



BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Aqua Ohio, Inc. :  
Authority to Increase its Rates and Charges in : Case No. 09-1044-WW-AIR  
it's Lake Erie Division :

---

TESTIMONY OF  
**THEODORE C. RUSSELL**

ON BEHALF OF  
AQUA OHIO, INC.  
LAKE ERIE DIVISION

---

1    **Q.    Would you please state your name and address for the record?**

2    A.    My name is Theodore C. Russell. My business address is 6650 South Avenue,  
3           Boardman, Ohio 44512.

4    **Q.    Mr. Russell, by whom are you employed and in what capacity?**

5    A.    I am an Accountant with Aqua Ohio, Inc.

6    **Q.    Will you briefly describe your educational background?**

7    A.    I graduated with a Bachelor's Degree in Business Administration from  
8           Youngstown State University in 1980. My major field of study was Accounting  
9           with a minor in Economics and Finance.

10   **Q.    How long have you been employed by Aqua Ohio, Inc?**

11   A.    Since March 17, 1981.

1 **Q. Generally, Mr. Russell, what are your duties and responsibilities as an**  
2 **Accountant for Aqua Ohio, Inc?**

3 A. Primarily, my duties are the maintenance of the property records for Aqua Ohio,  
4 Inc. This includes tracking construction work in progress through our activity  
5 module, maintaining our fixed capital system and calculating depreciation. I am  
6 also responsible for the calculation and maintenance of our book and tax  
7 depreciation records. I am also responsible for maintaining the detail for the  
8 deferred tax accounts, compiling information for various annual reports, such as  
9 the PUCO, Ohio State Tax Commission, independent auditors schedules, and  
10 audit and tax packages for our parent company, Aqua America, Inc. I also review  
11 and assist with the record keeping for Advances, Related Facilities and  
12 Contributions.

13 Also within the realm of my responsibility is the preparation of the  
14 Standard Filing Requirements (SFR) for rate cases, assisting PUCO Staff  
15 members during their field review of the filing, and providing testimony in  
16 support of certain portions of the filing documents. These duties are performed  
17 under the direction of the Vice President - Finance.

18 **Q. Are you familiar with the application filed by Aqua Ohio, Inc. in Public**  
19 **Utilities Commission of Ohio Case No. 09-1044-WW-AIR?**

20 A. Yes, I am. I was directly responsible for the preparation of the rate base section  
21 of the Standard Filing Requirements (SFR). My direct testimony for this case is  
22 in support of the SFR schedules on which I am identified as the "Witness  
23 Responsible".

1   **Q.    Your name appears on certain schedules included in Section B-Rate Base.**

2       **Please explain these schedules.**

3    A.    Schedule B-2.3 was the first schedule to be completed in determining the rate  
4           base for this case and was completed as follows. Each property account for the  
5           total Lake Erie Division and the total Service Center was listed and identified by  
6           the property NARUC number and description in Columns (A) and (B). The Total  
7           Division Beginning Balance Column (C) shows the original cost of the Plant in  
8           Service at the last Date Certain of December 31, 2006 as it was included in Case  
9           No's. 07-0564-WW-AIR. The original cost of additions, Column (D), retirements,  
10          Column (E) and transfers, Column (F), made between January 1, 2007 and March  
11          31, 2009 for the Lake Erie Division are listed by account and are used to  
12          determine the Total Division Ending Balance original cost, Column (I) of Plant in  
13          Service at Date Certain March 31, 2009.

14   **Q.    Mr. Russell, how do you define original cost?**

15    A.    "Original cost", as applied to utility plant, means the cost of such property to the  
16           person first devoting it to public service.

17   **Q.    How is the original cost of the various items of property determined?**

18    A.    Records are maintained by Aqua Ohio, Inc., Lake Erie Division in compliance  
19           with the Uniform System of Accounts for Class A and B Water Utilities. The  
20           original cost of each item of property is recorded by project number in the activity  
21           module. After each item of property has been placed in service or retired, the  
22           appropriate original cost is transferred from construction work in progress to fixed  
23           capital.

1           Beginning with the fixed capital ledger account balances, each transfer to  
2           the fixed capital ledger is checked to assure that the proper original cost has been  
3           added or subtracted. Each authorization for expenditure or retirement is examined  
4           and analyzed for accuracy and, in most cases; the appropriate ledger entries are  
5           also analyzed.

6   **Q.   How do you determine that the various items of property are in service at the**  
7   **date certain?**

8   A.   Each authorization provides a completion report on which is recorded the date  
9        completed, and date in service. The date in service is used for that determination.

10 **Q.   Describe how schedule B-2 is completed.**

11 A.   After completing Schedule B-2.3, the Total Division Ending Balance, Column (I),  
12        amounts were carried forward as applicable to Schedule B-2.1, Column (C). As  
13        required by the SFR, these balances were then allocated and adjusted to determine  
14        the Adjusted Jurisdictional, Column (G), Plant in Service at Date Certain,  
15        March 31, 2009. The property records are maintained separately by Aqua Ohio,  
16        Inc. for each of its operating divisions and therefore the Total Division, Column  
17        (C) amounts shown on Pages 1 thru 7 on Schedule B-2.1 are allocated 100% to  
18        the Lake Erie Division and are restated in Column (E) as the Allocated Total. The  
19        Service Center Plant in Service is used to serve all the operating divisions of Aqua  
20        Ohio, Inc. and therefore is allocated at 33.54% for the Lake Erie Division. The  
21        33.54% allocation percentage is developed on Schedules B-7 and B-7.1 using the  
22        net plant of the Lake Erie Division divided by the sum of the net plant of all the  
23        operating divisions less the Service Center net plant. The Allocated Total,

1 Column (E), as shown on Page 8 and 9 and on Lines 1 thru 24 on Page 10 of  
2 Schedule B-2.1 are the amounts applicable to the Lake Erie Division for the  
3 Service Center General Plant. Line 29, Column (E), Page 10 of Schedule B-2.1  
4 shows the total Lake Erie Division and allocated Service Center Plant in Service  
5 at Date Certain March 31, 2009 in the amount of \$91,098,658.72. As detailed on  
6 Schedule B-2.2, there are proposed adjustments to Plant in Service. Legal fees in  
7 association with the acquisition of Norlick Place and Seneca in the amount of  
8 \$19,730.36 are being excluded. Well field land in the amount of \$146,442.96  
9 located in Shepard Hills. The intake in Lake Erie that served the Green Road  
10 Plant in Ashtabula is being excluded in the amount of \$285,464.92. Also excluded  
11 is the supply main from the intake to the Green Road Plant for \$9,791.78. All of  
12 these items were excluded from rate base in the last Case No. 07-0564-WW-AIR.  
13 The adjustments have been used again in this case as there has been no change in  
14 their status. Schedule B-2.1, Line 29, Column (G), Adjusted Jurisdiction results in  
15 an adjusted total of \$90,637,228.70.

16 The adjusted jurisdictional original cost balances are then carried forward to  
17 Schedule B-2 by Major Property Groupings and this total is then carried forward  
18 to Line 1 on Schedule B-1. The Total Plant in Service at Date Certain, March 31,  
19 2009 is \$90,637,229. The next component of rate base to be considered was the  
20 Depreciation Reserve. The Total Division Ending Balance, Column (I) of  
21 Schedule B-2.3 was restated on Schedule B-3 as Total Division Plant Investment,  
22 Column (C). The account balances for the depreciation reserve were then set  
23 forth in Column (D) and allocated and adjusted using the same procedure as was

1 used for the Plant in Service in Schedule B-2.1. The total Lake Erie Division and  
2 allocated Service Center Reserve for Accumulated Depreciation as of March 31,  
3 2009 shown on Schedule B-3, Page 10 of 10, Line 28, under Adjusted  
4 Jurisdiction, Column (H) is \$19,563,184.18. The same amount is restated on  
5 Schedule B-1, Page 1 of 1, Line 4 under Company Proposed Amount, Column (C)  
6 as \$19,563,184.

7 **Q. How was schedule B-6 completed?**

8 A. Contributions in Aid of Construction are set forth on Schedule B-6 and then  
9 carried forward to Line 13 of Schedule B-1 as \$26,052,151.

10 Line 19 of Schedule B-1 sets forth an amount of \$3,592,573 as Other  
11 Items. This amount includes the Pre-1971 three percent and the 1971 four percent  
12 Investment Tax Credits, the Deferred Income Tax from Liberalized Depreciation  
13 and Deferred Income Tax on contributed property, all of which are identified on  
14 Schedule B-6.

15 **Q. Mr. Russell, would you now summarize Schedule B-1?**

16 A. Yes. At Date Certain March 31, 2009, the Plant in Service less Depreciation  
17 Reserve, plus Construction Work in Progress plus Working Capital, less  
18 Contributions in Aid of Construction, Advances for Construction, Customer  
19 Advances-Related Facilities, and Other Items results in a Jurisdictional Rate Base  
20 of \$41,275,758 for the Lake Erie Division.

21 **Q. Does this conclude your direct testimony?**

22 A. Yes

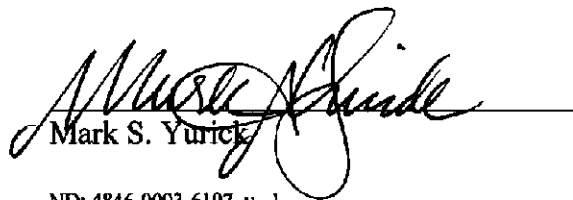
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Direct Testimony of Theodore C. Russell* was served upon the following parties of record or as a courtesy, via U.S. Mail postage prepaid, express mail, hand delivery, or electronic transmission, on December 21<sup>st</sup>, 2009.

Michael E. Idzkowski  
Gregory J. Poulos  
Ohio Consumer Counsel  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215  
[poulos@occ.state.oh.us](mailto:poulos@occ.state.oh.us)  
[idzkowski@occ.state.oh.us](mailto:idzkowski@occ.state.oh.us)

L. Douglas Jennings  
James Lynn  
Attorney Examiners  
The Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

Sarah Parrot  
Assistant Attorney General  
Public Utilities Division  
The Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

  
Mark S. Yurick

ND: 4846-0093-6197, v. 1