

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
Aqua Ohio, Inc. to Increase Its Rates and	)	Case No. 16-0907-WW-AIR
Charges for Its Waterworks Service.	)	

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**DIRECT TESTIMONY  
OF  
ROBERT A. KOPAS  
ON BEHALF OF  
AQUA OHIO, INC.**

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- ☐ Management policies, practice and organization
- ☐ Operating income
- ☐ Rate base
- ☐ Allocations
- ☒ Rate of return
- ☐ Rates and tariffs
- ☐ Other

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1 **Direct Testimony of**  
2 **Robert A. Kopas**

3 **I. BACKGROUND AND PURPOSE**

4 **Q1. Please state your name and business address.**

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

7 **Q2. By whom are you employed and in what capacity?**

8 A. I am employed by Aqua Services as Regional Controller. I provide financial  
9 supervision and guidance to Aqua Ohio, Inc. (Aqua Ohio or the Company) as well as  
10 Aqua North Carolina, Inc., Aqua Indiana, Inc., Aqua Texas, Inc., Aqua Illinois, Inc.,  
11 and Aqua Virginia, Inc.

12 **Q3. Please briefly describe your business experience.**

13 A. I joined the company in 1984 as an Accountant for Consumers Pennsylvania Water  
14 Company - Shenango Valley Division. I served as Vice-President of Finance for all  
15 of Consumers Pennsylvania's Divisions from 1988 until 1998. In October of 1998, I  
16 transferred to Consumers Ohio Water Company and served as Vice President of  
17 Finance until assuming my present position of Regional Controller for Aqua  
18 Midwest and Southern Regions. Prior to joining Aqua, I was employed by General  
19 American Transportation Corporation where I held various accounting positions,  
20 including Accounting Supervisor and Cost Analyst.

21 **Q4. Please discuss your educational background.**

22 A. I am a graduate of Pennsylvania State University with a Bachelor of Science degree  
23 in Finance. I later attended Youngstown State University part time to secure  
24 additional accounting credit hours. I am a member of the American Institute of

1 Certified Public Accountants and I am registered in Ohio as a Certified Public  
2 Accountant.

3 **Q5. Do you have experience in the regulatory ratemaking process?**

4 A. Yes. In addition to my work in connection with this filing, I have been involved in  
5 the preparation of the prior Aqua Ohio Lake/Masury and Prior American  
6 Properties (Case No. 13-2124-WW-AIR), Aqua Ohio - Lake Division prior filings  
7 (Case No. 03-2290-WW-AIR, 07-0564-WW-AIR and 09-1044) and the last six rate  
8 applications related to the former Masury Water Company (Case Nos. 90-331-WW-  
9 AIR, 93-213-WW-AIR, 95-357-WW-AIR, 97-1544-WW-AIR, 00-713-WW-AIR,  
10 and 09-0560-WW-AIR). I have also filed testimony in each of those proceedings.  
11 Likewise, I have testified and participated in a number of proceedings before the  
12 Pennsylvania Public Utility Commission and have testified before the Indiana Utility  
13 Regulatory Commission on behalf of Aqua Indiana, Inc. and the North Carolina  
14 Utilities Commission on behalf of Aqua North Carolina, Inc.

15 **Q6. What is the purpose of your testimony in this proceeding?**

16 A. My testimony supports the Company's capital structure and cost of debt. In this  
17 regard I am sponsoring the following section of the Commission's Standard Filing  
18 Requirements (SFRs) for Large Utilities: Section D (Rate of Return). These  
19 schedules are: Schedule D-1, Rate of Return Summary; Schedule D-2, Embedded  
20 Cost of Short-Term Debt; Schedule D-3, Embedded Cost of Long-Term Debt;  
21 Schedule D-4, Embedded Cost of Preferred Stock; and Schedule D-5, Comparative  
22 Financial Data.

1       **II. CAPITAL STRUCTURE**

2       **Q7. What capital structure do you recommend for computing the Company's**  
3       **weighted average cost of capital?**

4       A. I recommend using the Company's actual capital structure as of March 31, 2016,  
5       which falls within the test year in this proceeding. That capital structure consists of  
6       48.05% long-term debt, and 51.95% common equity, as shown in the Rate of Return  
7       Summary on Schedule D-1.

8       **Q8. Does short-term debt also represent a component of a firm's total**  
9       **capitalization?**

10      A. While short-term debt is obviously also a source of capital, because short-term  
11      borrowings are typically rolled over into long-term obligations, some regulatory  
12      commissions do not regard short-term debt as a separate component of the capital  
13      structure of the utility under study. I understand that, historically, this has been the  
14      Commission's practice. Thus, I have followed the Commission's customary practice  
15      and excluded short-term debt for purposes of my analysis in this case.

16      **Q9. Please briefly describe Schedule D-1.**

17      A. Schedule D-1 summarizes the amounts and cost rates for each capital component.  
18      The cost rate for each capital component is multiplied by its percentage proportion in  
19      the capital structure, which results in a weighted cost. The weighted costs for each  
20      capital component are then summed to produce a weighted cost of capital. Schedule  
21      D-1 shows that Aqua Ohio's weighted cost of capital is 7.67% as of March 31, 2016.  
22      This weighted cost of capital reflects a cost of long term debt of 4.88% and a cost of  
23      common equity of 10.25%, which is in the range supported by the testimony  
24      provided by Company witness Dylan D'Ascendis.

1     **Q10. Please explain Schedule D-2.**

2     A.     Schedule D-2 shows Aqua Ohio short-term debt obligations as of March 31, 2016  
3            along with the applicable interest rate and the annualized interest requirement.

4     **Q11. Please explain Schedules D-3 and D-4.**

5     A.     Schedules D-3 and D-4, respectively, show the embedded cost of debt and preferred  
6            stock of the Company, although I would note that Aqua Ohio has no preferred stock.  
7            As calculated on Schedule D-3 the embedded cost of debt for Aqua Ohio, Inc. is  
8            4.88%.

9     **Q12. Please explain Schedule D-5.**

10    A.     Schedule D-5 lists comparative financial data for the previous 10 calendar years and  
11            the period ending March 31, 2016. Data on this schedule pertains to plant,  
12            construction work in progress, capital structure, condensed income statement and  
13            fixed interest charge coverage.

14    **Q13. Does this conclude your direct testimony?**

15    A.     Yes, it does.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Direct Testimony of Robert A. Kopas was served by electronic mail to the following persons on this 14th of June, 2016:

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One of the Attorneys for Aqua Ohio, Inc.

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Summary: Text Direct Testimony of Robert A. Kopas electronically filed by Ms. Rebekah J. Glover on behalf of Aqua Ohio, Inc.