

**A report by the Staff of the
Public Utilities Commission of Ohio**

In the Matter of the Application of Carroll Township
Treatment Services, LLC, for an Increase in Rates and
Charges

Case Number 20-1585-ST-AIR

January 13, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Carroll)
Township Treatment Services, LLC, for an) Case No. 20-1585-ST-AIR
Increase in Rates and Charges)

M. Beth Trombold, Acting Chair	Daniel R. Conway, Commissioner
Lawrence K. Friedeman, Commissioner	Dennis P. Deters, Commissioner

To the Honorable Commission:

In accordance with the provisions of the Ohio Revised Code Section 4909.19, the Staff of the Public Utilities Commission of Ohio (Staff) has conducted its investigation in the above matter and hereby submits its findings to the Commissioners of the PUCO (Commission) in this Staff Report. The Staff Report has been jointly prepared by the Rates & Analysis Department and Service Monitoring and Enforcement Department.

Copies of the Staff Report have been filed with the Docketing Division of the Public Utilities Commission of Ohio (PUCO) and served by certified mail upon the mayors of all affected municipalities and other public officials deemed representative of the service area affected by the application. A copy of this report has also been served upon the utility or its authorized representative. Interested parties are advised that written objections to any portion of this Staff Report must be filed within 30 days of the date of the filing of this report, after which time the Commission will promptly set this matter for public hearing. Written notice of the time, place, and date of such hearing will be served upon all parties to the proceeding.

This Staff Report is intended to present for the Commission's consideration the results of Staff's investigation. It does not purport to reflect the views of the Commission nor should any party to the proceeding consider the Commission as bound in any manner by the representations or recommendations. This Staff Report, however, is legally cognizable evidence upon which the Commission may rely in reaching its decision in this matter. See *Lindsey v. Pub. Util. Comm.*, 111 Ohio St. 6 (1924).

Respectfully submitted,

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BACKGROUND

Carroll Township Treatment Services, LLC (CTTS, Applicant or Company) provides sewer service to nine customers in Carroll Township, Ottawa County. CTTS does not own meters, but it bills customers for sewer usage based on water usage as metered by Carroll Water and Sewer District. Carroll Water and Sewer District is a regional water and sewer district organized under R.C. Chapter 6119 and authorized by the Court of Common Pleas of Ottawa County. Carroll Water and Sewer District is unaffiliated with CTTS and is not regulated by the PUCO.

CTTS's nine customers include Resort I, Resort III, Resort IV, Resort V, GC Group, Boat-O, DLF Enterprises, Wild Wings Campgrounds, and Wild Wings Villas. There are 54 Carroll Water and Sewer District water meters among the nine customers. With the exception of DLF Enterprises (a restaurant and store – one unit, one water meter), each of the other eight customers includes multiple units such as single-family condominiums (villas – 22 units, two water meters), multi-family condominiums (Resorts I, III, IV, and V – combined 353 units, 46 water meters), fish cleaning and marina facilities (GC Group – one unit, three water meters), campgrounds, and recreational vehicle connection sites (Boat-O – 99 units, one water meter). There are 864 units or end-users for all nine customers. Wild Wings, Inc. is owner of the campgrounds and the villas, and also is a 43 percent owner of CTTS.

The Applicant's current rates and charges were established in 2020 pursuant to Case No. 18-889-ST-AIR (2018 Rate Case). On May 21, 2018 in the 2018 Rate Case, CTTS filed an application to increase its rates for sewage disposal service and on April 8, 2020, the Commission granted the Company's application to increase rates and charges allowing a return of 9.05 percent for sewage disposal system services rendered in Carroll Township. The Company was also required to refund \$20,691 over an 18-month period to correct for past overcharges and rerate Wild Wings, Inc.'s bills based on the Carroll Water and Sewer District water meter. On April 22, 2020, the Company filed compliance tariffs with the new rate effective on bills rendered after April 30, 2020.

On July 29, 2020 in Case No. 20-1322-ST-AEM (Emergency Rate Case), the Company filed an emergency application to increase rates for sewage disposal service, pursuant to R.C. 4909.16. On November 4, 2020, the Commission issued a Finding and Order ordering that the request be held in abeyance.

On October 12, 2020, the Company filed an application to increase its rates for sewage disposal service in Case No. 20-1585-ST-AIR (2020 Rate Case), pursuant to R.C. 4909.18. A sewage disposal system utility with fewer than 7,500 customers may choose to either make an abbreviated filing, under Chapter IV of the Standard Filing Requirements (SFR) in Ohio Adm.Code 4901-7-01, or apply for rate adjustments by complying with the SFR for small utilities, under Chapter III of the SFR. The Company chose to make an abbreviated filing. On November 18, 2020, the Commission accepted the application for filing as of October 12, 2020.

RATE BASE AND OPERATING INCOME

Scope of the Investigation

The scope of investigation for an application filed pursuant to the SFR, Chapter IV, Abbreviated Filing, was designed to determine the reliability and reasonableness of the Applicant's test year information concerning operating income, rate base and other data.

Staff's investigation included a general review of the Applicant's operation through analyses of PUCO annual reports, other compiled data and numerous conversations with the utility operator's representatives. Actual revenues and expenses recorded on the Applicant's records were analyzed for reasonableness and acceptability for ratemaking purposes. Other analyses were performed by Staff as considered necessary under the circumstances.

Revenue Requirements

Schedule A-1 presents Staff's determination of the Applicant's revenue requirements. The Staff -recommended revenue increase is also shown on the Schedule A-1. This determination is based on the Staff's examination of the accounts and records of the Applicant for the test year ending August 31, 2020, and date certain of August 31, 2020. The results of its examination are summarized in this report and the schedules, which incorporate Staff's recommended rate of return, rate base and adjusted test year operating income.

Rate Base

The rate base represents the net value of the Applicant's net investment in plant, materials and supplies, and other assets as of the date certain, August 31, 2020, which were used and useful in providing sewer utility service to its customers, and upon which its investors are entitled to the opportunity to receive a fair and reasonable rate of return.

Staff's analysis of the rate base is divided into Plant In Service, Depreciation, Construction Work in Progress, Working Capital, and Other Rate Base Items. A comparison of the rate base submitted by the Applicant and the Staff's recommendation is shown on Schedule B-1. Schedules B-2 through B-6 provide support for the Staff's findings.

Plant In Service

The plant in service is the surviving original cost of the plant that is used and useful in providing sewer service to the Applicant's customers. Staff reviewed and tested the Applicant's plant accounting system to ascertain if the information in the Applicant's plant ledger represents a reliable source of original cost data. Staff also conducted inspections to verify the existence of property and to determine its used and useful nature. Plant accounting recommendations are included in the Management and Operations Review section of this Report.

As a result of its investigation, Staff recommends adjustments to the Applicant's date certain plant investment for ratemaking purposes. The adjustments are identified below and reflected on Schedule B-2.1.

Plant Exclusions

Staff excluded one item from the Applicant's date certain plant investment. The Applicant included an item, in Account 310 Land, that was put into service outside of the Applicant's date certain. Staff's adjustments are shown on Schedule B-2.1a.

Plant Investment

Staff discovered two plant items that had not been included in the Company's plant in service balance as filed. Both items were part of the installation expense for the replacement of three lift stations booked in Account 376 Other Treatment and Disposal Plant Equipment (Account 376). However, Staff determined the replacement of the lift station should have been booked in Account 363 Electric Pumping. Therefore, Staff made the adjustment to remove the replacement of the lift stations cost from Account 376 to Account 363.

Staff also discovered that the Applicant did not adjust the Company's plant in service balance to reflect the retirement of plant replaced due to the Applicant's inability to determine the original value of the replaced plant. As such, Staff used the original cost values approved by the Commission in Case No. 99-0078-ST-ACE to adjust the Company's plant in service balance to reflect the necessary corresponding plant retirements. This adjustment and all other adjustments are shown on Schedules B-2.1a, B-2.1b, B-2.1c and B-2.1d.

Depreciation

Depreciation accounting is the process that 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. Staff's investigation of depreciation is segregated into two areas: Depreciation Reserve, and Depreciation Accrual Rates and Expense. Each of these areas is discussed in detail in the following sections.

Depreciation Reserve

The Applicant maintains its depreciation reserve by account on a total company basis. Staff adjusted the Applicant's depreciation reserve to correspond with the plant in service adjustments. Staff calculated a theoretical depreciation reserve based on plant age, past and current accrual rates and adjusted the reserve to align with historical plant activity, which evidenced inadequate retirement history and reserve recording variances. It is Staff's opinion that the actual jurisdictional reserve, as adjusted by Staff and shown on Schedule B-3, is proper and adequate and should be used for the purposes of this proceeding.

Depreciation Accrual Rates and Expense

The Applicant's current accrual rates were prescribed by the Commission in the 2018 Rate Case and became effective May 1, 2020. Staff's calculation of the depreciation expense is based on the adjusted jurisdictional plant in service balances at date certain and the accrual rates discussed above. The calculation is shown on Schedule B-3.2. The expense is partially offset by the annual amortization of contributions in aid of construction. Further discussion of the offset can be found in the Other Rate Base Items section of this report.

Construction Work in Progress

The Applicant does not account for allowance for construction work in progress. This is reflected on Schedule B-4.

Working Capital

Working capital is generally defined as the average amount of capital provided by investors in the company over and above the investments in plant and other specifically identified rate base items. This bridges the gap between the time expenditures are required to provide service and the time collections are received for the service. Staff calculated the allowance for cash working capital based on the formula approach, which has been approved by the Commission in previous cases. Under this method, the expense lag dollars component of working capital represents one eighth of the adjusted operation and maintenance expense. One fourth of the adjusted operating taxes are used to partially offset working capital. The calculation of the recommended allowance for working capital is shown on Schedule B-5.

Other Rate Base Items

Deferred Income Taxes

Staff included Accumulated Deferred Income Taxes (ADIT) using information related to book/tax differences included with the Company's Application.¹ Staff applied the Company's current marginal income tax rate of 10 percent to the book/tax differences of \$17,040 to calculate an ADIT balance of \$1,704. Therefore, Staff recommends a total ADIT balance of \$1,704 to be included as a reduction in rate base, as shown on Schedule B-6.

Contributions in Aid of Construction

Contributions in aid of construction (CIAC) is defined as donations or contributions in cash, services, or property from states, municipalities, or other government agencies, individuals, and others for construction purposes.² In the water and sewer industry, the contribution is accounted for separately from the plant in service and is used to offset the plant balance that is included in rate base. The balance should be amortized over the life of the contributed plant.

In the 2018 Rate Case, Staff calculated the contributed capital, which is comprised of the original plant contributed capital in Case No. 99-0078-ST-ACE, additional contributed capital based on an unauthorized return on contributed capital established in Case No. 00-1595-ST-CRC and contributed capital from a grant that was improperly booked as an expense in 2018. Also, in the 2018 Rate Case, Staff calculated the annual amortization and the estimated cumulative amortized CIAC. There was no additional CIAC contributed as of the date certain in the 2018 Rate Case to the date certain of this case. Staff applied the methodology established in the 2018 Rate Case to account for the retirement of original plant contributed capital and calculate amortized CIAC as of the date certain of this case.

¹ Revenue/Expenses Comparisons per Form 1065 Tax Returns.

² 1977 Uniform System of Accounts for Sewer Companies.

Allocations

Because this case involves the Applicant's entire service area, no jurisdictional allocations are necessary.

Operating Income

The Applicant's test year revenues consist of 12 months of historical data for the period of September 1, 2019, through August 31, 2020. The Applicant's test year expenses reflect 12 months of actual data. Staff adjusted the Applicant's test year operating income as required to render it an appropriate basis for setting rates.

Staff's pro forma operating income is Staff's adjusted test year operating income modified to reflect the Applicant's proposed increase in rates and the associated increases in federal income taxes. Staff's pro forma adjustments are shown on Schedule C-1.

Schedules C-1 and C-2 present Staff's determination of operating income. The calculations, methodologies, and rationale used to develop Staff's adjusted and pro forma operating income are detailed on schedules A-1, C-1.1, C-3.1 through C-3.11, and C-4.

Pro forma Adjustments

Schedule C-1.1 shows the proposed increase in operating revenues based on the Applicant's proposed rates and the associated increases in federal income taxes. Staff's Schedule C-1.1a quantifies the proposed revenue increase using Staff's adjusted usage, current rates and proposed rates.

Current Adjustments

Base Revenue

The Applicant provided revenue and usage for the September 1, 2019 to August 31, 2020 test year based on readings from the Carroll Water and Sewer District. Staff has verified that the correct meters were used for the usage amounts. A new meter was installed by Carroll Water and Sewer District on February 28, 2020. This meter identifies water used by a customer that is in a marina and does not flow through the sewer system.

Staff made three adjustments to revenues and usage. First, Staff adjusted the test year usage by using a three-year average. Second, Staff adjusted the test year revenue to reflect the rate of \$1.3019 per hundred gallons that went into effect as of April 30, 2020. Lastly, for purposes of calculating current revenue, Staff did not deduct refunds given back to customers for a billing error found in the previous rate case. The Company is still responsible for refunding these amounts to customers, however. Staff's adjustment increases the test revenue by \$45,345 and is shown on Schedule C-3.1.

NARUC Account 928 Regulatory Commission Expense

Staff adjusted rate case expense by recategorizing and allocating certain test year legal, accounting, and management expenses invoices to Account 928 regulatory commission expense. Staff then amortized these expenses over five years. Staff allocated these costs so that ratepayers would not be charged multiple times for the same services. Staff also adjusted

regulatory expenses to account for one year's worth of assessments and fees charged by the PUCO, the Office of the Ohio Consumers' Counsel (OCC), and the Ohio Environmental Protection Agency (Ohio EPA). Staff's adjustment reduces overall regulatory commission expense by \$5,126 and is shown on Schedule C-3.2.

NARUC Account 923 Outside Services Employed

Staff adjusted maintenance expense, office expense, and insurance. Staff recategorized test year invoices from Clean Water Services pertaining to operation and maintenance of the system. Staff also recategorized certain test year invoices for legal and accounting services provided by outside vendors, along with test year invoices for insurance expense. Staff placed these expenses in Account 923 outside services employed. Staff's adjustment reduces overall outside services employed by \$27,115 and is shown on Schedule C-3.3.

NARUC Account 920 Administrative and General Expense

Staff adjusted outside services expense by recategorizing test year expenses for Wild Wings management of the system to Account 920 administrative and general expense. Staff's adjustment increases overall expenses by \$120 and is shown on Schedule C-3.4.

NARUC Account 702 Rent Expense

Staff recategorized test year rents to Account 702. This adjustment resulted in no changes and is shown on Schedule C-3.5.

NARUC Account 703 Fuel, Power Purchased for Pumping and Treatment Expense

Staff adjusted electric expense to account for actual expenses for the 12 months of the test year. Staff's adjustment reduces overall expenses by \$237 and is shown on Schedule C-3.6.

NARUC Account 705 Miscellaneous Supplies and Expense

Staff recategorized test year grass cutting expenses to Account 705 miscellaneous supplies and is shown on Schedule C-3.7.

NARUC Account 715 Maintenance of Other Plant Facilities Expense

Staff recategorized test year expenses for maintenance provided by Wild Wings employees to Account 715 maintenance of other plant facilities expense. Staff's adjustment decreases overall expenses by \$107 and is shown on Schedule C-3.7.

Bank Fees

Staff adjusted bank fees to remove this expense. Staff's adjustment decreases overall expenses by \$25.00 and is shown on Schedule C-3.9.

NARUC Account 403 Depreciation Expense

Staff adjusted the depreciation expense to reflect Staff's recommended depreciable plant in service as of the date certain. Staff's adjustment reduces overall expenses by \$20,267 and is shown on Schedule C-3.10. Further discussion on depreciation can be found in the Rate Base section of this report.

NARUC Account 408 Federal Income Tax Expense

Staff adjusted the test year income tax expense based on Staff's adjustments to revenues and expenses on Schedule C-3.11.

The Applicant is a Subchapter S Corporation with two ultimate owners, each owning 50 percent of the Company. Therefore, on Schedule C-4, Staff calculated the income tax expense based on personal tax rates for each individual owner, with 50 percent of the federal taxable income allocated to each individual. In addition, on Schedule C-4.1, Staff calculated the Qualified Business Income (QBI) deduction, which the Applicant is eligible to take. Staff's recommended current and proposed test year federal income tax expense reduces overall expense by \$443 and is shown on Schedule C-4.

RATE OF RETURN

Staff recommends a rate of return in the range of 8.80 percent to 9.80 percent with a midpoint of 9.30 percent. Staff developed the recommended rate of return using average authorized return on equity granted to domestic utilities for the last year and then discounting the average to remove issuance costs.

Calculation of the Rate of Return

In determining a fair rate of return, three economic criteria were established in the landmark *Bluefield* and *Hope* cases.³ 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.⁴ However, *Bluefield* also indicates that a utility is not entitled to earn a level of return generally associated with highly profitable enterprises or speculative ventures.⁵ These criteria simply 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. The regulatory commission must, therefore, give the investor the opportunity to receive fair compensation for its investment in a utility.

Staff has taken the averages of the published return on equity granted for domestic companies for the last year and organized them into quadrants. Staff then averaged quadrants two and three in order to eliminate outliers and rider only cases. Staff then discounted this average by the generic issuance cost that Staff has used for at least the last 25 years (Staff Workpaper Rate of Return). The reason Staff removed the generic issuance cost is because typically smaller utilities are not accessing equity capital through markets but from direct contributions from owners of the entities and therefore don't incur issuance costs.

Staff is attempting to create a rate of return for small utilities that is market based and allow companies to meet the criteria that was established by *Bluefield* and *Hope*. Staff believes that the risk associated with equity regulated returns closely resembles the risk faced by owner/ investors of small utilities when deploying additional capital.

³ *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).

⁴ *Bluefield* at 692--93; *Hope* at 603.

⁵ *Bluefield* at 693.

RATES AND TARIFFS

Introduction

Staff investigated the rates proposed by the Applicant and reviewed the current tariffs on file with the PUCO. The results of Staff's investigation are reported herein. Staff's intent is to provide analysis with respect to the acceptability and reasonableness of the revenue recovery mechanisms contained in the application and to review the current tariffs for compliance with current PUCO rules and requirements. The rates and charges in this section may require adjustment to generate the revenue requirement authorized by the Commission. Typical customer bills under Applicant-proposed and Staff-proposed rates are presented at the end of this section.

Miscellaneous Charges

Dishonored Check Charge

Staff finds that a dishonored check charge is appropriate and that it should reflect the actual costs incurred by the Company to process such payments. The cost of dishonored payments should not be recovered by customers in general but should be recovered from the customer causing the cost. 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.

The Applicant currently has a \$38 dishonored check charge. The Applicant is currently assessed a \$38 Non-Sufficient Funds charge by its bank when a check is dishonored. Staff recommends that the charge remain unchanged.

Reconnection and Disconnection Charge

The Applicant's current reconnection and disconnection charge is based upon actual out-of-pocket expenses. No reconnections or disconnections were performed during the test year. Staff recommends that the charge remain unchanged.

Rate and Revenue Analysis

General guidelines or objectives are followed in Staff's review of rate schedules and designs. The applicable schedules should provide the utility the opportunity of recovering the authorized revenue. The various rate schedules should represent a reasonable distribution of revenue between the various customer groups. The schedule should be equitable and reasonable to all customers within a group and should provide for customer understanding, continuity of rates, and minimal customer impact.

The rate design criteria are interrelated and are to be viewed as a package. 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 utility's tariff should provide for the recovery of costs found proper in the course of a regulatory proceeding. If the rate schedule is designed based on cost causation, it will provide for cost 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 cost 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 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.

While it is Staff's position that rates should reflect costs, it is important to consider the continuity associated with the current and proposed rates. Equality between rates and costs in the proposed rate may be difficult to achieve if there is a substantial divergence between rates and costs in the current rate. While it may be viewed as equitable to set the proposed rates at costs, the resulting impact on individual customers may be unreasonable if the proposed individual's increase is substantially different than the overall increase in revenues. In that case, Staff would recommend movement towards more closely aligning rates with costs rather than an absolute match during a particular period, which is consistent with the regulatory principle of gradualism.

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

Cost of Service Analysis

Because CTTS customers' usage is homogenous and the Company has made no major plant improvements or repairs nor had major changes in customer make-up, Staff finds it unreasonable to request that the Company prepare a cost of service study.

Revenue Distribution

Because this is a sewer-only filing and the customer base is homogenous, there is no need for a revenue distribution between customer classes.

Rate Analysis

The Applicant's rates are set on a usage basis only, and the Applicant has not requested that this be changed. The rate per the Company's tariff was calculated based on the water meter usage from the Carroll Water & Sewer District.

The Applicant's calculation of its current revenue differed from the calculation performed by Staff. Table 1 below shows the Applicant's calculation of its current revenue, the Applicant's proposed revenue, and the resulting revenue increase of 144.4 percent. Table 2 shows Staff's calculation of the test year current revenue, the Applicant's proposed revenue at Staff's adjusted test year usage, and the corresponding revenue increase of 78.0 percent.

Table 1 - Applicant's Current and Proposed Annual Revenue

Current Revenue*	Proposed Revenue**	Revenue Increase	Percent Increase
\$ 84,145	\$ 205,656	\$ 121,512	144.4%

* Applicant's Application

** Company's test year usage multiplied by the Company's proposed rate

Table 2 - Staff's Current and Applicant's Proposed Annual Revenue

Current Revenue*	Proposed Revenue**	Revenue Increase	Percent Increase
\$ 129,490	\$ 230,481	\$ 100,991	78.0%

* Staff's Schedule C-3.1

** Staff's Schedule C-1

The Applicant is proposing an across-the-board increase from its current rate of \$1.3019 per hundred gallons to the proposed rate of \$2.31728 per hundred gallons. Staff finds that the across-the-board rate change is appropriate due to there being only one class of customers. Typical bills resulting from both the Applicant's and Staff's proposed rate increases are shown in Table 3 below. Staff's proposed rate is calculated using the average revenue requirement on Schedule A-1.

Table 3 - Typical Bill Analysis

Usage Gallons	Current Bill	Proposed Bill		Dollar Increase		Percent Increase	
		Applicant	Staff*	Applicant	Staff	Applicant	Staff
3,000	\$ 39.06	\$ 69.52	\$ 47.31	\$ 30.46	\$ 8.26	78.0%	21.1%
15,000	\$ 195.29	\$ 347.59	\$ 236.57	\$ 152.31	\$ 41.28	78.0%	21.1%
75,000	\$ 976.43	\$ 1,737.96	\$ 1,182.83	\$ 761.54	\$ 206.40	78.0%	21.1%
150,000	\$ 1,952.85	\$ 3,475.92	\$ 2,365.65	\$ 1,523.07	\$ 412.80	78.0%	21.1%
300,000	\$ 3,905.70	\$ 6,951.84	\$ 4,731.30	\$ 3,046.14	\$ 825.60	78.0%	21.1%

*Staff's proposed bills are based on the midpoint of the revenue requirement in the Staff Report

Tariff Analysis

The Applicant has not proposed any changes to the existing tariff language except for an increase in base rates. The Applicant did not provide a proposed clean or redlined version of its tariffs, but did provide a current version of its tariffs. Staff reviewed the existing tariffs for compliance with Ohio Revised Code and Ohio Administrative Code.

Staff recommends the following changes to the Applicant's tariffs:

- PUCO No. 1, Original Page 12, Section 3 includes language which is not compliant with Ohio Adm.Code 4901:1-15-27(C)(1). Staff recommends that the last sentence of this paragraph be removed.
- A statement that nothing within the Company's tariff shall take precedence over the rules set forth in this chapter, unless otherwise specifically ordered by the Commission pursuant to rule 4901:1-15-02 of the Administrative Code as required in Ohio Adm.Code 4901:1-15-15(A)(2).
- PUCO No. 1, Second Revised Page 7, remove provision number 6; it is no longer applicable.

In addition to the above, Staff recommends the following formatting updates:

- PUCO No. 1, Subject Index Original Page ii, remove the line under Issued and remove the thick line at the bottom of page.
- PUCO No. 1, Subject Index Original Page iv, move line above Issued to be justified to the left.
- PUCO No. 1, Original Page 4, remove extra line between the two paragraphs in the Foundation Drain section.
- PUCO No. 1, Second Revised Page 7, add a space between the words "AND CHARGES" in the section title.
- PUCO No. 1, Original Page 8, indent the first line of Section 1.
- PUCO No. 1, Original Page 8, move the numbers 4, 5, and 6 down one line to be in line with the paragraphs they refer to.
- PUCO No. 1, Original Page 10, remove quotation mark before the word herself in paragraph 9.
- PUCO No. 1, Original Page 10, section 10 references the Commission call center as the Commission's Public Interest Center. Staff recommends the reference as the PUCO Customer Service Division.

Staff recommends the following changes to the Applicant's bill format:

- PUCO No. 1, Appendix A, billing format does not indicate whether the meter reading was an actual read or estimated read. Staff recommends that the Applicant update the bill format to provide notice to the customers whether the meter read was actual or estimated.
- PUCO No. 1, Appendix A, billing format does not provide the proper verbatim message regarding contacting the PUCO and OCC. Staff recommends updating the bill format with the proper PUCO and OCC contact language. See Ohio Adm.Code 4901:1-15-23(A)(13). This language should replace the current language in the message box that references the PUCO Public Interest Center.

Staff recommends the following changes to the Applicant's rights and responsibilities brochure:

- Add the required language as follows:

If your complaint is not resolved after you have called (name of utility), or for general utility information, residential and business customers may contact the public utilities commission of Ohio PUCO for assistance at 1-800-686-7826 (toll free) from eight a.m. to five p.m. weekdays, or <http://www.puco.ohio.gov>. Hearing or speech impaired customers may contact the PUCO via 7-1-1 (Ohio relay service).

The Ohio Consumers' Counsel (OCC) represents residential utility customers in matters before the PUCO. The OCC can be contacted at 1-877-742-5622 (toll free) from eight a.m. to five p.m. weekdays, or at <http://www.occ.ohio.gov>.

- Add the hours of availability of customer service representatives.

Staff recommends the following:

- Publish a 24-hour local or toll-free emergency telephone number in the local telephone directory as required in Ohio Adm.Code 4901:1-15-12(C).

During Staff's review of the last rate case, Staff discovered the overcharging of customers for various months. The revised tariff provides for a monthly credit to customers beginning in March 2020 and ending August 2021. Staff recommends that this item remain in the tariff until, at least, August 2021.

CUSTOMER SERVICE AND FACILITY OPERATIONS

Customer Service

Staff conducted a customer service audit in June 2020. Staff found five items of possible non-compliance. Staff identified a billing issue (not giving customers the same amount of time to pay an undercharge as the amount of time they were undercharged) and the company agreed to change their procedures. Staff has added all other unresolved items from the audit to the tariff analysis section of this staff report. Staff has had no customer contacts to the PUCO's call center for the period of September 1, 2019 to August 31, 2020.

Facility Operations Review

The Service Monitoring and Enforcement Department (SMED) of the PUCO investigates the physical facilities and operations of CTTS to determine the adequacy of the Company's service. Staff's investigations include an annual site visit to observe the system, discuss system operations and maintenance with Company personnel and review plant operating records. By inspecting the Applicant's wastewater-related facilities, as well as the associated operating and maintenance records, Staff can determine the adequacy of the operation and recommend changes that will maintain and, when necessary, improve the delivery of quality sewer services.

CTTS is located at 8781 West State Route 2, Carroll Township, Ottawa County, Ohio. The facility provides wastewater treatment service to residential condominiums, a campground, marina, and a convenience store, serving an approximately 0.0301 square mile area. Average daily design flow of the plant is 77,000 gallons per day. Under its National Pollutant Discharge Elimination System (NPDES) Permit (No. 2PS0000), the facility is authorized to discharge from the wastewater treatment plant (WWTP) to an onsite pond, prior to flowing into Wild Wings Marsh and then Lake Erie. The facility's NPDES Permit is effective for the period of July 1, 2017, to June 30, 2022. SMED's most recent water audit of the Applicant's WWTP facilities was conducted on August 21, 2020. No violations of Ohio's environmental rules and regulations were observed during the onsite visit.

Compliance History

SMED Staff conduct a water audit of the WWTP on an annual basis. The Ohio EPA conducted NPDES Permit compliance inspections in 2008, 2011, 2012, 2014, 2016 and 2017. The Company submits an Annual Sludge Report to the Ohio EPA as required.

The Company performed maintenance and rehabilitation work on the collection system and manholes in 2006, which appeared to have reduced the amount of clean water entering the sewer system; this was a major problem identified in inspections prior to 2006. Over the past two years, the Company has been working to improve the system's four lift stations to reduce infiltration and improve flow to the treatment plant.

In March 2009, the Ohio EPA granted a Permit to Install (PTI) for the conversion of an existing 100,000-gallon water storage tank into a flow equalization tank. This improvement was intended to address excessive infiltration/inflow and chronic NPDES permit noncompliance with ammonia

concentration and loading limits throughout the summer months. Numerous ammonia violations had been identified prior to June 2010.

During an Ohio EPA compliance evaluation in July 2011, both surface sand filters were severely ponded, with one nearly overflowing. A turbid final effluent was observed being discharged to the onsite pond at the time of inspection. No violations were cited as a result of this inspection.

In June 2012, the Ohio EPA reported operation and maintenance of the WWTP to be “Good.” At that time, all major treatment components were in operation and a clear final effluent was observed being discharged to the lagoon. In July 2012, the Ohio EPA ordered a Schedule of Compliance to address the facility’s inaction to implement the PTI project approved in 2009 to convert the water storage tanks to flow equalization tanks. The PTI project was eventually completed in 2013 to divert high flows to two water processing tanks with a total capacity of 160,000 gallons per day.

During an inspection in November 2014, the Ohio EPA reported the effluent discharge to the onsite lagoon to be clear, colorless and with no noticeable odor. Overall maintenance and settling components were reported as “Good.”

In February 2016, facility operators were cited with an effluent limit violation for reporting an exceedance of the pH limits set forth in the facility’s NPDES Permit (limit: 6.5, reported value: 6.4). In October 2016, the Ohio EPA reported that the facility was in compliance with NPDES Permit requirements, and the discharge was clear, colorless and with no objectionable odor present.

In September 2016, the Ohio EPA conducted a compliance evaluation of the facility and reported administrative violations of Ohio Adm.Code 3745-7-05(C) and 3745-7-09(A), respectively, for failing to display a copy of the Operator of Record’s wastewater operator certificate onsite and for not maintaining the Operator of Record’s logbook onsite and available for inspection. The facility was also in violation of its NPDES Permit for stockpiling sewage sludge/sand onsite that appeared to have been scraped off the sand filter beds. The facility’s NPDES Permit only authorized the disposal of sewage sludge in a solid waste landfill or another NPDES-permitted facility.

During the 2020 water audit performed by SMED, three of the plant’s original blowers were observed to be approaching the end of their useful life, which the operator reported at the time of inspection to be causing more frequent belt replacements, monthly in some cases. At the time of the water audit, the operator reported that the base supporting each blower motor had become warped over time, causing uneven wear on the belts. The control panels associated with the original blowers also appeared to be approaching the end of its useful life. The catastrophic failure of the aging blowers and/or the associated control panel could potentially limit proper aeration of the treated wastewater and cause a situation where effluent water samples are noncompliant with the required water quality treatment standards set forth in the Company’s NPDES Permit enforced by Ohio EPA.

At this time, SMED has no outstanding violations or enforcement action pending against the Applicant.

MANAGEMENT AND OPERATIONS REVIEW

In the Opinion and Order in the 2018 Rate Case issued on April 8, 2020, the Commission ordered CTTS to comply with the management and operations recommendations made in the Staff Report.⁶ As part of the instant case, Staff completed a management and operations review of CTTS's implementation of the changes ordered by the Commission in the management and operations review section of the 2018 Rate Case. The following are the results of Staff's review.

In the 2018 Rate Case, Staff recommended that CTTS have its bookkeeper read the NARUC Uniform System of Accounts (USOA) for Classes C and D Sewer Utilities" from 1977 and ensure that CTTS's accounting policies and procedures conform to it, as is required by Ohio Adm.Code 4901:1-15-32(D)(2).⁷ CTTS stated that they had their accounting contractor read the USOA manual and based upon that, made changes to their chart of accounts to conform to the USOA. CTTS management failed to provide a specific date as to when this recommendation was completed. Staff reviewed CTTS's chart of account to observe how CTTS was able to apply what they learned from reading the NARUC USOA. Staff observed that many of the accounts comported with the USOA. However, Staff found several accounts that did not comport. According to the USOA, operating and maintenance expenses that CTTS listed in Sub-accounts 401 and 402 should of have been categorized in the 700's and 900's. Staff also found that rate case expense was not being booked properly to Account 928 Regulatory Commission Expenses. Staff therefore recommends that CTTS correct their chart of accounts to conform to the USOA and submit the revised chart of accounts to Staff within three months of the Commission's Opinion and Order in this case.

In the 2018 Rate Case, Staff recommended that CTTS create written policies and procedures for their accounting practices.⁸ CTTS's accounting contractor stated that they have written a manual for their accounting policies and had just begun using it, but were unable to give a date when the manual was implemented. Staff recommends that as new versions of the manual are adopted, that prior manual versions are archived and that the date of implementation of each revised version be documented. Staff also reviewed the contents of the manual. Staff verified and is satisfied that the service lives included in the manual were the ones approved in the 2018 Rate Case.⁹ Staff found that several recommendations from the 2018 Rate Case were not included in the manual. In that case, Staff recommended that invoices with non-CTTS charges on them be rejected and requested that the vendor separate the CTTS portion of the invoice to ensure that only costs regarding water treatment are on CTTS's books.¹⁰ Staff also recommended in the 2018 Rate Case that any capital CTTS received to go towards plant

⁶ Case No. 18-889-ST-AIR, Opinion and Order at 20 (April 8, 2020).

⁷ Case No. 18-889-ST-AIR, Staff Report at 16 (December 5, 2019).

⁸ Id.

⁹ CId. at Schedule B-3.2a.

¹⁰ Id. at 16.

construction would be excluded from regulatory expenses.¹¹ Therefore, Staff recommends that these recommendations from the 2018 Rate Case be included in CTTS's accounting policies and procedures manual. Staff further recommends that CTTS submit the revised accounting policies and procedures manual to Staff for their review within three months of the Commissions Opinion and Order in this case.

In the 2018 Rate Case, Staff recommended that CTTS carefully review each line item on their invoices and assign each line item to the proper accounting code and NARUC account.¹² Staff further recommended that this coding occurs before the invoice is paid to ensure that ratepayers are only paying for costs associated with providing sewer service.¹³ CTTS's accountant stated that they have reviewed charges from 2020 and most of 2019 to determine their proper NARUC account. They have also provided accounting journal entries which occurred between January and September 2020 to reclassify these costs. Staff reviewed CTTS's accounting policies and procedures manual and observed that according to the manual, invoices are to be reviewed and each item will be coded to comply with the USOA before being entered into the accounting system for payment. Staff reviewed invoices during the test year to observe if CTTS complied with this recommendation and found numerous examples of CTTS not coding expenses correctly and misclassifying plant. Staff therefore renews its recommend that CTTS carefully review each line item on all invoices and properly assign each item to the correct NARUC account.

In the 2018 Rate Case, Staff recommended that for any charges on CTTS invoices that do not belong to CTTS, that CTTS would ask the invoicing entity to split them into separate invoices or the non CTTS costs be paid for off of CTTS's books.¹⁴ CTTS's accountant stated that they have reviewed invoices from 2020 and most of 2019 and did not find on any invoices charges that do not belong to CTTS. As Staff reviewed invoices during the rate case, Staff did not find any non CTTS expenses included. However, CTTS did not include this recommendation into their accounting policy and procedure manual and therefore Staff recommends that CTTS add it to their accounting manual.

In the 2018 Rate Case, Staff recommended that CTTS uses the date of payment in QuickBooks, not the date the check was entered into QuickBooks.¹⁵ CTTS's accountant stated that they are making sure the entry date into their accounting system, QuickBooks, is correct according to actual payment date. Staff reviewed several invoices and their payments to see if they are being entered correctly and determined that for many of the invoices that the payment date being entered into QuickBooks was not the date the payments were

¹¹ Id. at 17.

¹² Id. at 16.

¹³ Id.

¹⁴ Id.

¹⁵ Id.

completed by CTTS. Therefore, Staff renews its recommendation that CTTS record the date of payment for invoices in QuickBooks based upon when the payment was sent.

In the 2018 Rate Case, Staff recommended that CTTS date each deposit for the date it was deposited into their account.¹⁶ CTTS's accountant stated that they have yet to complete this recommendation. Staff therefore renews its recommendation that CTTS date each deposit for the date it was deposited into their account and recommends CTTS implement this recommendation within three months of an Opinion and Order in this case.

In the 2018 Rate Case, Staff recommended that CTTS ensure that any capital received to go towards plant construction (CIAC) will be excluded from regulatory expenses.¹⁷ CTTS's accountant stated that it has not found any new instances of CIAC. Staff verified that no new CIAC occurred during the test year of this case. However, CTTS did not include this recommendation into their accounting policy and procedure manual and therefore Staff recommends that CTTS add it to their accounting manual.

In the 2018 Rate Case, Staff recommended that CTTS include the amortized CIAC balance of \$171,720 in their balance sheet and that an annual amortization of \$7,837 be included in the annual income statement until the total balance is fully amortized.¹⁸ CTTS's accountant stated that they have included the CIAC unamortized balance on their balance sheet in Account 271. Staff verified that the balance in Account 271 for CIAC is accurate. Staff also reviewed to see if the annual CIAC amortization had occurred. Staff found that CTTS did not complete the annual CIAC amortization. Staff therefore recommends that CTTS complete annual amortizations as proposed on Schedule B-3.2.

In the 2018 Rate Case, Staff recommended that CTTS begin accounting for deferred taxes to reflect the book/tax differences between taxes actually payable and taxes on a normalized basis.¹⁹ CTTS's accountant stated that while they created a template to calculate the difference between book and tax values, they had not made a correcting entry for the deferred taxes due to having clean up still to complete that will impact this entry. Staff recommends that CTTS make the correcting entry within three months of an Opinion and Order in this case. Staff further recommends that CTTS provide Staff with confirmation that the deferred tax expense has been recorded.

¹⁶ Id. at 16-17.

¹⁷ Id. at 17.

¹⁸ Id..

¹⁹ Id. at 17-18.

SCHEDULES

Revenue Requirements

		Lower Bound	Upper Bound
(1)	Rate Base (a)	\$ 223,458	\$ 223,458
(2)	Adjusted Operating Income (b)	(3,987)	(3,987)
(3)	Rate of Return Earned (2) / (1)	-1.78%	-1.78%
(4)	Rate of Return Recommended (c)	8.80%	9.80%
(5)	Required Operating Income (1) x (4)	19,664	21,899
(6)	Income Deficiency (5) - (2)	23,651	25,886
(7)	Gross Revenue Conversion Factor (d)	1.105464	1.105464
(8)	Revenue Increase Required (6) x (7)	26,145	28,616
(9)	Revenue Increase Recommended	26,145	28,616
(10)	Adjusted Operating Revenue (b)	129,490	129,490
(11)	Revenue Requirements (9) + (10)	\$ 155,635	\$ 158,106
(12)	Increase Over Current Revenue (9) / (10)	20.19%	22.10%

- (a) Staff's Schedule B-1
- (b) Staff's Schedule C-2
- (c) Refer to Rate of Return Section
- (d) Staff's Schedule A-1.1

Calculation of Gross Revenue Conversion Factor

(1)	Gross Revenue	100.000000
(2)	Uncollectibles	<u>0.000000</u>
(3)	Net Revenue (1) - (2)	100.000000
(4)	Effective FIT Rate (See Below) (b)	<u>9.540268</u>
(5)	Operating Income Percentage (3) - (4)	90.459732
(6)	Gross Revenue Conversion Factor (1) / (5)	<u><u>1.105464</u></u>

(a)	No Uncollectibles	
(b)	Derived from Staff's Schedule C-1.1 as follows:	
(1)	Staff's Pro forma Revenues (Schedule C-1)	\$ 100,992
(2)	FIT Pro forma Expense (Schedule C-1)	<u>\$ 9,635</u>
(3)	Effective FIT Rate (1) / (2)	<u><u>9.5403%</u></u>

Rate Base Summary
As of Date Certain, August 31, 2020

(1)	Plant in Service (a)	\$	878,240
(2)	Depreciation Reserve (b)		<u>503,279</u>
(3)	Net Plant in Service (1) - (2)		374,960
(4)	Construction Work in Progress (c)		0
(5)	Working Capital Allowance (d)		15,615
(6)	Other Rate Base Items (e)		<u>(167,117)</u>
(7)	Rate Base (3) Thru (6)	\$	<u><u>223,458</u></u>

- (a) Staff's Schedule B-2
- (b) Staff's Schedule B-3
- (c) Staff's Schedule B-4, Subject to 10% Limitation
- (d) Staff's Schedule B-5
- (e) Staff's Schedule B-6

**Calculation of Jurisdictional Plant in Service
As of Date Certain August 31, 2020**

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Date Certain (c)
<u>Intangible Plant</u>				
301	Organization	\$ 0	\$ 0	\$ 0
302	Franchises and Consents			
303	Miscellaneous Intangible Plant			
	Total Intangible Plant	0	0	0
<u>Land and Structures</u>				
310	Land and Land Rights	6,773	(6,773)	0
311	Structures and Improvements			
	Total Land & Structures	6,773	(6,773)	0
<u>Collection Plant</u>				
352	Collection Sewers			
352.1	Collection Sewers-Force	101,012	0	101,012
352.2	Collection Sewers-Gravity	308,406	0	308,406
353	Other Collecting Plant Facilities			
354	Services to Customers	81,847	0	81,847
355	Flow Measuring Devices			
	Total Collection Plant	491,265	0	491,265

**Calculation of Jurisdictional Plant in Service
As of Date Certain August 31, 2020**

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Date Certain (c)
	<u>Pumping Plant</u>			
362	Receiving Wells and Pump Pits			
363	Pumping Equipment (Electric, Diesel, Other)	96,242	13,738	109,980
	Total Pumping Plant	96,242	13,738	109,980
	<u>Treatment and Disposal Plant</u>			
372	Oxidation Lagoon			
373	Treatment and Disposal Equipment			
374	Plant Sewers			
375	Outfall Sewer Lines	353	0	353
376	Other Treatment and Disposal Plant Equipment	338,736	(62,095)	276,641
	Total Treatment and Disposal Plant	339,089	(62,095)	276,994
	<u>General Plant</u>			
391	Office Furniture and Equipment			
392	Transportation Equipment			
393	Other General Equipment			
	Total General Plant	0	0	0
	Total Wastewater Plant	\$ 933,369	\$ (55,130)	\$ 878,240

- (a) Applicant's Response to Staff DR (11/12/2020 - Denniss Hoff)
(b) Staff's Schedule B-2.1
(c) Columns (a) + (b)

Summary of Staff's Adjustments to Plant In Service

Acct. No.	Description	Adjustment To Exclude Plant outside of Date Certain (a)	Adjustment to Add Plant Discovered During Investigation (b)	Adjustment to Reclassify Plant (c)	Adjustment to Plant for Retirements (d)	Total Adjustments (e)
	<u>Intangible Plant</u>					
301	Organization	\$ 0	\$	\$		
302	Franchises and Consents					
303	Miscellaneous Intangible Plant					
	Total Intangible Plant	0	0			0
	<u>Land and Structures</u>					
310	Land and Land Rights	(6,773)				(6,773)
311	Structures and Improvements					
	Total Land & Structures	(6,773)	0			(6,773)
	<u>Collection Plant</u>					
352	Collection Sewers					
352.1	Collection Sewers-Force					
352.2	Collection Sewers-Gravity					
353	Other Collecting Plant Facilities					
354	Services to Customers					
355	Flow Measuring Devices					
	Total Collection Plant	0	0			0

Summary of Staff's Adjustments to Plant In Service

Acct. No.	Description	Adjustment To Exclude Plant outside of Date Certain (a)	Adjustment to Add Plant Discovered During Investigation (b)	Adjustment to Reclassify Plant (c)	Adjustment to Plant for Retirements (d)	Total Adjustments (e)
	<u>Pumping Plant</u>					
362	Receiving Wells and Pump Pits					
363	Pumping Equipment (Electric, Diesel, Other)		1,723	62,095	(50,080)	13,738
	Total Pumping Plant	0	1,723	62,095	(50,080)	13,738
	<u>Treatment and Disposal Plant</u>					
372	Oxidation Lagoon Land					
373	Treatment and Disposal Equipment					
374	Plant Sewers					
375	Outfall Sewer Lines					
376	Other Treatment and Disposal Plant Equipment	0		(62,095)		(62,095)
	Total Treatment and Disposal Plant	0	0	(62,095)		(62,095)
	<u>General Plant</u>					
391	Office Furniture and Equipment					
392	Transportation Equipment					
393	Other General Equipment					
	Total General Plant	0	0			0
	Total Wastewater Plant	\$ (6,773)	\$ 1,723	\$ 0	(50,080)	(55,130)
(a)	Staff's Schedule B-2.1a					
(b)	Staff's Schedule B-2.1b					
(c)	Staff's Schedule B-2.1c					
(d)	Staff's Schedule B-2.1d					
(e)	(a) + (b) + (c) + (d)					

Adjustment To Exclude Plant Outside of Date Certain

Acct. No.	Description	Staff's Adjustment (a)
310	<u>Land and Structures</u>	
	Land and Land Rights (a)	\$ (6,773)
	Account 310 Adjustment	(6,773)
	Total Adjustments	\$ (6,773)

(a) CWS Environmental Services Invoice #22362

Adjustment to Add Plant Discovered During Investigation

Acct. No.	Description	Staff's Adjustment
376	Lift Station Improvement - Equip. Rental (a)	\$ 850
	Lift Station Improvement - Labor (b)	<u>873</u>
Total Adjustment		<u><u>\$ 1,723</u></u>

- (a) Company Response to Staff DR - Wild Wings invoice # CTTA 11/19.
(b) Company Response to Staff DR - Wild Wings invoice # CTTA 11/19.

Adjustment to Reclassify Plant Addition to Proper Account

Acct. No.	Description	Amount
363	Pumping Equipment (Electric, Diesel, Other)	\$ 62,095
376	Other Treatment and Disposal Plant Equipment	(62,095)
Total Adjustment		\$ 0

Adjustment to Plant for Retirements

Acct. No.	Description	Amount (a)
363	Pumping Equipment (Electric, Diesel, Other)	\$ (16,902)
363	Pumping Equipment (Electric, Diesel, Other)	(19,406)
363	Pumping Equipment (Electric, Diesel, Other)	(13,772)
Total Adjustment		\$ <u>(50,080)</u>

(a) Case No. 99-0078-ST-ACE In the Matter of the Application of Carroll Township Treatment Services, Inc. For a Certificate of Public Necessity To Provide Sewer Service, Affidavit of Water C. Harris Attachment, Burgess & Niple's Valuation of the Wasterwater System as of August 31, 1998.

Calculation of Jurisdictional Depreciation Reserve

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)
<u>Intangible Plant</u>				
301	Organization	\$ 0	\$	\$
302	Franchises and Consents	0		
303	Miscellaneous Intangible Plant	0		
	Total Intangible Plant	0	0	0
<u>Land and Structures</u>				
310	Land and Land Rights	0		
311	Structures and Improvements	0		
	Total Land & Structures	0	0	0
<u>Collection Plant</u>				
352	Collection Sewers	0		
352.1	Collection Sewers-Force	42,979	31,790	74,769
352.2	Collection Sewers-Gravity	121,450	15,006	136,456
353	Other Collecting Plant Facilities	0		
354	Services to Customers	49,256	(0)	49,256
355	Flow Measuring Devices	0		
	Total Collection Plant	213,685	46,795	260,481

Calculation of Jurisdictional Depreciation Reserve

Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)
<u>Pumping Plant</u>				
362	Receiving Wells and Pump Pits			
363	Pumping Equipment (Electric, Diesel, Other)	86,214	(38,266)	93,560
	Total Pumping Plant	86,214	(38,266)	93,560
<u>Treatment and Disposal Plant</u>				
372	Oxidation Lagoon			
373	Treatment and Disposal Equipment			
374	Plant Sewers			
375	Outfall Sewer Lines	180	56	236
376	Other Treatment and Disposal Plant Equipment	119,040	28,773	149,003
	Total Treatment and Disposal Plant	119,220	28,829	149,239
391	Office Furniture and Equipment			
392	Transportation Equipment			
393	Other General Equipment			
	Total General Plant	0	0	0
Total Wastewater Plant		\$ 419,120	\$ 37,358	\$ 503,279

- (a) Company Response Plant in Service DR #2 Depreciation Expense Report as of August 31, 2020
(b) Staff Schedule B-3.1
(c) Staff Workpaper B-3

Summary of Staff's Adjustments to Reserve

Acct No.	Description	Adjustment To Include documented Date Certain Plant/Account Reclassification & Retirements (a)	Depreciation Reserve Adjustment (b)	Total Adjustment to Reserve (c)
	<u>Intangible Plant</u>			
301	Organization			
302	Franchises and Consents			
303	Miscellaneous Intangible Plant			
	Total Intangible Plant			
	<u>Land and Structures</u>			
310	Land and Land Rights			
311	Structures and Improvements			
	Total Land & Structures			
	<u>Collection Plant</u>			
352	Collection Sewers			
352.1	Collection Sewers-Force		\$ 31,790	31,790
352.2	Collection Sewers-Gravity		15,006	15,006
353	Other Collecting Plant Facilities			
354	Services to Customers		(0)	
355	Flow Measuring Devices			
	Total Collection Plant		46,795	46,796

Summary of Staff's Adjustments to Reserve

Acct No.	Description	Adjustment To Include documented Date Certain Plant/Account Reclassification & Retirements (a)	Depreciation Reserve Adjustment (b)	Total Adjustment to Reserve (c)
<u>Pumping Plant</u>				
362	Receiving Wells and Pump Pits			
363	Pumping Equipment (Electric, Diesel, Other)	(53,233)	14,968	(38,266)
	Total Pumping Plant	(53,233)	14,968	(38,266)
<u>Treatment and Disposal Plant</u>				
372	Oxidation Lagoon			
373	Treatment and Disposal Equipment			
374	Plant Sewers			
375	Outfall Sewer Lines	\$	56	56
376	Other Treatment and Disposal Plant Equipment	(1,190)	29,963	28,773
	Total Treatment and Disposal Plant	(1,190)	30,019	28,829
<u>General Plant</u>				
391	Office Furniture and Equipment			
392	Transportation Equipment			
393	Other General Equipment			
	Total General Plant			
	Total Wastewater Plant	\$ (54,423)	\$ 91,782	37,359
(a)	Staff's Schedule B-3.1a			
(b)	Staff's Schedule B-3.1b			
(c)	(a) + (b)			

Depreciation Reserve Adjustment

Acct. No.	Date of Addition	Description	Plant	Age*	AR* %	Age**	AR**%	Reserve
					(a)			
363	11/19/19	Lift Station Improvement	\$ 850	0.5	3.67%	0.33	3.45%	\$ 25
363	11/19/19	Lift Station Improvement	873	0.5	3.67%	0.33	3.45%	26
363	11/19/19	Lift Station Improvement	62,095	0.5	3.67%	0.33	3.45%	1,854
363	1986	Lift Station Retirement	(16,902)	30.0	3.67%	(b)	3.45%	(18,609)
363	1986	Lift Station Retirement	(19,406)	30.0	3.67%		3.45%	(21,366)
363	1986	Lift Station Retirement	<u>(13,772)</u>	30.0	3.67%		3.45%	<u>(15,163)</u>
		Total Account 363	\$ 13,738					\$ (53,233)
376	11/19/19	Lift Station Improvement	(62,095)	0.5	2.50%	0.33	0.02	(1,190)
		Total Adjustments	<u><u>(48,357)</u></u>					<u><u>(54,423)</u></u>

(a) See Staff's Schedule B-2.1b, B-2.1c & B-2.1d

(b) Fully depreciated based upon a 30 year live.

* Age and accrual rate as of April 30, 2020.

** Age and accrual rate as of May 1 to Date Certain (August 31, 2020).

Depreciation Reserve Adjustment

Acct. No.	Description	Applicant's Unadjusted (a)	Staff's Adjusted Jurisdictional (c)	Adjustments (b)
<u>Intangible Plant</u>				
301	Organization	\$ 0	\$	\$
302	Franchises and Consents	0		
303	Miscellaneous Intangible Plant	0		
	Total Intangible Plant	0	0	0
<u>Land and Structures</u>				
310	Land and Land Rights	0		
311	Structures and Improvements	0		
	Total Land & Structures	0	0	0
<u>Collection Plant</u>				
352	Collection Sewers	0		
352.1	Collection Sewers-Force	42,979	74,769	31,790
352.2	Collection Sewers-Gravity	121,450	136,456	15,006
353	Other Collecting Plant Facilities	0		
354	Services to Customers	49,256	49,256	(0)
355	Flow Measuring Devices	0		
	Total Collection Plant	213,685	260,481	46,795

Depreciation Reserve Adjustment

Acct. No.	Description	Applicant's Unadjusted (a)	Staff's Adjusted Jurisdictional (c)	Adjustments (b)
<u>Pumping Plant</u>				
362	Receiving Wells and Pump Pits			
363	Pumping Equipment (Electric, Diesel, Other)	86,214	93,560	14,968
	Total Pumping Plant	86,214	93,560	14,968
<u>Treatment and Disposal Plant</u>				
372	Oxidation Lagoon			
373	Treatment and Disposal Equipment			
374	Plant Sewers			
375	Outfall Sewer Lines	180	236	56
376	Other Treatment and Disposal Plant Equipment	119,040	149,003	29,963
	Total Treatment and Disposal Plant	119,220	149,239	30,019
<u>General Plant</u>				
391	Office Furniture and Equipment	0		
392	Transportation Equipment	0		
393	Other General Equipment	0		
	Total General Plant	0	0	0
	Total Wastewater Plant	\$ 419,120	\$ 503,279	\$ 91,782

- (a) Company Response Plant in Service DR #2 Depreciation Expense Report as of August 31, 2020
(b) Columns (c) - (a)
(c) Staff Workpaper WPB-3

Calculation of Jurisdictional Depreciation Expense

Acct. No.	Description	Staff's Adjusted Date Certain (a)	Accrual Rate (b)	Jurisdictional Depreciation Expense (c)
<u>Intangible Plant</u>				
301	Organization	\$ 0		\$
302	Franchises and Consents	0		
303	Miscellaneous Intangible Plant	0		
	Total Intangible Plant	0		0
<u>Land and Structures</u>				
310	Land and Land Rights	0		0
311	Structures and Improvements	0		
	Total Land & Structures	0		0
<u>Collection Plant</u>				
352	Collection Sewers	0	-	
352.1	Collection Sewers-Force	101,012	1.33%	1,343
352.2	Collection Sewers-Gravity	308,406	1.33%	4,102
353	Other Collecting Plant Facilities	0	-	
354	Services to Customers	81,847	2.00%	1,637
355	Flow Measuring Devices	0	-	
	Total Collection Plant	491,265		7,082

Calculation of Jurisdictional Depreciation Expense

Acct. No.	Description	Staff's Adjusted Date Certain (a)	Accrual Rate (b)	Jurisdictional Depreciation Expense (c)
	<u>Pumping Plant</u>			
362	Receiving Wells and Pump Pits	0		
363	Pumping Equipment (Electric, Diesel, Other)	109,980	3.45%	3,794
	Total Pumping Plant	109,980		3,794
	<u>Treatment and Disposal Plant</u>			
372	Oxidation Lagoon			
373	Treatment and Disposal Equipment			
374	Plant Sewers			
375	Outfall Sewer Lines	353	1.49%	5
376	Other Treatment and Disposal Plant Equipment	276,641	2.00%	5,533
	Total Treatment and Disposal Plant	276,994		5,538
	<u>General Plant</u>			
391	Office Furniture and Equipment	0		
392	Transportation Equipment	0		
393	Other General Equipment	0		
	Total General Plant	0		0
	Total Wastewater Plant	\$ 878,240		16,414
	CIAC Offset		(d)	7,417
	Total Depreciation Expense			\$ 8,997

- (a) Staff's Schedule B-2
(b) Authorized Rates Case No. 18-0889-ST-AIR
(c) Columns (a) x (b)
(d) See Staff Workpaper B-6.1

Construction Work In Progress Summary

None

Working Capital Allowance

(1)	Operation & Maintenance Expense (a)	\$	124,923
(2)	Expense Lag Dollars (1) / 8		15,615
(3)	Materials & Supplies (b)		0
(4)	1/4 of Operating Taxes (c)		<u>0</u>
(5)	Working Capital (2) + (3) - (4)	\$	<u><u>15,615</u></u>

- (a) Staff's Schedule C-2
(b) Applicant Does Not Maintain M & S Inventory
(c) $0.25 \times [\text{Maximum of (Schedule C-4 Line 25}_{\text{Partner 1}} + \text{Line 25}_{\text{Partner 2}} \text{ or } 0)]$

Other Rate Base Items

(1)	Deferred Income Taxes (a)	\$	(1,704)
(2)	Contribution in Aid of Construction (b)		(295,911)
(3)	Contribution in Aid of Construction (c)		(129,836)
(4)	Contribution in Aid of Construction (d)		(10,920)
(5)	Amortized CIAC (e)		<u>271,254</u>
(6)	Total Rate Base Deductions (1) + (2) + (3) + (4) + (5)	\$	<u><u>(167,117)</u></u>

- (a) Staff Workpaper B-6.2
- (b) Staff Workpaper B-6
- (c) Case No. 18-0889-ST-AIR Schedule B-6
- (d) Case No. 18-0889-ST-AIR Schedule B-6
- (e) Staff Workpaper B-6.1

**Pro forma Operating Income Statement
For the 12 Months Ending August 31, 2020**

Line No.	Description	Staff		
		Adjusted Revenues & Expenses (a)	Pro forma Adjustments (b)	Pro forma Revenues & Expenses (c)
	<u>Operating Revenues</u>			
1	Wastewater Sales Revenue	\$ 129,490	\$ 100,992	\$ 230,481
2	Dishonored Check Charge	0	0	0
3	Total Operating Revenues	129,490	100,992	230,481
	<u>Operating Expenses</u>			
4	Operation and Maintenance	124,923	0	124,923
5	Depreciation	8,997	0	8,997
6	Federal Income Taxes	(443)	9,635	9,192
7	Total Operating Expenses	133,477	9,635	143,111
8	Net Operating Income	\$ (3,987)	\$ 91,357	\$ 87,370
9	Rate Base	(d) \$ 223,458	\$	\$ 223,458
10	Rate of Return	(e) -1.78%	\$	39.10%

- (a) Staff's Schedule C-2
- (b) Staff's Schedule C-1.1
- (c) Columns (a) + (b)
- (d) Staff's Schedule B-1
- (e) Net Operating Income / Rate Base

Pro forma Adjustments

Line No.	Description	Pro forma Adjustment
(1)	Proposed Revenue Increase (a)	\$ 100,992
(2)	Dishonored Check Charge (a)	<u>0</u>
(3)	Total Proposed Revenue Increase (1) + (2)	<u>100,992</u>
(4)	Increase to Federal Income Tax (b)	\$ <u>9,635</u>

- (a) Staff's Schedule C-1.1a
(b) Staff's Schedule C-4

Summary of Operating Revenues at Current and Proposed Rates

Line No.	Description	Bills	Test Year Usage (CF)	Current Rate (CF)	Current Revenue	Proposed Usage (CF)	Proposed Rate (CF)	Proposed Revenue	Increase	Increase %
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
(1)	Wastewater	12	9,946,200	\$ 0.013019	\$ 129,490	9,946,200	\$ 0.0231728	\$ 230,481	\$ 100,992	77.99%
(2)	Dishonored Check Charge		<u>0</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
(3)	Total Revenue				\$ 129,490			\$ 230,481		77.99%

- (a) Applicant's Current Tariff
- (b) Staff's Test Year Usage
- (c) Based on Applicant's Current Rates
- (d) Column (b) x (c)
- (e) Based on Staff's Proposed Usage
- (f) Based on Applicant's Proposed Rate
- (g) Column (e) x (f)
- (h) Column (g) - Column (d)
- (i) Column (h) / column (d)

Adjusted Test Year Operating Income

Line No.	Description	Staff		
		Test Year Revenues & Expenses (a)	Adjustments (b)	Adjusted Revenues & Expenses (c)
	<u>Operating Revenues</u>			
(1)	Wastewater Sales Revenue	\$ 84,145	\$ 45,345	\$ 129,490
(2)	Dishonored Check Charge	0	0	0
(3)	Total Operating Revenues	84,145	45,345	129,490
	<u>Operating Expenses</u>			
(4)	Operation & Maintenance	157,413	(32,490)	124,923
(5)	Depreciation	29,264	(20,267)	8,997
(6)	Federal Income Taxes	0	(443)	(443)
(7)	Total Operating Expenses	186,677	(53,200)	133,477
(8)	Net Operating Income	\$ <u>(102,532)</u>	\$ <u>98,545</u>	\$ <u>(3,987)</u>

- (a) Applicant's General Ledgers
- (b) Staff's Schedule C-3
- (c) Columns (a) + (b)

Unadjusted Test Year Operating Income

Line No.	Description	Year to Date This Year
		(a)
	<u>Revenues</u>	
(1)	Sewer Receipts	\$ 84,145
(2)	Total Revenues	<u>84,145</u>
(3)	Cost of Sales	0
(4)	Total Cost of Sales	<u>0</u>
(5)	Gross Profit	<u>84,145</u>
	<u>Expenses*</u>	
(6)	Bank Charges	25
(7)	Commissions and Fees Expense	600
(8)	Depreciation Expense	29,264
(9)	Legal and Professional Expense	7,907
(10)	Maintenance Expense - Clean Water	110,596
(11)	Office Expense	1,374
(12)	Rent or Lease Expense	4,800
(13)	Utilities Expense	24,991
(14)	Outside Services	5,346
(15)	Insurance	925
(16)	Equipment Expense	<u>850</u>
(17)	Total Expenses	<u>186,677</u>
(18)	Net Income	\$ <u><u>(102,532)</u></u>
*	Staff WP C-2.1	

(a) Application

Summary of Staff's Adjustments

		<u>Operating Revenues</u>	
C-3.1		Wastewater Revenue	\$ <u>45,345</u>
		Total Revenue Adjustments	\$ <u><u>45,345</u></u>
		<u>Operating Expenses</u>	
C-3.2	928	Rate Case and Regulatory Expense	\$ (5,126)
C-3.3	923	Outside Services Expense	(27,115)
C-3.4	920	Administrative and General Expense	120
C-3.5	702	Rents	0
C-3.6	703	Fuel, Power Purchased for Pumping and Treatment	(237)
C-3.7	705	Miscellaneous Supplies and Expenses	0
C-3.8	715	Maintenance of Other Plant Facilities	(107)
C-3.9		Bank Fees	<u>(25)</u>
		Total O & M Expenses	\$ <u><u>(32,490)</u></u>
C-3.10	403	Depreciation & Amortization	(20,267)
C-3.11	408	Federal Income Taxes	(443)
		Total Expense Adjustments	\$ <u><u>(53,200)</u></u>

Source: Staff's Schedules C-3.1 Through C-3.11

Wastewater Sales Revenue Adjustment

Line No.	Description	Staff's Adjustment
(1)	Adjusted Wastewater Sales Revenue (a)	\$ 129,490
(2)	Test Year Revenue (b)	<u>84,145</u>
(3)	Adjustment (1) - (2)	<u>\$ 45,345</u>

- (a) Staff Workpaper C-3.1
(b) Applicant Test Year Revenue

Account 928 Regulatory Commission Expense

Line No.	Description	Staff's Adjustment
(1)	Adjusted Regulatory Commission Expense Expense (a)	\$ 3,381
(2)	Test Year Regulatory Commission Expense (b)	<u>8,507</u>
(3)	Adjustment (1) - (2)	\$ <u><u>(5,126)</u></u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

Account 923 Outside Services Employed

Line No.	Description	Staff's Adjustment
(1)	Adjusted Outside Services Employed Expense (a)	\$ 85,780
(2)	Test Year Outside Services EmployedExpense (b)	<u>112,895</u>
(3)	Adjustment (1) - (2)	\$ <u><u>(27,115)</u></u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

Account 920 Administrative and General Expense

Line No.	Description	Staff's Adjustment
(1)	Adjusted Administrative and General Expense Expense (a)	\$ 2,040
(2)	Test Year Administrative and General Expense Expense (b)	<u>1,920</u>
(3)	Adjustment (1) - (2)	\$ <u><u>120</u></u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

Account 702 Rents

Line No.	Description		Staff's Adjustment
(1)	Adjusted Rents Expense (a)	\$	4,800
(2)	Test Year Rents Expense (b)		<u>4,800</u>
(3)	Adjustment (1) - (2)	\$	<u><u>0</u></u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

**Account 703 Fuel,Power Purchased for Pumping
and Treatment**

Line No.	Description	Staff's Adjustment
(1)	Adjusted Fuel,Power Purchased for Pumping and Treatment Expense (a)	\$ 24,754
(2)	Test Year Fuel,Power Purchased for Pumping and Treatment Expense (b)	24,991
(3)	Adjustment (1) - (2)	\$ <u>(237)</u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

Account 705 Miscellaneous Supplies and Expenses

Line No.	Description	Staff's Adjustment
(1)	Adjusted Miscellaneous Supplies and Expenses Expense (a)	\$ 1,050
(2)	Test Year Miscellaneous Supplies and Expenses Expense (b)	<u>1,050</u>
(3)	Adjustment (1) - (2)	<u><u>\$ 0</u></u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

Account 715 Maintenance of Other Plant Facilities

Line No.	Description	Staff's Adjustment
(1)	Adjusted Maintenance of Other Plant Facilities Expense (a)	\$ 1,219
(2)	Test Year Maintenance of Other Plant Facilities Expense (b)	<u>1,326</u>
(3)	Adjustment (1) - (2)	\$ <u><u>(107)</u></u>

- (a) Invoices provided to Staff by Applicant
(b) Applicant Filed Profit and Loss Statement

Bank Fee Expense

Line No.	Description	Staff's Adjustment
(1)	Adjusted Bank Fee Expense	\$ 0
(2)	Test Year Bank Fee Expense (a)	<u>25</u>
(3)	Adjustment (1) - (2)	\$ <u><u>(25)</u></u>

(a) Applicant Filed Profit and Loss Statement

Account 403 Depreciation Expense

Line No.	Description	Staff's Adjustment
(1)	Adjusted Depreciation Expense (a)	\$ 8,997
(2)	Test Year Depreciation Expense (b)	<u>29,264</u>
(3)	Adjustment (1) - (2)	<u><u>\$ (20,267)</u></u>

- (a) Staff's Schedule B-3.2
(b) Applicant Filed Profit and Loss Statement

Account 408 Federal Income Tax Adjustment

Line No.	Description	Staff's Adjustment
(1)	Current Federal Income Taxes (a)	\$ (443)
(2)	Test Year Federal Income Tax (b)	<u>0</u>
(3)	Adjustment (1) - (2)	<u><u>\$ (443)</u></u>

- (a) Staff's Schedule C-4
(b) Applicant Filed Profit and Loss Statement

Calculation of Income Taxes

	Adjusted Operating Income Partner 1	Adjusted Operating Income Partner 2	Pro forma Operating Income Partner 1	Pro forma Operating Income Partner 2
(1) Unallocated Operating Income Before FIT	\$ (4,430)	\$ (4,430)	\$ 96,562	\$ 96,562
(2) Partner's Share (a)	50.00%	50.00%	50.00%	50.00%
(3) Allocated Operating Income Before FIT [(1) * (2)]	<u>(2,215)</u>	<u>(2,215)</u>	<u>48,281</u>	<u>48,281</u>
<u>Reconciling Items:</u>				
(4) Interest Charges	0	0	0	0
(5) Book Depreciation	4,498	4,498	4,498	4,498
(6) Tax Accelerated Depreciation (b)	<u>11,102</u>	<u>11,102</u>	<u>11,102</u>	<u>11,102</u>
(7) Excess of Tax Over Book Depreciation (5) - (6)	(6,603)	(6,603)	(6,603)	(6,603)
<u>Other Reconciling Items:</u>				
(8) None				
(9)				
(10)				
(11)				
(12) Total Other Reconciling Items (8) Thru (11)	0	0	0	0
(13) Total Reconciling Items (4) + (7) + (12)	(6,603)	(6,603)	(6,603)	(6,603)
(14) Federal Taxable Income (3) + (13)	<u>(8,818)</u>	<u>(8,818)</u>	<u>41,678</u>	<u>41,678</u>
(15) Federal Taxable Income with Respect to Each Owner	(8,818)	(8,818)	41,678	41,678
(16) Qualified Business Income Deduction (C-4.1)	<u>0</u>	<u>0</u>	<u>8,336</u>	<u>8,336</u>
(17) Adjusted Federal Taxable Income (15) - (16)	(8,818)	(8,818)	33,342	33,342

Calculation of Income Taxes

	Adjusted Operating Income Partner 1	Adjusted Operating Income Partner 2	Pro forma Operating Income Partner 1	Pro forma Operating Income Partner 2
<u>Federal Income Taxes</u>				
(18) \$0 - \$9,875 @ 10%	(882)	(882)	988	988
(19) \$9,876 - \$40,125 @ 12%	0	0	2,816	2,816
(20) \$40,125 - \$85,525 @ 22%	0	0	0	0
(21) \$85,526 - \$163,300 @ 24%	0	0	0	0
(22) \$163,301 - \$207,350 @ 32%	0	0	0	0
(23) \$207,350 - \$518,400 @ 35%	0	0	0	0
(24) \$518,401 + @ 37%	0	0	0	0
(25) Current Federal Income Taxes (18) Through (24)	\$ (882)	\$ (882)	\$ 3,804	\$ 3,804
<u>Deferred Income Taxes:</u>				
(26) Tax Accelerated Depreciation	11,102	11,102	11,102	11,102
(27) Tax Straight Line Depreciation	4,498	4,498	4,498	4,498
(28) Excess of Tax Accelerated over Tax S/L Deprec. (26) - (27)	6,603	6,603	6,603	6,603
(29) Deferred Income Tax Expense [(28) * Current Marginal Tax Rate]	660	660	792	792
<u>Other Deferred Taxes:</u>				
(30) Amortization of Prior Years ITC				
(31) None				
(32)				
(33)				
(34)				
(35) Total Other Deferred Taxes (29) Thru (34)	660	660	792	792
(36) Allocated Partner Federal Income Taxes (25) + (35)	\$ (221)	\$ (221)	\$ 4,596	\$ 4,596
(37) Total Federal Income Tax Expense	\$ (443)		\$ 9,192	
(a) Company Response to DR #13				
(b) Company's 2018 Tax Return				

Calculation of Qualified Business Income Deduction

	Adjusted Operating Income Partner 1	Adjusted Operating Income Partner 2	Pro forma Operating Income Partner 1	Pro forma Operating Income Partner 2
	<u>50%</u>	<u>50%</u>	<u>50%</u>	<u>50%</u>
(1) Partner's Share of Company				
(2) Allocated Federal Taxable Income	\$ (8,818)	\$ (8,818)	\$ 41,678	\$ 41,678
(3) Phase Out (If Applicable)				
	Under Phase Out Threshold	Under Phase Out Threshold	Under Phase Out Threshold	Under Phase Out Threshold
(4) 50% of W-2 Wages (a)	-	-	-	-
(5) 25% of W-2 Wages + 2.5% of Unadjusted Basis (b)	1,202	1,202	1,202	1,202
(6) Excess Amount [Greater of (7) or (9)]	<u>1,202</u>	<u>1,202</u>	<u>1,202</u>	<u>1,202</u>
(7) QBI Deduction Limitation				
(8) If Over Phase Out Threshold = Lesser of 20% of (3) or (11)				
(9) If Phase Out Applies = $20\% \times (3) - [20\% \times (3) - \frac{163,300}{100,000} \times [20\% \times (3) - (11)]]$				
(10) If Under Phase Out Threshold = $20\% \times (3)$				
(11) If Federal Taxable Income < \$0, then QBI Deduction = \$0				
(12) Qualified Business Income Deduction	\$ <u>0</u>	\$ <u>0</u>	\$ <u>8,336</u>	\$ <u>8,336</u>
(a) Company has no W-2 wage expense				
(b) Based on the Company's 2018 Schedule K-1, Total Company Unadjusted Basis is \$231,201				

The Public Utilities Commission of Ohio
Mike DeWine, Governor
M. Beth Trombold, Acting Chair

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Case No(s). 20-1585-ST-AIR

Summary: Staff Report Filed electronically filed by Zee Molter on behalf of PUCO Staff