

FILE

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PUCO

8
____ Management Policies,
Practices and Organization

____ Operating Income

____ Rate Base

____ Allocations

____ Rate of Return

X Rates and Tariffs

X Other

AQUA OHIO, INC.

MASURY DIVISION

CASE NO. 09-560-WW-AIR

DIRECT TESTIMONY OF

ROBERT A. KOPAS

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Aqua Ohio, :
Inc. for Authority to Increase Rates and Charges : Case No. 09-0560-WW-AIR
in Its Masury Division :

DIRECT TESTIMONY OF

ROBERT A. KOPAS

ON BEHALF OF
AQUA OHIO, INC.
MASURY DIVISION

1 Q. **Please state your name and business address.**

2 A. My name is Robert A. Kopas. My business address is 6650 South Avenue,
3 Boardman, Ohio 44512.

4 Q. **By who are you employed and in what capacity?**

5 A. I am employed by Aqua Ohio, Inc. as Regional Controller. I also serve as Vice
6 President of Finance.

7 Q. **How long have you been associated with Aqua Ohio, Inc.?**

8 A. I have been associated with Aqua Ohio, Inc. since September 1998. Prior to that I
9 was employed by Consumers Pennsylvania Water Company-Shenango Valley
10 Division.

11 Q. **On whose behalf are you offering testimony in this proceeding?**

12 A. I have been authorized to appear and testify on behalf of Aqua Ohio, Inc., Masury
13 Division, the applicant in this case. As Vice President of Finance for the company

1 I have overall responsibility for the accounting records of the Company and have
2 overseen preparation of all sections of this application.

3 **Q. Please outline your educational background and business experience.**

4 A. I am a 1976 graduate of Pennsylvania State University with a Bachelor of Science
5 degree in Finance. I later attend Youngstown State University part time to secure
6 additional accounting credit hours. From 1977 to 1984, I was employed by
7 General American Transportation Corporation where I held various accounting
8 positions including Accounting Supervisor and Cost Analyst. I joined Consumers
9 Pennsylvania Water Company-Shenango Division in 1984 and began my position
10 as Vice President of Finance for Aqua Ohio, Inc. in September 1998. I became
11 Regional Controller for Aqua's Northern States in April 2006. I am registered in
12 Ohio as a Certified Public Accountant.

13 **Q. Do you have experience in the regulatory ratemaking process?**

14 A. Yes. In addition to my work in connection with this filing, I have been involved in
15 the preparation of the prior Aqua Ohio-Lake Division filings (Case No. 03-2290-
16 WW-AIR and 07-0564-WW-AIR) and the last five Masury Water Company rate
17 applications submitted to this Commission (Case No. 90-331-WW-AIR, Case No.
18 93-213-WW-AIR, Case No. 95-357-WW-AIR, Case No. 97-1544-WW-AIR and
19 case No. 00-713-WW-AIR), and have filed testimony in each of those
20 proceedings. I have also participated in a number of proceedings before the
21 Pennsylvania Public Utility Commission in connection with rate filings by
22 Consumers Pennsylvania-Shenango, Roaring Creek, and Susquehanna Water

1 Companies and have testified before the Indiana Utility Regulatory Commission
2 on behalf of Aqua Indiana, Inc.

3 **Q. Did you prepare the application which is the subject of this proceeding?**

4 A. Yes. With the assistance of other company officers and personnel. In accordance
5 with the Commission's rules, Mr. Robert Liptak, Aqua Ohio, Inc.'s President, and
6 I signed and verified the application.

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of my testimony is to sponsor Aqua's application to increase rates in
9 the Masury Division and address generally the provisions set forth in the
10 Stipulation and Recommendation ("Stipulation") filed in the Application. In
11 particular, I provide an overview of the Stipulation and explain why the terms and
12 conditions in the Stipulation are favorable to customers. My testimony also
13 discusses the criteria the Commission has used in the past when considering
14 stipulated agreements and how the Stipulation in this proceeding meets those
15 criteria.

16 **Q. Please summarize the provisions of the Stipulation.**

17 A. The Stipulation provides customer benefits that would not otherwise be available
18 to customers in a conventional rate proceeding. Significantly, the Stipulation
19 "phases- in" rate increases over a four year period. Instead of an increase that
20 would go into effect immediately after approval, the total increase is divided or
21 split into smaller increases spread out over a 4 year period. Rates increase over
22 the first three years and decrease in the fourth year. During the phase-in increase
23 period, Aqua has agreed not to file for a rate increase other than a system

1 improvement charge. This is consistent and in furtherance of such rate making
2 principles as gradualism and the avoidance of rate shock.

3 **Q. Please describe the circumstances that lead to the Stipulation.**

4 A. Aqua filed the current application on August 7, 2009. Aqua provided extensive
5 data and responses to Staff and the Office of Consumer's Counsel data requests
6 on an informal basis. Extensive settlement discussions took place with all parties
7 participating, and a public hearing was held on March 18, 2010. The Stipulation
8 represents the culmination of the aforementioned discussions, conferences, and
9 hearing and is being filed as a reasonable resolution and compromise among the
10 Signatory Parties of all issues identified in the case.

11 **Q. Please identify the Signatory Parties that signed the Stipulation.**

12 A. The Signatory Parties include Aqua, the OCC and the Staff of the PUCO.

13 **Q. What criteria have the Commission used in considering approval of a
14 stipulation among signatory parties to a proceeding?**

15 A. My understanding is that a stipulation must satisfy three criteria: (1) the
16 stipulation must be a product of serious bargaining among capable,
17 knowledgeable parties; (2) the stipulation must not violate any important
18 regulatory principle or practice; and (3) the stipulation must, as a package, benefit
19 rate payers and the public interest.

20 **Q. Does the Stipulation in this proceeding satisfy the criteria above?**

21 A. Yes, it does.

22 **Q. Is the Stipulation a product of serious bargaining among knowledgeable
23 capable parties?**

1 A. Yes, it is. Each of the Signatory Parties to the Stipulation has a history of
2 participation and experience in matters before the Commission and is represented
3 by experienced and competent counsel. The Signatory Parties represent a range
4 of interests, including consumers. The Stipulation is a product of lengthy, serious
5 bargaining among the Signatory Parties. The discussions and negotiations
6 involved substantial compromise by the Signatory Parties on numerous issues.
7 Extensive discovery was provided. All of the Signatory Parties are familiar and
8 knowledgeable with regard to the various components in the Stipulation.

9 **Q. Does the Stipulation violate any important regulatory principle or**
10 **practice?**

11 A. No, it does not. Based on my experience with the regulatory process and review
12 of practices in Ohio. Several components of the Stipulation in this proceeding are
13 similar to those in stipulations which were approved by the Commission in other
14 cases. This Stipulation has been designed to ensure the provision of adequate,
15 safe, reliable and reasonably priced water service; it supports improvements to the
16 delivery system; it continues the regulatory principle of gradualism to help
17 transition customers to reasonable rates.

18 **Q. Does the Stipulation as a package benefit customers and the public interest?**

19 A. Yes, it does. Customers will benefit from the structure of the Stipulation in that it
20 gradually raises rates over a period of years. As contrasted with an abrupt
21 increase in rates, this gradual phase-in will allow customers a period of time to
22 budget and acclimate themselves to increases in rates. During the phase- in
23 increase period (the first three years) Aqua will not file for another rate increase

1 (other than a system improvement charge, if needed.) This “phase-in” aspect of
2 the Stipulation and the “stay-out” provision, along with other components of the
3 Stipulation, will benefit all customers and the public interest.

4 **Q. Do you believe the Parties had sufficient time to consider and discuss the**
5 **Stipulation, and to become knowledgeable about different components of the**
6 **Stipulation?**

7 A. Yes. Aqua filed its application on August 7, 2009. The Application was
8 reviewed fully over several months. An extensive amount of information was
9 provided by Aqua to Staff and the OCC. The Stipulation in this proceeding
10 represents the result of months of discussion and negotiations, so there was
11 adequate time for all parties to provide input.

12 **Q. Does this conclude your testimony at this time?**

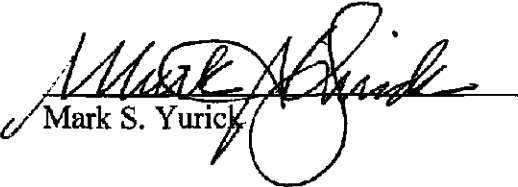
13 A. Yes, it does

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Direct Testimony of Robert A. Kopas on Behalf of Aqua Ohio, Inc. was served this 6th day of April, 2010 upon the following via electronic mail and U.S. regular mail, postage prepaid.

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