

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbia MHC East, LLC dba CPWSS,) Case No. 11-5500-WS-AIR
Columbia Park Water and Sewer System)
for an Increase in its Rates and Charges.)

OPINION AND ORDER

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

APPEARANCES:

Mike DeWine, Attorney General of the State of Ohio, by Stephen Reilly, Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43215-3793, on behalf of the Staff of the Public Utilities Commission of Ohio.

I. HISTORY OF THE PROCEEDING

Columbia Park Water and Sewer System (Columbia Park) is a public utility, pursuant to Section 4905.02, Revised Code, and a waterworks and sewage disposal company as set forth in Section 4905.03(A)(7) and (13), Revised Code. Columbia Park is an Ohio limited liability corporation, incorporated in 2001, which provides water and wastewater service to a mobile home park consisting of approximately 983 units, as well as a shopping center and medical building in Olmsted Township, Ohio. Columbia Park's purchased water rate was established by Commission order on April 10, 2010, in Case No. 10-425-WW-PWA, with its other current rates established by Commission order on February 4, 2004, in Case No. 01-2576-WS-ACE.

On November 7, 2011, Columbia Park filed an abbreviated application for authority to increase and adjust its rates and charges for supplying water and wastewater service within its service area and requested a test year ending December 31, 2010, with a date certain of December 31, 2010. Columbia Park amended its application on January 9, 2012. By entry issued on February 14, 2012, the Commission approved the requested test year and date certain and accepted the application for filing as of January 9, 2012. The Commission's entry also directed Columbia Park to commence publication of a description of the application, pursuant to the requirements of Section 4909.19, Revised Code.

Pursuant to Section 4909.19, Revised Code, Commission Staff (Staff) conducted an investigation of the application. On June 12, 2012, Staff filed a written report of its investigation (Staff Report). Copies of the Staff Report were served as required by statute. No person submitted objections to the application or requested intervention in this proceeding.

By entry issued on July 17, 2012, the attorney examiner scheduled a local public hearing for August 23, 2012, and directed Columbia Park to publish notice of the hearing in accordance with the entry and the requirements of Section 4903.083, Revised Code. On August 20, 2012, and August 21, 2012, Columbia Park filed proof of publication of the application and the hearing notice.

II. LOCAL HEARING

The local public hearing was held on August 23, 2012, in accordance with the published notice. At the hearing, 18 witnesses testified. All 18 witnesses testified in opposition to Columbia Park's proposed rate increases. Numerous witnesses stated that Columbia Park's proposed rate increases could have a dramatic effect on Columbia Park's residents, as the majority have fixed incomes and are retired. Several witnesses noted that they agreed with the Staff Report and found Staff's proposed increase of 19 percent to be more reasonable than what Columbia Park requested. In addition, several witnesses submitted written statements in opposition to Columbia Park's application, all of which were filed in this docket.

III. COMMISSION REVIEW AND DISCUSSION

This case comes before the Commission upon the application of Columbia Park, pursuant to Section 4909.18, Revised Code, for authority to increase its rates and charges for water and wastewater service. The rates proposed by Columbia Park, when applied to the total adjusted test year sales volume, would generate additional revenues of \$174,343, an increase of approximately 63.24 percent over current revenue. Staff proposed a lower revenue requirement and made various other recommendations. Because Columbia Park did not file objections to the Staff Report, the Staff's recommendations shall be adopted where supported by the record and consistent with Commission policy.

A. RATE BASE

The following information presents Staff's value of Columbia Park's property used and useful in the rendition of water and wastewater services as of the December 31, 2010, date certain (Staff Report, Schedule B-1):

Plant in Service	\$	0
Less: Depreciation Revenue:	\$	0
Net Plant in Service	\$	0
Plus: Working Capital:	\$	35,094
Less: Other Rate Base Items	\$	0
Rate Base:	\$	35,094

The Commission finds the rate base recommended by Staff to be reasonable and proper and adopts the valuation of \$35,094 as the rate base for the purposes of this proceeding.

B. OPERATING INCOME

The following information reflects Columbia Park's operating revenue, operating expenses, and net operating income for the 12 months ended December 31, 2010 (Staff Report, Schedule C-1):

<u>Operating Revenue</u>	
Base	\$ 122,036
Purchased Water	\$ 153,448
Other Operating Revenue	<u>\$ 189</u>
Total Operating Revenue	\$ 275,673
<u>Operating Expenses</u>	
Purchased Water	\$ 153,448
Operation and Maintenance	\$ 151,802
Depreciation	\$ 0
Taxes, Other Than Income	\$ 18,092
Federal Income Taxes	<u>(\$7,150)</u>
Total Operating Expenses	\$ 316,192
Net Operating Income	(\$40,519)

The Commission finds that Staff's determination of Columbia Park's operating revenue, operating expenses, and net operating income to be reasonable and proper. The Commission will, therefore, adopt these figures for purposes of this proceeding.

C. RATE OF RETURN AND AUTHORIZED INCREASE

A comparison of Columbia Park's total operating revenue of \$275,673 with total operating expenses of \$316,192 indicates that, under its present rates, Columbia Park would have a total net operating income of (\$40,519). Applying this figure to the rate base of \$35,094 results in a rate of return of (115.46) percent. Such a return is insufficient to provide the applicant with reasonable compensation for the service it renders to its customers.

Staff has recommended that Columbia Park be authorized to earn a rate of return between 9.5 and 10.5 percent. Numerous witnesses at the public hearing testified that significant rate increases could have a devastating effect on many of Columbia Park's customers, the majority of whom are over the age of fifty-five and living on fixed incomes. In addition, the Commission has received dozens of letters from concerned customers residing in Columbia Park's service territory indicating that a substantial rate increase would cause financial hardships in light of the current economic conditions. Based on the difficult economic times as reflected in the testimony in this proceeding, the Commission finds that the lower bound of Staff's recommended rate of return of 9.5 percent is fair and reasonable and, accordingly, we will authorize a rate of return for Columbia Park of 9.5 percent for purposes of this case.

A rate of return of 9.5 percent on a rate base of \$35,094 requires a net operating income of \$3,334. Adding the recommended revenue increase of \$54,165 to the adjusted test year revenues of \$275,673 produces a revenue requirement of \$329,838, an increase of 19.65 percent (Staff Report, Schedule A-1).

D. EFFECTIVE DATE AND TARIFFS

As part of its investigation in this matter, Staff reviewed the various rates, charges, and provisions governing terms and conditions of service as set out in Columbia Park's proposed tariffs. Staff found, for the most part, Columbia Park's existing tariff provisions to be reasonable; however, in certain areas, Staff recommended several changes. Staff explains that Columbia Park should remove language from the tariff that allows the Company to collect attorney fees and court costs associated with unpaid bills, noting that this determination should be made by a court of law and not a tariff. Staff recommends that Columbia Park add language to its reconnection provisions that guarantees the reinstatement of service the same day on which payment is rendered. Further, Staff recommends that Columbia Park add additional language to its tariffs acknowledging the customer's right to have a representative present during a meter test.

Regarding Columbia Park's discontinuance of service provisions, Staff provides that the tariff should be corrected to state that disconnection of service may not occur prior

to 20 days after a bill was due, not 15 days after the due date. Staff recommends adding additional language to Columbia Park's tariff section on access to a customer's premises. In addition, Staff recommends that Columbia Park revise its customer bill format to include instructions on how customers may contact the Commission, as set forth in Case No. 11-4910-AU-ORD. Staff suggests similar changes to Columbia Park's complaints sections of its notification of customer rights. Staff also proposes a language change to its policy on late payment charges. Finally, Staff recommends that a dishonored payment charge, reconnection charge, and freeze plates are appropriate and remain unchanged.

Columbia Park did not object to any of the recommendations in the Staff Report and the Commission shall adopt all of Staff's recommendations. Columbia Park is, therefore, directed to file revised tariffs in accordance with the terms of this opinion and order, as well as a customer notice. In preparing its revised tariffs, Columbia Park should carefully review the tariff recommendations set forth in the Staff Report and should work with Staff to ensure that the revised tariffs are consistent with Staff's recommendations prior to filing. The effective date of the increase in rates will be determined together with the review of these items.

E. RELIABILITY AND SERVICE QUALITY

As part of its investigation, Staff also conducted a review of Columbia Park's reliability and service quality. As a result of its investigation, Staff recommends that Columbia Park submit a remedial action plan for the reduction of its unaccounted-for-water (UFW) within 60 days from the date of this order. Specifically, Staff proposes that Columbia Park's UFW plan should include, at a minimum, a determination of the volumes of water that is currently used at Columbia Park's un-metered common facility locations, as well as a cost/benefit analysis of a leak detection program. Therefore, the Commission directs Columbia Park to submit its remedial action plan in accordance with Staff's recommendations within 60 days from the date of this order. Further, the Commission notes that many customers in Columbia Park's service territory expressed concerns about water usage that was unaccounted for and noted displeasure with the current condition of Columbia Park's facilities (Public Hearing Tr. At 9, 13-14, 21, 24; Evidentiary Hearing Tr. At 6-7). While the Commission understands that Columbia Park's operating costs have increased since its last rate proceeding, we expect Columbia Park will take appropriate steps to update the condition of its facilities and make improvements as necessary. Accordingly, Staff should inform the Commission if Columbia Park fails to comply with Staff's recommendation in the future, especially if there appears to be a pattern of noncompliance with matters that have an effect on service provided to customers.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- (1) Columbia Park's application was filed pursuant to Sections 4909.17, 4909.18, and 4909.19, Revised Code.
- (2) The Staff Report was filed and mailed, in accordance with Section 4909.19, Revised Code.
- (3) A public hearing was held and written notice of the hearing was published in accordance with Section 4903.083, Revised Code.
- (4) The value of Columbia Park's property used and useful for the rendition of water and wastewater services to its customers, as of the date certain of December 31, 2010, is \$35,094.
- (5) For the 12-month period ending December 31, 2010, the test year in this proceeding, the total operating revenue, total operating expenses, and net operating income realized by the company under its present rate schedules were \$275,673, \$316,192, and (\$40,519), respectively.
- (6) Income of (\$40,519) represents a rate of return of (115.46) percent.
- (7) A rate of return of (115.46) percent is insufficient to provide Columbia Park reasonable compensation for the water and wastewater service rendered customers affected by this application.
- (8) A rate of return of approximately 9.5 percent is fair and reasonable under the circumstances presented by this case, and is sufficient to provide Columbia Park with just and reasonable compensation and return on the value of its property used and useful in furnishing the service described in the application.
- (9) The revenue requirement to which Columbia Park is entitled for purposes of this proceeding is \$329,838. A revenue increase of \$54,165 should produce net operating income of \$3,334. A net operating income of \$3,334 represents a rate of return of 9.5 percent on a rate base of \$35,094.
- (10) Columbia Park should be authorized to withdraw its current tariffs and file tariffs consistent in all respects with this order.

ORDER:

It is, therefore,


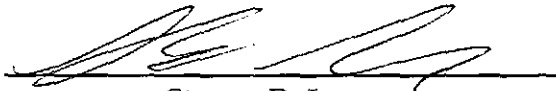


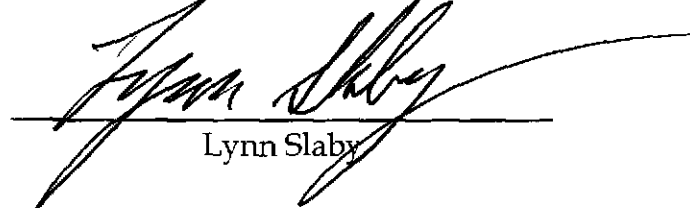
ORDERED, That Columbia Park's application for authority to increase its rates and charges for water and wastewater services is granted to the extent provided in this opinion and order. It is, further,

ORDERED, That Columbia Park is authorized to withdraw its present tariffs governing service to customers affected by this application and to file proposed new tariffs consistent with the discussion and findings set forth above. Upon receipt of a complete copy of tariffs conforming to this opinion and order the Commission will review and approve those tariffs by entry. It is, further,


ORDERED, That Columbia Park shall submit a proposed customer notice to the Commission when it files tariffs for approval. The Commission will review the notice and, if it finds it to be proper, will approve the notice by entry. It is, further,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman
Steven D. Lesser
Cheryl L. Roberto
Andre T. Porter
Lynn Slaby

JJT/sc

Entered in the Journal **OCT 03 2012**
Barcy F. McNeal
Secretary