We are here to help!

The Indiana Utility Regulatory Commission understands small utility resources are limited. The Alternative Regulatory Procedure provides participants with an opportunity to increase rates annually, as well as a road map to improve managerial and operational efficiencies with little to no additional costs.

For more information about the IURC and rules and regulations for utilities, please visit the following websites:

Indiana Utility Regulatory Commission:
www.in.gov/iurc

Indiana Code:
www.in.gov/legislative/ic/code/title8

Indiana Administrative Code:
www.in.gov/legislative/iac/title170

Commission Contact Information:

Director of Water/Sewer Division
Indiana Utility Regulatory Commission
101 W. Washington Street
Suite 1500 E.
Indianapolis, IN 46204

Main Switchboard: 317.232.2701
Toll Free: 1.800.851.4268
Fax: 317.232.6758

Contact us for more information regarding services offered to small utilities.

Indiana
Utility Regulatory
Commission

Alternative Regulatory Procedure for Small Utilities

What is it?

Utilities serving fewer than 3,000 customers have the option to implement annual rate increases by participating in the Alternative Regulatory Procedure (ARP). However, the utility must comply with certain requirements, which are aimed at motivating the utility to improve its financial, managerial, and technical capacities.

Do we qualify?

To be eligible for the ARP, a utility must have received a general rate Order from the Commission on or after January 1, 2011 and serve fewer than 3,000 customers.

What are the filing procedures?

A utility will file its request under a procedure similar to the Commission's existing 30-day filing procedure outlined in 170 IAC 1-6. Like the 30-day filing process, the ex parte rules will not apply, and the Office of Utility Consumer Counselor (OUCC) will have an opportunity to respond to the utility's filing.

The Annual Cost Index will be published by the Commission by January 31st each year. Utilities will be able to file requests any time after January 31 for their annual increase. The Commission's goal is to approve requests within 60 days of receiving the filing.

How often can rate increases be implemented?

Participating utilities may increase base rates annually up to five times. However, a utility may not implement an annual increase during the 12-month period following the utility's most recent rate Order. After receiving an increase via the ARP, the next annual increase request will not be approved until 12 months have passed since the last annual rate increase.

A utility electing to forgo an annual increase will not be allowed to apply the prior year's Annual Cost Index to eligible expenses.

When does the ARP terminate?

After five annual increases, a utility will not be eligible to apply for another annual increase until it has filed a Petition or Small Utility Rate Application for a general rate increase. The utility will be provided six years after its rate Order to implement the five increases. For a utility that wishes to participate in this program and received a rate Order on or after January 1, 2011, but before the program was approved on March 14, 2013, six years will be provided from the March 14th date this program was approved.

How is the Annual Cost Index calculated?

The index is calculated using the following categories and weightings from the U.S. Bureau of Labor Statistics:

- 47.51% Employment Cost Index
- 10.53% Industrial Electric Power Producer Price Index
- 2.70% Industrial Chemical Producer Price Index
- 39.26% Consumer Price Index.

What are the requirements for yearly increases?

A utility must meet the following requirements every year:

- Current with IURC requirements
- Supply IDEM required information
- Indiana 811 membership

Additionally, a utility must complete four elective items each year for the first three annual rate increases. To qualify for the fourth annual rate increase, a utility must complete five elective items. To qualify for the fifth annual rate increase, a utility must complete six items. Most elective items can be used each year for all five increases, provided the conditions are met each year. The elective items include management, operational, and educational requirements.

www.in.gov/iurc

Which expenses are eligible for annual increases?

Generally, the following expenses are eligible:

Municipal and Not-For-Profit Utilities	
Revenue Requirement	**Eligible**
Operating Expenses[1]	Yes
Extensions and Replacements	Yes
Depreciation Expense	No
Debt Service	No
Debt Service Reserve	No
Working Capital	No
Interest Income	No

Investor-Owned Utilities	
Revenue Requirement	**Eligible**
Operating Expenses[2]	Yes
Depreciation Expense	No
Income Taxes	No
Net Operating Income[3]	No

1 Including Taxes and PILOT
2 Including Taxes other than income
3 Rate base x weighted cost of capital

Are there other considerations?

- Purchased water as well as wastewater treatment expenses are excluded but increased through the existing tracker mechanism as increases occur.
- If a loan is fully paid, ending debt payments, the debt service will be removed from the revenue requirement calculation.
- If a debt service reserve is amortized into rates, the amount amortized will be removed from the revenue requirement calculation when the amortization period ends.
- If working capital is amortized into rates, the amount amortized will be removed from the revenue requirement calculation when the amortization period ends.
- Interest income from last rate case will be used to offset revenue requirement.
- Revenue requirements subject to the increase will be identified in the utility's rate Order.