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____ Management Policies,
Practices and Organization
____ Operating Income
____ Rate Base
____ Allocations
____ Rate of Return
____ Rates and Tariffs
 X Other

PUCO

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AQUA OHIO, INC.
LAKE ERIE DIVISION
CASE NO. 09-1044-WW-AIR
DIRECT TESTIMONY OF
LOUIS S. KREIDER
IN SUPPORT OF STIPULATION

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

DIRECT TESTIMONY OF

LOUIS S. KREIDER

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 Louis S. Kreider and my business address is 8644 Station Street,
3 Mentor, Ohio 44060.

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

5 A. I am employed by Aqua Ohio, Inc. as Vice President-Division Manager of the
6 Lake Erie Division.

7 **Q. Please outline your educational and professional background.**

8 A. I graduated from Miami University in 1972 with a Bachelor of Science degree in
9 Business Administration. In 1985, I received my Masters in Business
10 Administration from Youngstown State University. I was a Certified Public
11 Accountant and currently hold an Ohio Environmental Protection Agency Class II
12 Water Distribution license. I have served as Chairman of the Ohio Chapter of the
13 National Association of Water Companies and have been a member of the
14 American Water Works Association for more than twenty years.

1 **Q. How long have you been employed by the Company?**

2 A. Since January 1, 1980.

3 **Q. Have you been employed at the Lake Erie Division the entire time?**

4 A. No. I was initially assigned to the Rates Department and then served as Assistant
5 Secretary-Treasurer and Manager of the Company's Accounting Department from
6 1983 to 1985. In October 1985, I was transferred to the Lake Erie Division.

7 **Q. Mr. Kreider, what is your primary area of responsibility?**

8 A. To direct the Company's operations of the Lake Erie Division and its thirty (30)
9 employees.

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

11 A. Yes. In addition to my work in connection with this filing, I have been involved in
12 the preparation of the prior Aqua Ohio-Lake Division filings (Case No. 03-2290-
13 WW-AIR and 07-0564-WW-AIR) and have filed testimony in those proceedings.

14 **Q. Did you assist in the preparation of the application which is the subject of
15 this proceeding?**

16 A. Yes. With the assistance of other company officers and personnel. In accordance
17 with the Commission's rules I signed and verified the application.

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

19 A. The purpose of my testimony is to sponsor Aqua's application to increase rates in
20 the Lake Erie Division and address generally the provisions set forth in the
21 Stipulation and Recommendation ("Stipulation") filed in the Application case. In
22 particular, I provide an overview of the Stipulation and explain why the terms and
23 conditions in the Stipulation are favorable to customers. My testimony also

1 discusses the criteria the Commission has used in the past when considering
2 stipulated agreements and how the Stipulation in this proceeding meets those
3 criteria.

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

5 A. The Stipulation provides customer benefits that would not otherwise be available
6 to customers in a conventional rate proceeding. Rate increases are substantially
7 less than may have been supported by the Company's financial data. The
8 Company has also agreed to defer the recovery of incremental pension expense,
9 which will result in rate relief to customers during a difficult economic period.

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

11 A. Aqua filed the current application on December 11, 2009. Aqua provided
12 extensive data and responses to Staff and the Office of Consumer's Counsel data
13 requests on an informal and formal basis. Extensive settlement discussions took
14 place with all parties participating, and public hearings were held on July 13,
15 2010 and July 20, 2010. The Stipulation represents the culmination of the
16 aforementioned discussions, conferences, and hearings and is being filed as a
17 reasonable resolution and compromise among the Signatory Parties of all issues
18 identified in the case.

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

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

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

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

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

7 A. Yes, it does.

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

10 A. Yes, it is. Each of the Signatory Parties to the Stipulation has a history of
11 participation and experience in matters before the Commission and is represented
12 by experienced and competent counsel. The Signatory Parties represent a range
13 of interests, including consumers. The Stipulation is a product of lengthy, serious
14 bargaining among the Signatory Parties. The discussions and negotiations
15 involved substantial compromise by the Signatory Parties on numerous issues.
16 Extensive discovery was provided. All of the Signatory Parties are familiar and
17 knowledgeable with regard to the various components in the Stipulation.

18 **Q. Does the Stipulation violate any important regulatory principle or**
19 **practice?**

20 A. No, it does not. My opinion is based on my experience with the regulatory
21 process and review of practices in Ohio. Several components of the Stipulation in
22 this proceeding are similar to those in stipulations which were approved by the
23 Commission in other cases. This Stipulation has been designed to ensure the

1 provision of adequate, safe, reliable and reasonably priced water service and it
2 supports improvements to the delivery system.

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

4 A. Yes, it does. Customers will benefit from lower rates than are supportable by the
5 Company's financial data. Further, the deferral of incremental pension expense
6 will benefit customers during a difficult economic period.

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

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

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

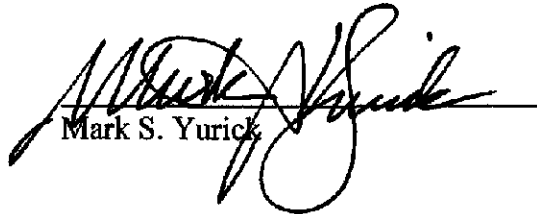
16 A. Yes, it does

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Direct Testimony of Louis S. Kreider on Behalf of Aqua Ohio, Inc. In Support of Stipulation was served this 28th day of July, 2010 upon the following via electronic mail and U.S. regular mail, postage prepaid.

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