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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)

PREPARED TESTIMONY
OF
DAVID E HUPP
UTILITIES DEPARTMENT
CAPITAL RECOVERY & FINANCIAL ANALYSIS DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EXHIBIT _____

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

2 A. My name is David E. Hupp. I am employed as a Public Utilities Administrator in the
3 Capital Recovery & Financial Analysis Division of the Public Utilities Commission of
4 Ohio, 180 East Broad Street, Columbus, Ohio, 43215
5

6 **2. Q. Would you state briefly your educational background and employment history with**
7 **the Commission?**

8 A. I earned a Bachelor of Arts Degree in Management from the University of Phoenix in
9 2000. I came to the Public Utilities Commission as a Gas Pipeline Safety Compliance
10 Investigator in November 2010 and moved to my current position of Public Utility
11 Administrator in July 2011.
12

13 **3. Q. What is the purpose of your testimony in this case?**

14 A. I will be responding to the Office of the Ohio Consumers' Counsel (OCC) and the City of
15 Marion's Objection V to the Staff report.
16

17 **4. Q. OCC and the City of Marion's Objection V criticizes Staff for not including in its**
18 **"Management and Operations Review" a narrative addressing the status or results**
19 **of the audit from Case No. 09-391-WS-AIR that was to address affiliate transactions**
20 **and capital project spending. How do you respond?**

21 A. The M&OR investigation in this case represents the audit directed by the Commission in
22 Case No. 09-391-WS-AIR. Staff examined various Administrative & General (A&G)
23 cost categories and, based upon the amount of increased spending occurring by functional

1 area, selected one functional area for an in-depth examination of Ohio American Water
2 Company's (OAW) cost control processes associated with that area. Specifically, due to
3 the high spending levels occurring in the Information Technology Services (ITS) area,
4 Staff chose this function to focus on ITS in order to comply with the Commission's
5 directive to examine OAW's service fees and cost controls used by OAW.

6
7 **5. Q. Do you concur with OCC's recommendation to review OAW's capital project**
8 **spending?**

9 A. Staff believes it is premature for the Commission to order such a review at this time. As
10 OCC notes, OAW is in the process of being acquired by Aqua Ohio. Therefore, Staff
11 believes it would be more appropriate to examine this area in a future rate case should
12 OAW file for a rate increase under the ownership of Aqua Ohio and if capital spending
13 continues to trend upward. By waiting until such time, Staff would be auditing the entity
14 responsible for continuing increased capital expenditures.

15
16 **6. Q. OCC also recommends that Staff monitor the cost levels charged by Aqua Ohio to**
17 **OAW? Do you concur with this recommendation?**

18 A. Staff does not understand what is meant by the term "cost levels" and is therefore unable
19 to respond to this particular recommendation. In general, if this term is meant to reference
20 management fees, Staff believes it is premature to examine these fees until their recovery
21 is sought from customers. With the requested zero increases in management fees in this
22 case, as per the stipulation in case 11-5102-WS-ATR, no increases in management fees
23 are being sought at this time.

1 **7. Q. Does this conclude your testimony?**

2 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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