***OCC EXHIBIT NO. \_\_\_\_\_\_***

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
| --- | --- | --- |
| In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase Its Rates and Charges for Its Waterworks Service. | )))) | Case No. 16-907-WW-AIR |

**DIRECT TESTIMONY**

**OF**

**ROBERT B. FORTNEY**

**On Behalf of**

**The Office of the Ohio Consumers’ Counsel**

*10 West Broad Street, Suite 1800*

*Columbus, Ohio 43215-3485*

**December 19, 2016**

**TABLE OF CONTENTS**

**PAGE**

[I. introduction 1](#_Toc469928633)

[II. Trip Charge 4](#_Toc469928634)

[III. Cost of Service Study 6](#_Toc469928635)

[IV. Customer Charge 7](#_Toc469928636)

[V. SYSTEM IMPROVEMENT CHARGE 9](#_Toc469928637)

[VI. Unmetered Rates 10](#_Toc469928638)

[VII. Conclusion 11](#_Toc469928639)

# I. introduction

Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

***A1.*** My name is Robert B. Fortney. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio Consumers’ Counsel (OCC) as a Rate Design and Cost of Service Analyst.

Q2. What are your responsibilities as a Rate Design and Cost of Service Analyst?

***A2.*** I am responsible for investigating utility applications regarding rate and tariff activities related to tariff language, cost of service studies, revenue distribution and rate design that impact the residential consumers of Ohio. My primary focus is to make recommendations to protect residential consumers from unnecessary utility rate increases and unfair regulatory practices.

Q3. Please summarize your educational background.

***A3.*** I earned a Bachelor of Science degree in Business Administration from Ball State University in Muncie, Indiana in 1971. I earned a Master of Business Administration degree from the University of Dayton in 1979.

Q4. Please summarize your professional background as it relates to utility regulation.

***A4.*** From July 1985 to August 2012 I was employed by the Public Utilities Commission of Ohio (“PUCO”). During that time I held a number of positions (Rate Analyst, Rate Analyst Supervisor, and Public Utilities Administrator) in various divisions and departments that focused on utility applications regarding rates, rate design, and tariff issues. In August 2012 I retired from the PUCO as a Public Utilities Administrator 2, Chief of the Rates and Tariffs Division, which focused on utility rates and tariff matters. The role of that division was to investigate and analyze the rate- and tariff-related filings and applications of the electric, gas, and water utilities regulated by the PUCO and to make PUCO Staff recommendations to the PUCO regarding those filings.

Q5. Have you previously submitted testimony before the PUCO?

***A5.*** Yes. I have testified on numerous occasions to advocate to the Commission the positions of the PUCO Staff. Over the course of my career at the PUCO I often recommended cost allocation methodologies needed to develop a reasonable distribution of revenues to the PUCO. I also was responsible for recommending reasonable rate designs needed to recover the revenue requirement, by class and in total. I also testified for OCC in the Ohio Power Company Case No.14-1693-EL-RDR. A list of proceedings that I have submitted testimony to the PUCO is provided in Attachment RBF-1 to this testimony.

Q6. What documents have you reviewed in the preparation of your testimony?

***A6.*** I have reviewed various filings by Aqua Ohio, Inc. in Case No. 16-097-WW-AIR. These include the Pre-Filing Notice, the Application, the Standard Filing Requirements (specifically, the E-Schedules), the workpapers associated with the E-Schedules, the testimony filed by Aqua Ohio, Inc.’s (“Aqua” or “Utility”), the Staff Report of Investigation, the Utility’s responses to various PUCO Staff data requests, and various responses to OCC Interrogatories.

Q7. What is the purpose of your testimony in this proceeding?

***A7.*** My testimony will support OCC’s Objection 15 through19 to the Rates and Tariffs section of the Staff Report of Investigation regarding Aqua Ohio, Inc.’s application for an increase in rates.

Q8. Can you briefly summarize the topics you are testifying about in your testimony?

***A8.*** Yes, I am testifying about the following topics:

1. Objection 15: The elimination of the trip charge,

2. Objection 16: Staff’s proposed reallocation of costs in the Cost of Service Study,

3. Objection 17: The increase in the customer charge to $10,

4. Objection 18: The typical bill calculation does not include the System Improvement Charge, and

5. Objection 19: The approval of rates for unmetered customers.

# II. Trip Charge

Q9. What is the Company’s proposal regarding the current Trip Charge?

***A9.*** In response to Staff’s Data Request No. 29, the Utility stated that it is not planning on retaining the Trip Charge. The response is provided in Attachment RBF-2 to this testimony.

Q10. What is Staff’s recommendation regarding the Trip Charge?

***A10.*** The Staff concurs with this plan and recommends approval of deletion of the Trip Charge.

Q11. Do you agree with elimination of the Trip Charge?

***A11.*** No. In other discussions regarding miscellaneous charges, Staff indicates that, “[t]he cost of dishonored checks should be recovered from the customers who cause these charges to be incurred and not all customers in general”[[1]](#footnote-2) and “[t]he [account activation] charge is to recover the costs associated with activating an account from those customers who cause the costs to be incurred, rather than the entire customer base.”[[2]](#footnote-3)

The purpose of a Trip Charge is to cover the Utility’s cost of making a trip to a customer’s premise to collect payment in lieu of disconnection of service; emergency service calls, when the emergency is not a result of the Applicant’s property or actions; and other issues caused by the customer. It follows that the costs of these “trips” should be borne by the customers who cause the costs to be incurred. Therefore, the Trip Charge should not be eliminated, but should be made applicable to all service areas. The current Mohawk and Tomahawk tariffs contain a Trip Charge and should be retained. The Trip Charge should be applicable only when an Aqua employee makes a trip to the customer’s premise and collects payment in lieu of disconnection. My recommendation is consistent with the regulatory principle of cost causation and should be adopted by the PUCO.

# III. Cost of Service Study

Q12. What is Staff’s position regarding the distribution of the proposed revenue increase?

***A12.*** The PUCO Staff recommends more of a movement towards the Cost of Service Study (“COSS”) results regarding the class revenue distribution. Upon comparing the COSS with the Utility’s proposed revenue distribution, Staff states that it appears as though the Commercial and Private Fire class revenues should be lessened and the Residential and Sales for Resale classes should be incurring more of the costs and that the other classes appear to be within acceptable ranges. The PUCO Staff recommends that the Commercial, Private Fire, Residential and Sales for Resale classes be brought more in line with the COSS.[[3]](#footnote-4)

Q13. Do you agree with that recommendation?

***A13.*** No. The PUCO Staff has not only failed to identify the basis for its conclusions, but it has also failed to provide a remedy to achieve its recommendations. The COSS does not indicate any glaring subsidies among service classes. If there is a rate increase, I recommend an across-the-board revenue adjustment to achieve the goal of moving the classes closer to the costs of service. My recommendation for the distribution of the proposed revenue increase is shown on my Attachment RBF-3. If the PUCO approves an increase other than Aqua has proposed, I recommend that it be evenly distributed (on a percentage basis) to all customer classes. OCC Witness Willis has recommended an overall revenue decrease of $2,025,799 or 3.23%. I have calculated the average bill impact for a residential customer using 3,000 gallons a month under Aqua’s, PUCO Staff’s and OCC’s revenue recommendations in RBF Attachment-6. For example, under Aqua’s proposed increase, a residential customer in Lake Erie East using 3,000 gallons a month would see an increase of $4.49 per month. Under OCC’s proposed revenue decrease, the same customer would see a reduction of $1.55 a month from their current bill. This results in a difference of $6.48 per month or $72.48 a year when comparing OCC and Aqua’s recommendations.

# IV. Customer Charge

Q14. What is THe puco Staff’s recommendation regarding the Residential Class Customer charge?

***A14.*** The PUCO Staff recommends that the PUCO approve the Utility’s proposed fixed Customer Charge ($10.00).[[4]](#footnote-5) Staff reasons that, in addition to being a better reflection of cost causation, the $10 fixed charge accomplishes other rate objectives. Staff maintains it provides consistency to customers’ bills. And, it “reduces the revenue deterioration of a utility in a time of reduced consumption, thus reducing the need for frequent rate cases.”[[5]](#footnote-6)

Q15. Do you agree with the rationale supporting the $10 customer charge?

***A15.*** No. The PUCO Staff failed to explain how the increased customer charge is a better reflection of cost causation. Using the same methodology as the Applicant used on pages 31 and 32 of its COSS (Schedule E-3.2e), but utilizing data only for the Residential class, my Attachment RBF-4 indicates a Residential Customer Charge of $9.30 is a better reflection of cost causation.

The PUCO Staff failed to show that there was revenue deterioration since the last rate case due to reduced consumption. In the three-year period from 2013 to 2015, consumption decreased by less than .2% (see Attachment RBF-5). This is not a material deterioration in the volume of water sold and does not warrant a significant increase to the customer charge.

Staff used the same rationale that an increased fixed charge reduced the need for more frequent rate cases in the last Aqua Case No. 13-2124-WW-AIR. Staff stated that the higher customer charge “reduces the revenue deterioration of a utility in a time of reduced consumption, thus, reducing the need for frequent rate cases.”[[6]](#footnote-7) The Utility filed new tariffs in Compliance with the PUCO’s Order of September 10, 2014, and then on April 28, 2016. A year-and-a-half later, the Aqua filed a notice of intent to file a new application for an increase in rates. Increasing the customer charge in Aqua’s previous rate case has not resulted in reducing the frequency of rate cases for the Utility.

# V. SYSTEM IMPROVEMENT CHARGE

q16. Do you have any concerns regarding PUCO Staff’s Calculation of the customers’ typical bills after the rate increase?

***A16.*** Yes. By not including the System Improvement Charges, PUCO Staff understates the amounts customers are actually paying in their bills. For example, instead of the $26.56 (Lake Erie), $32.63 (Lake Erie East, Masury and Norlick), $33.44 (Mohawk) and $49.65 PUCO Staff has shown for the current typical bills for a residential customer using 3,000 gallons[[7]](#footnote-8), those customers actually pay $27.69, $34.01, $33.96 and $51.78 respectively. PUCO Staff also shows the current Unmetered Flat Rates without the SIC charge. Current flat rates for Aqua (OA), Auburn and Seneca are shown as $52.36, $41.93 and $41.93 respectively.[[8]](#footnote-9) The corresponding charges including the SIC are $54.59, $43.71 and $43.71.

# VI. Unmetered Rates

Q17. What is the utility’s proposal for customers on unmetered rates?

***A17.*** Aqua proposes to be able to install meters for customers on unmetered rates. Once the meters are installed, Aqua would charge customers the appropriate metered rates.

Q18. What is the PUCO Staff’s recommendation regarding thIS proposal?

***A18.*** The PUCO Staff correctly finds the proposal to install meters at the Company’s discretion and begin charging metered rates to be unreasonable.[[9]](#footnote-10) However, Staff additionally states that it does not recommend of the provision without further discussion and the Utility’s presentation of additional data.[[10]](#footnote-11)

Q19. Do you agree with Staff’s recommendation?

***A19.*** I agree that the proposal is unreasonable at this time. The PUCO Staff should have recommended that the PUCO deny this proposal in this case and direct the Applicant to pursue the proposal to charge these customers the appropriate metered rates in a future proceeding only after the meters have been installed and additional data regarding the impact on these customers is available and provided.

# VII. Conclusion

Q20. Does this conclude your testimony?

***A20.*** Yes. However, I reserve the right to incorporate new information that may subsequently become available. I also reserve the right to supplement my testimony in the event Aqua, the PUCO Staff or other parties submit new or corrected information in connection with this proceeding.

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing *Direct* *Testimony of Robert B. Fortney on Behalf of the Office of the Ohio Consumers’ Counsel* was served via electronic transmission to the persons listed below on this 19th day of December 2016.

 */s/ Kevin Moore*

 Kevin Moore

 Assistant Consumers’ Counsel

**SERVICE LIST**

|  |  |
| --- | --- |
| Steven.beeler@ohioattorneygeneral.gov Robert.eubanks@ohioattorneygeneral.gov Attorney Examiners:Jeffrey.jones@puc.state.oh.us Megan.addison@puc.state.oh.us  | whitt@whitt-sturtevant.com campbell@whitt-sturtevant.comglover@whitt-sturtevant.com law@marionohio.org  |

Robert Fortney

Proceedings with Testimony Submitted to the Public Utilities Commission of Ohio

|  |  |  |
| --- | --- | --- |
| Company | Docket No. | Date |
| Cleveland Electric Illuminating Company | 85-675-EL-AIR | 1986 |
| Cleveland Electric Illuminating Company | 86-2025-EL-AIR | 1987 |
| Toledo Edison Company | 86-2026-EL-AIR | 1987 |
| Ohio Edison Company | 87-689-EL-AIR | 1987 |
| Cleveland Electric Illuminating Company | 88-170-EL-AIR | 1988 |
| Toledo Edison Company | 88-171-EL-AIR | 1988 |
| Ohio Edison Company | 89-1001-EL-AIR | 1990 |
| Cincinnati Gas & Electric Company | 91-410-EL-AIR | 1991 |
| Columbus Southern Power Company | 91-418-EL-AIR | 1992 |
| Cincinnati Gas & Electric Company | 92-1464-EL-AIR | 1993 |
| Ohio Power Company | 94-996-EL-AIR | 1994 |
| Toledo Edison Company | 94-1987-EL-CSS | 1995 |
| Cleveland Electric Illuminating Company | 94-1964-EL-CSS | 1995 |
| Toledo Edison Company | 95-299-EL-AIR | 1995 |
| Cleveland Electric Illuminating Company | 95-300-EL-AIR | 1996 |
| All Electric Companies (Rulemaking Proceeding) | 96-406-EL-COI | 1998 |
| Cleveland Electric Illuminating Company | 97-358-EL-ATA | 1998 |
| Toledo Edison Company | 97-359-EL-ATA | 1998 |
| Cleveland Electric Illuminating Company | 97-1146-EL-COI | 1998 |
| Toledo Edison Company | 97-1147-EL-COI | 1998 |
| FirstEnergy | 96-1211-EL-UNC | 1998 |
| Columbus Southern Power Company | 01-1356-EL-ATA | 2002 |
| Columbus Southern Power Company | 01-1357-EL-AAM | 2002 |
| Rulemaking Proceeding | 01-2708-EL-COI | 2002 |
| FirstEnergy  | 01-3019-EL-UNC | 2002 |
| Ohio Power Company | 01-1358-EL-ATA | 2002 |
| Ohio Power Company | 01-1359-EL-AAM | 2002 |
| The Dayton Power and Light Company  | 02-0570-EL-ATA | 2003 |
| Dayton Power and Light Company | 02-2364-EL-CSS | 2003 |
| Dayton Power and Light Company | 02-2879-EL-AAM | 2003 |
| Dayton Power and Light Company | 02-2779-EL-ATA | 2003 |
| FirstEnergy Corporation  | 03-2144-EL-ATA | 2004 |
| Cincinnati Gas & Electric Company | 03-0093-EL-ATA | 2004 |
| Cincinnati Gas & Electric Company | 03-2079-EL-AAM | 2004 |
| Cincinnati Gas & Electric Company | 03-2081-EL-AAM | 2004 |
| Monongahela Power Company | 04-0880-EL-UNC | 2004 |
| Monongahela Power Company | 05-0765-EL-UNC | 2005 |
| Dayton Power and Light Company | 05-0276-EL-AIR | 2005 |
| FirstEnergy | 07-0551-EL-AIR | 2008 |
| FirstEnergy  | 08-0936-EL-SSO | 2008 |
| FirstEnergy | 08-0935-EL-SSO | 2008 |
| Ormet Primary Aluminum Corporation  | 09-0119-EL-AEC | 2009 |
| Cleveland Electric Illuminating Company | 08-1238-EL-AEC | 2009 |
| Columbus Southern Power Company  | 09-0516-EL-AEC | 2009 |
| FirstEnergy | 10-0388-EL-SSO | 2010 |
| FirstEnergy | 10-0176-EL-ATA | 2011 |
| Columbus Southern Power Company | 11-0346-EL-SSO | 2011 |
| Ohio Power Company | 11-0348-EL-SSO | 2011 |
| Columbus Southern Power Company | 10-0343-EL-ATA | 2011 |
| Ohio Power Company | 10-0344-EL-ATA | 2011 |
| AEP Ohio | 10-2376-EL-UNC | 2011 |
| AEP Ohio | 10-2929-EL-UNC | 2011 |
| AEP Ohio | 11-4921-EL-RDR | 2011 |
| FirstEnergy | 12-1230-EL-SSO | 2012 |
| AEP Ohio | 14-1693-EL-RDR | 2015 |











1. PUCO Staff Report of Investigation at 15 (Nov. 17, 2016). [↑](#footnote-ref-2)
2. Id. [↑](#footnote-ref-3)
3. PUCO Staff Report of Investigation at 18 (Nov. 17, 2016). [↑](#footnote-ref-4)
4. Staff Report of Investigation at 20 (Nov. 17, 2016). [↑](#footnote-ref-5)
5. Id. [↑](#footnote-ref-6)
6. Staff Report of Investigation at 20 (Nov. 17, 2016). [↑](#footnote-ref-7)
7. Staff Report of Investigation at 22-23 (Nov. 17, 2016). [↑](#footnote-ref-8)
8. Staff Report of Investigation at 24 (Nov. 17, 2016). [↑](#footnote-ref-9)
9. Id. [↑](#footnote-ref-10)
10. Id. [↑](#footnote-ref-11)