

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

OPINION AND ORDER

The Commission, coming now to consider the application and evidence of record in this proceeding, hereby issues its Opinion and Order.

APPEARANCES:

Eckhart Law Offices, by Henry W. Eckhart, 1200 Chambers Road, Suite 106, Columbus, Ohio 43212, on behalf of Camplands Water LLC.

Mike DeWine, Ohio Attorney General, by Steven L. Beeler and Ryan P. O'Rourke, Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43215-3793, on behalf of Staff of the Commission.

Taft Stettinius & Hollister, LLP, by Zachary D. Kravitz and Mark S. Yurick, 65 East State Street, Suite 1000, Columbus, Ohio 43215, on behalf of Holiday Camplands Association.

HISTORY OF THE PROCEEDINGS:

Camplands Water LLC, (Camplands) is a waterworks company that provides water utility service to two campground customers in Andover and Richmond Townships in Ashtabula County, Ohio. Holiday Camplands Association (Holiday) and Lake Village Club, Inc. (Lake Village) are Camplands' two and only customers. Three wells, owned by Camplands, provide the water source for the campgrounds. The water is treated prior to its distribution through a system that has a 340,000 gallon per day capacity. (Staff Ex. 1 at 1, 11.)

Historically, Camplands has served its two customers pursuant to contracts approved by the Commission. The contract for Holiday was approved in *In re Camplands*, Case No. 09-425-WW-AEC. The contract for Lake Village was approved in *In re Camplands*, Case No. 09-465-WW-AEC. There is no tariff. Failing to reach mutually agreeable contracts, Camplands filed this application seeking the Commission's approval of a proposed tariff. (Camplands Ex. 2 at 27.)

Pursuant to R.C. 4909.19, Staff conducted an investigation of the application and filed its report on December 30, 2013. Objections to the Staff Report were filed by Camplands and Holiday on January 27, 2014, and January 29, 2014, respectively.

In *In re Camplands Water LLC*, Case No. 06-9-WW-AEC, Finding and Order (February 22, 2006), the Commission approved the current rates and charges for Lake Village. In *In re Camplands Water LLC*, Case No. 09-425-WW-AEC, Finding and Order (September 2, 2009), the Commission approved the current rates and charges for Holiday. On July 26, 2013, Camplands filed an application in this proceeding for an increase in rates. Camplands amended its application on July 31, 2013. In its application, Camplands requested December 31, 2012, as the ending date for the 12-month test period. By Entry issued September 11, 2013, the Commission approved the requested test year, approved the date certain, and accepted the application for filing as of July 31, 2013. Camplands' proposed rates, as applied to the total unmetered contract sales, would generate additional revenues of \$107,544, equating to an increase of approximately 43 percent over Staff's adjusted total current revenues. (Staff Ex. 1 at 1-2.) A comparison of Camplands' current and proposed monthly charges may be summarized as follows:

| Rate Design | Current | Proposed | Dollar Increase | Percentage Increase |
|----------------|----------|----------|-----------------|---------------------|
| Lg. Campground | \$14,950 | \$22,626 | \$7,676 | 51.3 percent |
| Sm. Campground | \$ 5,413 | \$ 6,699 | \$1,286 | 23.8 percent |
| Sewer Plant | 0 | 0 | 0 | 0 |

In its Staff Report, Staff calculated current and proposed monthly charges which may be summarized as follows:

| Rate Design | Current | Proposed | Dollar Increase | Percentage Increase |
|----------------|----------|-------------|-----------------|---------------------|
| Lg. Campground | \$14,950 | \$23,929.16 | \$8,979.16 | 60.1 percent |
| Sm. Campground | \$ 5,413 | \$ 5,337.17 | \$ (75.83) | (1.4) percent |
| Sewer Plant | 0 | \$ 58.67 | \$ 58.67 | 100 percent |

(Staff Ex. 1 at 22.)

An evidentiary hearing was held as scheduled on March 27, 2014, at the offices of the Commission.

SUMMARY OF REVENUE REQUIREMENTS

In its 2012 Annual Report, Camplands calculated its total operating revenues to be \$291,306. Camplands concluded that this amount was insufficient to meet the needs of the

company. The Staff Report initially recommended a revenue requirement range of \$341,939 to \$351,551. Upon discovery of errors by Holiday, Staff revised its recommended revenue requirement to a range of \$278,964 to \$288,485. (Staff Ex. 6 at 3; Holiday Ex. 3 at 9-10.)

Camplands objects to Staff's recommended revenue requirement range. Camplands points out that its objection to the Staff's revenue requirement range is a summary objection that takes into account other objections to Staff's recommendations. In sum, Camplands believes that the revenue range of \$278,964 to \$288,485 proposed by Staff is too low. (Camplands Ex. 2 at 3.) Camplands calculates the midpoint of Staff's range to be \$283,725. Camplands emphasizes that Staff's midpoint is lower than the test year revenues of \$291,306. Challenging Staff's recommendation, Camplands points out that for almost 30 years it has negotiated special contracts with its two customers. Because the customers were unwilling to negotiate terms that Camplands finds acceptable, Camplands came to the Commission to request a rate increase. According to Camplands, Staff has recommended a decrease of \$7,581, equating to almost a three percent decrease in existing rates. (Camplands Ex. 2 at 2-3, 9; Camplands Br. 2.)

Camplands contends that Staff's regulatory methods fail to reflect Camplands' financial condition accurately. It is Camplands' position that the unadjusted/actual test year revenue of \$291,306 is insufficient to meet the needs of the company. Because of the loan repayment that began in 2011, Camplands believes that at least \$53,000 per year should be added, bringing the revenue requirement to \$343,306. This would allow the company to offset the loan payment and to continue to pay dividends of \$50,000. Without a cash increase, Camplands claims that it will not be able to pay dividends, cover operation and maintenance expenses, and make capital improvements. (Camplands Br. 10-13.) Camplands' witness, however, admitted that Camplands should have been able to generate \$75,000 with Staff's recommended rate base of \$747,583 with a ten percent rate of return. The witness added that it would have been appropriate to pay a \$50,000 dividend under those circumstances, although acknowledging that paying dividends would have generated a protest from Staff and Holiday given the low level of retained earnings. (Camplands Ex. 2 at 9-10.)

To arrive at its proposed revenue requirement, Camplands takes exception to certain calculations of Staff and Holiday. Specifically, Camplands refers to the reduction in the president's salary from \$25,000 per year to \$15,600. Camplands also contests Staff's classification of over \$100,000 of rate base as CIAC.

Because of its small size, Camplands believes that it is appropriate for the Commission to adopt a uniform rate of return of 10 percent. In addition to being small, Camplands notes that it acquired a relatively large amount of debt, in the form of a loan. The loan transitioned the company from having 100 percent equity in 2009 to having a

debt to equity ratio of 84/16 in the test year. The servicing of the loan, according to Camplands, is what causes the regulatory formula to overlook the company's financial condition. (Camplands Ex. 2 at 3-4.)

Explaining the loan, Camplands states that there is no dispute that the loan was appropriate. The Ohio Environmental Protection Agency (Ohio EPA) required an improvement in the company's water quality. To comply, Camplands had to undertake a major construction project. The cost of the new treatment plant was over four times the amount of equity that was in the plant. (Camplands Ex. 2 at 5.)¹

Although the loan was necessary, Camplands complains that it is experiencing significant financial pressure from the annual payments. To demonstrate the financial pressure, Camplands first points to the retained earnings compared to the dividends paid. Dividends have decreased since the beginning of the loan payments. Second, Camplands points to a rapid reduction of cash on hand, notwithstanding the increase in revenues upon completion of the treatment plant. Camplands predicts that cash on hand will soon run out even with complete collection of revenue. The three percent decrease proposed by Staff would hasten the exhaustion of funds. (Camplands Ex. 2 at 5.)

Holiday disagrees with Staff's calculation of Camplands' revenue requirement. Holiday calculates Camplands' revenue requirement to be \$229,453 (Holiday Ex. 3 at 8; Schedule DRM 2, Sheet 1 of 2). Holiday explains the disagreement as being attributable to the differences in rate base calculations. Accounting for a transfer of over \$250,000 of capitalization to CIAC, Holiday would include in rate base a portion of Plant in Service and related depreciation reserve, which would be treated as CIAC and for Deferred Income Taxes. Moreover, Holiday claimed that Staff made an error in its Depreciation Expense, which caused Staff to revise its revenue requirement range to \$278,964 to \$288,485. (Holiday Ex. 3 at 8-11.)

Staff has accurately calculated the revenue requirement for Camplands. Camplands and Holiday challenged Staff's calculations for CIAC and depreciation expense. As discussed below, the Commission finds that Staff has properly calculated these components of revenue requirement. However, with increases in the administrative fee and rate case expense, as discussed below, the revenue requirement should be increased to reflect adjustments to the administrative fee and rate case expense.

¹ The terms of the loan included a principal borrowing amount of \$879,950. Return of the principal was set for a term of 20 years at two percent interest with semi-annual payments of \$26,799.40. The loan documents show total interest for the period to be \$192,026.14, resulting in a total payment of \$1,071,976.14 (*In re Camplands Application for Loan Agreement Approval*, Case No. 09-640-WW-AIS).

SUMMARY OF RATE BASE

Rate base represents an applicant's net investment in plant and other assets as of the date certain which are used and useful in providing regulated utility services to its customers and upon which its investors are entitled to the opportunity to earn a fair and reasonable rate of return. The date certain in this case is December 31, 2012. For its analysis, Staff divided rate base into Plant in Service, Depreciation, Construction Work in Progress, Working Capital and Other Rate Base items. Staff's recommended rate base may be summarized as follows:

| | |
|-------------------------------|------------------|
| Plant in Service | 1,074,214 |
| Depreciation Reserve | <u>81,475</u> |
| Net Plant in Service | 992,739 |
| Construction Work in Progress | 0 |
| Working Capital Allowance | 9,651 |
| Rate Base Deductions | <u>(252,918)</u> |
| Rate Base | 749,472 |

(Staff Ex. 6, Schedule B-1.)

Camplands shows Plant in Service to be \$1,078,105 (2012 Annual Report p. 19). Staff reclassified to Plant in Service certain items that were treated as expenses by Camplands. Staff also adjusted Camplands' depreciation reserve because it was improper for regulatory purposes. Staff made an additional adjustment to account for adjustments to Plant in Service and to eliminate the reserve associated with Contributions in Aid of Construction (CIAC), which is discussed below. In its brief, Staff pointed out that Camplands did not request an allowance for Construction Work in Progress (CWIP). Staff did not recommend an allowance for CWIP. Staff observed that neither Camplands nor Holiday objected. Consequently, Staff recommends that there be no allowance. Staff states that it calculated the allowance for Working Capital using a formula approved by the Commission in the past. Because neither Camplands nor Holiday objected to Staff's Working Capital recommendation, Staff urges that its recommendation be adopted. (Staff Br. 4-8.)

Contributions in Aid of Construction

Camplands and Holiday disputed Staff's calculation of CIAC. Staff calculated total CIAC to be \$250,730. Staff divided the sum into two parts. The first part is authorized and unauthorized construction loan fees totaling \$122,275. The second part is Plant in Service totaling \$128,455. The Plant in Service portion was determined to be contributed in *In re Camplands Application for an Increase in Rates and Charges*, Case No. 85-418-WW-AIR (*Camplands Application*). Staff considered the construction loan fees to be CIAC because

Holiday signed an agreement specifying that the payments to be made by Holiday are for a major construction program for extensive waterworks improvements. The construction loan fees were used to defray the cost of physical and structural improvements to Camplands' plant. The loan fee is comprised of monthly construction fee payments by Holiday in the amount of \$1,675, beginning when fifty percent of the loan funds from the Ohio EPA had been used. After the completion of construction, Holiday's monthly fee increased to \$3,350 and stayed in effect until December 31, 2011. Payments totaled \$51,925. Staff notes that payments continued until September 2013, leading to an unauthorized over-collection of \$70,350. The total of authorized and unauthorized payments equal \$122,275. (Staff Ex. 4 at 3-4; Staff Br. 9-10.) Staff regards both the authorized and unauthorized funds to be CIAC (Staff Ex. 1 at 6).

Staff determined that Camplands' transmission and distribution main lines totaling \$126,800 and land rights totaling \$1,655, together totaling \$128,455, should be contributed to CIAC. Staff reached this conclusion by analyzing the Staff Report in *Camplands Application* and the company's annual reports through 2012. (Staff Ex. 4 at 4-5.) Moreover, Staff believes that its treatment of the loan repayment charges comports with Ohio Adm.Code 4901:1-15-32 which requires waterworks companies to follow the Uniform System of Accounts (Staff Ex. 6 at 5). In its reply brief, Staff reiterates that Holiday's loan fees should be characterized as CIAC. Staff reasons that the loan fees are ratepayer dollars paid to Camplands to defray the cost of physical and structural improvements to Camplands' plant. Fundamental to ratemaking, according to Staff, is that utilities should not earn a return on ratepayer dollars. Thus, to avoid Camplands earning a return on construction loan fees paid by Holiday, Staff removed the loan fees from rate base and treated them as CIAC. (Staff Reply Br. at 3-4.)

Holiday asserts that Staff's recommendation to transfer \$250,730 of loan payments from equity to CIAC will cause Camplands to have negative equity. Holiday acknowledges that the short-term rate base reduction will benefit customers. Assessing the long-term effects, Holiday concludes that the transfer could hinder Camplands' ability to attract capital because of the negative equity that it would incur. Negative equity could also increase the cost of capital because lenders may not want to lend to a company that has unfavorable capitalization ratios. However, if the Commission accepts Staff's proposed generic rate of return of ten percent, Holiday does not object to the transfer of \$250,730 from equity to CIAC. (Holiday Ex. 3 at 14-15; Holiday Br. at 10.)

Camplands rejects Staff's proposal to include Holiday's loan fees as CIAC. Camplands calculates that payments made by Holiday from May 2010 to August 2013 total \$118,925.² Camplands argues that these payments are not tied to construction completion. To support its argument, Camplands points to two provisions in the contract.

² Payments from May 2010 to September 2013 total \$122,275, which matches Staff's calculation for Holiday's payments.

First, Camplands believes that the phase-in of the payments is timed to the need to increase rates. Camplands emphasizes that the timing of the payments ensured that no payments were made ahead of construction taking place. Second, Camplands argues that the amount of the payments makes it clear that the payments were not CIAC. The monthly payment of \$3,350 equates to \$40,200 per year. Because the initial loan payment was \$53,000, Holiday's payments did not cover the loan payment. Camplands, therefore, concludes that the loan payments were not tied to construction completion and should not have been designated as CIAC. The effect of Staff's recommendation, asserts Camplands, is that Camplands is denied a return on investment in the amount of \$118,925 and the depreciation expense associated with it. (Camplands Ex. 2 at 14-17; Camplands Br. at 10.)

The Commission is not persuaded by Camplands' arguments that Holiday's loan payments are not related to construction. The language in the August 21, 2009 agreement in *In re Camplands*, Case No. 09-425-WW-AEC between Camplands and Holiday expressly links Holiday's payments to the construction project and the Ohio EPA loan. The application itself states that the Ohio EPA Loan Agreement is the cause of the agreement between Camplands and Holiday. The contract language specifically refers to Camplands' major construction project with a reference to the Ohio EPA loan agreement. (Staff Ex. 4, Exhibit MS-1; *In re Camplands*, Case No. 09-425-WW-AIR, Second Amended Application (August 24, 2009). Thus, the agreement between Camplands' and Holiday and Camplands' construction project are explicitly linked and are, therefore, related to the same construction project. Consequently, it is reasonable to conclude that Camplands' and Holiday's payments are intended to support the same venture and should be treated as CIAC.

Holiday does not assert any argument that would lead us to conclude that Staff's calculation of CIAC is incorrect. Moreover, because the Commission intends to adopt Staff's recommendation of a ten percent rate of return, Holiday's objection to Staff's calculation is withdrawn. We conclude that Staff has sufficiently justified its treatment of loan fees and Plant in Service as CIAC in the amount of \$250,730.

SUMMARY OF OPERATING INCOME

According to Staff, Camplands' test year operating income consists of twelve months of actual data ranging from January 1, 2012, to December 31, 2012. Staff provided a pro forma adjustment to represent the test year modified to reflect the proposed increase in revenue, Ohio gross receipts tax, and federal income taxes. (Staff Ex. 6, Schedule C-1.1.) In its review of operating income, Staff made certain adjustments. The test year revenues are based on separate contracts with Holiday and Lake Village. There are no meters, so Holiday and Lake Village are charged a flat rate. (Staff Ex. 1 at 7.) Because the funds that Camplands was authorized to collect from Holiday for payment toward a loan continued

past the authorized period, Staff removed the unauthorized collections from the test year (Staff Ex. 1 at 7).

Of the 12 items that comprise Camplands' maintenance of structures and improvements expense, Staff made adjustments to five. Staff made adjustments to casual labor, building maintenance, vehicle expense, water tests, and operating supplies. Staff removed a golf tournament fee from casual labor. The building maintenance category included the cost to paint a fence. Staff made an adjustment to amortize the cost over a five-year period. Staff adjusted vehicle expense to reflect a reasonable level of fuel costs. Water tests were reclassified to Plant in Service. Staff also removed a water test that was performed outside the test year. A chainsaw, which appeared in Operating Supplies, was reclassified to Plant in Service. Noting that neither party objected to Staff's treatment of these issues, Staff urges the Commission to adopt its recommendations as set forth below (Staff Br. 12-13):

Operating Revenue

| | |
|-------------------------|-----------------|
| Unmetered Water Sales | \$ 292,802 |
| Winterization Revenue | <u>\$ 6,750</u> |
| Total Operating Revenue | \$ 299,552 |

Operating Expenses

| | |
|-----------------------------|------------------|
| Operation and Maintenance | \$ 167,631 |
| Depreciation | \$ 19,295 |
| Taxes, Other Than Income | \$ 25,970 |
| Federal Income Taxes | \$ 11,710 |
| Total Operating Expenses | \$ 224,606 |
| Net Operating Income | \$ 74,946 |

The Commission finds that Staff's proposal concerning adjustments to maintenance of structures and improvements expense is reasonable. Taking into account that there was no objection to Staff's treatment of these issues, the Commission shall adopt Staff's recommendations. Staff's recommendations have been adjusted to reflect Camplands' proposals for the president's salary and rate case expenses, as discussed below.

President's Salary / Administrative Fee

Staff recommended that the president's annual salary of \$25,000 be adjusted downward by \$9,400 to a figure of \$15,600. Staff supports its calculation with the results of an investigation and calculations based on certain estimates. An interview of the plant operator during an onsite visit revealed that the president did not communicate with the plant operator on a regular basis throughout the year. Four to five months may pass without communications between the two. During the remainder of the year, the plant operator would conduct weekly calls lasting about 20 minutes to an hour. Further, the plant operator noted that the president also made weekly calls to the accountant. To calculate salary, Staff, by comparing hourly rates of other professionals, assigned what it believes to be a reasonable monetary rate of \$200 per hour. Staff then estimated the amount of time spent performing job-related duties to arrive at a yearly rate. Staff estimated that 1.5 hours per week were spent performing job-related duties, which translates to 45 minutes for each phone call with preparation time. Staff multiplied the hourly rate of \$200 by 1.5 hours to arrive at the sum of \$300 per week. Multiplying \$300 by 52 weeks, Staff computed an annual salary of \$15,600. (Staff Ex. 5 at 3-6; Staff Br. 13-14.)

Camplands challenges Staff's methodology for determining the president's salary. Camplands believes that the mere interview of the plant operator is not sufficient evidence on which to base the president's salary. Camplands particularly doubts the plant operator's estimate of the time that the president spent in conversations with third parties, such as the accountant. Camplands rejects Staff's recommended salary adjustment as baseless. (Camplands Ex. 2 at 18-19.) Camplands characterizes Staff's salary reduction as arbitrary because Staff only considered the statements of the plant operator. Camplands' witness added that Staff did not take into account the president's dealings with accountants, tax professionals, attempts to secure loans, and other dealings that the plant operator does not see. (Tr. 44-45; Camplands Reply Br. 6.) However, Camplands admitted that the president's salary is merely a line item without support (Tr. 39, 40). For comparison, Camplands refers to its last rate case from 28 years ago where it sought a management fee of \$24,200. Staff, in that case, attempted to adjust the fee down to \$19,400. Camplands contends that Staff cannot say that its current recommended fee should be less than what it recommended in 1985. (Camplands Ex. 19-20; Camplands Reply Br. 7.)

Staff's methodology for establishing the president's salary is flawed because it relies upon the interview of one person who admittedly is not aware of all activities of the president. On the other hand, Camplands, offers no actual data in support of its recommended salary. Instead, it refers to a past salary proposal by Staff to support its rejection of Staff's current recommendation.

Under these circumstances, we determine that the methodology presented by Staff at hearing, based on an interview of only the plant operator, is an insufficient account of

the president's activities and compels us to reject Staff's conclusion. Faced with the choice between a lack of evidence from Camplands and incomplete evidence presented by Staff to determine the appropriate salary for the president's job-related duties, the Commission shall apply a reasonableness standard. Accordingly, the Commission finds that Camplands proposal of \$25,000 per year for Camplands, with its level of complexity, is not so unreasonable as to warrant rejection. Camplands' salary proposal shall, therefore, be adopted.

Depreciation Expense

In its report, Staff described depreciation as "the process which 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 divided depreciation into two components: depreciation reserve and depreciation accrual rates. Staff first determined whether Camplands' depreciation reserve was proper and adequate by comparing it to calculated theoretical reserve based on accrual rates and the December 31, 2012 plant balances. Staff adjusted Camplands' depreciation reserve because it was not proper for regulatory purposes. Instead, Staff used a calculated depreciation reserve. Staff also adjusted the depreciation reserve to correspond with adjustments to Plant in Service and to eliminate the reserve associated with CIAC. Staff believes that its recommended depreciation reserve, as adjusted, is proper and adequate (Staff Ex. 1 at 4; Staff Br. 6.)

Staff states that Camplands' current accrual rates were established in *In re Camplands*, Case No. 85-418-WW-AIR and are not reasonable for current plant investment. Instead, Staff recommends new accrual rates that are in line with other utilities with similar plant. (Staff Ex. 1 at 4-5.) Staff calculated the jurisdictional depreciation expense to be \$19,295 (Staff Ex. 1, Schedule B-3.2).

Holiday agrees with Staff's calculation of Camplands' depreciation expense. Holiday starts with the depreciation expense shown in Camplands' Annual Report for 2012, where it finds a depreciation expense of \$73,289 (Holiday Ex. 2 at 12). Accounting for an adjustment of \$53,994, Holiday arrives at \$19,295 (Staff Ex. 6, Schedule C-3). However, Holiday, disagreeing with Staff, added \$5,210 for depreciation on CIAC for a total depreciation expense of \$24,505. (Holiday Ex. 3 at 9).

Camplands takes issue with Staff's and Holiday's treatment of depreciation expense because either approach would leave insufficient funds for the company to make its annual loan payment (Camplands Brief at 11). Camplands points out that Staff's witness, Mr. Willis, opined that Camplands could make its annual payment from depreciation expense (Tr. 112). Camplands rejects the suggestion because Staff only allowed \$19,925 for future depreciation of all of Camplands' plant.

Reviewing the cross-examination of Camplands' witness, Mr. Yankel, and the redirect examination of Holiday's witness, Mr. Monie, Camplands contends that Holiday is mistaken by suggesting that Camplands could pay against the loan with net income and depreciation expense. Holiday claims that, during the test year, Camplands had a net income of \$12,788 and a depreciation expense of \$73,289 for a total of \$86,077. By Holiday's calculation, Camplands could have made the loan payment of \$53,177 and had \$32,895 remaining. (Camplands Br. 12.) Camplands argues that Holiday's suggestion is not feasible because depreciation recorded under existing rates is a non-cash item. The other problem is that Staff removed \$53,994 from the \$73,289 in depreciation expense, leaving a total of only \$19,295. On the other hand, Camplands points out that had \$53,994 been added to the test year revenues of \$291,306, the total would have been sufficient to make the loan payment and pay dividends. (Camplands Br. 12; Holiday Br. 5.)

In its reply brief, Staff remains steadfast in its position that Camplands' debt payment of \$53,994 should come from its depreciation reserve. Staff explains that a utility receives a return of its investment through depreciation. Staff further explains that, in depreciation accounting, there are two components: 1) the calculation of depreciation expense and 2) the accumulation of depreciation reserve in the revenue requirement. Depreciation expense is an allocated portion of the cost of plant related to the useful life of the plant that is charged each period to measure net income properly. This is the return of investment in the revenue requirement. According to Staff, an equal amount of the depreciation expense recorded is added to the accumulated depreciation reserve account each period. The accumulated depreciation reserve is a contra-asset account, which reduces plant in the rate base where a rate of return is applied in the revenue requirement. It results in a return of investment. Staff predicts that the return on investment and the return of investment should provide Camplands with enough revenue requirement to meet its loan payments. (Staff Reply Br. 4-5.)

Staff's recommended depreciation expense should be adopted. Staff has demonstrated that Camplands has the potential to pay its debt payment from its depreciation reserve. Moreover, Camplands' own witness testified that Staff's recommended rate base, with a ten percent rate of return, would generate \$75,000, making the payment of a \$50,000 dividend possible. The Commission finds no support in the record for Camplands' prediction of dire financial consequences that would follow the adoption of Staff's recommendation.

Rate Case Expense

Staff initially estimated rate case expenses to be \$10,000 and recommended that the cost be amortized over five years. After receiving updated information from Camplands, Staff revised its proposal to \$20,000 and shortened the amortization period to three years.

Staff provided this information in a revised schedule attached to its prefiled testimony. (Staff Ex. 6 at 4, Schedule C-3.4.)

Camplands agrees with Staff's proposed three-year amortization period. However, Camplands' witness testified that, as of March 12, 2014, its case preparations, including interrogatories, depositions, and settlement efforts, had increased costs to \$21,223.78. (Camplands Ex. 2 at 20.) With the filing of its reply brief, Camplands revised its rate case expenses to \$36,703.78 (Camplands Reply Br., Exhibit A).

The Commission finds that Staff's proposed rate case expense requires further adjustment. Staff filed its proposal on March 20, 2014, before the filing of Camplands' rebuttal testimony, the hearing, and the filing of a brief and reply brief. Upon review of the hours and hourly rates for Camplands' attorney, accountant, and consultant, the Commission finds that Camplands' itemized rate case expenses appear to be reasonable and should be allowed.

Federal Income Taxes

Staff computed test year federal income taxes to reflect the recommended adjustments that Staff made to Camplands' operating revenues and expenses. Holiday disputed Staff's calculation because Staff added interest charges to operating income before federal income taxes. Staff agreed and corrected the error by issuing a revised Schedule C-4, which shows that interest charges are a reduction to operating income for federal income taxes. (Staff Ex. 6 at 6.)

Staff's recommendation, as revised, shall be adopted.

Taxes Other Than Income Taxes

Staff adjusted taxes other than income taxes to reflect the proper base and the latest known tax rates. Because no objections were filed to challenge Staff's treatment of this issue, Staff urges the Commission to adopt its recommendation. (Staff Ex. 1 at 9; Staff Br. 16.)

Staff's recommendation shall be adopted. No party objected or provided evidence against Staff's treatment of this issue.

Workers' Compensation Expense

Camplands placed workers compensation in the category of taxes other than income. Staff removed it from this category and reclassified it as a separate expense item.

Pointing out that there are no objections to Staff's treatment of this issue, Staff requests that the Commission adopt its recommendation. (Staff Ex. 1 at 8; Staff Br. 15.)

Neither Holiday nor Camplands provided evidence on this issue. Finding that Staff's recommendation is reasonable, the Commission shall adopt its recommendation.

RATE OF RETURN

The criteria for a reasonable rate of return are the following: 1) the rate of return is sufficient for the utility to maintain its credit standing and financial integrity; 2) it will draw capital attraction at reasonable costs; and 3) the resulting earnings are commensurate with earnings on investments of comparable risk. Staff recommends a generic rate of return in the range of 9.5 percent to 10.5 percent. Staff believes that the generic rate will meet the criteria for a reasonable rate of return. Of particular interest to Staff is that the company has the opportunity to achieve a level of earnings that will maintain the integrity of currently invested capital and permit the attraction of new capital. Moreover, because Camplands is a small water company, Staff contends that the Commission has established a precedent for a generic rate of return of ten percent. (Staff Ex. 3 at 3.)

Camplands does not object to Staff's recommendation that Camplands be granted a ten percent rate of return.

Holiday objects to the use of a ten percent rate of return. Instead, Holiday calculated that Camplands should receive a rate of return of 3.28 percent, using a weighted average cost of capital. Of concern to Holiday is the projected 51.9 percent return on equity that would result from Staff's generic rate of return. Return on equity is calculated by dividing net income by the amount of equity. Holiday claims that, generally, in Ohio and in other jurisdictions, return on equity is about 10 percent. In addition to the 51.9 percent return on equity being outside the norm, Holiday offers two other reasons for rejecting Staff's recommendation. First, Holiday calculates that Camplands' owners will receive a return of approximately ten percent on plant financed by a two percent debt on a subsidized loan. Holiday regards this as windfall profits to owners at the expense of lot owners. Second, Holiday makes the observation that small water companies typically have poor records and financial statements. Because of poor records it is difficult to determine how the company is capitalized. Holiday observes that it is common to use an uncalculated rate of return in the absence of data. That is not the case with Camplands. Holiday emphasizes that Camplands' records are clear and that its overall rate of return is readily calculable. Using the Camplands' data and applying normal standards, Holiday urges for the adoption of a 3.28 percent overall rate of return. (Holiday Ex. 3 at 4-7.)

Responding to Holiday's claim that Staff's recommended rate of return leads to a return on equity that is too high, Staff argues that Camplands' capitalization structure

shows a debt to equity ratio of 84 percent debt to 16 percent equity. Staff believes that the high return on equity is offset by a remarkably low debt service cost. On balance, the rate payers are reasonably paying for the operation of the utility and helping to maintain its financial integrity. (Staff Ex. 3 at 3-4.) Staff rejects Holidays recommendation to use a weighted average cost of capital based rate of return because it would harm Camplands' ability to attract capital and contravene a ratemaking principle. (Staff Reply Br. at 2.) If the Commission believes that the return on equity is too high, Staff suggests that the Commission freeze the withdrawal of the company's equity capital. Another option suggested by Staff is that retained earnings be held in a special escrow account and used to service Camplands' long-term debt until the company's capitalization ratio reaches an appropriate level. (Staff Ex. 3 at 4-5.)

The Commission finds that, notwithstanding Holiday's criticism of the concomitant return on equity, Staff's recommended range of 9.5 percent to 10.5 percent for a rate of return is fair and reasonable. We are not persuaded that Holiday's recommendation of 3.28 percent will satisfy the criteria for a reasonable rate of return. The evidence shows that Camplands' may need to invest in additional infrastructure to improve its service and water quality. It, therefore, may need to attract additional capital. Holiday's suggestion of 3.28 percent may present a barrier to the attraction of additional capital. For that reason, the generic rate of ten percent appears to adhere more to the criteria of a reasonable rate of return than 3.28 percent.

Dividends and Retained Earnings

Holiday disagrees with Camplands' dividend payment policy. Holiday accuses Camplands' owners of withdrawing too much capital from the company. As an example, Holiday points to the withdrawal of a total of \$105,000 in 2011 and 2012. Holiday claims that this amount exceeded the earnings of the company, necessarily reducing equity in the company. (Holiday Ex. 3 at 14.) Holiday recommends that Campland be prohibited from issuing dividends until its debt to equity ratio reaches 60 percent debt to 40 percent equity (Holiday Ex. 3 at 15; Holiday Br. 11).

In defense of its dividend payments, Camplands provides an historical comparison of retained earnings and the payment of dividends from 2002 to 2013. Camplands' witness stated that Camplands' retained earnings were approximately \$167,000 for 2002 and 2003. No dividends were paid during those years. Retained earnings decreased in 2004 and 2005. For those years, the company did not pay dividends. The years 2002 to 2013 may be charted as below. The table lists beginning-of-the-year values:

| <u>Year</u> | <u>Retained Earnings</u> | <u>Dividends</u> |
|-------------|--------------------------|------------------|
| 2002 | \$167,284 | \$0 |
| 2003 | \$166,771 | \$0 |
| 2004 | \$117,973 | \$0 |
| 2005 | \$111,302 | \$0 |
| 2006 | \$154,502 | \$40,000 |
| 2007 | \$163,905 | \$50,000 |
| 2008 | \$178,843 | \$50,000 |
| 2009 | \$178,830 | \$45,000 |
| 2010 | \$177,050 | \$50,000 |
| 2011 | \$191,210 | \$60,000 |
| 2012 | \$131,859 | \$45,000 |
| 2013 | \$ 99,642 | \$0 |

(Camplands Ex. 2 at 6-9.)

Camplands highlights that the current president of the company, Marvin Goldenberg, started at the company in 2001. No dividends were paid from 2002 to 2005. Nor were dividends paid in 2013. Over a 12-year period, no dividends were paid for five years. Of the remaining seven years dividends were taken during three of the years. In only two of the years were dividends paid where retained earnings decreased. (Camplands Ex. 2 at 6-10.)

Camplands explained its reasons for declaring dividends. From 2002 to 2005, retained earnings were at or below \$167,000. The company paid no dividends. Comparing 2005 to 2006, the company experienced an increase in retained earnings from 111,302 to 154,502. In 2006, Camplands paid out a dividend of 40,000. Over the next years, up to 2011, retained earnings increased, ultimately reaching a high of \$191,210. (Camplands Ex. 2, Att. A.) The company declared a dividend of \$60,000. Camplands' witness disclosed that financial statements developed after the close of the year showed that, because of loan payments, retained earnings had decreased by almost \$60,000 during the year. Expecting a better financial position in 2012, Camplands declared a dividend of \$45,000. Retained earnings decreased again in 2013. Because of the decrease in retained earnings, the company did not declare a dividend in 2013. (Camplands Ex. 2 at 7-9, 22-24.)

The Commission finds no basis in the evidence for establishing a firm policy concerning Camplands' payment of dividends, such as imposing a freeze on dividends until the company acquires a 60/40 debt to equity ratio. However, to enhance the financial integrity of the company, Camplands should consider improving its debt to equity ratio as a precursor to paying dividends. Camplands' historical account of retained earnings and dividends shows that, with two exceptions, dividends corresponded well with higher levels of retained earnings. The exceptions are 2011 and 2012, where

dividends were declared and the company experienced a significant decrease in retained earnings during the year. To avoid a repeat of such circumstances, Camplands should take steps to ensure that its dividend policy is based on an accurate account of the financial position of the company. As it did in 2013, the company may need to forego or reduce the payment of dividends. This is not to say that the Commission does not recognize that investors are entitled to a return on their investment. The Commission acknowledges, as Camplands has done, that the decision to pay dividends is influenced by the level of retained earnings.

WATER QUALITY

Staff routinely investigates Camplands' plant facilities, operating records, water quality tests, and any maintenance or operational concerns. Staff reports that from 2009 to 2010, Camplands rehabilitated its water treatment plant and painted its 150,000 gallon elevated storage tank. In the late 1960s, Camplands installed two pressure filters and a third pressure filter was added in 1974 when Lake Village Campgrounds was added to the system. As part of the plant rehabilitation, the filters were inspected and cleaned. Staff noted that although automatic filter backwash-timers are not functioning they were not considered because the operator prefers to backwash manually. (Staff Ex. 1 at 24.)

In 2011, the Ohio EPA recommended that Camplands change its method of chlorination to a liquid sodium hypochlorite system. Camplands has no plans to implement the recommendation at this time. The company currently uses chlorine from 150 lb. gas cylinders. (Staff Ex. 1 at 24.)

As part of the rehabilitation, Camplands replaced the plant production meter. In spite of being repaired and replaced several times, the meter is not functioning currently. Camplands is inquiring about the cost of replacement. Camplands, as an unmetered water company, is bound by Ohio Adm.Code 4901:1-15-20(C)(5) and 4901:1-15-14(F)(1) to provide quarterly pumping information in lieu of providing unaccounted-for-water information. Without a functioning production meter, Camplands cannot provide pumping information. To comply with the rules, Staff recommends that the Commission order Camplands to repair or replace its plant production meter within 60 days of the opinion and order in this case. Staff also recommends that Camplands resume submission of the quarterly production figures in the manner supplied by Staff. (Staff Ex. 1 at 24-25; Staff Br. 35-36.)

Customer Perception Surveys

In July 2013, Staff issued a customer satisfaction survey to Camplands two customers to assess their perception of water quality and service. Staff interpreted the

survey responses as showing general satisfaction with the company's water quality and service. (Staff Ex. 1 at 25.)

Holiday disputed Staff's findings concerning satisfaction with water quality. Mr. Roy Kightlinger, the General Manager of Holiday, appeared at the hearing on behalf of Holiday. He sponsored Holiday Exhibit 4. Mr. Kightlinger provided testimony on water quality and service issues. He testified that on most days water clarity is fair. However, for approximately 30 days each year, water quality is completely unsatisfactory. Clarity, he added, is at its worst during busy weekends. The water is brown with materials visibly suspended in it. Most lot owners refuse to drink it. Because of these conditions, he stated that typically lot owners use filters, purchase filtered water from the vending machine on the grounds, or purchase bottled water. Prompted by the inconsistency of water quality, Holiday removed all drinking fountains from the common property. To protect water quality at the pool, Holiday installed filters for both swimming pools. Because there are no filters at the 26 comfort stations located on the property, plumbing fixtures constantly stain. In sum, Mr. Kightlinger concluded that he is not satisfied with water quality. (Holiday Ex. 4 at 2-3.)

Holiday asserts that, as part of Staff's investigation of Camplands, Staff worked with the Ohio EPA to examine recent water quality reports submitted to the Ohio EPA. Staff found that Camplands was not consistently removing manganese to sufficient levels. According to Holiday, Artesian of Pioneer (AOP), a contractor, concluded, after an investigation, that the filter medium is iron covered and that it also appears to have lost some of its manganese dioxide coating because of insufficient iron and manganese oxidation through pre-chlorination. AOP provided quotes to Campland for the cost of a new pre-chlorination system and filter medium replacement. Holiday requests that the Commission order Camplands to make the improvements. (Holiday Br. 11-12.)

Revisiting its conclusion that customers regarded water quality as "satisfactory," Staff acknowledged that it is aware of fluctuations in water quality on a day-to-day basis. Staff explained that customer surveys are designed to gauge water quality over a long-term period. Staff stated that it responded to Holiday's objections by obtaining recent monthly operating reports that Camplands submitted to the Ohio EPA and discussing the reports with the Ohio EPA and Camplands' operator. Staff believes that it is imperative that Camplands take steps to remedy the water discoloration issue. At a minimum, Staff recommends that Camplands install a new pre-chlorination system, as recommended by AOP. Noting that Camplands did not object to this recommendation, Staff urges the Commission to adopt it. (Staff Ex. 2 at 5-6.)

There appears to be no controversy that the water provided by Camplands, because of discoloration and impurities, is not acceptable for general use or consumption. The Commission agrees with Staff and further believes that these water quality issues must be

addressed as soon as practicable. Accordingly, the Commission shall adopt Staff's recommendation and order Camplands to install a new pre-chlorination system as soon as possible. Moreover, Camplands should report to Staff on the feasibility of replacing the filter medium. Furthermore, as recommended by Staff, without objection from Camplands, Camplands should replace its plant production meter within 60 days of this Opinion and Order.

SERVICE ISSUES

Staff took note of Holiday's objection concerning hydrants on campgrounds that leak even through the winter months. In response, Staff pointed to Ohio Adm.Code 4901:1-15-10(B)(2) which compels waterworks companies to repair its facilities. Staff, however, acknowledged that monitoring or quantifying leaks is difficult to do in an unmetered water system like Camplands. Nevertheless, Staff emphasized that the distribution system should be patrolled to identify leaks and repair them as soon as practical. (Staff Ex. 2 at 6-7.)

Holiday revealed that, when hydrants leak, lot owners file complaints at the campground clubhouse. Easier repairs are typically completed within 48 hours. The more difficult issues are often permitted to remain for long periods of time. Holiday describes the waste of water and the soft muddy areas around leaking hydrants as unsatisfactory. Holiday claimed that leaks vary through the distribution system, from as few as ten leaking hydrants to as many as ten percent of all hydrants. On December 1, 2012, Holiday counted 171 leaking hydrants. Hydrants that leak during the winter months are often left to leak the entire winter. (Holiday Ex. 4 at 3-4.)

Holiday recommends that the Commission order Camplands to develop a policy, with input from Staff and Holiday, to address the leak issues. Moreover, Holiday requests that the Commission issue an order for Staff to continue monitoring Camplands on a quarterly basis until Staff determines that monitoring is no longer necessary. (Holiday Br. 13.)

Camplands did not respond with evidence concerning this issue. Holiday's recommendation that Staff continue to monitor the distribution system along with a requirement that Camplands develop a policy, with the assistance of Staff and Holiday, to address leaking hydrants is reasonable and shall be adopted by the Commission.

ALLOCATIONS

This case involves Camplands' entire service area. Staff, therefore, concluded that no jurisdictional allocations are necessary. Staff represents that Camplands and Holiday

did not dispute this matter. (Staff Br. 10.) Consequently, Staff's recommendation that there be no jurisdictional allocation shall be adopted.

TARIFF REVISIONS

In its review of the proposed tariff, Staff recommends several textual revisions. Camplands made several objections to the ambiguity of Staff's reference to errors and corrections in its proposed tariff. Staff does point out in its Staff Report that Camplands' proposed tariff and appendices contain numerous typographical errors and page numbering errors. In its report, Staff recommends specific corrections and language revisions. Areas of concern to Staff include the table of contents, map quality of the service territory, the general statement of purpose, ownership and maintenance language, the practice of nonbilling, applications for service and deposits, disconnection procedures, posting of business hours, reconnection of service, and notification of customer rights. (Staff Ex. 1 at 11-13.) To address these and other revisions, Staff recommends that Camplands contact Staff to obtain a list of errors and that Camplands provide a copy of the tariff to Staff prior to approval.

The Commission finds that Staff's recommendation is reasonable and provides a workable solution to Camplands' claim that Staff's recommendations are ambiguous. Accordingly, Staff's recommendation shall be adopted. Camplands shall contact Staff to obtain a list of errors.

Access to Customer's Premises and Photo Identification

For a Camplands' employee or agent to gain access to a customer's dwelling or structure, Ohio Adm.Code 4901:1-15-11 imposes a photo identification requirement. Staff represents that Camplands does not issue photo identification and does not believe that identification is needed because it has only two customers. Nevertheless, Camplands believes that if photo identification is needed a driver's license would be sufficient. Staff agrees and recommends that the Commission approve the use of a driver's license in lieu of a company-issued photo identification. (Staff Ex. 1 at 14; Staff Br. 24.)

The Commission concurs in the agreement reached by the parties. Therefore, the recommendation that a driver's license shall be suitable identification to meet the requirement of Ohio Adm.Code 4901:1-15-11 shall be adopted.

Service Connections

Camplands objected to Staff's recommendation concerning service connections. Camplands, ostensibly to protect itself from large water losses, argued that it is a small utility and small leaks may be significant. Camplands, therefore, claims that it needs to

shut-off and have repaired any visible, outside leaks. Staff disagreed. Staff, in reviewing Camplands' proposed tariff, finds that the company has proposed that customers be given seven days to repair a leak. If the leak is not repaired during the seven days, the proposed tariff provides that the customer be given seven days notice of disconnection. Staff points out that this does not comply with Ohio Adm.Code 4901:1-15-27. Staff, therefore, recommends that Camplands comply with the Commission's rule. Concluding that Camplands has not provided any basis for not complying with Ohio Adm.Code 4901:1-15-27, Staff urges the Commission to adopt its recommendation. (Staff Br. 25.)

The Commission finds that Staff's recommendations are reasonable and should be adopted. Camplands has not presented evidence that would lead the Commission to disregard Staff's recommendations concerning Camplands' proposed disconnection procedures.

Seasonal Service

According to Staff, seasonal service pertains to end users over whom the Commission has no jurisdiction. Staff advocates that seasonal service be treated the same as winterization service, as discussed below. (Staff Ex. 1, 14; Staff Br. 24.) Staff characterizes winterization service, reconnection, and winterization valve as miscellaneous charges. Staff would prefer that for ease of search that these charges be placed on the rate page, thus reducing filing costs if changes are made. (Staff Ex. 1, 15-16.)

Staff's suggestions appear to be reasonable and should aid in the review of the tariff and the reduction of filing costs. The recommendation shall, therefore, be adopted.

Late Payment Charge

Staff's review of Camplands' proposed tariff disclosed a late payment charge of one percent. Staff recommends language intended to eliminate the confusing language and, in addition, recommends the insertion of language to comply with the Commission's standard policy on late payment charges. Because neither Camplands nor Holiday objected to or offered evidence opposing Staff's recommendation, Staff requests that the Commission adopt its recommendation. (Staff Br. 28.) Staff's recommendations appear to be reasonable and unopposed. Consequently, the Commission shall adopt the recommendations.

Dishonored Payment Charge

In its application, Camplands proposed a dishonored payment charge of \$35 to be imposed when a financial institution returns a check unpaid. Camplands intends the dishonored payment charge to cover the cost of processing the transaction, providing that

the customer's payment is processed by Camplands. In its report, Staff agreed that a dishonored payment charge is appropriate and that it should account for the costs incurred by the company to process payments. However, Staff, in reviewing Camplands' response to a data request, found that Camplands has never processed a bad check. Moreover, Camplands did not provide data concerning the costs that it would incur in processing a payment upon receiving a bad check. Without such information, Staff declined to recommend a dishonored payment charge. (Staff Ex. 1 at 16-17; Staff Ex. 7 at 7; Tr. 43.) Even though it has never encountered a dishonored payment, Camplands believes that it is appropriate to take preventive measures by having a dishonored payment charge (Camplands Ex. 1 at 6).

The Commission agrees with Staff's recommendation against the establishment of a dishonored payment charge. Notwithstanding that the company has never received a bad check, it is foreseeable that the company will encounter such a situation. Even though the Commission agrees that a dishonored payment charge is appropriate, the charge must also be appropriate. Without data about the costs the company would incur in processing a payment subsequent to the receipt of a bad check, the Commission cannot determine whether Camplands' proposed \$35 charge is appropriate. Therefore, the dishonored payment charge shall not be allowed.

Miscellaneous Charges

Staff characterizes winterization service, reconnection, and winterization valve as miscellaneous charges. The provision of these services places Camplands in direct contact with end users over whom the Commission has no jurisdiction. (Staff Ex. 7 at 6.) Staff recommends three options to address end users. As one option, Camplands may provide the services to the campgrounds, while having Holiday and Lake Village manage all details and payments from the campers to Camplands. The second option is that Camplands could create a separate business that would adhere to Ohio Adm.Code 4901:1-15-29, which governs relationships with non-utility entities. The new company could rent equipment from Camplands or obtain its own equipment. Or third, Camplands may employ an independent, outside business to provide the service while Camplands retains the right to inspect and oversee. (Staff Ex. 1 at 15; Staff Ex. 7 at 6-7.) Camplands regards Staff's three options as valid (Tr. 45-46).

In its objections, Camplands criticized Staff's recommendation because it was premised upon the assumption that Camplands wishes to choose Staff's first option for all three miscellaneous charges. Since both parties agree that each of Staff's options is valid, Camplands should specify which option that it intends to choose for each respective miscellaneous charge and inform Staff.

Reconnection Charge

Camplands has proposed a reconnection charge of \$100. Staff recommends that Camplands increase the reconnection charge to \$269.80 during normal business hours and at actual cost after normal business hours. Staff intends that the charge be directed to customers' clients. According to Staff, Camplands retracted the proposed fee, stating that it would never disconnect either its customers or the customer camp end users. Nevertheless, Staff recommends that its suggested reconnection charge be adopted. (Staff Ex. 1 at 17.)

Among its objections, Holiday opposed Staff's recommendation. Holiday claimed that the basis for Staff's recommended charge does not comport with information provided by Camplands in response to Staff's data request.

Staff's recommendation should be rejected. There is no evidence in the record to support a charge of \$269.80. Moreover, Camplands opted to delete the charge entirely. In accordance with Camplands' decision, a reconnection charge should be omitted.

REQUIRED FILINGS

Pursuant to the instructions contained in this Opinion and Order, Camplands shall contact Staff to obtain a list of errors and shall provide Staff with a copy of the proposed tariff. Staff shall review the proposed tariff to ensure adherence to the orders in this Opinion and Order and endeavor to complete its review within 30 days. Upon approval by Staff, the effective date of the tariff shall be for bills rendered beginning on a date not earlier than the date upon which four complete copies of final tariffs are filed following Staff's approval of the tariff.

FINDINGS OF FACT:

- (1) On July 26, 2013, as amended on July 31, 2013, Camplands filed an application for an increase in rates and charges. In its application, Camplands requested that its test period begin January 1, 2012, and end December 31, 2012, and that the date certain be December 31, 2012. On September 11, 2013, the Commission issued an entry approving the test year and date certain. The Commission also granted Camplands a waiver from publication, allowing it to send copies of its filings to its two customers.
- (2) In its September 11, 2013 entry, the Commission accepted Camplands' application for filing as of July 31, 2013.

- (3) On December 30, 2013, Staff filed its written report of investigation with the Commission.
- (4) By entry issued January 10, 2014, persons wishing to file objections to the Staff Report were directed to file within 30 days after the filing of the report.
- (5) The Commission granted intervention to Holiday by entry issued January 10, 2014.
- (6) On January 27, 2014, Camplands filed objections to the Staff Report. Holiday filed objections on January 29, 2014.
- (7) Pursuant to the attorney examiner's entry issued January 10, 2014, a prehearing conference took place on February 20, 2014.
- (8) Pursuant to a March 6, 2014 attorney examiner entry, this matter was scheduled for evidentiary hearing to commence on March 27, 2014. The hearing was held as scheduled on March 27, 2014.
- (9) The value of all Camplands' property used and useful for the rendition of water service to customers affected by this application, determined in accordance with R.C. 4909.15, is \$749,472.
- (10) The current net operating income of \$36,352 represents a rate of return of 4.87 percent on the jurisdictional rate base of \$749,472.
- (11) A rate of return of 4.87 percent is insufficient to provide Camplands with reasonable compensation for the water service rendered to its customers.
- (12) A rate of return of 10 percent is fair and reasonable under the circumstances presented by this case and is sufficient to provide Camplands just compensation and return on the value of Camplands' property used and useful in furnishing water service to its customers.

- (13) An authorized revenue increase of \$48,446 will result in net operating income of \$74,946 that, when applied to the rate base of \$749,472, yields a rate of return of approximately 10 percent.

CONCLUSIONS OF LAW:

- (1) Camplands filed its application and this Commission has jurisdiction of the application pursuant to the provisions of R.C. 4909.17, 4909.18, and 4909.19. The application complies with the requirements of these statutes.
- (2) A Staff investigation was conducted and a report duly filed and mailed, and public hearings have been held in this case, the written notice of which complied with the requirements of R.C. 4909.19 and 4903.083..
- (3) Objections to the Staff Report not addressed in a parties' initial brief are deemed withdrawn.
- (4) The existing rates and charges for water service are insufficient to provide Camplands with adequate net annual compensation and return on its property used and useful in the provision of water service.
- (5) An approximate rate of return of not more than 10 percent is fair and reasonable under the circumstances of this case and is sufficient to provide Camplands just compensation and return on its property used and useful in the provision of water service to its customers.
- (6) Camplands is authorized to submit its proposed tariff, consistent with the determinations of this Opinion and Order, for review by Staff. The tariff shall be approved by subsequent entry.

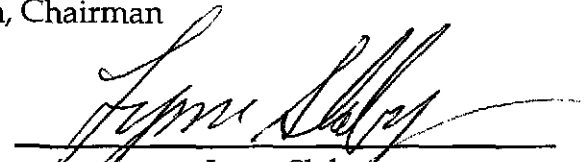

It is, therefore,

ORDERED, That the application of Camplands for authority to increase its rates and charges for water services be granted to the extent provided in this Opinion and Order. It is, further,

ORDERED, That Camplands submit its proposed tariff to Staff for review. Upon receipt of a complete tariff conforming to this Opinion and Order the Commission will review and approve that tariff by entry. It is, further,

ORDERED, That a copy of this Opinion and Order be served upon all parties and interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Thomas W. Johnson, Chairman
Steven D. Lesser
Lynn Slaby
M. Beth Trombold
Asim Z. Haque

LDJ/vrm

Entered in the Journal

JUN 04 2014



Barcy F. McNeal
Secretary