

ORIGINAL
STATE OF INDIANA


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INDIANA UTILITY REGULATORY COMMISSION

BATTLE GROUND CONSERVANCY DISTRICT) CAUSE NO. 43088 U
APPLICATION FOR RATE CHANGE UNDER)
THE PROVISIONS OF INDIANA CODE § 8-1-2-61.5) APPROVED: MAR 07 2007

BY THE COMMISSION:
Aaron A. Schmoll, Administrative Law Judge

On July 25, 2006, Battle Ground Conservancy District (“Battle Ground” or “Petitioner”), filed with the Indiana Utility Regulatory Commission (“Commission”) its Small Utility Application for a Rate Change pursuant to Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. The rate change being sought by Battle Ground was an increase of 100.45% above current rates. On August 8, 2006, the Commission issued a memorandum stating Petitioner’s application was complete.

On November 2, 2006, as required by 170 IAC § 14-1-4(a), the Indiana Office of Utility Consumer Counselor (“OUCC”) filed a report in regard to the proposed rate change that recommended the Commission approve a rate increase of 70.30% above current rates. On January 19, 2007, counsel for OUCC electronically submitted a joint proposed order.

Pursuant to Ind. Code § 8-1-2-61.5, a formal public hearing is not required in rate cases involving small utilities with fewer than 5,000 customers, unless a hearing is requested by at least ten customers, a public or municipal corporation, or by the Public. Only one customer request for a hearing was received by the OUCC, and accordingly, no hearing has been held.

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

1. Commission Jurisdiction and Notice. Petitioner provides water service to approximately 655 customers in and around the town of Battle Ground in Tippecanoe County, Indiana. Petitioner’s evidence indicates that it has mailed to each of its customers a notice of the filing of its Application for rate change, as required by 170 IAC 14-1-2(b)(2). The Commission finds that due, legal and timely notice of the matters in this Cause was given and published as required by law. The Commission therefore has jurisdiction over the Petitioner and the subject matter of this cause.

2. Petitioner’s Characteristics. Petitioner is a conservancy district that was created in 1986 for the sole purpose of receiving and operating a water utility then operated by the Town of Battle Ground. At the time Battleground began operating the water utility, it adopted the rates and charges that had been used by the municipality. Since its inception, Battle Ground has never filed a rate case. Battle Ground’s twenty years without a rate increase may be explained by its ability, as a conservancy district, to impose tax levies to supplement the monies it collects through rates and charges. In past years, Battleground has consistently relied on tax levies to pay for expenses over and above those that were covered through the utility’s rates and charges. During the past six years (2001- 2006), the conservancy district has levied an average of \$42,593 per year. In 2006, Battle Ground imposed a tax levy of \$87,065. After some large tax-exempt entities became customers of Battle Ground Conservancy District, its board of directors expressed its desire, in the interest of fairness to all customers, to seek approval to increase its water rates, and minimize the need for tax levies.

3. **Test Period.** The test period selected for determining Battle Ground's revenues and expenses reasonably incurred in providing water utility service to its customers includes the twelve (12) months ending March 31, 2006. With adjustments for changes that are fixed, known and measurable, the Commission finds that this test period is sufficiently representative of Battle Ground's normal operations to provide reliable data for ratemaking purposes.

4. **Operating Revenue.** Battle Ground calculated its pro forma present annual operating revenue to be \$279,389. The OUCC disagreed with this amount in its report and proposed a revenue requirement of \$ 239,087. The OUCC and Petitioner later agreed that a revenue requirement of \$264,087 is appropriate, as discussed below.

5. **Revenue Requirements.** As noted above, in its application Battle Ground requested a 100.45% rate increase. In its Report, the OUCC recommended an increase of 70.30%. Part of this difference is explained by the OUCC offsetting Battle Ground's total revenue requirement by \$7,200 for antenna rental income and \$3,400 for tap fees. The OUCC also included \$1,008 of test year forfeited discounts (late fees) in revenues subject to increase and made other minor operating expense adjustments. While not necessarily agreeing with the OUCC's adjustments, in the interest of resolving this matter Petitioner did not object to these adjustments. Most of the difference between the two revenue requirements was caused by the OUCC's position that, based on the conservancy district's past practice of levying a property tax to pay for expenses and its future intent to levy at least some tax to pay for expenses that may arise, a \$30,000 annual tax levy should be assumed. In its schedules, the OUCC subtracted \$30,000 from Petitioner's revenue requirement. Petitioner's regulatory accountant contacted the OUCC and noted that it was Petitioner's desire to significantly reduce its reliance on the property tax levy and that the \$30,000 reduction would effectively require Petitioner to continue to levy at least \$30,000 annually. Thereafter, the OUCC and Petitioner informally agreed to the substance of this order, which would reflect an assumption for rate making purposes that Petitioner would be imposing an annual tax levy of only \$5,000 and reduce the revenue requirement by only that amount. The OUCC acknowledged that Battle Ground is not consenting to a continuation of such a reduction beyond the scope of this order.

The OUCC also withdrew its recommendation that Petitioner be required to seek a rate increase once it levied more than \$50,000 in a given year in order to meet its expenses. In lieu of that requirement, the parties agreed that Petitioner would be required to advise the OUCC on an annual basis of the amount of the levy imposed. We find the revenue requirement and the reporting requirement to be reasonable.

6. **Other Recommendations.** In addition, its Report the OUCC also recommended that Petitioner update its nonrecurring charges and develop a long range plan for its plant and facilities for the next ten to fifteen years by the end of 2007. The Commission finds these recommendations reasonable. With respect to a long range plan, Petitioner should seek to initiate such planning as soon as funds are available, and this plan should be filed with the Commission and the OUCC prior to any subsequent rate case.

7. **Summary.** A summary of the findings, including revenue requirements, which are no longer in dispute in this Cause, are illustrated in the following table. It is our finding that the revenue requirements contained in this table should be approved.

Revenue Requirements

Operating Expenses	\$ 242,757
Taxes other than Income	7,422
Extensions and Replacements	<u>34,459</u>
Total Revenue Requirements	284,638
Less: Interest Income	(2,263)
Tap Fees	(3,400)
Antenna Rental	(7,200)
Property Tax Levy	(5,000)
Other Income Adjustments	<u>(2,688)</u>
Net Revenue Requirements	264,087
Less: Present Rate Revenue Subject to Increase	<u>(140,389)</u>
Net Revenue Increase Required	\$ 123,698

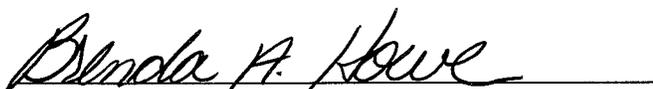
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Consistent with the above findings, Battle Ground is hereby authorized to increase its rates and charges by \$123,698 annually, so as to produce total annual revenue of \$264,087, which represents an 88.11% across-the-board increase in its rates and charges. Petitioner shall report any amounts levied on an annual basis, consistent with Paragraph 5 of this Order.
2. Prior to placing into effect the rates and charges approved herein, Battle Ground shall file a schedule of rates and charges in accordance with Commission rules for filing utility tariffs, which shall be prepared for the purpose of accomplishing the findings set forth above, with the Water/Sewer Division of the Commission. When filed with the Commission, such Tariff shall cancel all prior rates and charges.
3. Within 30 days of the date of this Order, Battle Ground shall file with the Water/Sewer Division updated non-recurring charges consistent with the Commission's 30-day filing process. Petitioner shall also conduct long range planning consistent with Paragraph 6 of this Order.
4. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, LANDIS, SERVER AND ZIEGNER CONCUR:

APPROVED: MAR 07 2007

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



**Brenda A. Howe
Executive Secretary to the Commission**