

TITLE 170 INDIANA UTILITY REGULATORY COMMISSION

COST-BENEFIT ANALYSIS

LSA Document #12-442

I. Statement of Need.

A. Intention of rule.

This rule is intended to address a state statutory requirement. HEA 1126 added IC §8-1.5-3-8.3, which allows either the municipality or customers living outside the municipality to petition the Indiana Utility Regulatory Commission to review, and adjust, if necessary, certain utility rate differentials. IC§ 8-1.5-3-8.3(k) provided that the Commission may adopt rules in order to implement the new legislation.

The Commission estimates the following will be affected by the rule:

1. Individuals: None.
2. Businesses: None.
3. Number of municipalities that may be affected: There are approximately one hundred eighty (180) municipalities with unregulated water and wastewater utilities that may be affected by this rule.

B. Policy or goal of rule.

1. The purpose of this rule is to implement IC §8-1.5-3-8.3 by setting a procedural timeline and the form and manner in which the petitions are to be filed. The proposed rule includes sample petitions for both customers and the municipalities, which should save time and money for the Commission and the petitioners who elect to file under this section.

2. Harm resulting from the conduct above.

IC §8-1.5-3-8.3 addressed a relatively common situation where a municipality imposes higher utility rates and charges on customers who live outside the municipality than those imposed on the customers living inside the municipality. Section 8.3 provides that either the outside customers or the municipality may petition the commission for review of the rate differential to determine whether they are non-discriminatory, just and reasonable. Prior to the enactment of this legislation, there was not a forum under which the affected customers or municipality could obtain an impartial review of the rate differentials to determine whether they are reasonable, non-discriminatory, and just.

3. Involvement of the regulated entities in rule development.

There are no regulated entities to be involved in the rule development. There are approximately 180 unregulated municipal water and wastewater utilities that will have an opportunity to comment on the rule at the public

hearing.

4. Commission methodology.

Because the rule establishes Commission procedures, internal discussions determined the development of the rule.

II. Evaluation of Costs and Benefits.

A. Estimated primary and direct benefits.

The rule should save both time and money for the Commission, for the municipalities, and for the customers who elect to file a petition under the new legislation, by providing clear guidelines and sample petitions for the parties.

B. Estimated secondary or indirect benefits.

The rule provides a process by which customers and/or the municipality can seek Commission review, and if necessary, adjustment of certain rates and charges, which should ultimately result in utility rates that are non-discriminatory, just and reasonable.

C. Estimated compliance costs.

There are no additional compliance costs that will be imposed by this rule on regulated utilities, the Indiana Office of Utility Consumer Counselor, or the Commission.

D. Estimated administrative expenses.

There are no additional administrative expenses that will be imposed on the Indiana Office of Utility Consumer Counselor or the Commission.

E. Estimated cost savings to regulated entities.

This rule does not apply to regulated utilities. The legislation applies only to non-regulated water and wastewater municipal utilities. There are approximately 180 of such entities in the State. This rule will not impose any significant additional costs as any documentation that the utilities are required to submit for Commission review are records that they should already have readily available. In addition, the rule provides a sample petition which should result in savings of time and money for the Commission and the utilities.

F. Sources consulted and methodology used.

As the purpose of this rule is to implement new legislation concerning Commission review of certain rates and charges, the methodology for its development was based primarily on internal discussions with Commission staff regarding the legislation's specific requirements.

III. Examination of Alternatives.

A. Alternatives defined by statute.

The rule is consistent with the specific statutory requirement and clearly within the agency's statutory discretion. It is the opinion of the General Counsel's Office of the Commission that there are no alternatives to the proposed rule that will result in implementing the statutory intent of IC §8-1.5-3-8.3.

B. The feasibility of market oriented approaches.

It is not feasible for the market to remedy the alleged harm the rule is intended to regulate. The rule is a guideline for both petitioners and the Commission in specific cases where parties are challenging certain rates and charges, the subject matter of which is clearly within the jurisdiction of the commission.

C. Measures to improve the availability of information, as an alternative to regulation.

This rule clarifies the procedural timeframes and the information that utilities shall provide to the Commission in order for it to perform the rate review. It provides information and clarity regarding the process and should therefore minimize regulatory inefficiencies.

D. Various enforcement methods.

Enforcement measures are not applicable to the proposed rule.

E. Performance standards rather than design standards.

The proposed rule is the least stringent means of updating and clarifying the process under which customers and unregulated utilities can seek Commission review of certain rates and charges.

F. Different requirements for different sized regulated entities.

This rule is applicable only to rate challenges pertaining to unregulated municipal water and sewer utilities. No additional performance standards or design standards are imposed by the proposed rule.

G. Establish a baseline.

No additional costs or requirements are imposed by this rule; therefore, different requirements for different sized firms are not applicable to this rule.

H. Different compliance dates.

Compliance dates are not applicable to this rule.

I. Redundancy.

The proposed rule does not duplicate standards already found in state or federal law.

IV. Total Estimated Impact.

No independent verification or studies exist regarding the policy rationale and types and quantifications of the costs and benefits of the proposed rule.

V. Sources Relied On.

For the preparation of this cost benefit analysis and other financial impact statements, the General Counsel's Office of the IURC relied on discussion with Commission staff and documents on file with the Commission.

The total estimated impact is **NOT** greater than \$500,000 on all regulated persons.