

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
American Water Company to Increase Its) Case No. 11-4161-WS-AIR
Rates for Water and Sewer Service)

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PREPARED TESTIMONY
OF
JUDY SARVER
UTILITIES DEPARTMENT
CAPITAL RECOVERY & FINANCIAL ANALYSIS DIVISION
THE PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EXHIBIT _____

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

2 A. My name is Judy Sarver. My business address is 180 East Broad Street,
3 Columbus, Ohio 43215.

4
5 **2. Q. By whom are you employed?**

6 A. I am employed by the Public Utilities Commission of Ohio.
7

8 **3. Q. What is your position with the Public Utilities Commission and what are your**
9 **duties?**

10 A. My current position is a Utility Specialist III in the Capital Recovery & Financial
11 Analysis Division of the Utilities Department. The duties of this position include:
12 reviewing rate case applications and depreciation accrual rate represcriptions, reviewing
13 public utility records and analyzing accrual rate information to determine the appropriate
14 depreciation reserve and expense.
15

16 **4. Q. Would you state briefly your educational background and work experience?**

17 A. I earned a Bachelor of Arts Degree that included a Major in Accounting from Glenville
18 State College in May 1981. I came to the Public Utilities Commission as a Utility
19 Examiner I in November 1982 and was promoted to Utility Examiner II in February
20 1984. In April 1984, I began working in the Depreciation Section. I was reassigned to a
21 Utility Examiner III in March 1987, which was later re-titled Utility Audit Coordinator.
22 In January 1999, I was promoted to position as Utility Specialist I in depreciation. In
23 August 2006, I was promoted to my present position as Utility Specialist III in

1 depreciation. I have attended Programs II-Fundamentals of Service Life and Salvage, III-
2 Dynamics of Life and Salvage Estimation, D-Modeling and Simulation, and E-
3 Conducting a Depreciation Study at the Center for Depreciation Studies in Kalamazoo,
4 Michigan. In addition, I have attended various seminars and rate case training programs
5 sponsored by this Commission. I have prepared and presented testimony in Ohio Power
6 Case No. 85-726-EL-AIR and 94-966-EL- AIR, Toledo Edison Case No. 85-554-EL-
7 AIR, Cincinnati Gas & Electric Case Nos. 90-390-GA-AIR, 92-1463-GA-AIR, 92-1464-
8 EL-AIR, and Ohio Bell Telephone Company Case No. 93-487-TP-ALT. I have prepared
9 testimony in Duke Ohio, Inc Case No. 08-709-EL-AIR, et al. I am a member of the
10 Society of Depreciation Professionals.
11

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

13 A. The purpose of my testimony is to support the Staff's calculations of the Depreciation
14 Reserve, Depreciation Expense, and Accrual Rates.
15

16 **6. Q. To which objections will you be responding?**

17 A. I will be responding to Applicant's objections 3 and 4.
18

19 **7. Q. Ohio American Objection No. 3 objects to the Staff's adjustment on Staff's Schedule**
20 **B-6 that excluded \$89,040 in Deferred Depreciation Expense and that the Staff did**
21 **not consider the supplemental information provided on October 31, 2011 for Staff's**
22 **Data Request No. 12. What is your response?**

1 A. Yes. The Applicant's response to Staff's Data Request No. 12 provided supplemental
2 information provided on October 31, 2011 which stated that the projects in question were
3 approved by the rate order in Case No. 92-1081-WW-AAM. In Applicant's witness,
4 Gary VerDouw's testimony, he states that the Staff did not consider this information
5 provided in its updated response to Staff's Data Request No. 12. This statement is
6 incorrect. The Staff did consider the information referencing Case No. 92-1801-WW-
7 AAM. The Staff reviewed the Applicant's Application, Applicant's Motion to Substitute
8 Projects, and the Entries issued by the Commission on January 7, 1993 and November 2,
9 1995. The Staff found that both Entries granted accounting modifications and deferred
10 the ratemaking to future rate cases proceedings. In review of Case No. 92-2299-WW-
11 AIR, the Staff found that the deferral of depreciation expense for various projects that
12 were in service at date certain of December 31, 1992 were included along with the
13 amortization of deferred depreciation approved in Case No. 91-1318-WW-AIR. As for
14 the projects that were in service after the date certain of December 31, 1992, the Staff
15 reviewed the Staff Report, Stipulation, and Opinion and Order in Case No. 95-935-WW-
16 AIR. The Staff Report in Case No. 95-935-WW-AIR did not include the projects that
17 make up the \$89,040 in Applicant's objection, and the Stipulation and Opinion and Order
18 only indicated that the remaining issues in Case No. 92-1801-WW-AAM were resolved.
19
20 Therefore, the Staff reviewed the workpapers, Staff Report, and the Opinion and Order in
21 Case No. 09-391-WS-AIR, the Applicant's last rate case. To be consistent with the Order
22 in the Case No. 09-391-WS-AIR, the Staff included on Schedule B-6 in this proceeding
23 only those projects that were authorized in that rate case.

1
2 **8. Q. Do you have any corrections to the Staff's Schedule B-6?**

3 A. Yes, the Staff found an error in its calculations and the amount in the Staff Report on
4 Schedule B-6 for Deferred Depreciation-Account 186 should read \$49,410.
5

6 **9. Q. Ohio American Objection No. 4, the Applicant objects to the Staff's methodology for**
7 **rate case purposes in calculating the reserve associated with Contribution in Aid of**
8 **Construction (CIAC) and believes that its calculation is correct and should be used**
9 **instead. What methodology did the Staff use for rate case purposes to calculate the**
10 **reserve associated with CIAC?**

11 A. The Staff's calculation of the reserve associated with CIAC begins with the reserve from
12 that was prescribed by the Commission in its Opinion and Order in the Applicant's last
13 rate case, Case No. 09-391-WS-AIR. The Staff added to this depreciation reserve
14 balance the depreciation expense accrued from December 31, 2008 to the date certain of
15 April 30, 2011 in the proceeding. The Staff then adjusted the reserve for accounts that
16 were fully depreciated. The Staff then compared this calculation with the Applicant's
17 CIAC reserve amount in their filing and determined the Applicant's CIAC depreciation
18 reserve was too high. Therefore, the Staff believes that its calculation of the depreciation
19 reserve for CIAC is reasonable as is reflected on Staff's Schedule B-6 and should be used
20 for purposes of this proceeding.
21

22 **10. Q. Does this conclude your testimony?**

23 A. Yes, it does.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following parties of record, this 19th day of March, 2012.



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