

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of :
Camplands Water, LLC for an Increase : Case No. 13-1690-WW-AIR
in its Rates and Charges. :

**INITIAL POST-HEARING BRIEF
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

Steven L. Beeler
Ryan O'Rourke
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Fl.
Columbus, OH 43215
614.466.4395 (telephone)
614.644.8764 (fax)
steven.beeler@puc.state.oh.us
ryan.o'rourke@puc.state.oh.us

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I. INTRODUCTION

The recommendations made by the Staff of the Public Utilities Commission of Ohio (Staff) in this proceeding should be adopted by the Public Utilities Commission of Ohio (Commission). Camplands Water, LLC (Camplands, the Company, or the Applicant) is a public utility as defined in R.C. 4905.02 and is subject to the jurisdiction of the Commission. Camplands, on July 26, 2013, filed an abbreviated application to increase its rates and charges, and filed an amended application on July 31, 2013. Camplands has only two customers, Holiday Camplands Association (Holiday) and Lake Village Club, Inc. (Lake Village). Of these two customers, Holiday formally intervened in the proceeding. The Staff performed an investigation and issued its Staff Report of Investigation (Staff Report) on December 30, 2013. Both Camplands and Holiday filed objections to the Staff Report and pre-filed testimony, and a hearing was held on March 27, 2014.

Camplands has the burden to prove that its application to increase its rates is reasonable. As demonstrated in the Staff Report, pre-filed testimony, and cross exam-

ination, the Company has not met this burden. It appears the Company is chiefly concerned with continuing dividend payments to its owners, while its debt-to-equity ratio suffers. In the end, as the evidence shows, the Company's application to increase its rates is unreasonable and Staff's recommendations should be adopted.

II. ARGUMENT

A. OPERATING INCOME AND RATE BASE

The Staff's investigation was designed to determine the reliability and reasonableness of Camplands' test-year information concerning operating income, rate base and other data.¹ The investigation included a general review of the Camplands' operation through analyses of PUCO annual reports, compiled data and numerous conversations with the utility operator's representatives,² discovery conducted by Holiday, objections to the Staff Report, and direct testimony filed in this case. Actual revenues and expenses recorded on the Company's records were analyzed for reasonableness and acceptability for ratemaking purposes.³ Other analyses were performed by the Staff as considered necessary under the circumstances.⁴

¹ Staff Ex. 1 (Staff Report) at 2.

² *Id.*

³ *Id.*

⁴ *Id.*

1. Revenue Requirements

The Staff recommends a revised revenue increase range of \$27,858 to \$37,379.⁵ This represents an increase of 11.09% to 14.89% over test-year operating revenue.⁶ Holiday, in its pre-filed testimony, discovered mechanical errors in the Staff Report.⁷ The errors were corrected in the testimony of Staff Witness Ross Willis.⁸ As a result corrected errors, the revenue increase range significantly decreased from the Staff Report. Camplands, in its supplemental and rebuttal testimony, fails to refute the decrease. Rather, Camplands focuses on the financial effect of the decrease on the company and the propriety of paying out dividends to its owner.⁹ Camplands' arguments hardly rebut Staff's analysis. Staff's revenue-increase determination, as demonstrated in the Staff Report and supporting Staff Testimony, is based on the sound examination of the accounts and records of the Applicant for the twelve months ending December 31, 2012.¹⁰ Staff's revenue-increase recommendation is appropriate, reasonable, and should be adopted by the Commission.

⁵ Staff Ex. 6 (Willis Direct Testimony) at Revised Schedule A-1.

⁶ *Id.*

⁷ Holiday Ex. 3 (Money Direct Testimony) at 9-10.

⁸ Staff Ex. 6 (Willis Direct Testimony at Revised Schedule A-1.

⁹ Camplands Ex. 2 (Yankel Supplemental and Rebuttal Testimony) at 2-13.

¹⁰ Staff Ex. 1 (Staff Report) at 2.

2. Rate Base

The rate base represents the net value of the Applicant's property and other assets as of the date certain, December 31, 2012, that were used and useful in providing water service to its customers and upon which its investors are entitled to the opportunity to receive a fair and reasonable rate of return.¹¹ The Staff's analysis of rate base is divided into Plant in Service, Depreciation, Construction Work in Progress (CWIP), Working Capital and Other Rate Base Items. The Staff's recommended rate base is shown on Revised Schedule B-1.¹² Schedules B-2 through B-6 provide additional support for the Staff's figures.¹³

a. Plant in Service

Camplands' plant in service represents the surviving original cost of the plant that is used and useful in supplying water service to the Applicant's customers.¹⁴ The Staff reviewed pertinent data including annual reports to the Commission and various support documents to verify plant balances.¹⁵ In addition, Staff reclassified to Plant in Service

¹¹ Staff Ex. 1 (Staff Report) at 2.

¹² *Id.* at Revised Schedule B-2.

¹³ Schedule B-2 through B-4 remain unchanged from the Staff Report; schedules B-5 and B-6 were revised in the testimony of Staff Witness Ross Willis.

¹⁴ Staff Ex. 1 (Staff Report) at 3.

¹⁵ *Id.*

certain items that were treated as expenses by the Applicant. Plant in Service is summarized on Schedule B-2.¹⁶

b. Depreciation

Depreciation accounting distributes the original cost of depreciable assets, adjusted for net salvage, over the normal useful life of the property in a systematic and rational manner. The Staff's investigation of depreciation is segregated into two areas: Depreciation Reserve, and Depreciation Accrual Rates and the corresponding Depreciation Expense.

i. Depreciation Reserve

Camplands included a depreciation reserve by plant account in the Applicant's Annual Report to the Commission for the year ended December 31, 2012.¹⁷ In determining the depreciation reserve, Staff compared the depreciation reserve with a calculated theoretical reserve based on the accrual rates discussed below and the December 31, 2012 plant balances.¹⁸ The Staff found Camplands' depreciation reserve improper for regulatory purposes adjusted it to Staff's calculated depreciation reserve.¹⁹ The Staff also adjusted the depreciation reserve to correspond with adjustments to plant in service and

¹⁶ Staff Ex. 1 (Staff Report) at 3.

¹⁷ Holiday Ex. 2 (Camplands 2012 Annual Report).

¹⁸ Staff Ex. 1 (Staff Report) at 4.

¹⁹ *Id.* at Schedule B-3.1.

to eliminate the reserve associated with Contributions in Aid of Construction (CIAC).²⁰

The Staff recommends the use of the jurisdictional depreciation reserve as adjusted by the Staff.²¹ Camplands did not object to this depreciation recommendation, so the recommendation should be adopted by the Commission.

ii. Depreciation Accrual Rates and Expense

Camplands' current accrual rates were recommended by the Staff in Case No. 85-418-WW-AIR and unreasonable for current plant investment.²² The Staff recommends new accrual rates that are consistent with the rates prescribed for other utilities with similar plant as shown on Schedule B-3.3.²³ The Staff recommends that Camplands utilize these accrual rates for book purposes effective concurrently with the customer rates resulting from this proceeding.²⁴

The Staff's calculation of depreciation expense based on the jurisdictional plant service balance at date certain and the accrual rates discussed above, is shown on Schedule B-3.2.²⁵ The total jurisdictional depreciation expense was reduced by depreciation

²⁰ Staff Ex. 1 (Staff Report) at Schedule B-3.1.

²¹ *Id.* at 4.

²² *Id.*

²³ *Id.* at 4 and Schedule B-3.3.

²⁴ *Id.* at 4.

²⁵ *Id.* at 4 and Schedule B-3.2.

expense associated with CIAC.²⁶ The Staff's calculation of depreciation expense based on the jurisdictional plant service balance at date certain and the accrual rates is proper and should be adopted by the Commission.

Camplands did not object to these depreciation recommendations, so the recommendations should, therefore, be adopted by the Commission.

iii. Construction Work in Progress (CWIP)

The Applicant did not request an allowance for CWIP and, as indicated on Schedule B-4, the Staff recommends none.²⁷ Camplands and Holiday did not object to this CWIP recommendation, so the recommendation should be adopted by the Commission.

iv. Working Capital

The Staff calculated the allowance for working capital based on the formula approach, which has been approved by the Commission in the past.²⁸ Under this method, the expense lag dollars component of working capital represents one-twelfth of the adjusted operation and maintenance expense due to Camplands billing monthly.²⁹ One-fourth of the adjusted taxes other than income taxes (excluding Deferred Taxes) and cur-

²⁶ Staff Ex. 1 (Staff Report) at 4.

²⁷ *Id.* at 5 and Schedule B-4.

²⁸ *Id.* at 5.

²⁹ *Id.*

rent federal income taxes are used to partially offset working capital.³⁰ The calculation of the recommended allowance for working capital is provided on Revised Schedule B-5.³¹

Camplands and Holiday did not object to the working capital recommendation, so the recommendation should be adopted by the Commission.

v. Other Rate Base Items

The Staff adjusted plant in service to reflect CIAC made on behalf of Camplands by Holiday, as well as to reflect plant that was previously considered contributed.³² In addition, Staff accounted for Camplands' deferred federal income tax accelerated depreciation.³³

In Case No. 09-425-WW-AEC, the Commission established the collection of funds to defray costs associated with a significant plant upgrade that was performed in 2009.³⁴ The funds were authorized to be collected through December 31, 2011.³⁵ The Staff's investigation revealed that Camplands continued to collect these funds beyond the

³⁰ Staff Ex. 1 (Staff Report) at 5.

³¹ Staff Ex. 6 (Willis Direct Testimony) at Revised Schedule B-5.

³² Staff Ex. 1 (Staff Report) at 5.

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.* at 6.

authorized period, through September 2013.³⁶ Staff considered both the authorized and unauthorized funds to be CIAC.³⁷

In Case No. 85-418-WW-AIR, Staff considered transmission and distribution mains and land to be contributed.³⁸ Therefore, Camplands' plant in service was offset by the paralleled amount of CIAC.³⁹

Staff further adjusted plant in service to account for deferred federal income tax accelerated depreciation.⁴⁰ Staff's total adjustment for other rate base items is shown on Revised Schedule B-6.⁴¹

Both Camplands and Holiday object to Staff's treatment of the construction loan fees as CIAC. Staff treated the construction loan fees as CIAC because Camplands and Holiday signed an agreement on August 21, 2009 detailing the additional payments to be made by Holiday.⁴² The agreement was for a major construction program that provided extensive structural improvements to the waterworks system.⁴³ Staff has provided sched-

³⁶ Staff Ex. 1 (Staff Report) at 6.

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Staff Ex. 6 (Willis Direct Testimony) at Revised Schedule B-6.

⁴² Staff Ex. 4 (Snider Direct Testimony) at 3.

⁴³ *Id.*

ules that show the calculations of the authorized and unauthorized payments.⁴⁴ Per R.C. 4909.05(C)(7), Staff reduced the valuation of Camplands' property by the construction loan fees that served to defray the cost of construction.⁴⁵

3. Allocations

Since this case involves Camplands' entire service area, no jurisdictional allocations are necessary.⁴⁶ Camplands and Holiday did not object to this allocation recommendation, so the recommendation should be adopted by the Commission.

4. Operating Income

Camplands' test year operating income consists of twelve months of actual data covering the period from January 1, 2012, to December 31, 2012.⁴⁷ The Staff adjusted the Company's test year operating income as required to render it appropriate as a basis for setting rates.⁴⁸

The Staff's *proforma* operating income is the Staff's adjusted test year operating income modified to reflect the proposed increase in revenue, Ohio gross receipts tax, and federal income taxes.⁴⁹ Revised Schedules C-1 and C-2, attached to the direct testimony

⁴⁴ Staff Ex. 4 (Snider Direct Testimony) at MS-2

⁴⁵ *Id.* at 5

⁴⁶ Staff Ex. 1 (Staff Report) at 6.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.*

of Staff witness Ross Willis, present the Staff's determination of operating income.⁵⁰

The calculations, methodologies and rationale used to develop the Staff's adjusted and *proforma* operating income are also detailed on Revised Schedules A-1.1, C-1.1, C-3.1 through C- 3.8, and C-4.⁵¹

a. Proforma Adjustments

Revised Schedule C-1.1 presents an increase in operating revenues based on Camplands' proposed rates, and the number of customers shown on Schedule C-1.1a.⁵² Schedule C-1.1 also shows the Ohio gross receipts tax and federal income tax.⁵³

b. Current Adjustments

The Staffs recommended adjustments to operating income are as follows:

i. Construction Loan Revenue

Camplands' test year revenues are based on fees established in separate contracts with each campground.⁵⁴ The fees represent a flat rate, not metered usage.⁵⁵ The Appli-

⁵⁰ Staff Ex. 6 (Willis Direct Testimony) at Revised Schedules C-1 and C-2.

⁵¹ *Id.* at Revised Schedules A-1.1, C-1.1, C-3.1 through C- 3.8, and C-4.

⁵² *Id.* at Revised Schedules C-1.1 and C-1.1a

⁵³ *Id.* at Revised Schedule C-1.1.

⁵⁴ Staff Ex. 1 (Staff Report) at 7.

⁵⁵ *Id.*

cant also collected construction loan funds from Holiday.⁵⁶ The funds were authorized by Commission order in Case No. 09-425-WW-AEC.⁵⁷ The Order established the collection of these funds through December 31, 2011.⁵⁸ The Staffs investigation revealed the Applicant continued to collect these funds beyond the authorized period through September 2013.⁵⁹ Therefore, Staff adjusted revenue to remove these funds from the test year. The Staffs adjustment is shown on Schedule C-3.1.⁶⁰

ii. Maintenance of Structures and Improvements

Twelve items comprise Camplands' maintenance of structures and improvements expense. Staff made adjustments to five of the items.⁶¹ Casual labor was adjusted to remove a golf tournament fee.⁶² Building maintenance was adjusted to amortize the cost to paint a fence over a five year period.⁶³ Vehicle expense was adjusted to reflect a reasonable level of fuel costs.⁶⁴ Water tests was adjusted to reflect the reclassification of

⁵⁶ Staff Ex. 1 (Staff Report) at 7.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.* at 7-8.

⁶⁴ *Id.* at 8.

a water test kit to plant in service, and to remove a water test performed outside of the test year.⁶⁵ Operating Supplies was adjusted to reflect the reclassification of a chainsaw to plant in service.⁶⁶ Staffs adjustments are presented on Schedule C-3.2.

There were no objections filed that challenge Staff's treatment of this issue, thus Staff's recommendation should be adopted by the Commission.

iii. Miscellaneous General Expenses

Six items comprise Camplands' miscellaneous general expenses.⁶⁷ Staff made adjustments to four of the items.⁶⁸ Administrative fees were adjusted to reflect an amount commensurate with the duties performed.⁶⁹ Staff used \$200.00 per hour as the hourly rate because it is the rate Camplands' chief operating officer values knowledge.⁷⁰ Camplands' consultant and attorney both charged \$200 per hour for their work on this case.⁷¹ Staff's investigation showed that, on average, the chief operating officer spent 1.5

⁶⁵ Staff Ex. 1 (Staff Report) at 8.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ Staff Ex. 5 (Berringer Direct Testimony) at 5.

⁷¹ *Id.*

hours per week performing job duties.⁷² Extrapolating this out over a year yields an administrative fee of \$15,600 for the chief operating officer.⁷³

Office expenses was adjusted to reflect the reclassification of a copier to plant in service, and to remove an expense that occurred outside of the test year.⁷⁴ Licenses and Permits was adjusted to show the reclassification of PUCO and OCC assessment fees to taxes other than income.⁷⁵ Legal and Professional Fees was adjusted to show the reclassification of certain fees to rate case expense.⁷⁶ The Staffs adjustments are presented on Schedule C-3.3.

(a) Rate Case Expense

Initially, Staff proposed to amortize an estimated level of rate case expense, \$10,000, over five years.⁷⁷ Camplands objected that the rate case expense was too low and that the amortization period was too long. Staff later adjusted these figures to allow

⁷² Staff Ex. 5 (Berringer Direct Testimony) at 5.

⁷³ *Id.* at 6.

⁷⁴ Staff Ex. 1 (Staff Report) at 8.

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

for a rate case expense of \$20,000 to be amortized over three years.⁷⁸ These adjustments are presented on Revised Schedule C- 3.4.⁷⁹

As of this filing, Camplands has not filed a late-filed exhibit that shows a revised estimate of the rate case expense, thus Staff's recommendation should stand.⁸⁰

(b) Workers Compensation Expense

Staff removed workers compensation from taxes other than income and reclassified it as a separate expense item.⁸¹ Staff's adjustment is presented on Schedule C-3.5.⁸²

There were no objections filed that challenge Staff's treatment of this issue, thus Staff's recommendation should be adopted by the Commission.

(c) Depreciation Expense

Depreciation expense is adjusted to reflect the Staff's recommended depreciable plant in service as of the date certain.⁸³ This adjustment is presented on Schedule C-3.6

⁷⁸ Staff's Ex. 6 (Willis Direct Testimony) at Revised Schedule C-3.4

⁷⁹ *Id.*

⁸⁰ *In the Matter of the Application of Ohio American Water Company to Increase its Rates for Water and Sewer Services Provided to its Entire Area*, Case No. 09-391-WS-AIR (Opinion and Order at 26-27) (May 5, 2010).

⁸¹ Staff Ex. 1 (Staff Report) at 8.

⁸² *Id.*

⁸³ *Id.* at 9.

with the supporting calculations shown on Schedule B-3.2.⁸⁴ Further discussion on depreciation can be found in the rate base section of the Staff report.

There were no objections filed that challenge Staff's calculation of the depreciation expense, thus Staff's recommendation should be adopted by the Commission.

(d) Taxes Other Than Income

Taxes other than income taxes were adjusted to reflect the proper base and the latest known tax rates.⁸⁵ Schedule C-3.7 provides a summary of the calculated taxes and the resulting tax adjustments. The supporting calculations are detailed on Schedules C-3.7a through C-3.7e.⁸⁶

There were no objections filed that challenge Staff's treatment of this issue, thus Staff's recommendation should be adopted by the Commission.

(e) Federal Income Taxes

The Staff computed test year federal income taxes to reflect the recommended adjustments that Staff made to Camplands' operating revenues and expenses.⁸⁷ Holiday objected to this calculation, arguing that Staff incorrectly added interest charges to operating income before federal income taxes. Staff later issued Revised Schedule C-4 that

⁸⁴ Staff Ex. 1 (Staff Report) at 9.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.*

accounts for the fact that interest charges are a reduction to operating income for federal income taxes.⁸⁸

B. RATE OF RETURN

In determining a fair rate of return, three economic criteria were established in the landmark *Bluefield* and *Hope* cases.⁸⁹ These cases establish that the rate of return should be sufficient to enable the regulated utility to: (1) maintain its credit standing and financial integrity; (2) attract new capital at reasonable costs; and (3) have a return commensurate with returns being earned on investments attended by corresponding risk.⁹⁰ They also hold that a utility is not entitled to a speculative return.⁹¹ These criteria acknowledge the basic economic realities that a regulated company must be able to generate sufficient revenues from the rates set by the regulatory agency to cover all costs (operating expenses and capital costs) incurred under prudent, honest, and efficient management.⁹² The regulatory commission must, therefore, give the investor the opportunity to receive fair compensation for its investment in a utility.⁹³

⁸⁸ Staff Ex. 6 (Willis Direct Testimony) at 6.

⁸⁹ *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm. of W.Va.*, 262 U.S. 679 (1923) and *Fed. Power Comm. v. Hope Natural Gas Co.*, 320 U.S. 591 (1944); Staff Ex. 1 (Staff Report) at 10.

⁹⁰ Staff Ex. 1 (Staff Report) at 10.

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Id.*

The Staff has reviewed the financial condition of the Applicant and believes that under the prevailing interest rates, a generic rate of return in the range of 9.5% to 10.5% is fair and reasonable.⁹⁴ Holiday objects to this proposed rate of return, arguing that the return should account for the capital structure of Camplands. But this argument overlooks Camplands' status as a small water company.⁹⁵ Compared with larger utilities, small water companies like Camplands have difficulty attracting capital.⁹⁶ To enable Camplands to attract capital, Staff used a generic rate of return.⁹⁷

The Commission has traditionally granted a generic rate of return for small utilities bearing characteristics similar to Camplands.⁹⁸ It should follow that tradition here.

C. RATES AND TARIFFS

Staff investigated the reasonableness of the revenue recovery mechanisms contained in Camplands' proposed tariffs to generate the proposed sales revenue requirement.⁹⁹

⁹⁴ Staff Ex. 1 (Staff Report) at 10.

⁹⁵ Staff Ex. 3 (Mahmud direct testimony) at 3

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ Staff Ex. 1 (Staff Report) at 11-23.

1. Tariff Analysis

a. Background on Company Tariff and General Comments

Camplands presently serves two large volume consumption customers, namely Holiday and Lake Village, and has for numerous years provided service to these two customers under contracts, or special arrangements, approved by the Commission.¹⁰⁰ There is no existing tariff, other than a tariff information page referring the reader to the contracts for more information.¹⁰¹ Staff recommends that a cover tariff sheet be provided.¹⁰²

There are numerous typographical errors and page numbering errors in the proposed tariff and appendixes.¹⁰³ Staff recommends that Camplands contact Staff to obtain a listing of the errors and that a draft copy of the tariff be provided to Staff prior to approval. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

¹⁰⁰ Staff Ex. 1 (Staff Report) at 11.

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.* at 12.

b. Table of Contents and Subject Index

The Table of Contents and the Subject Index have incorrect Section and Sheet references in their relative texts.¹⁰⁴ Items that should be listed in both are absent The Table of Contents sheet is numbered incorrectly in the header.¹⁰⁵ Staff recommends that Applicant make all necessary corrections to both of these Sections. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

c. Map

A map of the service territory was provided; however, the tariff header and footer references are missing. The map is not of good quality and not legible. Staff recommends that these items be corrected. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

d. General Statement of Purpose

O.A.C. 4901:1-15-15(A)(2) requires a statement saying the O.A.C. takes precedence over the tariff. The only language that needs to appear in the tariff to meet this requirement is: “Nothing within the Company’s tariff shall take precedence over the rules

¹⁰⁴ Staff Ex. 1 (Staff Report) at 12.

¹⁰⁵ *Id.*

set forth in the chapter, unless otherwise specifically ordered by the commission pursuant to rule 4901:1-15-02 of the Administrative Code.”

Staff recommends that (B) through (G) of misnumbered Section 3.2 be deleted and the above language be inserted. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

e. Ownership and Maintenance

Staff recommends that the language in this paragraph be changed to read:

“Distribution mains including curb stops, valves, and any metering, are the property of the Company, and the Company reserves the right to repair, replace and maintain them as well as to remove them upon discontinuance of service. The Company does not own and is not responsible for the installation and maintenance of customer service lines.”¹⁰⁶

Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

f. Billing

Under the terms of the previous contracts, both customers automatically pay for service due the first of the month with no bill being sent.¹⁰⁷ Camplands proposes to con-

¹⁰⁶ Staff Ex. 1 (Staff Report) at 13.

¹⁰⁷ *Id.*

tinue this practice of non-billing.¹⁰⁸ The tariff as presented, in the application, is confusing regarding this issue.¹⁰⁹ As a result, the Staff recommends that a statement to this fact (i.e. no bill will be sent) be made in the billing section. The Customer Bill Format section of the proposed tariff is not necessary and should be deleted from the tariff since Camplands is not going to use a bill. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

g. Applications for Service and Deposits

In response to Staff Data Request No. 6, Camplands stated that it does not have an application for customers requesting new service as the Company only has two customers and has no plans and sees no opportunity to acquire more customers.¹¹⁰

In regards to deposits, Camplands replied to Data Request No. 7 that the Company does not have a plan for requiring deposits for new or reestablished service.¹¹¹ Staff recommends that a sentence be placed in the tariff stating the Company's policy of no requirement for each item. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

¹⁰⁸ Staff Ex. 1 (Staff Report) at 13.

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

h. Disconnection Procedures

Section 3.2, Sheet 5, top of the page, item (D) should be deleted as this provision of the Ohio Administrative Code pertains to metering.¹¹² Camplands is missing O.A.C. 4901:1-15-27(B)(3)(e) which reads: “For violation of federal, state, or local laws or ordinances where such violation affects the provision of utility service by the Company.”¹¹³ Camplands should delete (D) as this provision does not need to be in the tariff. Camplands and Holiday did not specifically object or provide any opposing evidence to these recommendations, so the recommendation should be adopted by the Commission.

i. Reconnection of Service

It is not clear if Camplands maintains everyday business hours so as to permit its customers easy access for making reconnection.¹¹⁴ The proposed procedure, in the application, would make it very difficult for a customer to get reconnected the same day regular business hours were not maintained everyday.¹¹⁵ Staff recommends that the Tariff and Notification of Customer Rights state the Company’s regular business hours. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendation should be adopted by the Commission.

¹¹² Staff Ex. 1 (Staff Report) at 13.

¹¹³ *Id.* at 13-14.

¹¹⁴ *Id.* at 14.

¹¹⁵ *Id.*

j. Access to Customer's Premises

O.A.C. 4901:1-15-11 requires any employee or agent of a company seeking access to the dwelling or structure of a customer to identify themselves with company photo identification. In response to Data Request No. 3 Applicant informed Staff that they do not issue photo identification.¹¹⁶ With only two customers, the Company feels that identification is not needed and if needed, a driver's license would be used.¹¹⁷

Staff concurs with Camplands on this matter and recommends that the Commission approve use of a driver's license in lieu of company issued photo identification.

k. Seasonal Service

This section appears to pertain to the end-user over whom the Commission has no jurisdiction.¹¹⁸ Staff recommends that seasonal service be treated the same as Winterization Service as discussed later in this report. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendation should be adopted by the Commission.

¹¹⁶ Staff Ex. 1 (Staff Report) at 14.

¹¹⁷ *Id.*

¹¹⁸ *Id.*

l. Services Connections

Camplands, in its proposed tariff, is proposing to give customers seven days to repair a leak.¹¹⁹ If the leak is not repaired during these seven days, the Company is proposing to give the customer seven days written notice of disconnection. Staff finds this does not comply with the disconnections procedures in O.A.C 4901:1-15-27 and recommends that the proposal be brought into compliance with the O.A.C. by the end of this proceeding depending on choices made by Holiday.

Camplands objects and states that the Company “cannot afford to allow free running leaks to continue for two weeks before corrective action is taken.”¹²⁰ However, Camplands has provided no solution for its lack of compliance with O.A.C. 4901:1-15-27. As a result, Staff’s tariff recommendation should be adopted by the Commission.

m. Notification of Customer Rights

The proposed Notification of Customer Rights (NCR) contains numerous errors and omissions.¹²¹ Many of the errors are also errors in the tariff.¹²² A few of the omissions areas are as follows: (1) No statement that the Company does not send bills, (2) the Company does not require deposits, reconnection procedures, and (3) the Company's

¹¹⁹ Staff Ex. 1 (Staff Report) at 14.

¹²⁰ Camplands Ex. 1 (Yankel Direct Testimony) at 6.

¹²¹ Staff Ex. 1 (Staff Report) at 15.

¹²² *Id.*

business address and hours are not provided.¹²³ These errors need to be corrected and made to conform with the tariff. Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendation should be adopted by the Commission.

n. Miscellaneous Charges

Staff recommends that all miscellaneous charges be relocated from various sections of the tariff to the rate page for ease of search, therefore if a change is ever sought, all rates are on one page reducing filing costs.¹²⁴

Staff finds three of the requested miscellaneous charges, Reconnection, Winterization Service and Winterization Valve, to be charges intended for the end-users of the Company's two campground customers.¹²⁵ The Commission has no jurisdiction over the clients/end-users of Camplands.¹²⁶ The reconnection charge and winterization charge are charges for services that Camplands provides directly to the clients of the facilities.¹²⁷ The facilities have stated their preference of having the current arrangements, the Company dealing directly with their clients, remain in place.¹²⁸ For this to remain as the mode

¹²³ Staff Ex. 1 (Staff Report) at 15.

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Id.*

¹²⁷ Staff Ex. 7 (Daly Direct Testimony) at 6.

¹²⁸ *Id.*

of operation, Camplands personnel will need to create a totally separate business.¹²⁹ The new business could rent the necessary equipment from the Company or obtain equipment on their own and the service would be provided on non-Company hours.¹³⁰ The new business would need to adhere to O.A.C. 4901:1-15-29, Relationships with Non-Utility Entities.¹³¹ This is option two as presented in the Staff Report.¹³² No other options were presented in objections.¹³³

In regard to the dishonored payment charge, Staff data requested information from the Company in order to formulate a dishonored payment charge.¹³⁴ The Company provided no data to enable Staff to recommend a dishonored payment charge.¹³⁵ It is stated in Company objections that a dishonored payment charge is needed. The Company has not provided the evidence to support the objection, therefore, the Staff recommendation should be adopted.

¹²⁹ Staff Ex. 7 (Daly Direct Testimony) at 6.

¹³⁰ *Id.* at 6-7.

¹³¹ *Id.* at 7

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ *Id.*

o. Late Payment

Camplands is proposing a late payment charge of one percent (1 %) for all bills not paid by the 14th day of the month after the due date.¹³⁶ Staff finds the language “14th day of the month after the due date” to be confusing.¹³⁷ Staff recommends that Camplands insert language that states: “All payments received fifteen (15) days after the due date are considered late and subject to a late payment charge.”¹³⁸ Staff is recommending language “subject to” because the contracts provided for late payment charges but Camplands orally stated they were never enforced.¹³⁹

Staff recommends that the Commission's standard policy on late payment charge calculation be inserted.¹⁴⁰ That language is: “The late payment charge will equal one percent (1%) of the bill amount. The late payment charge will be based on current late charges only. The late payment charge shall not be compounded on future delinquencies.”¹⁴¹ Camplands and Holiday did not specifically object or provide any opposing evidence to this tariff recommendation, so the recommendation should be adopted by the Commission.

¹³⁶ Staff Ex. 1 (Staff Report) at 16.

¹³⁷ *Id.*

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

p. Dishonored Payment Charge

Staff finds a dishonored payment charge is appropriate and should reflect the actual costs incurred by the Company to process such payments.¹⁴² The cost of dishonored payments should not be recovered by customers in general.¹⁴³ Such payments decrease the funds available for the utility to meet its obligations with resulting:

- (1) Additions in working capital;
- (2) Interest expense associated with short term borrowing; and
- (3) Labor and non-labor expense in processing the returned/dishonored payments.¹⁴⁴

Camplands is proposing a \$35 dishonored payment charge.¹⁴⁵ In response to Data Request No. 9, Camplands replied that the Company has never processed a bad check and provided no data as to what costs it might incur if encountering a dishonored payment charge.¹⁴⁶ With no data for support Staff, cannot recommend a dishonored payment charge and the Commission should not approve such a charge.

¹⁴² Staff Ex. 1 (Staff Report) at 16.

¹⁴³ *Id.*

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

2. Rate and Revenue Analysis

General guidelines or objectives are followed in Staff's review of rate schedules and designs as follows:

The applicable schedules should provide the utility the opportunity of recovering the authorized revenue. The various schedules should represent a reasonable distribution of revenue between the various customer groups. The particular schedule should be equitable and reasonable to all customers within a group. The schedules should provide for customer understanding, continuity of rates, and minimal customer impact.

The rate design criteria are to be viewed as a package, in that they are interrelated. Although each item can separately be identified and applied to rate schedule determinations, no single standard is overriding in determining proper rate design. The rate schedules that comprise a particular utility's tariff should provide for the recovery of expenses found proper in the course of a regulatory proceeding. If the rate schedule is designed on the basis of cost causation, it will provide for expense recovery in the long term, given changes in customer usage characteristics. Normally, and to the extent sufficient information is available, cost of service studies and related expense analyses, are necessary to determine the appropriate level of revenue to be generated and appropriate recovery of such revenue.

The rate schedules should be designed to be equitable and reasonable to the customers served pursuant to their applicability. This criterion involves several considerations. The schedules should, to the extent practicable, be predicated upon the costs associated with a particular service rendered. Customers receiving like services should experience the same charges and provisions. Also, differences in the applicable charges should be representative of differences in costs.

From a practical rate design standpoint, absolute equality between costs and revenue may be difficult to achieve in the short term. While it may be viewed as equitable to set rates at costs, if there is a substantial divergence in the current rates the resulting impact on individual customers may be viewed

as unreasonable. While desiring cost supported charges, Staff considers such items as resulting typical customer billings and resulting revenue increases, which would necessarily occur. These tests help provide benchmarks with regard to the reasonableness of charges and rate forms. While it is the Staff's position that rates should reflect costs, it is also important to consider the continuity associated with the current and proposed pricing structures. This may result in movement towards more closely aligning revenues with costs rather than an absolute match at a particular time period.¹⁴⁷

When employing these standards to develop and design a rate, the results should be understandable to the customers billed under the schedule.

a. Revenue Analysis

Camplands is a small water company, providing water service to two customers, Holiday and Lake Village.¹⁴⁸ While these customers may be commercial, their usage is residential in nature and therefore, for purposes of ratemaking, the customers will be considered residential.¹⁴⁹ Because the Company services one customer class (residential), is small in size, and has made no major plant improvements, repairs, nor had changes in customer makeup, Staff finds it unreasonable to request the Company to prepare a cost of service study. Camplands and Holiday did not object to this recommendation.

¹⁴⁷ Staff Ex. 1 (Staff Report) at 19-20.

¹⁴⁸ *Id.* at 19.

¹⁴⁹ *Id.*

b. Revenue Distribution

In the Staff Report, Staff recommended an 81.6%/18.2%/.2% revenue distribution for Holiday, Lake Village, and the County Sewage Treatment Plant (County) respectively.¹⁵⁰ Upon further review of the location of the meters and usage data, it appears as though Holiday would be bearing the brunt of the unaccounted for water losses (UFW).¹⁵¹ The Commission has a policy of accepting 15% UFW as reasonable.¹⁵² Through discussions with both facilities, their preference is to include the County's usage in with their usage and not break out the County as a separate customer.¹⁵³ The County serves both facilities and uses minimal water.¹⁵⁴ Staff understands the dynamics of making the County a separate customer of Camplands and withdraws the recommendation.¹⁵⁵ Staff amends its revenue distribution recommendation to better distribute the costs of the UFW and to include the County's usage and recommends a revenue distribution of 77%/23% for Holiday and Lake Village.¹⁵⁶ In addition, given the proximity of Holiday to the master meter and Staff's amended recommendation to not treat the County as a stand alone customer of Camplands, Staff's recommendation for new meters for Holiday

¹⁵⁰ Staff Ex. 1 (Staff Report) at 20-21.

¹⁵¹ Staff Ex. 7 (Daly Direct Testimony) at 5-6.

¹⁵² *Id.* at 5.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

and the County is withdrawn.¹⁵⁷ Camplands and Holiday did not specifically object or provide any opposing evidence to these tariff recommendations, so the recommendations should be adopted by the Commission.

c. Rate Analysis

Camplands stated in Data Request No. 11 that a usage sensitive rate was chosen as an alternative to simply developing a rate based upon cost of service and then naming the two customers and the rate associated with each.¹⁵⁸ The Company further stated the usage breakdown was designed to reflect a clear point of division between the two customers.¹⁵⁹ It is believed that one customer will never use more than 1.25 million gallons per month while the other customer will always use more than 1.25 million gallons per month.¹⁶⁰ The proposed flat rate was designed to collect a certain level of payment from each customer that is reflective of the cost of serving each customer, given usage as well as plant and plant O&M costs associated with each customer.¹⁶¹

¹⁵⁷ Staff Ex. 7 (Daly Direct Testimony) at 5-6.

¹⁵⁸ Staff Ex. 1 (Staff Report) at 21.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.* at 21-22.

¹⁶¹ *Id.*

Given the proximity of Holiday to the master meter and Staff's amended recommendation to not treat the County as a stand alone customer of Camplands, Staff's recommendation for new meters for Holiday and the County is withdrawn.¹⁶²

D. SERVICE MONITORING AND ENFORCEMENT

Staff routinely investigates Camplands' physical facilities and administrative operations to assess compliance with O.A.C. 4901:1-15.¹⁶³ The investigation includes a review of plant facilities, operating records, water quality tests, and any maintenance or operational concerns.¹⁶⁴ Staff issued a customer satisfaction survey in 2013 to the two customers to assess their perception of the water quality and service.

1. Findings & Recommendations

In 2009-2010, Camplands rehabilitated its water treatment plant and painted its 150,000 gallon elevated storage tank.¹⁶⁵ Two pressure filters were installed in the late 1960's and a third pressure filter was added in 1974 when Lake Village was added to the system.¹⁶⁶ The filters were inspected, cleaned, painted and their media was replaced as part of the plant rehabilitation.¹⁶⁷ Automatic-filter-backwash timers are not functioning

¹⁶² Staff Ex. 7 (Daly Direct Testimony) at 5-6.

¹⁶³ Staff Ex. 1 (Staff Report) at 24.

¹⁶⁴ *Id.*

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

and were not considered during the rehab since the operator prefers to backwash manually.¹⁶⁸

Chlorine is fed via 150 lb. gas cylinders.¹⁶⁹ In 2011, the Ohio EPA recommended that Camplands change its method of chlorination to a liquid sodium hypochlorite system.¹⁷⁰ The Company has no plans to implement the recommendation at this time.¹⁷¹ A plant production meter was replaced during the rehab and since then it has been repaired and replaced several times, but is currently not functioning.¹⁷² The Company has sought and rejected replacement prices for the meter and is now in the process of seeking more competitive quotes.¹⁷³ O.A.C. 4901:1-15-20(C)(5)(f) requires unmetered water companies to provide pumping information quarterly in lieu of providing unaccounted-for-water information, as stated in paragraph (F)(1) of OAC rule 4901:1-15-14.¹⁷⁴ Currently, the Company cannot submit this pumping information because it is without a functioning production meter.¹⁷⁵ Therefore, Staff recommends that the Commission order Camplands to repair or replace its plant production meter within 60 days of the Opinion and Order in

¹⁶⁸ Staff Ex. 1 (Staff Report) at 24.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ *Id.*

¹⁷⁴ *Id.*

¹⁷⁵ *Id.*

this case and resume submission of the quarterly production figures in the manner supplied by the Staff. Camplands and Holiday did not specifically object or provide any opposing evidence to these service recommendations, so the recommendations should be adopted by the Commission.

2. Customer Perception Survey

Staff issued a customer survey in July 2013 to both customers served by the Company to measure their perceptions regarding the water quality and customer service provided.¹⁷⁶ Holiday objected to the Staff Report's finding that "both customer perception survey responses reflected general satisfaction with the Company's water quality and service."¹⁷⁷ Holiday cites that on its survey it noted that the overall water quality was "fair on most days" and "unsatisfactory on some days," that it experienced discolored water, and that leaking hydrants need repaired.¹⁷⁸ Staff sent the customer survey to all of the Company's customers which, in this case, were just Holiday and Lake Village.¹⁷⁹ The first question in the survey asks customers to rate their "overall water quality" using one of the five following ratings options: Excellent, Good, Fair, Poor, and Unsatisfactory.¹⁸⁰ Both Lake Village and Holiday indicated a rating of "Fair," and historically,

¹⁷⁶ Staff Ex. 1 (Staff Report) at 25.

¹⁷⁷ Staff Ex. 2 (Evans Direct Testimony) at 4.

¹⁷⁸ *Id.*

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

Staff interprets a general satisfaction rating when over 50% of responses received for this question fall in the “Fair” to “Excellent” range.¹⁸¹

Holiday did qualify its response and indicated “Fair” with a note saying “on most days” and with a second note “on some days” near the “Unsatisfactory” rating.¹⁸²

Holiday also stated in the comment section provided that there was an “on-going problem with water clarity.”¹⁸³ Staff is aware that there could be fluctuations in the water quality on a day-to-day basis, but these surveys are designed to gauge water quality over a long-term period.¹⁸⁴ Although Holiday noted its concerns on the survey, it indicated its overall choice by circling “Fair.” Therefore, Staff used that rating as its primary indicator of “overall water quality” which led to the conclusion in the Staff Report.¹⁸⁵

Staff has responded to Holiday’s objections by obtaining recent monthly operating reports that Camplands submitted to the Ohio EPA and discussing these reports with both the Ohio EPA and Camplands’ operator.¹⁸⁶ Because the reports reflected that the water plant was not consistently removing the mineral manganese to sufficient levels, Camplands contracted the services of Artesian of Pioneer (AOP) to investigate the plant

¹⁸¹ Staff Ex. 2 (Evans Direct Testimony) at 4-5.

¹⁸² *Id.* at 5.

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

operations and obtain filter media samples for analysis.¹⁸⁷ AOP concluded that the “... Filter media is iron covered and also appears to have lost some of its Manganese Dioxide coating” due to insufficient iron and manganese oxidation via pre-chlorination.¹⁸⁸ AOP provided Camplands with quotes for a new pre-chlorination system and filter media replacement.¹⁸⁹ It is imperative that the company address the water discoloration issue. Staff recommends that minimally the new pre-chlorination system recommended by AOP be installed to address legitimate water discoloration issues. The Company did not object to this recommendation, so the recommendation should be adopted by the Commission.

Holiday also mentioned in objections that there were many hydrants that needed fixed and that there were often leaks that ran through the winter.¹⁹⁰ O.A.C. 4901:1-15-10(B)(2) states that: “Each waterworks company and/or sewage disposal system company shall make repairs consistent with industry-accepted utility engineering standards and using industry accepted materials.”¹⁹¹ This rule requires companies to make repairs to its facilities.¹⁹² However, monitoring and/or quantifying something like leakage is difficult to do in unmetered water systems like Camplands.¹⁹³ Known leaks should be repaired as

¹⁸⁷ Staff Ex. 2 (Evans Direct Testimony) at 6.

¹⁸⁸ *Id.*

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *Id.*

soon as practical and the distribution system should be routinely patrolled to timely identify and repair leaks.¹⁹⁴ Staff recommends that it will continue to monitor the Company and its practices.¹⁹⁵

III. CONCLUSION

Staff appropriately analyzed Camplands' application in this proceeding. The Staff requests that the Commission adopt the recommendations in the Staff Report and Staff Testimony as indicated above.

Respectfully Submitted,

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Steven L. Beeler

Steven L. Beeler
Ryan O'Rourke
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Fl.
Columbus, OH 43215
614.466.4395 (telephone)
steven.beeler@puc.state.oh.us
ryan.o'rourke@puc.state.oh.us

¹⁹⁴ Staff Ex. 2 (Evans Direct Testimony) at 6-7.

¹⁹⁵ *Id.* at 7.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Initial Post-Hearing Brief** submitted on behalf of the Staff of the Public Utilities Commission of Ohio was served by electronic mail upon the following parties of record, this 24th day of April, 2014.

/s/ Steven L. Beeler

Steven L. Beeler

Assistant Attorney General

PARTIES OF RECORD:

Henry W. Eckhart, Esq.
Eckhart Law Offices
1200 Chambers Road
Suite 106
Columbus, OH 43212
phone: (614) 461-0984
fax: (614) 485-9487
henryeckhart@aol.com

Zachary D. Kravitz
Taft Stettinius & Hollister LLP
65 E. State Street, Suite 1000
Columbus, OH, 43215
Tel: 614.221.2838
zkravitz@taftlaw.com

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Summary: Brief Initial Brief electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO