

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Amendment of Rule)
4901:1-15-35, Ohio Administrative Code,)
to Implement Revisions to Section)
4909.172, Revised Code.) Case No. 13-234-WS-ORD

FINDING AND ORDER

The Commission finds:

- (1) On December 20, 2012, Governor John Kasich signed into law Substitute House Bill 379 that, *inter alia*, permitted waterworks and sewage disposal system companies certain rate calculation adjustments, modified the provisions regarding water and sewer infrastructure improvement surcharges, and altered language regarding utility requirements for when rate increases may take effect in the absence of administrative action. This proceeding has been opened specifically to review Rule 4901:1-15-35, Ohio Administrative Code (O.A.C.), and the appendices thereto, in light of the modifications to the water and sewer infrastructure improvement surcharges statute, Section 4909.172, Revised Code.
- (2) In accordance with Section 121.82, Revised Code, in the course of developing draft rules, the Commission must evaluate the rules against the business impact analysis. If there will be an adverse impact on businesses, as defined in Section 107.52, Revised Code, the agency is to incorporate features into the draft rules to eliminate or adequately reduce any adverse impact. The Commission has reviewed the draft rule in accordance with Section 121.82, Revised Code, and has determined that the draft rule does not have an adverse impact on business, as defined in Section 107.52, Revised Code.
- (3) By entry issued on January 16, 2013, the Commission scheduled a workshop to be held at the offices of the Commission on February 15, 2013, to elicit feedback on revisions to the appendices to Rule 4901:1-15-35, O.A.C.,

proposed by Commission Staff (Staff) and to permit stakeholders to propose their own revisions to the rule and appendices for Staff's consideration.

- (4) The workshop was held as scheduled, however, no stakeholder comments were offered at that time.
- (5) Staff has evaluated Rule 4901:1-15-35, O.A.C., and the appendices thereto and only recommends removing specific examples for which a system infrastructure improvement charge may be adopted and replacing this language in Schedules 2 and 10 of the appendices, with a reference to recently modified Section 4909.172, Revised Code.
- (6) On February 27, 2013, the Commission issued Staff's proposed amendments to Schedules 2 and 10 of Rule 4901:1-15-35, O.A.C., for comment. Initial comments were to be filed by March 13, 2013, and reply comments filed by March 22, 2013. No comments concerning the proposed rules were filed by any stakeholder.
- (7) The Commission finds the Staff-proposed modifications to appendices Schedules 2 and 10 of Rule 4901:1-15-35, O.A.C., to be well-made and will, therefore, adopt the appendices schedules as amended. In order to avoid needless production of paper copies, the Commission will serve a paper copy of this finding and order only and will post the adopted, amended rule and appendices online at: www.puco.ohio.gov/puco/rules. All interested persons may download the adopted, amended rule and appendices from the above website, or contact the Commission's Docketing Division to be sent a paper copy.

It is, therefore,

ORDERED, That adopted, amended Rule 4901:1-15-35, O.A.C., and the appendices thereto should be filed with the Joint Committee on Agency Rule Review, the Secretary of State, and the Legislative Service Commission in accordance with divisions (D) and (E) of Section 111.15, Revised Code. It is, further,

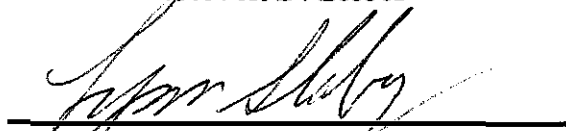
ORDERED, That the adopted, amended rule be effective on the earliest date permitted by law. It is, further,

ORDERED, That a copy of this finding and order, without the attached rule or appendices be sent to the Water industry service list, and served upon all regulated waterworks and sewage disposal utilities in the state of Ohio, the Ohio Consumers' Counsel, all parties of record in Case No. 11-5605-WS-ORD, and all other interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman
Steven D. Lesser

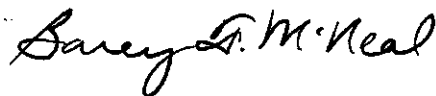
Andre T. Porter


Lynn Slaby

M. Beth Trombold

JRJ/dah

Entered in the Journal

APR 03 2013Barcy F. McNeal
Secretary

*****DRAFT - NOT FOR FILING*****

"No Change to Rule – Amending Appendix A"

4901:1-15-35 Information requirements for infrastructure improvement surcharge filings.

An application filed by a waterworks company and/or a sewage disposal system company for an infrastructure improvement surcharge under section 4909.172 of the Revised Code, should contain the basic information necessary to support the company's rate request and shall conform to the information filing requirements set forth in the appendix to this rule. If the company believes that additional information is necessary to support its case, the company should supplement its application as required to support its position. Also, the commission staff may require a company to supply information to supplement these requirements during the course of the staff's investigation.

Table of Contents

I. Minimum information filing requirements:

(A) General information

- (1) Testimony
- (2) Service areas
- (3) Legal notice
- (4) Certificate of service

(B) Schedules

- (1) Schedule 1 - Revenue requirement
- (2) Schedule 2 - Plant additions
- (3) Schedule 3 - Original cost retired
- (4) Schedule 4 - Provision for depreciation
- (5) Schedule 5 - Annualized depreciation associated with additions
- (6) Schedule 6 - Annualized reduction in depreciation for retirements
- (7) Schedule 7 - Rate of return
- (8) Schedule 8 - Net operating income return on rate base
- (9) Schedule 9 - Tariffs
- (10) Schedule 10 - Revenue distribution
- (11) Schedule 11 - Customer notice

II. Minimum information filing requirements:

(A) The company must file the following information as part of its application:

- (1) Testimony in support of the application.
- (2) An identification of service areas.
- (3) A proposed legal notice that includes:
 - (a) A summary of the effect of the application on ratepayers.
 - (b) The name, case number, and filing date of the proceeding before the Commission.
 - (c) A statement that interested parties may request a copy of the application from the applicant or may obtain a copy from the Commission's web site, along with a toll-

free telephone number for the applicant and the web site address for the Commission.

- (d) A statement that comments may be provided to the Commission. A space should be left in the statement so that the Commission can insert the deadline for filing comments.
- (B) A certificate of service of the application for the chief executive of each municipal corporation, the board of township trustees of each township, the board of county commissioners of each county in which affected customers are located, and each party to the applicant's last rate or surcharge case.
- (C) The company must provide the following schedules:
 - (1) Schedule 1 – Revenue Requirement

Provide a jurisdictional financial summary schedule showing the proposed rate base, pre-tax rate of return, and depreciation expense to arrive at a revenue requirement for the infrastructure improvement surcharge.

- (2) Schedule 2 – Plant Additions

List eligible infrastructure additions by major property grouping, account, and by month. Eligible infrastructure additions for waterworks and sewage disposal system companies are outlined in division (c) of section 4909.172 of the Revised Code. Such additions must be traceable directly to the general ledger and/or continuing property records, and are used and useful at date certain.

~~For a waterworks company, such infrastructure may consist of service lines for, and hydrants, mains, and valves installed as a part of, a replacement project for an existing facility. Main extensions that eliminate dead ends to resolve documented water supply problems presenting significant health or safety issues to then existing customers may also be included. Further, additions to infrastructure can include main cleaning or relining, and unreimbursed capital expenditures for facility relocation required by a government entity due to a street or highway project. Finally, minimum land or land~~

~~rights acquired by the company for any service line, equipment, or facility represents includable infrastructure.~~

~~For a sewage disposal system company, infrastructure includes mains and lift stations installed as part of a replacement project for an existing facility, main extensions that resolve documented sewage disposal problems presenting significant health or safety issues to then existing customers. Additionally, infrastructure includes main cleaning, inflow and infiltration elimination, or relining. Further, infrastructure may consist of unreimbursed capital expenditures for facility relocation required by a governmental entity due to a street or highway project. Finally, infrastructure may include minimum land or land rights acquired by the company for any service line, equipment, or facility.~~

(3) Schedule 3 – Original Cost Retired

List original cost of plant retired, of which there is an eligible replacement, by major property grouping, account, and by month. Such infrastructure is limited to what is identified above under Schedule 2, Plant Additions. Such costs must be traceable directly to the general ledger and/or continuing property records.

(4) Schedule 4 – Provision for Depreciation

List infrastructure provision for depreciation by eligible related plant account and by month. Such infrastructure is limited to what is identified above under Schedule 2, Plant Additions. Such costs must be traceable directly to the general ledger and/or continuing property records.

(5) Schedule 5 – Annualized Depreciation Associated with Additions

Provide the most recent balance of eligible plant additions by major property grouping and account from Schedule 2, Plant Additions, as required to compute depreciation expense. Also, include all applicable current book accrual rates.

(6) Schedule 6 - Annualized Reduction in Depreciation for Retirements

Provide all information as requested on this schedule. This includes the most recent original cost balance of retired plant, of which there is an eligible replacement, by major property grouping and account from Schedule 3, Original Cost Retired, as required to compute depreciation expense. Also, include all applicable current book accrual rates.

(7) Schedules 7a and 7b – Rate of Return

If the date certain proposed in this proceeding is not later than three years from the date that the company's existing rates and tariffs went into effect, prepare Schedule 7 on the basis of the company's last rate case. If the time exceeds three years, prepare a proposed rate of return summary schedule as of the date certain or the most recent available historic calendar quarter showing the calculation of the weighted average cost of capital as illustrated in Schedule 7, lines 1-4.

Also, provide supporting schedules as of the date certain or the most recent available historic calendar quarter for the following:

- Embedded cost of long-term debt, if any, Schedule 7a.
- Embedded cost of preferred stock, if any, Schedule 7b.
(Cost is computed by dividing dividends by net proceeds from the sale of each preferred stock issue.)

(8) Schedules 8a and 8b - Net Operating Income Return on Rate Base

Schedule 8, with the supporting sub-schedule, calculates the operating income return on rate base using operating income for the year ending the same month as that used for the determination of rate base balance.

Surcharges for infrastructure improvements will be limited to the extent that they will not be expected to result in excess profits being earned by the company, excess profits being defined as returns on equity from regulated activities in excess of those described above. If a

surcharge is granted by the Commission, the company's actual and pro forma profitability will be reviewed on an annual basis to determine whether a reduction or elimination of such surcharge or subsequent surcharges is required by this restriction.

During the time the surcharge is in effect, the company will file Schedule 8 annually under the surcharge docket and concurrent with the company's filing of its annual report to the Commission using information for the most recent calendar year. Should the surcharge ultimately be eliminated, it will no longer be necessary to provide this information.

(9) Schedule 9 – Tariffs

Provide a copy of the current tariff schedule and a copy of the proposed tariff surcharge schedule, marked up and coded to illustrate all proposed changes.

(10) Schedule 10 – Revenue Distribution

Demonstrate that, within any single tariff, the surcharge does not exceed the percentages set forth in section 4909.172 of the Revised Code for 3 percent of the rate and charges applicable to the affected customer class and in effect on the date the application was filed. Provide all supporting work papers.

Demonstrate that the allowed percentage increase has been distributed uniformly to each affected customer class. Provide all supporting work papers.

Surcharge revenues on Schedule 10 shall equal the revenue requirement shown on Schedule 1.

(11) Schedule 11 – Customer Notice

Provide a copy of the proposed customer notice to be contained with or on the customer's first bill containing the surcharge.

Schedule 1

THE WATER COMPANY
Case No. 00-00-WW-SIC
Annualized Revenue Requirement

Line No.			
1	<u>Return on Investment</u>		
2	Plant In-Service		
3	Additions	\$0	Schedule 2, Ln. 0
4	Original Cost Retired	0	Schedule 3, Ln. 0
5	Net Plant In-Service (3 – 4)	0	
6	Less: Accumulation Provision for Depreciation		
7	Depreciation Expense	0	Schedule 4, Ln. 0
8	Original Cost Retired	0	Schedule 3, Ln. 0
9	Total Accumulated Provision for Depreciation (7 – 8)	0	
10	Net Rate Base	0	
11	Pre-tax Rate of Return	0.00%	Schedule 7
12	Annualized Return on Rate Base (10 x 11)	0	
13	<u>Operating Expenses</u>		
13	Annualized Provision for Depreciation For Additions	0	Schedule 5, Ln. 0
14	Annualized Reduction in Depreciation For Retirements	0	Schedule 6, Ln. 0
15	Annualized Revenue Requirement (12 + 13 – 14)	\$0	

Case No. 13-234-WS-ORD

Page 7 of 14

Schedule 2

THE WATER COMPANY

Plant Additions By Month

[illegible]

Schedule 3

THE WATER COMPANY
Case No. 00-00-WW-SIC

Original Cost Retired

[illegible]

Schedule 4

THE WATER COMPANY
Case No. 00-00-WW-SIC

Provision For Depreciation

Line No.	Acct. No.	Description	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00	0/01/00
1		<u>Account No. / Description</u>											
2		Additions for the Month (a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3		Depreciation Rate (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4		Calculated Depreciation Expense (2 x 3)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5		Adjustments (c)	0	0	0	0	0	0	0	0	0	0	0
6		Reserve Calculation (4 + 5)	0	0	0	0	0	0	0	0	0	0	0
7		Cumulative Provision For Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(a) Schedule 2, Cumulative
(b) Current Depreciation Accrual Rate / 12 To Arrive At Monthly Depreciation Accrual Rate
(c) If Necessary

Schedule 5

THE WATER COMPANY
Case No. 00-00-WW-SIC

Annualized Depreciation Associated With Additions

Line No.	Acct. No.	<u>Description</u>	Plant In Service		
			Balance At 0/01/00	Accrual Rates	Depreciation Expense
			(a)	(b)	(c)
1		Property Grouping			
2		Account	\$0		\$0
3		Account	0		0
4		Total (2+3)	0		0
5		Grand Total	\$0		\$0

- (a) Schedule 2
(b) Accrual Rates Approved in Applicant's Last Base Rate Case
(c) Columns (a) x (b)

Schedule 6

THE WATER COMPANY
Case No. 00-00-WW-SIC

Annualized Reduction in Depreciation For Retirements

Line No.	Acct. No.	Description	Plant In Service Balance At 0/01/00	Accrual Rates	Depreciation Expense
			(a)	(b)	(c)
1		Property Grouping			
2		Account	\$0		\$0
3		Account	0		0
4		Total (2+3)	0		0
5		Grand Total	\$0		\$0

(a) Schedule 3
(b) Accrual Rates Approved in Applicant's Last Base Rate Case
(c) Columns (a) x (b)

Schedule 7

THE WATER COMPANY
Case No. 00-00-WW-SIC

Pre-Tax Return Summary

Line No.	Class of Capital	Reference	Amount (\$)	% of Total	(%) Cost	Weighted Cost (%)	Gross-Up	Pre-Tax Cost %
1	Long Term Debt		\$0	0.00%	0.00%	0.00%	(a)	0.00%
2	Preferred Stock		0	0.00%	0.00%	0.00%	(b)	0.00%
3	Common Equity		\$0	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	(b)	<u>0.00%</u>
4	Total Capital (1 + 2 + 3)		\$0	0.00%		0.00%		0.00%

Note: Prepare this schedule on the basis of the last base rate case. If the date certain proposed is not later than three years from the date that the company's existing rates and tariffs went into effect, prepare this schedule on the basis of the company's last rate case. If the time exceeds three years, prepare a proposed rate of return schedule as of the date certain or most recent available historic calendar quarter showing the calculation of the weighted average cost of capital.

(a) 1 / (1 Minutes Gross Receipts or Franchise Tax)

(b) 1 / ((1 Minus Gross Receipts or Franchise Tax) x (1 Minus Federal Income Tax))

Schedule 8

THE WATER COMPANY
Case No. 00-00-WW-SIC

Calculation of Earned Rate of Return

Line No.	Acct. No.		
1		<u>Calculation of Net Operating Income Return on Rate Base</u>	
2	101	Plant in Service	\$0
3	108	Depreciation Reserve	0
4		Net Plant in Service (2 - 3)	0
5		Working Capital *(a)	0
6		Other Rate Base Items (a)	0
7		Rate Base (4 + 5 + 6)	0
8		<u>Operating Income Statement</u>	
9	400	Operating Revenues	0
10	401-402	Operation and Maintenance Expenses	0
11	403-407	Depreciation & Amortization Expense	0
12	408.1	Taxes Other Than Income – Utility Operating Income	0
13	409.1 – 412.2	Income Taxes – Utility Operating Income	0
14		Net Operating Income (9 – 10 – 11 – 12 – 13)	\$0
15		Net Operating Return On Rate Base (14 / 7)	

* Enter Zero, If Not working Capital Was Approved in Company's Last Base Rate Case.
(a) Schedule 8a

Schedule 8a

THE WATER COMPANY
Case No. 00-00-WW-SIC

Working Capital & Other Rate Base Items

<u>Working Capital</u>	
(1) Operation & Maintenance Expense (a)	\$0
(2) Expense Lag Dollars (1)/8	0
(3) Materials & Supplies (b)	0
(4) ¼ of Operating Taxes (c)	0
(5) Working Capital (2) + (3) - (4)	<u>\$0</u>

- (a) Annual Report, Schedule 5
(b) Annual Report, Schedule 4
(c) Represents ¼ of Taxes Other Than Income Taxes & Current Federal
Income Taxes Excluding FICA and .75% of the Ohio Gross Receipts Tax

<u>Other Rate Base Items</u>	
(1) Customers' Deposits (a)	\$0
(2) Unclaimed Funds (b)	0
(3) Customer's Advances For Construction (b)	0
(4) Contributions in Aid of Construction (a)	0
(5) Investment Tax Credits (b)	0
(6) Deferred Federal Income Taxes (a)	0
(7) Other (b)	0
(8) Other Rate Base Items (1) Thru (7)	<u>\$0</u>

- (a) Annual Report Schedule 4
(b) Refer to Annual Report for Detail