

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Aqua)
Ohio, Inc. For Authority to Increase its Rates) Case No. 09-560-WW-AIR
and Charges in its Masury Division)

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**AQUA OHIO INC.'S SUMMARY OF MAJOR ISSUES IN THE MASURY
DIVISION RATE CASE**

NOW COMES, Aqua Ohio, Inc. ("Aqua Ohio" or "Applicant") and respectfully sets forth the following brief summary of major issues:

Major Issue Number 1: Rate of Return.

The Staff Report states that a rate of return in the range of 7.54% to 8.05% is fair and reasonable. For several reasons noted in the Objections to the Staff Report and the supporting testimony of Pauline M. Ahern, CRRA, a higher rate of return is warranted based on several factors in this case.

Major Issue Number 2: Exclusion of Trumbull County Meter Facilities.

The Staff Report notes that "Trumbull County has requested that the Company maintain the meter pits should they ever need to take water service from Aqua Ohio." However, Staff also notes that it has excluded meter facilities that were formerly used to serve Trumbull County from Plant in Service. It is unreasonable to require Aqua to maintain these meter pits while removing the pits from plant in service.

Major Issue Number 3: Depreciation Reserve.

The Staff Report notes an adjustment to Depreciation Reserve of \$23,679 to exclude reserve associated with the Trumbull County Meters. However, since the adjustment to Plant in Service for

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the exclusion of the Trumbull County meter pits was \$26,998, the Reserve for Accumulated Depreciation should also be debited for (\$26,998). When a piece of property is retired and taken out of service, the Accumulated reserve for depreciation is debited for the same amount as the retirement.

Major Issue Number 4: Disallowance of Postage and Processing Fees for Monthly Bills.

The Staff Report recommends against adjusting Schedule C-3 to the postage and processing fees to reflect a change from bi-monthly to monthly billing. However, Aqua should not be forced to absorb additional expenses for planned monthly billing. If customers benefit from the receipt of monthly bills, Aqua should be able to recover the additional costs associated therewith.

Major Issue Number 5: Rate Case Expense.

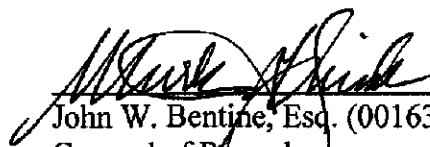
The Staff Report recommends that the amortization period for rate case expense be adjusted to five (5) years, rather than Aqua's requested three (3) year period. But, the projected degree of increase in capital spending in Masury, along with substantial anticipated increase in costs will necessitate the filing of another rate case within the next three (3) years. Since Aqua will need to file an additional rate case within the next three years, three years is a more appropriate amortization period for rate case expense than the five year period recommended by Staff.

Major Issue Number 6: Federal Income Tax Rate.

The Staff Report calculates the Federal Income Tax rate for the Masury Division as though the Masury Division were a stand alone company, instead of part of a larger corporate entity. But,

the Masury Division is a subsidiary of a large water company. Since the Masury Division is part of a much larger entity, the consolidated Federal Income Tax rate should be 35%.

Respectfully submitted,



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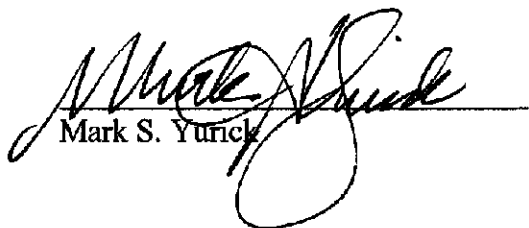
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing *Aqua Ohio Inc.'s Summary of Major Issues in the Masury Division Rate Case* has been served upon the following persons, via regular U.S. mail, postage prepaid, this 22nd day of February, 2010.

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