

## **Memorandum**

**To:** Chairman Huston

**From:** E. Curtis Gassert, Water/Wastewater Division Director

**Date:** November 27, 2024

**Re:** Summary Results of Periodic Review for Calendar Year 2023

Indiana Code § 8-1-2-42.5 requires the Commission to conduct a review of the basic rates and charges of all public, municipally owned, and cooperatively owned utilities. Utilities serving less than 8,000 customers are exempt from such a review as described in Indiana Code § 8-1-2-61.5.

Additionally, Indiana Code § 8-1-2-16 requires that a utility's accounting books and records be closed on the last day of December with the balance sheet and other information prescribed by the Commission filed on or before April 30 of the following calendar year. The Commission's administrative rules (170 IAC) prescribe the accounting and reporting requirements adopted by the Commission for each industry.

The Commission's Water/Wastewater Division conducted the periodic review as described in the Commission's GAO 2018-01 ("GAO"). Part of this process is a Level 1 review, and if necessary, further review is conducted in Level 2. The Water/Wastewater Division Staff analyzes the rate of return experienced by the utilities and what the utilities have been authorized to earn through Commission Orders for the investor-owned utilities. For the municipal and not-for-profit utilities, the actual operating revenue is compared to the authorized operating revenues. The primary threshold for a Level 1 review, depending on the utility type, is if the actual return (i.e., investor-owned utilities) or actual operating revenue (i.e., municipally-owned, not-for-profit, and cooperatively-owned) exceeds authorized return or authorized revenue by 10% or more.

Data contained in the utility's annual report was utilized by the Water/Wastewater Division to conduct a periodic review for the following water utilities:

1. Anderson Water Utility
2. Bloomington Water Utility
3. Citizens Water
4. Citizens Water of Westfield<sup>1</sup>
5. Columbus Municipal Water
6. Elkhart Municipal Water
7. Evansville Municipal Waterworks
8. Fort Wayne Water Utility
9. Lafayette Municipal Water Works
10. Marion Municipal Utilities

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<sup>1</sup> Citizens Water of Westfield cannot be evaluated because the first general rate case since Citizens Energy Group acquired the water assets from the City of Westfield in 2013 in CN 44273 was approved on November 27, 2024.

11. Michigan City Department of Waterworks
12. Schererville Municipal Water
13. South Bend Water Works

The following water utility exceeded the Level 1 threshold as prescribed in the GAO and was subject to a Level 2 review:

1. Lafayette Municipal Water Works

Lafayette Municipal Water Works (“Lafayette”) had excess authorized revenue of 13.77% which exceeded the Level 1 threshold of 10.00% based on staff’s comparison of authorized revenues of \$10,705,541 in Cause No. 45006 (5/16/2018).<sup>2</sup> The actual revenues from the 2023 Annual Report were \$12,180,115.

Staff conducted a Level 2 review, which includes the collection of data and information beyond that contained in the utility’s most recent annual report. For ratemaking, municipal utilities revenues are established to be sufficient enough to pay operating expenses, depreciation expense or extensions and replacements (“E&R”), debt service, and working capital.

On page F-6 of its Annual Report, Lafayette reported it only spent \$244,834 on E&R, well below its authorized amount of \$1,816,234. Based on correspondence with Lafayette last year, the \$244,834 is the portion of its authorized E&R which needed to be in a restricted account. Staff reviewed the plant additions reflected by the difference between the Utility Plant in Service from 2022 to 2023 and considered contributed plant. This amount, \$2,424,799, is substantially higher than the E&R approved in Lafayette’s last rate case, Cause No. 45009, \$1,816,234. Therefore, to be conservative, staff entered the E&R from CN 45009. If Lafayette had spent only its authorized amount, the utility would have excess authorized revenues of 5.71% as shown below, which is below the 10% threshold.

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<sup>2</sup> Adjusted downward to reflect the repeal of the Utility Receipts Tax implemented in 30-day filing 50514.

Line No.		Per Calendar Year 2023
	<b>OPERATING SECTION</b>	
1	Operating Revenues	\$ 12,180,115
	<b>REVENUE REQUIREMENTS</b>	
2	Operating Expenses ( <i>include taxes, not depreciation</i> )	8,668,732
3	Debt Service	1,342,454
4	Debt Service Reserve	
5	Extensions and Replacements	1,816,234
6	Working Capital ( <i>if allowed in last rate case</i> )	
7	Less: Interest Income	342,298
8	Other Income	
9	Total Revenue Requirements ( <i>Lines 2 through 8</i> )	11,485,122
10	Excess or (Deficit) Revenues ( <i>Line 1 less Line 9</i> )	\$ 694,993
11	Percent of Excess or (Deficit) ( <i>Line 10 divided by Line 1</i> )	5.71%

Data contained in the Annual Reports was utilized by the Water/Wastewater Division Staff to conduct a periodic review of the following wastewater utilities:

1. CWA Authority
2. Citizens Wastewater of Westfield
3. Aqua Indiana, Inc. Aboite Division<sup>3</sup>

No wastewater utility exceeded the Level 1 threshold as prescribed in the GAO.

Data contained in the utility's Annual Report provided to the Commission was utilized by the Water/Wastewater Division Staff to conduct a periodic review of the following combined water/wastewater utilities:

1. Indiana-American Water

No combined water/wastewater utility exceeded the Level 1 thresholds as prescribed in the GAO.

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<sup>3</sup> Aqua Indiana provided annual reports for each of its divisions for the year 2022. The only division with greater than 8,000 customers is the Aboite division. When the 2023 division reports are filed, staff will perform the periodic review for that year as well.