

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Copley)
 Square Water Company, Inc. for an) Case No. 06-1355-WW-AIR
 Increase in Rates and Charges.)

OPINION AND ORDER

The Commission, considering the above-entitled application, hereby issues its opinion and order in this matter.

HISTORY OF THE PROCEEDING:

Copley Square Water Company, Inc. (Copley Square, applicant, or company) is a public utility engaged in the business of providing water service to approximately 706 customers in Copley Township, Summit County, Ohio. Copley Square's current rates and charges were established by order of the Commission on April 24, 1997, in Case No. 96-573-WW-AIR.

On November 15, 2006, Copley Square filed an abbreviated application for authority to increase and adjust its rates and charges for supplying water service within its service area and requested a test year ending December 31, 2005, with a date certain of December 31, 2005. By entry issued December 20, 2006, the Commission approved the requested test year and date certain and accepted the application for filing as of December 15, 2006. The Commission's entry also directed Copley Square to commence publication of a description of the application, pursuant to the requirements of Section 4909.19, Revised Code. Subsequent to the public hearing, the Commission became aware that the applicant failed to publish notice of the application as directed by the December 20, 2006 entry. Consequently, by attorney examiner entry issued on August 30, 2007, the company was instructed to publish notice of the application. Interested persons were given until October 1, 2007, to file objections to the application.

Pursuant to Section 4909.19, Revised Code, Commission staff conducted an investigation of the application. On May 14, 2007, the staff filed a written report of its investigation (staff report). Copies of the staff report were served as required by statute. One customer filed a comment asserting that she is willing to pay the increase in rates provided the company redoubles its efforts to repair broken water lines when such breaks occur. No one filed objections to the application or requested intervention in this proceeding before the extended deadline of October 1, 2007.

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By entry issued June 22, 2007, the attorney examiner scheduled a local public hearing for July 19, 2007, and directed the company to publish notice of the hearing in accordance with the entry and the requirements of Section 4903.083, Revised Code.

LOCAL HEARING

The local public hearing was held on July 19, 2007, in accordance with the published notice. No public witnesses testified at the local public hearing.

COMMISSION REVIEW AND DISCUSSION:

This case comes before the Commission upon the application of Copley Square, pursuant to Section 4909.18, Revised Code, for authority to increase its rates and charges for water service. The rates proposed by Copley Square, when applied to the test year sales volume, would generate additional revenue of \$34,957, an increase of approximately 20.92 percent over current revenue. The staff proposed a slightly higher revenue requirement (\$34,972) and made various other recommendations. Because Copley Square did not file objections to the staff report, the staff's recommendations shall be adopted where supported by the record and consistent with Commission policy.

RATE BASE

The following information presents the staff's value of Copley Square's property used and useful in the rendition of water services as of the December 31, 2005, date certain (Staff Report, Sched. B-1):

Plant in Service	\$529,750
Less: Depreciation Reserve	<u>247,472</u>
Net Plant in Service	\$282,278
Plus: Working Capital	28,027
Plus: Accelerated Depreciation	<u>607</u>
Rate Base	\$310,912

The Commission finds the rate base recommended by staff to be reasonable and proper and adopts the valuation of \$310,912 as the rate base for purposes of this proceeding.

OPERATING INCOME

The following information reflects Copley Square's operating revenue, operating expenses, and net operating income for the 12 months ended December 31, 2005 (Staff Report, Sched. C-1):

<u>Operating Revenue</u>	
Water Sales Revenue	\$ 166,573
Other Operating Revenue	<u>494</u>
Total Operating Revenue	\$167,067
 <u>Operating Expenses</u>	
Operation and Maintenance	\$132,017
Depreciation	11,314
Taxes, Other Than Income	22,341
Federal Income Taxes	<u>209</u>
Total Operating Expenses	\$165,881
 <u>Net Operating Income</u>	 \$1,186

The Commission finds the staff's determination of Copley Square's operating revenue, operating expenses, and net operating income to be reasonable and proper. The Commission will, therefore, adopt these figures for purposes of this proceeding.

RATE OF RETURN AND AUTHORIZED INCREASE

A comparison of Copley Square's total operating revenue of \$167,067 with total operating expenses of \$165,881 indicates that, under its present rates, Copley Square would have net operating income of \$1,186. Applying this figure to the rate base of \$310,912 results in a rate of return of 0.3814 percent. It is clear that the applicant's present rates are inadequate to enable the company to earn a fair and reasonable rate of return on its rate base.

The Commission's staff has reviewed the financial condition of Copley Square and believes that under prevailing interest rates and general economic conditions, a rate of return in the range of 9.5 percent to 10.5 percent is fair and reasonable. As noted previously, no objections were filed to the staff report and the Commission believes that the range of 9.5 percent to 10.5 percent is fair and reasonable for the applicant.

Under the rates proposed in the application, the company has requested that it be authorized to increase its revenues by \$34,957. After making the necessary adjustments to taxes and other expenses which would result from granting the proposed new rates, total

allowable expense would increase to \$172,538. Thus, under the applicant's proposed rates, it would realize net operating income of \$29,486. When applied to the rate base of \$310,912, the net operating income of \$29,486 results in a rate of return of 9.48 percent. Although lower than the recommended rate of return on rate base, the Commission has held, in prior cases, that the rate relief granted in a case should be no greater than that requested by the company in its application. See *Columbia Gas of Ohio, Inc.*, Case No. 82-1151-GA-AIR (November 9, 1983), and *Toledo Edison Company*, Case No. 80-377-EL-AIR (April 9 1981). Therefore, the Commission finds that the 9.48 percent rate of return which results from the application of the company's proposed rates is fair and reasonable for purposes of this case and we will adopt this rate of return for purposes of this proceeding.

RATES AND TARIFFS

As part of its investigation in this matter, the staff reviewed the various rates, charges, terms, and conditions of service as set out in Copley Square's proposed tariffs. The staff, for the most part, found Copley Square's existing tariff provisions to be reasonable; however, in certain areas (*i.e.*, company photo identification, disconnections procedures, dishonored payments, notification of customer rights, and application form, map, and bill format), the staff made certain recommended revisions. Copley Square did not object to any of the recommendations in the staff report and the Commission adopts those recommendations. Copley Square, in preparing its revised tariffs, should carefully review the tariff recommendations set forth in the staff report at pages 11 through 17, and should work with the staff to ensure that the revised tariffs are consistent with the staff's recommendations prior to filing.

SERVICE MONITORING AND ENFORCEMENT

Also as part of its investigation, the staff conducted a review of Copley Square's plant facilities and operations. As a result of its investigation, the staff recommended that Copley Square paint all 40 fire hydrants within 180 days of the Commission's order in this proceeding, strip and paint the hydropneumatic tanks inside the water treatment facility in the next few years, adopt a system to automatically transfer emergency customer calls after hours and during weekends to a designated on-call person, and revise the company's disconnection notice to comply with Section 4901:1-15(D)(6), Ohio Administrative Code. We direct Copley Square to carefully review the staff report and to comply fully with all of the recommendations within the timeframes set forth in the staff report at pages 22 through 30. The staff should inform the Commission if Copley Square fails to comply with any of these recommendations in the future.

EFFECTIVE DATE

Following the issuance of this opinion and order, Copley Square should file four copies of its proposed tariffs and a proposed customer notice with the Commission. The Commission will review both the tariffs and the notice and, if appropriate, approve them by entry. After the Commission has approved the tariff, Copley Square shall file four complete, printed copies of the approved tariffs. Subsequent to Commission approval of the customer notice, Copley Square should prepare to notify its customers of the rate increase authorized in this opinion and order. Copley Square may mail the approved customer notice to its customers in a special mailing, insert the notice in the next regular cycle of customer bills, or combine these methods. Copley Square should notify the Commission of the method selected and, if the special mailing is utilized, the date the special mailing was completed. The newly approved tariffs will become effective on either the third day after the special mailing has been completed or 30 days after the entry approving the tariffs has been journalized (if the bill insert or a combination of methods is used). However, in any event, Copley Square must have filed four complete, printed, final copies of the approved tariff with the Commission before the tariffs can become effective. The new tariffs will become effective for all services rendered on and after the effective date of the tariffs.

FINDINGS OF FACT:

- (1) The value of Copley Square's property used and useful for the rendition of water and wastewater services to its customers, as of the date certain of December 31, 2005, is \$310,912.
- (2) For the 12-month period ending December 31, 2005, the test year in this proceeding, the total operating revenue, total operating expenses, and net operating income realized by the company under its present rate schedules were \$167,067, \$165,881, and \$1,186, respectively.
- (3) Income of \$1,186 represents a rate of return of 0.3814 percent on the rate base of \$310,912.
- (4) A rate of return of 0.3814 percent is insufficient to provide the company reasonable compensation for the water service rendered customers affected by this application.
- (5) A revenue increase of \$34,957, as requested by the company, will result in income of \$29,486. This level of income when applied to the rate base of \$310,912 yields a rate of return of approximately 9.48 percent.

- (6) A rate of return of approximately 9.48 percent is fair and reasonable under the circumstances presented by this case.
- (7) The revenue to which Copley Square is entitled for purposes of this proceeding is \$202,024.
- (8) Copley Square's present tariffs should be withdrawn and canceled and the applicant should submit new tariffs consistent in all respects with the discussion and findings set forth above.

CONCLUSIONS OF LAW:

- (1) Copley Square's application was filed pursuant to, and this Commission has jurisdiction of the application under, the provisions of Sections 4909.17, 4909.18, and 4909.19, Revised Code.
- (2) The staff report was filed and mailed, in accordance with Section 4909.19, Revised Code.
- (3) A public hearing was held and written notice of the hearing was published in accordance with Section 4903.083, Revised Code.
- (4) The existing rates and charges for water services are insufficient to provide Copley Square with adequate compensation and return on its property used and useful in the rendition of water services.
- (5) A rate of return of 9.48 percent is fair and reasonable under the circumstances of this case.
- (6) The company should be authorized to withdraw its current tariffs and to file tariffs consistent in all respects with this order.

ORDER:

It is, therefore,

ORDERED, That Copley Square's application for authority to increase its rates and charges for water services is granted to the extent provided in this opinion and order. It is, further,

ORDERED, That Copley Square is authorized to cancel and withdraw its present tariffs governing service to customers affected by this application and to file four complete copies of the new tariffs consistent with this order, the discussion and findings set forth above, and four copies of a proposed customer notice. Upon receipt of four complete copies of its tariffs conforming to this opinion and order and the customer notice, the Commission will review and approve the tariffs and notice by separate entry. It is, further,

ORDERED, That Copley Square shall notify its customers of the increase in rates authorized herein by insert or attachment to its billing, by special mailing, or by a combination of the above. It is, further,

ORDERED, That the effective date of the new tariffs shall be not earlier than three days after the notice has been mailed by special mailing to all customers or 30 days after the journalization date of the entry approving the tariffs if Copley Square elects to notify its customers in its regular billings. In either case, the applicant must have filed its four complete printed final copies of its tariffs with the Commission before such tariffs become effective. The new tariffs shall be applicable to all service rendered on or after the effective date. It is, further,

ORDERED, That Copley Square notify the Commission, in writing, of the notice procedure which will be employed. If the special mailing procedure is utilized, the applicant shall also notify the Commission in writing of the date the special mailing was completed. It is, further,

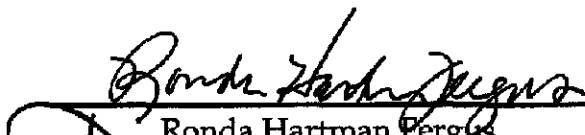
ORDERED, That a copy of this opinion and order be served upon all parties of record.

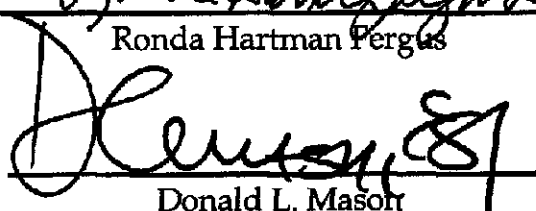
THE PUBLIC UTILITIES COMMISSION OF OHIO

Alan R. Schriber, Chairman


Paul A. Centolella


Valerie A. Lemmie

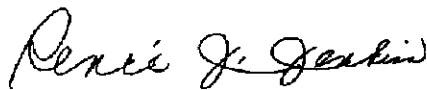

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JRJ/vrm

Entered in the Journal

OCT 17 2007



Renee J. Jenkins
Secretary