessari, CPA. Applicant also filed proof of publication of the notice required by 170 IAC 14-1-2(b) on April 18, 2022. On April 19, 2022, the OUCC filed the testimony of Shawn Dellinger, Utility Analyst in the Water/Wastewater Division. On April 22, 2022, Applicant filed the rebuttal testimony of Mr. Baldessari.

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. Tri-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. Tri-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 notice of this Cause was given and published as required by law. Therefore, the Commission has jurisdiction over Tri-Township and the subject matter of this proceeding.

2. **Applicant's Characteristics.** Tri-Township is a not-for-profit corporation that provides water utility service to approximately 3,885 customers in Dearborn and Franklin counties in southeastern Indiana. Applicant's principal office is in Lawrenceburg, Indiana. Its water system includes five wells in a single well-field and two treatment plants, which rely on three elevated storage tanks and two ground storage tanks within its service territory.

3. **Background and Relief Requested.** Tri-Township's current rates were approved by the Commission in Cause No. 45563 U on January 19, 2022. Applicant requests the Commission amend its January 19, 2022 Order to allow an increase in the amount of long-term debt authorized for utility system improvements and an associated increase in the utility's water rates and charges.

4. **Applicant's Direct Evidence.** Mr. Baldessari explained that Tri-Township requests the Commission increase the amount of borrowing authority authorized in the 45663 U Order because the actual bids received (\$5,193,000) were higher than the anticipated bids (\$4,513,000) for the approved system improvements. He stated Applicant requests approval of an increase to its borrowing authority from \$4,488,000 to \$5,193,000. In addition, due to the increase in borrowing authority, Tri-Township also seeks to increase its rates and charges by 47.73% as compared to the 44.29% authorized in the 45663 U Order.

Mr. Baldessari provided schedules showing the amended project cost, revenue requirements, debt service, and present and proposed rate schedules.

5. **OUCC's Evidence.** Mr. Dellinger testified the OUCC recommends approval of Applicant's request. He testified the higher bids were not due to an increase in the scope of work and the bid process appears to have been adequate. He also noted that the unavailability of the State Revolving Fund Asset Management Grant of \$25,000 was unfortunate but beyond Tri-Township's control. He stated that Tri-Township may consider delaying the projects until the supply chain issues and lack of contractor resources subside.

Mr. Dellinger agreed with Tri-Township's proposed 2% interest rate, amortization tables, and projected cost of debt. He noted Applicant's revised debt service costs would be \$103,860 in Phase 1 and \$136,285 in Phase 2. Additionally, debt service reserve costs would not change. Mr. Dellinger also noted that there appeared to be a typographical error in Applicant's operation and maintenance expense, which should be \$10 higher than indicated (i.e., \$933,846 per year).

Finally, Mr. Dellinger recommended the true-up requirements from the 45663 U Order continue to apply.

6. **Applicant's Rebuttal Evidence.** Mr. Baldessari testified Tri-Township considered not moving forward with the current bids but indicated the projects are needed now. He also noted the uncertainty concerning if or when the supply chain issues will subside and the increasing interest rate environment. Mr. Baldessari also expressed agreement with the OUCC's identification of the typographical error in Applicant's operation and maintenance expense amount. Finally, Mr. Baldessari proposed that this filing serve as the true-up required by the 45663 U Order since the interest rate and construction bid amounts are known.

7. Commission Discussion and Findings.

A. Applicant's Borrowing Authority. In the 45563 U Order, the Commission authorized Tri-Township to issue long-term debt not to exceed \$4,488,000. The findings and conclusions in that Order were based on Applicant's estimated costs of the proposed system improvements. Since that time, Applicant has received actual bids for the proposed system improvements that were higher than originally estimated. The evidence demonstrates agreement between the parties that Applicant's authority to issue long-term debt should be increased to \$5,193,000 and that such debt is reasonably necessary in the operation and management of the utility to complete the system improvements needed to provide adequate water services and facilities. The evidence also demonstrates the increase in financing authority will not result in the total outstanding capitalization of Applicant exceeding the fair value of Applicant's property.

Accordingly, we find Applicant's authorization to issue long-term debt should be amended to not exceed \$5,193,000. In addition, although Applicant requested that no additional true-up filing be required, we find that Applicant should be required to demonstrate the bonds were issued. Thus, within 30 days of closing on the debt, Tri-Township shall file a report under this Cause providing the final terms of the loan, including the amortization table and a revised tariff.

B. Applicant's Rate Increase. Due to the higher than estimated debt service payments associated with the increase in long-term debt, Tri-Township requests approval to increase its rates and charges by 47.73% as compared to the 44.29% authorized in the 45663 U Order. The OUCC recommended approval of Applicant's request.

Accordingly, based on the evidence presented, we find Tri-Township is authorized to increase its rates and charges, inclusive of the rate increase approved in the 45563 U Order, by 47.73% to generate additional revenues of \$452,271. This increase will be implemented in two phases. Tri-Township is authorized an increase of 18.24% in Phase 1, which will be implemented upon issuance of this Order, and an increase of 24.68% in Phase 2, which will be implemented upon issuance of the debt authorized in this Order. Because the 45564 U Order authorized a 19.12% increase in Phase 1, which has already been implemented, Tri-Township shall file revised tariffs reflecting the lower 18.24% Phase 1 increase authorized in this Order.

8. Effect on Rates. A residential customer using 5,000 gallons per month would experience an increase in Phase 1 of \$3.60 per month from \$19.85 to \$23.45 and in Phase 2 of \$5.59 per month from \$23.64 to \$29.23.

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

1. Tri-Township is authorized to increase its rates and charges by 47.73%, consisting of a Phase 1 increase of 18.24% and a Phase 2 increase of 24.68%, to generate additional revenues of \$452,271.

2. Tri-Township is authorized to issue long-term debt not to exceed \$5,193,000 as

approved herein. Within 30 days of debt issuance, Tri-Township shall file a report under this Cause providing the final terms of the loan, including the amortization table and a revised tariff.

3. Prior to implementing the rates and charges authorized in this Order, Tri-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.

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

HUSTON, FREEMAN, KREVDA, AND ZIEGNER CONCUR; OBER ABSENT:

APPROVED: MAY 18 2022

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

Dana Kosco
Secretary of the Commission