



RECEIVED

BEFORE

APR 7 1977

THE PUBLIC UTILITIES COMMISSION OF OHIO

RATES AND TARIFFS
PUBLIC UTILITIES COMMISSION OF OHIOUTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
the Arrowhead Hills Utilities Cor-)
poration to Amend Certificate of)
Public Convenience and Necessity for)
Water Distribution System in the County)
of Shelby.)

Case No. 77-83-WW-AAC

ATTORNEY EXAMINER'S REPORT

Application filed: January 14, 1977
Hearing date: March 16, 1977

RECEIVED

APR 5 1977

DOCKETING DIVISION
THE PUBLIC UTILITIES COMMISSION OF OHIOAPPEARANCES:

Messrs. Garmhausen, Kerrigan, Elsass and Co., L.P.A., Ohio Building, Sidney, Ohio 45365, by Mr. John M. Garmhausen, on behalf of the applicant.

NATURE OF THE PROCEEDINGS:

On January 14, 1977, Arrowhead Hills Utilities Corporation filed with this Commission an application to amend its existing Certificate of Public Convenience and Necessity to operate as a waterworks company within an enlarged and amended service area in Shelby County. As submitted, the application was in full conformity with Chapter 4901:1-15 (formerly Chapter 29), Commission's Rules of Practice and Section 4933.25, Revised Code. On January 18, 1977, in Case No. 76-454-WS-COI, the Commission determined to revise that portion of Chapter 4901:1-15 relating to applications by a waterworks or sewage disposal company for a Certificate of Public Convenience and Necessity. The revised rule became effective ten days after filing with the Secretary of State and the Legislative Reference Bureau. Since the instant application was filed before revised Chapter 4901:1-15 became effective, the application should be governed by the previously existing Chapter 4901:1-15.

Applicant, Arrowhead Hills Utilities Corporation, published notice of the filing and pendency of the application in The Sidney Daily News, a newspaper of general circulation in Shelby County, once a week for three consecutive weeks. Following the filing of proof of publication, the Commission, in its Entry dated March 2, 1977, set the matter for hearing on March 16, 1977, at the offices of the Commission, 180 East Broad Street, Columbus, Ohio.

DISCUSSION:

Section 4933.25, Revised Code requires that a waterworks company must obtain a Certificate of Public Convenience and Necessity prior to commencement of its operations. Applicant, Arrowhead Hills Utilities Corporation, is a waterworks company within the meaning of Section 4905.03(A)(8), Revised Code and a public utility within the meaning of Section 4905.02, Revised Code. The Commission has jurisdiction to hear and determine all matters in this proceeding under Sections 4905.04 and 4933.25, Revised Code.

Section 4933.25, Revised Code further authorizes the Commission to adopt rules and regulations relative to the application for a Certificate of Public Convenience and Necessity. The Commission has adopted such rules and regulations, to wit Chapter 4901:1-15 of the Commission's Rules of Practice. Pertaining to the substantive requirements of the application, Rule 4901:1-15-01(8) requires that the applicant show by competent evidence the following:

- (a) Financial capability of the applicant and source of financing;
- (b) Adequacy of present or proposed plant;
- (c) Present and future need of the public in a defined geographical area.

Although Rule 4901:1-15-01(8) appears to apply only to applications for original Certificates of Public Convenience and Necessity, Rule 4901:1-15-02(2) makes this section applicable to applications to amend a certificate.

Testifying on behalf of the applicant was Mr. Eugene Largar, its president. Shareholders in the utility include Mr. Largar, Lavern Poeppelman and Edward Willman. Mr. Poeppelman and Mr. Willman are also officers of the utility. None of the officers, directors or shareholders of the applicant have any interest in any other waterworks utility in the State of Ohio.

Arrowhead Hills Utilities Corporation presently serves a defined service area in the Arrowhead Hills Subdivision located at the intersection of Shank, Locking and Lindsey Roads in Washington Township, Shelby County. The applicant serves this area under authority of its existing Certificate of Public Convenience and Necessity, granted in July, 1975 under Case No. 74-577-W and amended in May, 1976 under Case No. 75-778-WW-AAC. The purpose of the instant application is to enlarge the service area to encompass the second addition to the subdivision, being lots 201 through 273. The subdivision will include a total of 175 lots, 75 of which are presently occupied.

Arrowhead Hills Subdivision is being developed by G&E Development Company. Mr. Largar and Mr. Willman are officers of G&E Development. G&E Development sells improved lots in the subdivision to Largar Construction, of which Mr. Largar is president, and E&M Realty, of which Mr. Willman is president. The construction companies, in turn, construct houses on the lots for sale to individual, residential homeowners. G&E Development contributed the applicant's existing plant and physical facilities and will contribute proposed plant additions required to serve the final addition.

Arrowhead Hills Subdivision is some three miles from the city of Sidney, the closest available water service. In Mr. Largar's opinion, it is not feasible to utilize Sidney's water system in the subdivision.

To the best of Mr. Largar's knowledge, the applicant has received all necessary approvals and met all the requirements of the Ohio Environmental Protection Agency. The utility has received specific approval for the construction of the balance of the waterworks distribution system and the expansion of the water plant. (See Exhibits F and G).

The applicant has been operating as a utility since July, 1975. Since that time, there has been no substantial mechanical failures in the system, no extensive repairs required and no major complaints as to service. The company conducts tests on its water every two weeks and all tests have been acceptable.

The applicant proposes to employ the same schedules and rules and regulations for its amended service area as for the existing service area. The tariff provides for a rate of \$.95 per 100 cubic feet and a minimum charge of \$25 per quarter. The company cost studied the existing rates for the original service area and tried to make the rates compatible with those in Sidney. The company, pursuant to its tariffs, proposes to charge a one time service connection charge of \$100, covering the installation of meters, service lines and curb stops. The company also proposed to charge \$10 as a turn-on fee. Meters will be required for all customers. The company's existing tariffs do not govern main extensions as G&E Development contributes all mains.

Mr. Steven Hubbell, a registered civil engineer, testified as to the design of the water system, necessary plant additions and the adequacy of the plant to serve the Arrowhead Hills Subdivision. Generally, the system consists of two wells. The water is pumped from these wells, chlorinated and passed through iron removal filters. From the filters, the water is pumped to a storage tank and then into the distribution system. Main lines are six inch and distribution lines are three-quarters inch. The system has one 20,000 gallon storage tank of reinforced concrete. With the enlarged service area, the company proposes to add an additional 20,000 gallon storage tank, three fire hydrants and three additional iron filters. If maintenance is required, the system has the capacity to draw off either of the storage tanks. The system also has a gasoline driven generator to serve as a back up power source. The capacity of each well is 60 to 70 gallons per minute and the capacity of the pumps from the storage tanks are each 100 gallons per minute. The system as proposed is more than adequate to serve the entire subdivision.

Testifying as to the financial capability and sources of financing of the applicant was Mr. George Brockman, a certified public accountant. Mr. Brockman sponsored a comparative balance sheet (Exhibit A), a comparative statement of income (Exhibit B) and a comparative statement of changes in financial position (Exhibit C) for fiscal years (year ending October 31) 1975 and 1976. The company's physical assets are entirely contributed by G&E Development. The company's increase in assets in fiscal year 1976 compared to fiscal year 1975 is due to the contribution by the developer of additional plant required for serving the enlarged service area. The company depreciates its assets on a straight line basis over a forty year period. Generally speaking, the company's financial position has improved in fiscal year 1976 compared to fiscal year 1975 due to the ever-increasing number of customers added to the system. For example, operating revenues in fiscal year 1976 were \$8,117 compared to \$3,890 in fiscal year 1975. This was largely due to increased revenues from metered customers. Net income increased to \$290 in fiscal year 1976 compared to \$28 in 1975. The company has shown an increase in net working capital in fiscal year 1976 of \$1,828 compared to a decrease in net working capital of \$2,085 in fiscal year 1975. Upon completion of the subdivision, the company expects an annual net income of \$1500.

CONCLUSION:

In applying the facts as established by the evidence presented to the criteria set forth in Commission Rule 4901:1-15-01(8), this attorney examiner finds that the applicant's existing Certificate of Public Convenience and Necessity should be amended to authorize service to the additional lots, lots numbered 201 to 273, as prayed for. First, applicant has demonstrated its financial capability. The utility is currently operating at a net income of \$290, and the evidence indicates that the company's financial position is and will be improving as new customers come on the system. Second, applicant has demonstrated that its existing or proposed facilities will be adequate to serve the entire Arrowhead Hills Subdivision. For example, storage capacity will double with the proposed additions. System capacity is more than adequate to serve the entire area. The evidence indicates the system operates properly and that the water quality is acceptable. The system has the approval of the Ohio Environmental Protection Agency. Finally, the applicant has established a present and future need of the public in a defined geographical area for water service. The closest available water source is Sidney, Ohio, which the evidence shows is not feasible for use at Arrowhead Hills Subdivision.

Regarding tariffs, the Commission determined in Case No. 76-622-WS-COI to amend portions of Chapter 4901:1-15 to include provisions to govern the tariffs of water and sewer companies. These rules will become effective June 1, 1977. The applicant's proposed tariffs as well as its existing tariffs must conform to revised Chapter 4901:1-15 by that date. The applicant should be further ordered to file with the Commission two complete sets of tariffs for approval. The same can be approved by Entry.

FINDINGS OF FACT:

- (1) On January 14, 1977, Arrowhead Hills Utilities Corporation filed with this Commission an application to amend its existing Certificate of Public Convenience and Necessity to operate as a waterworks company within an enlarged and amended service area in Shelby County.
- (2) As submitted, the application is in full conformity with Chapter 4901:1-15 (formerly Chapter 29), Commission's Rules of Practice and Section 4933.25, Revised Code.
- (3) Arrowhead Hills Utilities Corporation published notice of the filing and pendency of the application in The Sidney Daily News, a newspaper of general circulation in Shelby County, once a week for three consecutive weeks.
- (4) The purpose in filing the instant application is to secure authority to serve the second and final addition in the Arrowhead Hills Subdivision, being lots 201-273.
- (5) There is no other feasible alternative water source for the residents of the Arrowhead Hills Subdivision.
- (6) The Ohio Environmental Protection Agency has approved expansion of the water plant and distribution system to serve the requested service area.
- (7) None of the officers, directors or shareholders of the applicant have any interest in any other waterworks utility in the State of Ohio.
- (8) G&E Development has and will contribute all the applicant's plant and physical facilities.
- (9) The utility's plant is operating satisfactory with no major failures or repairs required and the water quality has consistently been acceptable.
- (10) The company proposes to employ the same tariffs for its amended service area as for the existing service area. The tariff provides for a rate of \$.95 per 100 cubic feet and a minimum charge of \$25 per quarter. The company proposes to charge a one time service connection charge of \$100 and a turn-on fee of \$10. The company's existing tariffs do not govern main extensions as G&E Development contributes all mains.
- (11) The capacity of the present and proposed plant is more than adequate to serve the entire present and proposed service area.

- (12) The company's financial position has improved in fiscal year 1976 compared to fiscal year 1975 due to the ever-increasing numbers of customers added to the system.
- (13) Operating revenues in fiscal year 1976 were \$8,117 compared to \$3,890 in fiscal year 1975. Net income increased to \$290 in fiscal year 1976 compared to \$28 in 1975. The company has shown an increase in net working capital in fiscal year 1976 of \$1,828 compared to a decrease of \$2,085 in fiscal year 1975. Upon completion of the subdivision, the company expects an annual net income of \$1,500.
- (14) Applicant has demonstrated sufficient financial capability and source of financing to successfully provide the proposed services.
- (15) Applicant's present plant is adequate to meet immediate and future demand for water services.
- (16) There is a present and future public need in the defined geographical area for applicant's services.

CONCLUSIONS OF LAW:

- (1) The Commission has jurisdiction to hear and determine all matters in the proceeding under Sections 4905.04 and 4933.25, Revised Code.
- (2) Section 4933.25, Revised Code, requires that a waterworks company must obtain a Certificate of Public Convenience and Necessity prior to commencement of its operations.
- (3) Applicant, Arrowhead Hills Utilities Corporation, is a waterworks company within the meaning of Section 4905.03(A)(8) Revised Code and a public utility within the meaning of Section 4905.02, Revised Code.
- (4) Since the instant application was filed before revised Chapter 4901:1-15 became effective, the application should be governed by the previously existing Chapter 4901:1-15.
- (5) Notice, required by Commission Rule 4901:1-15-01(4), has properly been given.
- (6) Rule 4901:1-15-01(8), Commission's Rules of Practice sets forth the criteria to be met in applying to amend a Certificate of Public Convenience and Necessity to acquire authority to serve an enlarged and amended service area.
- (7) Applicant has demonstrated by competent evidence all criteria set forth in Commission Rule 4901:1-15-01(8).
- (8) The application to amend the existing Certificate of Public Convenience and Necessity for authority to serve an enlarged and amended service area, being lots 201 through 273, is well made and should be granted.

RECOMMENDATION:

The application to amend the existing Certificate should be granted.

The applicant should be authorized to serve:

A service area situated in the Township of Washington, County of Shelby, State of Ohio, commonly known as the Arrowhead Hills Subdivision, being lots 100 through 276, and legally described as:

Being a part of the north half of the southeast quarter of Section Eight (8), Town Seven (7), Range Six (6) last, containing 75.5 acres more or less.

The applicant should be required to file two complete sets of tariffs which the Commission can review and thence approve by Entry.

Respectfully submitted,



Orla E. Collier
Attorney Examiner

OEC:aa