

FILE**OCC EXHIBIT** _____

**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 in Its Lake Erie) Case No. 09-1044-WW-AIR
Division.)

**DIRECT TESTIMONY
Of
AMR A. IBRAHIM**

**On Behalf of
The Office of the Ohio Consumers' Counsel
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June 21, 2010

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EXHIBITS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.

A1. My name is Amr A. Ibrahim. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio, 43215. I am employed by the Office of the Ohio Consumers' Counsel ("OCC" or "Consumers' Counsel") as a Senior Regulatory Analyst.

Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.

A2. I received a Ph.D. (Economics) from the University of Sussex, UK, in 1988, a M.A. (Economics) from the American University in Cairo in 1981, and a B.A. (Accounting) from Cairo University in 1975. I am a member of the International Association of Energy Economics ("IAEE"), and a member of the American Water Works Association ("AWWA").

Prior to joining the OCC in October 2008, I worked as an independent Consultant with several entities in the U.S. and the UK. Further, I worked for four years (2002 – 2006) as a Senior Analyst, Market and Regulatory Practices, for the Independent System Operator of New England ("ISO-NE"). Additionally, I was a Manager, then a Director, Regulatory Affairs in Enron Corporation from 1997 to 2001. I was also a Senior Rate Policy Analyst with BChydro (British Columbia, Canada) from 1990 to 1997 where I performed cost of service studies and rate design.

Q3. PLEASE DESCRIBE YOUR EXPERIENCE RELATED TO COST OF SERVICE STUDIES AND ANALYSIS.

A3. I have worked for several years in rates and cost of service studies analysis where I provided technical and analytical support regarding various rate and cost of service filings. I performed similar work (e.g., conducting cost of service studies, rate design, and regulatory/economic due diligence) for electricity, gas and water systems outside United States and Canada while working for Enron Corporation.

Additionally, since joining the OCC as a member of the Analytical Services Department, I was an affiant in the FERC Docket Nos. ER09-134-000, *et al.* where I provided an affidavit on the status of competitive electricity service and government aggregation in the state of Ohio.¹ I also was responsible for providing technical support to formulate OCC's position on Economic Development and Unique Arrangements filed before the Public Utilities Commission of Ohio ("Commission" or "PUCO")², and OCC's positions on rate design and cost of service in connection with several water cases filed before the PUCO.³

¹ *First Energy Solution Corp., et al.*, Docket Nos. ER-09-134-000, ER09-135-000, ER09-136-000, and ER09-137-000, Affidavit of Amr Ibrahim (November 14, 2008).

² For example, *The Application for Establishment of a Reasonable Arrangement Between The Ohio Edison Company and V&M Star* (Case: 09-80-EL-AEC), and *In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company* (Case: 09-119-EL-AEC).

³ For example *In the Matter of the Application of Ohio American Water Company To Increase Its Rates in Its Entire Service Area for Water Service and Sewer Service*, (Case No. 09-391-WS-AIR), May 7, 2009, and *In the Matter of the Application of Aqua Ohio, Inc., for Authority to Increase its Rates and Charges in the Lake Erie Division* (Case No. 09-1044-WW-AIR), November 20, 2009.

Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO?

A4. Yes. I have submitted written testimony before the PUCO in a rate case proceeding for Aqua Ohio, Inc., Case No. 09-560-WW-AIR, in an Electric Security Plan ("ESP") proceeding for Dayton Power & Light proceeding, Case No. 08-1094-EL-SSO, et al., in a proceeding addressing a reasonable arrangement for Ormet Primary Aluminum Corporation, Case No. 09-119-EL-AEC, in a proceeding addressing a reasonable arrangement for Eramet, Case No. 09-516-EL-AEC and recently in another ESP proceeding for Ohio Edison Company, The Cleveland electric Illuminating Company and the Toledo Edison Company, Case No. 10-388-EL-SSO. The testimony that I provided in those cases addressed, among other topics, tariff related issues.⁴

II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A5. The purpose of my testimony is:

a) To recommend that the Commission adopt a Customer Charge for customers with

⁴ In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase Its Rates and Charges in Its Masury Division, (Case No. 09-560-WW-AIR), February 22, 2010, and In the Matter of the Application of the Dayton Power and Light Company for Approval of Its Electric Security Plan (Case No. 08-1094-EL-SSO, et. al.), January 26, 2009, In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company (Case No. No. 09-119-EL-AEC), April 27, 2009, and In the Matter of the Application for Establishment of a Reasonable Arrangement Between Eramet Marietta, Inc. and Columbus Southern Ohio Power Company, Case No. 09-516-EL-AEC, July 31, 2009, and In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan Case No. 10-388-EL-SSO, April 15, 2010.

1 5/8" Meters of \$9.01. The Staff Report proposed customer charge of \$9.38,
2 however this figure must be recalculated because Aqua Ohio, Inc. ("Aqua" or
3 "Company") submitted a third amended Cost of Service Study – five days after
4 the Staff Report was filed – that proposed Customer Charges for 5/8" Meters of
5 \$9.26;

6
7 b) To account for the reduction in the charges for volumetric rates to all customer
8 classes as a result of: a) the reduced revenue requirement recommended by OCC
9 witness Steve Hines, and b) the recalculated Customer Charges as recommended
10 above; and

11
12 c) To adjust the tariffs for Auburn Hills Condos and Special Contracts to reflect the
13 impact of the reduced recommended Revenue Requirements by OCC in a fair
14 manner.

15
16 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF YOUR***
17 ***TESTIMONY?***

18 ***A6.*** I have reviewed the Aqua December 11, 2009 Application to increase rates charged in its
19 Lake Erie Division ("Application") and the testimony and exhibits presented in the filing
20 (including Aqua's three filed Cost of Service Studies).⁵ I also analyzed various relevant

⁵ Aqua filed the third revised cost of service study for Lake Erie on May 26, 2010. See <http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=09-1044&link=DIVA> (visit date: June 11, 2010).

information and documents obtained through discovery as well as reviewing the PUCO Staff Report filed on May 21, 2010.⁶

III. AQUA'S COST OF SERVICE STUDY, RATE DESIGN AND RECALCULATION OF CUSTOMER CHARGES.

Q7. PLEASE DESCRIBE AQUA'S DECEMBER 11, 2009 APPLICATION.

A7. On December 11, 2009, Aqua filed its Application to increase the rates charged in its Lake Erie Division.⁷ Aqua purports that *"Aqua's Lake Erie Division urgently requires additional revenues to enable that Division to continue to render reliable and efficient utility service. Aqua proposes to obtain additional revenues for the Lake Erie Division through reasonable and equitable increases and adjustments in its rates and charges for water services"*.⁸ In support of the Application, Aqua submitted *"Aqua Ohio, Inc. Lake Erie Division Cost of Service and Tariff Design Studies."*⁹ That study was undertaken for the purpose of determining the appropriate cost of supplying water service to the various customer classes, and to design rates that may permit the Company to collect revenues equal to the cost of service.¹⁰ The total revenue that Aqua Ohio Lake Erie Division is

⁶ A report by the Staff of the Public Utilities Commission of Ohio. Aqua Ohio, Inc. Lake Erie Division Case No. 09-1044-WW-AIR, May 21, 2010. ("Staff Report").

⁷ *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase its Rates and Charges in its Lake Erie Division*, Case No. 09-1044-WW-AIR, Application at 2 (December 11, 2009).

⁸ Id. at 2.

⁹ Id. Schedule E-3.2, Witness David R. Monie PE.

¹⁰ Id. at 1. The study took 2009 as a test year and using 6 months actual data and six months estimated. (see Id., at "Title Sheet").

1 seeking to collect through the new proposed rates is \$17,572,017.¹¹ Comparing the
2 proposed rate to the present Pro Forma collection rate of \$14,760,877, the proposed rate
3 will result in an overall increase to Aqua's Lake Erie consumers of 19.1%.¹²

4
5 **Q8. PLEASE DESCRIBE THE COST OF SERVICE STUDY AND THE PROPOSED**
6 **TARIFFS AS FILED BY THE COMPANY**

7 **A8.** The filed Cost of Service Study ("COSS") was based on the operating and financial
8 information that were presented in the Application to constitute the cost of providing
9 service to the various customer classes. The Company states that the study utilized the
10 base-extra capacity method of allocating costs¹³; this methodology is outlined in the
11 American Water Works Association ("AWWA") Water Rates Manual M-1 Fifth
12 Edition.¹⁴ The Company states that the study arrived at the Customer Charge for a typical
13 customer with a 5/8 inch meter using the method that is recommended in the Staff
14 Report,¹⁵ and then arrived at the Customer Charge for the other meter sizes proportional to
15 the AWWA meter capacities.

16

¹¹ Id. at Table 13.

¹² Id. at Table 13.

¹³ See Direct Testimony of David R. Monie on Behalf of Aqua Ohio, Inc. Masury Division at 4, December 21, 2009.

¹⁴ American Water Works Association. Manual of Water Supply Practices--M1. Fifth Edition. Principles of Water Rates, Fees and Charges. (See Chapter 7).

¹⁵ See Direct Testimony of David R. Monie on Behalf of Aqua Ohio, Inc. Masury Division at 5, December 21, 2009. Also see "A report by the Staff of the Public Utilities Commission of Ohio. Aqua Ohio, Inc. Lake Erie Division Case No. 09-1044-WW-AIR, May, 21, 2010, at 23/24.

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The proposed rates would collect \$13,483,018 in revenues from the residential customer class which is approximately the estimated cost of serving the class of \$14,196,797.¹⁶ At the proposed rates, residential customers will experience an increase in their rates of 22.1%.

Table 1 depicts a summary of the revenues at present and proposed rates for each customer class:

Table 1 Filed Summary of Revenues at Present and Proposed Rates by Aqua Ohio, Lake Erie Division.

Customer Class	Current Proforma		Cost of Service		Proposed Proforma		Percent Increase
	Amount (1)	Percent (2)	Amount (3)	Percent (4)	Amount (5)	Percent (6)	
Metered Revenue:							
Residential	11,040,080	77.0%	14,196,797	80.8%	13,483,018	76.7%	22.1%
Commercial	1,673,317	11.7%	1,753,252	10.0%	2,086,623	11.9%	24.7%
Industrial	439,097	3.1%	441,223	2.5%	536,230	3.1%	22.1%
Public	312,186	2.2%	337,877	1.9%	386,895	2.2%	23.9%
Utility	190,642	1.3%	207,934	1.2%	217,310	1.2%	14.0%
Total Metered	13,655,923	95.2%	16,937,083	96.4%	16,710,077	95.1%	22.4%
Private Fire Protection	509,167	3.6%	419,384	2.4%	651,060	3.7%	27.9%
Public Fire Protection	0	0.0%	0	0.0%	0	0.0%	0.0%
SIC	419,640	NA	NA	NA	0	NA	NA
Other Revenues	176,147	1.2%	215,550	1.2%	215,550	1.2%	NA
Total Revenues	14,760,877	100.0%	17,572,017	100.0%	17,576,686	100.0%	19.1%

Source: Table 13, in Schedule E-3.2 - Cost of Service Study docketed on May 26, 2010.

¹⁶ Aqua Ohio's third revised cost of service study for Lake Erie of May 26, 2010, Table 13. See <http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=09-1044&link=DIVA> (visit date: June 11, 2010).

1 ***Q9. IS THE COMPANY'S PROPOSED RATE DESIGN ACCEPTABLE IN THIS CASE?***

2 ***A9.*** No. Albeit that the level of tariffs (i.e., the customer charges and volumetric rates in the
3 rate schedules) shall be determined once the Commission authorizes the appropriate
4 revenue requirement, Aqua has excluded some users from any tariff increases. As
5 highlighted by witness Monie, the Company has chosen to propose no change for the
6 Auburn Lakes Condos.¹⁷ For other customers like Painesville, Pine Crest, and Lake
7 County, Aqua's third Cost of Service Study (docketed on May 26, 2010) Schedule WP8a
8 also indicates no increase in their rates.¹⁸

9
10 ***Q10. WHAT IS THE IMPACT OF EXCLUDING SOME USERS FROM ANY TARIFF***
11 ***INCREASES?***

12 ***A10.*** Excluding some users from any tariff increases implies that other customer classes are
13 unfairly burdened by additional increases in their bills. Any revenues that were supposed
14 to be collected after the tariff increase from Auburn Lakes Condos, Painesville, Pine
15 Crest and Lake County will be shifted to other classes. For example, Auburn Lakes
16 Condos generate revenues of \$177,076 under the current and proposed rates.¹⁹ Had
17 proposed rates for Auburn Lakes Condos been increased by, say 19% as the Company's
18 proposed average increase, the revenues would have increased to \$210,720. In the

¹⁷ See Direct Testimony of David R. Monie on Behalf of Aqua Ohio, Inc. Masury Division at 6, December 21, 2009.

¹⁸ The same Schedule indicates a request for small increase for Pine Crest of a mere 2.8% over the current tariffs (i.e., \$2.4652 vs. \$2.3977 per 100 cubic feet).

¹⁹ Aqua Ohio's third revised cost of service study for Lake Erie of May 26, 2010, Tables WP8a and WP9a. See <http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=09-1044&link=DIVA> (visit date: June 11, 2010).

1 absence of the assumed 19% increase in the proposed rates, the difference of \$33,600 is
2 now paid, unfairly, by other classes.

3
4 ***Q11. DID THE STAFF REPORT ADDRESS THE COMPANY'S PROPOSED COST OF***
5 ***SERVICE STUDY AND RATE DESIGN?***

6 ***A11.*** Yes, the Staff Report addresses the Company's COSS and rate design in section "Rates
7 and Tariffs" of the Report.²⁰ The Staff Report states that the rate design methodology
8 used by the Company and the distribution of revenues among the different classes of
9 services are reasonable.²¹ The Staff Report adopted the Company's proposed declining
10 rate block structures.²² It also accepted the Company's proposal for no change for the
11 Auburn Hills Condos.²³

12
13 The Staff Report also adopted Aqua's proposed customer charge of \$9.38 for 5/8"
14 Meters per month (in line with the customer charge filed in the second amended cost of
15 service study).²⁴ It is noteworthy that on May 26, 2010 Aqua filed a third amended cost of
16 service study five days after the Staff Report was filed. The Company's third amended
17 cost of service study proposes an even lower customer charge for 5/8" Meters of \$9.26
18 per month. As for the volumetric charges, the Staff Report states that:

²⁰ *PUCO Staff Report*, May 21, 2010, at 18 - 27.

²¹ *Id.* at 21.

²² *Id.* at 27.

²³ *Id.* at 23.

²⁴ *Id.* at 23/25.

1 “the volumetric rates be calculated by reducing the total revenue requirement by
2 the revenue generated from sources independent of the volumetric rates; Private
3 Fire Service, Miscellaneous and Late Payment revenues. The remaining
4 revenue to be recovered should then be allocated to the customer classes
5 consistent with the recommended fixed customer charges to determine the class
6 revenue to be recovered through the volumetric rates.”²⁵

7
8 ***Q12. DOES THE STAFF REPORT IDENTIFY A REVENUE REQUIREMENT AND***
9 ***SUGGEST A RANGE FOR THE ALLOWED RATE OF RETURN?***

10 ***A12.*** Yes. The Staff Report reflects a reduction in the Company’s requested revenue
11 requirement with a proposed range of \$16,494,117 as an upper bound and \$16,150,337 as
12 a lower bound (mid-point \$16,322,227). The Staff Report figures represent an 11.46%
13 (upper bound), and 9.14% (lower bound) increase in the Company’s current revenue
14 requirement as opposed to the filed 19.04%.²⁶

15
16 ***Q13. DOES OCC MAKE ANY RECOMMENDATIONS TO ADDRESS THE COMPANY’S***
17 ***REVENUE REQUIREMENT AND RATE OF RETURN PROPOSAL?***

18 ***A13.*** Yes, OCC witnesses Hines and Duann recommend a revenue requirement of \$15,794,064
19 and an allowed cost of capital of 7.32%, respectively.²⁷ Table 2 demonstrates the

²⁵ Id. at 27.

²⁶ A report by the Staff of the Public Utilities Commission of Ohio. Aqua Ohio, Inc. Lake Erie Division Case No. 09-1044-WW-AIR, May 21, 2010, at 47.

²⁷ See testimony of OCC witness S. Hines, at 29, and testimony of OCC witness D. Duann at 6, respectively.

proposed and recommended revenue requirements by Aqua, the Staff Report, and OCC.

The recommended OCC revenue requirements of \$15,794,064 limit the proposed rate

increase to 7.00% when compared to the Pro Forma Current Rates of \$14,760,877.²⁸

Table 2: Filed and proposed revenue requirements by Aqua Ohio, the PUCO Staff and OCC.

	Aqua Ohio			Staff		OCC	
	Current	Proposed	% Change	Recommended	% Change	Recommended	% Change
Revenue Requirement	14,760,877	17,576,686	19.08%	16,322,227	10.58%	\$15,794,064	7.00%

Source: Staff Report revenue requirement is the mid-point. Aqua's revenue requirement is based on the third adjusted cost of service study, table 13. OCC recommended revenue requirement is supported by OCC witness testimony of S. Hines.

Q14. SHOULD THE CUSTOMER CHARGE FOR 5/8" METER BE RECALCULATED TO REFLECT THE FINDINGS OF THE THIRD ADJUSTED COST OF SERVICE STUDY AND THE OCC PROPOSED COST OF CAPITAL?

A14. Yes. Following exactly the same methodology suggested by both Aqua and stated in the Staff Report, but applying the allowed cost of capital of 7.32%, as recommended by OCC, the Customer Charge for the 5/8" meter should be \$ 9.01 per month. The Customer Charge for the 5/8" meter should be recalculated starting from the third adjusted cost of service study Customer Charge of \$9.26 (not as filed in the second adjusted cost of service study of \$9.38).

²⁸ Aqua Ohio's third revised cost of service study for Lake Erie of May 26, 2010, Table 13.

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1 Table 3 and Table 4 demonstrate the details of this calculation.²⁹ The Customer Charges
2 for other meter sizes are adjusted accordingly following exactly the methodology adopted
3 in the Staff Report. These Customer Charges are as follows in terms of dollar per month:
4

Meter Size	Flow Rate	Multiplier	Variable Charge	Fixed Charge	Total Charge
5/8 Inch	4.9423	1.00	4.94	4.07	9.01
0.75 Inch	4.9423	1.43	7.07	4.07	11.14
1.00 Inch	4.9423	2.55	12.60	4.07	16.67
1.50 Inch	4.9423	5.75	28.42	4.07	32.49
2.00 Inch	4.9423	10.20	50.41	4.07	54.48
3.00 Inch	4.9423	23.02	113.77	4.07	117.84
4.00 Inch	4.9423	40.93	202.29	4.07	206.36
5 6.00 Inch	4.9423	92.16	455.48	4.07	459.55

²⁹ PUCO Staff Report, May 21, 2010, at 25.

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Table 3: Calculation of Customer Charge for 5/8" Meter, Part A.

CALCULATION of CUSTOMER CHARGE for 5/8" METER

<u>Account</u>	<u>Description</u>	<u>Company Values</u>	
<u>Variable Expenses Per Meter Size Rate Base (Net of Depr. Reserve):</u>			
345	Services	\$	3,734,268
346	Meters		1,636,083
347	Meter Installations		2,071,525
389	Land & Land Rights		232,699
390	Structures & Imp.		279,009
391	Office Furn. & Equip		192,756
	Customer Rate Base	\$	8,146,340
	Requested Rate of Return		7.32%
	Return on Customer Plant	\$	596,312
<u>Operations and Maintenance Expense Accounts:</u>			
<u>Transmission & Distribution</u>			
663	Meter and Cust. Installation Expense	\$	224,162
675	Service Maintenance		8,085
676	Meter Maintenance		-
	Total Transmission & Distribution	\$	232,247
<u>Variable Taxes</u>			
	<u>Company</u>	<u>Customer Conversion Factor</u>	
	Property	\$ 2,887,624 x 0.1816	524,280
	PUCO & OCC Taxes	\$ 20,948 x 0.1816	3,803
	Excise	\$ 829,948 x 0.1816	150,686
	Federal Income Taxes	\$ 1,241,210 x 0.1816	225,355
	Total Customer Variable Taxes	\$	904,125
	Customer Conversion Factor = $\frac{\text{Customer Plant}}{\text{Total Net Plant}}$	= $\frac{\$ 8,146,340}{44,868,331}$	= 0.1816
<u>Related Depreciation Expenses (Plant)</u>			
345	Services	\$	161,599
346	Meters		104,928
347	Meter Installations		99,818
389	Land & Land Rights		-
390	Structures & Imp.		6,362
391	Office Furn. & Equip		58,635
	Total Related Depreciation Expenses	\$	431,342

Source: Aqua's third revised cost of service study for Lake Erie of May 26, 2010, Table 11. See <http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=09-1044&link=DIVA> (visit date: June 11, 2010).

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Table 4: Calculation of Customer Charge for 5/8" Meter, Part B

<u>Account</u>	<u>Description</u>	<u>Company Values</u>
<u>Summary of Variable Expenses Per Meter Size Rate Base:</u>		
	Return on Customers Plant	\$ 596,312
	Total O & M - Transmission & Distribution	232,247
	Total Customer Taxes	904,125
	Depreciation Expense	<u>431,342</u>
	Total Customer Variable Costs	\$ 2,164,026
	Total Equivalent 5/8" Meters	36,488
	Monthly Customer Variable Charges ((2,277,260/35,631)/12)	\$ 4.9423
<u>Fixed Expenses per Meter Size</u>		
<u>Customer Accounts:</u>		
901	Supervision	\$ -
902	Meter Reading Expenses	-
903	Customer Records & Collection Miscellaneous	979,621
905	Miscellaneous Customer Expense	<u>124,650</u>
	Total	\$ 1,104,271
	<u>Company</u>	<u>Customer Conversion Factor</u>
Payroll Taxes	\$ 1,987,960 x	0.2277
		<u>\$ 452,636</u>
Customer Conversion Factor	= $\frac{\text{Cust. Labor Exp.}}{\text{Total Payroll Exp.}}$	= $\frac{\$ 335,074}{1,471,632} = 0.2277$
	Total Customer Fixed Costs	\$ 1,556,907
	Total Customer Monthly Bills	382,568
	Monthly Customer Fixed Charges (\$ 1,556,907 / 382,568)	\$ 4.0696
	Customer Variable per Meter Size	\$ 4.9423
	Customer Fixed per Meter Size	<u>\$ 4.0696</u>
	Monthly Customer Charges for 5/8" Meters	<u>\$ 9.01</u>

Source: Aqua's third revised cost of service study for Lake Erie of May 26, 2010, Table 11. See <http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=09-1044&link=DIVA> (visit date: June 11, 2010).

1 ***Q15. DID YOU CALCULATE THE VOLUMETRIC RATES THAT WOULD PERMIT***
2 ***AQUA LAKE ERIE DIVISION TO COLLECT THE REVENUE REQUIREMENT AS***
3 ***RECOMMENDED BY OCC?***

4 ***A15.*** Yes. I calculated the volumetric rates that would permit Aqua's Lake Erie Division to
5 collect the revenue requirement of \$15,794,064 as recommended by OCC. With
6 Customer Charge for 5/8" Meters as calculated above, and following exactly the same
7 methodology suggested in the Staff Report,³⁰ the volumetric rates were calculated by
8 reducing the total revenue requirement by other revenues from sources independent of the
9 volumetric rates. The remaining revenues were recovered through the volumetric rates.
10 Exhibit AAI-1 demonstrates the recommended volumetric rates.

11
12 ***Q16. WHAT CHANGE DO YOU RECOMMEND FOR AUBURN LAKES CONDOS AND***
13 ***THE SPECIAL CONTRACT TARIFFS?***

14 ***A16.*** The calculated tariffs in Exhibit AAI-1 reflect an increase of 9.98% for Auburn Lakes
15 Condos and for the Special Contracts. This is the same rate increase for customers in
16 Seneca and Norlick, hence, all customers in the category of "Other" are treated alike. It
17 is also very similar to the rate increase that customers in Lake Erie Division's East and
18 West areas shall see as a result of applying the proposed OCC tariffs.

³⁰ A report by the Staff of the Public Utilities Commission of Ohio. Aqua Ohio, Inc. Lake Erie Division Case No. 09-1044-WW-AIR, May 21, 2010, at 22.

**Q17. DO YOU CONSIDER YOUR RECOMMENDED TARIFFS FOR AUBURN LAKES
CONDOS AND THE SPECIAL CONTRACTS JUST AND REASONABLE?**

A17. Yes. Recommended tariffs propose a very similar rate of increase to all residential customers. All residential customers will be treated alike. For the special contracts, they should also be increased, at least, by a similar rate.

IV. OCC PROPOSED TARIFFS ARE FAIR AND REASONABLE

**Q18. HOW MUCH WILL THE AVERAGE RESIDENTIAL WATER BILL CHANGE
UNDER THE OCC RECOMMENDED TARIFFS?**

A18. The water bill increases will vary by tariff area within Aqua's Lake Erie Division. Applying OCC's recommended tariff increase for Lake Erie's largest tariff area, Lake Erie – West, the water bill for the average residential customer shall see an increase in his/her monthly bill of 10.23% from \$30.18 to \$33.27. The Company's Application proposed an increase of 22.6% (or a monthly bill of \$36.99).

For Lake Erie-East, again applying OCC's recommended figures, the average residential customer shall see an increase of 9.22% in her/his monthly bill from \$31.80 to \$34.73.

The Company's Application proposed an increase of 10.3% (or a monthly bill of \$35.07).

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1 Table 5 demonstrates the monthly bill of an average customer in both West and East
2 Divisions of Aqua Ohio under Aqua's proposed tariffs and those recommended by OCC.

3

Table 5: Bill for an Average Customer in Aqua Ohio Lake Erie Divisions West and East Under Company and OCC Proposed Tariff (\$/Month)

Division	Present Tariffs	Proposed Tariffs			
		Aqua Ohio	%	OCC	%
<u>Lake Erie West</u>	\$ Month	\$ Month		\$ Month	
Customer Charge	8	9.52	19.00%	9.01	12.63%
Usage Charge	22.18	27.47	23.87%	24.26	9.37%
Total	30.18	36.99	22.58%	33.27	10.23%
<u>Lake Erie East</u>					
Customer Charge	9.25	9.52	2.92%	9.01	-2.59%
Usage Charge	22.55	25.55	13.30%	25.72	14.06%
Total	31.80	35.07	10.28%	34.73	9.22%

Lake Erie West Avg. Use = 7.4 100CF, Lake Erie East Avg. User = 5.3 100 CF

Source: Estimated. For Company's tariffs see Aqua's third revised cost of service study for Lake Erie (May 26, 2010). For OCC tariffs, see Exhibit AAI-1

Q19. DOES THIS COMPLETE YOUR TESTIMONY?

A19. Yes. However, I reserve the right to incorporate new information or supplement my testimony with information that may subsequently be made available to the OCC through discovery. I also reserve the right to supplement my testimony in response to positions taken by the PUCO Staff and any other party to this proceeding.

Exhibit AAI-1

Comparison between current rates and OCC recommended rates.

Meter Size	Current Rates		OCC Proposed Rates	
	Lake Erie	Lake Erie	Lake Erie	Lake Erie
	West	East	West	East
Monthly Customer Charges:				
5/8 Inch	\$8.00	\$9.25	\$9.01	\$9.01
1.00 Inch	15.37	17.78	16.67	16.67
1.50 Inch	30.61	35.40	32.49	32.49
2.00 Inch	51.79	59.88	54.48	54.48
3.00 Inch	112.82	130.44	117.84	117.84
4.00 Inch	198.08	229.03	206.36	206.36
6.00 Inch	441.96	511.02	459.55	459.55
Usage Charges:				
Block 1 Consumption	\$2.9971	\$4.2627	\$3.2779	\$4.8621
Block 2 Consumption	2.5475	4.0127	2.7862	4.5770
Block 3 Consumption	2.3977	2.5607	2.6224	2.9208
Fire Protection Charges:				
Private Fire Hydrants	\$458.88	\$567.48	\$504.67	\$624.11
4" Fire Lines	203.64	692.28	223.96	761.36
6" Fire Lines	458.88	944.88	504.67	1,039.17
1.25" Hose Connections	19.80		21.78	
1.50" Hose Connections	28.56		31.41	
2.00" Hose Connections	50.76		55.83	
2.50" Hose Connections	79.56		87.50	
Other:				
Special Contract:				
Painesville	\$1.0500		\$1.1548	
Pine Crest	2.3977		2.6370	
Lake County	1.2100		1.3307	
Seneca:				
Residential - Regular		\$30.00		\$32.99
Commercial-Regular		38.57		42.42
Availability		5.73		6.30
Hydrant		10.73		11.80
Norlick:				
Residential		\$30.00		\$32.99
Auburn Lakes Condos:				
Woods at Auburn Lakes		\$6,198.45		\$6,816.97
Auburn Lakes		6,638.34		7,300.76
Auburn Crossing		1,919.52		2,111.06

Source: For current rates, see Aqua Ohio's third revised cost of service study for Lake Erie of May 26, 2010, Table 12. See <http://dis.puc.state.oh.us/CaseRecord.aspx?Caseno=09-1044&link=DIVA> (visit date: June 11, 2010). OCC recommended rates are estimated.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Direct Testimony of Amr A. Ibrahim of the Office of the Ohio Consumers' Counsel has been served upon those persons listed below by First Class U.S. Mail, postage prepaid, this 21st day of June, 2010.



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