

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**DIRECT TESTIMONY
OF
WM. ROSS WILLIS**

On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

December 19, 2016

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY	3
III. SPECIAL CONTRACT REVENUE	5
IV. TANK PAINTING.....	12
V. RATE BASE.....	19
VI. FLOW THROUGH.....	21
VII. SCHEDULE ERRORS	21

OCC INTERROGATORY'S 74, 77, 79, 81, Staff Data Request 93, and OCC RPD-7
WRW ATTACHMENT A
WRW ATTACHMENT B

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Wm. Ross Willis. My business address is 10 West Broad Street,
Columbus, Ohio 43215.

Q2. BY WHOM ARE YOU EMPLOYED?

A2. I am employed by the Office of the Ohio Consumers' Counsel ("OCC").

***Q3. WHAT IS YOUR CURRENT POSITION WITH THE OCC AND WHAT ARE
YOUR DUTIES?***

A3. I am a Senior Regulatory Analyst within the Analytical Department. My duties
include performing analysis of impacts on the utility bills of residential consumers
with respect to regulated utility filings before the Public Utilities Commission of
Ohio ("PUCO" or "Commission"), and PUCO-initiated investigations. I examine
utility financial and asset records to determine operating income, rate base, and
the revenue requirement, on behalf of residential consumers.

Q4. WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?

A4. I earned a Bachelor of Business Administration Degree that included a Major in
Finance and a Minor in Management from Ohio University in December 1983. In
November 1986, I attended the Academy of Military Science and received a

1 commission in the Air National Guard. Moreover, I have attended various
2 seminars and rate case training programs sponsored by the PUCO.
3

4 ***Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.***

5 ***A5.*** I joined the PUCO in February 1984, as a Utility Examiner in the Utilities
6 Department. I held several technical and managerial positions with the PUCO
7 over my 30 plus year career. I retired from the PUCO on December 1, 2014. My
8 most recent position with the PUCO was Chief, Rates Division within the Rates
9 and Analysis Department. In that position, my duties included developing,
10 organizing, and directing staff during rate case investigations and other financial
11 audits of public utility companies subject to the jurisdiction of the PUCO. The
12 determination of revenue requirements in connection with rate case investigations
13 was under my purview. I joined the OCC in October 2015.
14

15 My military career spans 27 honorable years of service with the Ohio National
16 Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in
17 Afghanistan. I retired from the Air National Guard in March 2006.
18

19 ***Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUCO?***

20 ***A6.*** Yes, attached to my testimony is WRW Attachment A which lists the cases I
21 presented testimony before the PUCO.

II. PURPOSE OF TESTIMONY

Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A7. The purpose of my testimony is to support OCC objections to the November 16, 2016 Staff Report of Investigation ("Staff Report"). The Staff Report was issued in response to Aqua Ohio Inc.'s ("Aqua" or "Utility") request to increase rates to customers by \$5,604,094.

In my testimony I explain OCC's objections as they relate to the determining an appropriate rate base and operating income. I also explain how OCC's objections if adopted, would reduce rates for Aqua's customers.

Specifically, I will address OCC's objections 1 through 12 to the PUCO Staff Report related to the overall Revenue Requirements, Special Contract Revenue, Tank Painting Expense and Tank Painting Reserve, Plant in Service, Flow-Through Effect, and PUCO Staff Report Proofing Errors.

I have attached to my testimony all schedules that would change as a result of OCC's objections to the Staff Report. OCC Schedule A-1 also reflects the Rate of Return being sponsored by OCC Witness Dr. Daniel J. Duann PhD.

1 **Q8. PLEASE SUMMARIZE YOUR RECOMMENDATIONS RELATED TO**
2 **THESE ISSUES.**

3 **A8.** I recommend the following adjustments to the Staff Report to ensure that
4 customers pay just and reasonable rates for water service provided by Aqua:

5 (1.) An increase to metered sales revenue of \$1,750,225 related to Water
6 Service Agreement Contracts, which have not been renegotiated for years.

7 A thorough PUCO review and adjustments to these agreements will ensure
8 that Aqua is appropriately collecting costs from all its customers, both
9 tariff customers and special contract customers. And, it ensures that the
10 residential consumers will not continue to subsidize the revenue
11 requirements of the industrial special contract customers;

12 (2.) Eliminating Staff's proposed annual Tank Painting Expense of \$269,480
13 because it is unnecessary. I also recommend returning to customers
14 \$714,169 annually for the next three years associated with tank painting
15 reserve balance. Adopting these two proposals will ensure that customers
16 will not pay twice for these costs in the future;

17 (3.) A reduction to Plant in Service of \$569,285. This reduction will protect
18 customers by precluding Aqua from earning a rate of return on purchased
19 land that is not used and useful and not necessary to serve consumers;

20 (4.) An increase to Other Rate Base Items of \$2,142,521. This protects
21 customers from paying a return on funds they have supplied;

(5.) A flow through effect as a result of the above changes. This protects customers by ensuring that the revenue requirements customers pay in rates are not overstated.

Q9. HOW DO OCC'S RECOMMENDATIONS AFFECT THE RATE INCREASE BEING REQUESTED FROM AQUA'S CUSTOMERS?

A9. I recommend a revenue **decrease** of \$2,025,799.

III. SPECIAL CONTRACT REVENUE

Q10. WHAT ARE YOUR RECOMMENDATIONS RELATED TO SPECIAL CONTRACT REVENUE?

A10. Aqua assumed responsibility for two special contracts under which two mercantile customers receive exorbitant discounts off tariff rates. These discounts are essentially subsidized by the remaining 141,432¹ water consumers throughout Aqua in Ohio. This is unreasonable. My recommendation is to terminate the special contracts and to treat both of these special contract customers as tariffed rate customers for purposes of determining the increase being requested. My proposed adjustment will increase revenue by \$1,750,225 as shown on WRW Attachment B Schedule C-3.1b. WRW Attachment B Workpapers WPC-3.1b page 1 of 2, WPC-3.1b page 2 of 2, and WPC-4.1a page 29 provides additional support.

¹ See Direct Testimony of Aqua Witness Edmund P. Kolodziej, Jr., Case No. 16-907-WW-AIR (June 14, 2016).

1 By adopting this recommendation the PUCO can ensure that the special contracts
2 are no longer detrimental to the tariff customers of Aqua not afforded such special
3 deals. Additionally, my recommendation will help ensure that Aqua is
4 appropriately collecting costs from all of its customers.

5

6 ***Q11. WOULD YOU PLEASE IDENTIFY THE SPECIAL CONTRACTS THAT***
7 ***ARE BEING SUBSIDIZED BY AQUA'S CUSTOMERS?***

8 ***A11.*** The two special contracts are related to the Whirlpool Corporation ("Whirlpool"
9 or "Mercantile Customer 1") and Marion Ethanol, LLC d/b/a POET Biorefining-
10 Marion ("POET" or "Mercantile Customer 2").

11

12 The difference between the tariff rate and the special contract rate for Mercantile
13 Customer 1 is \$681,962 annually.² This means that Mercantile Customer 1
14 receives a 62% discount off tariffed charges.³

15

16 The difference between the tariff rate and contract rate for Mercantile Customer 2
17 is even more staggering. According to Aqua's Application, Mercantile Customer
18 2 only paid \$302,267 in volumetric charges during the test year and no service
19 charges.⁴ If Mercantile Customer 2 had been paying the industrial tariffed rate, it
20 would have paid \$1,365,130 in volumetric charges and \$5,400 in service charges

² \$1,095,502 - \$413,540 = \$681,962. OCC INT-77 (actual monthly test year consumption times current tariff rates) + INT-74(current actual monthly Customer Charge times 12) equals \$1,095,502 and Applicant's Workpaper WPE-4.1a page 29 of 31 (actual Whirlpool volumetric revenue plus Customer Charge) equals \$413,540.

³ \$681,962 / \$1,095,505 = 62.25%.

⁴ Applicant's Workpaper WPE-4.1a page 29 of 31.

1 during the test year for use of two, four inch meters.⁵ This means that the
2 discount paid for by other customers allowing Mercantile Customer 2 to pay
3 approximately 78% less or \$1,068,263 less, than the \$1,370,530 in industrial tariff
4 charges.⁶

5

6 ***Q12. WOULD YOU PLEASE PROVIDE THE HISTORY AS IT RELATES TO THE***
7 ***MERCANTILE CUSTOMER 1 CONTRACT?***

8 ***A12.*** Yes. Mercantile Customer 1 has been receiving a special contract rate since 1993.
9 At that time the contract was between Mercantile Customer 1 and Ohio American
10 Water Company (“Ohio American”). The Finding and Order in Case No. 93-418-
11 WW-AEC adopting the agreement and special rate states, “[t]he revenue and
12 expense attained through the Contract is approximately the same revenue to Ohio-
13 American and the same expense to Whirlpool as the existing large quantity users
14 tariff rate on file with the Commission.”⁷ This is not the case today. The revenue
15 that Aqua collects from Mercantile Customer 1 is not close to what it would
16 receive if this customers was a tariff customer, it is 62% less. The expense to
17 Mercantile Customer 1 is not close to the same expense if Aqua would charge
18 Mercantile Customer 1 the same it charges other industrial tariff customers, it is
19 62% less. The PUCO determined the charges to Mercantile Customer 1 and the
20 revenue to Ohio American to be the same as a tariff customer in the Finding and

⁵ OCC INT-81 (actual monthly consumption times current tariff rates) + OCC INT-79 (two 4” meters times \$225 per meter times 12 months) equals \$5,400 Customer Charge per Tariff.

⁶ (Volumetric revenue of \$1,365,130 at Tariff + Customer Charge revenue of \$5,400 at Tariff) – (Contract revenue of \$302,267) = \$1,068,263 /\$1,370,530=77.95%.

⁷ Finding And Order Case No. 93-418-WW-AEC.

1 Order in Case No. 93-418-WW-AEC. It is \$681,962 less than the tariff charges
2 today! The PUCO finding also stated, “[t]hat the proposed agreement will not be
3 to the detriment of any Ohio-American customer.”⁸ However, today that 62%
4 discount is a detriment to the captive customers. It adds significant additional
5 costs to the remaining captive tariff customers who are required to subsidize the
6 lost revenue from Mercantile Customer 1. It should also be noted that the
7 PUCO’s decision on this issue also stated, “[t]he Commission will use the rate
8 case proceeding to evaluate the appropriateness of recovery from jurisdictional
9 customers of any revenue deficiency resulting from this contract.”⁹ I believe that
10 the time to review this contract and its resulting excessive customer funded
11 portion of the revenue requirement is now. This contract was extended in 1996,
12 1999, 2005, and 2010.¹⁰

13
14 Aqua purchased the Ohio American properties in May 2012 and inherited the
15 contract with Mercantile Customer 1 but has failed to renegotiate it. The 2010
16 contract was for a three-year term that expired in 2013 but includes automatic one
17 year renewal provisions. Aqua has had the ability for the past three years to
18 renegotiate a new contract but it has failed to do so. Therefore, the time for the
19 PUCO to use a rate case proceeding to evaluate the inappropriate nature of the

⁸ Id.

⁹ Id.

¹⁰ The PUCO approved several prior Ohio American contracts including an extension of the original contract in Case No. 96-940-WW-AEC; an extension of the original contract in Case No. 99-1617-WW-AEC; and another extension of the original contract in Case No. 05-1162-WW-AEC.

1 62% under collection of the revenue requirements from Mercantile Customer 1 is
2 right now.

3
4 Mercantile Customer 1 currently receives a 62% discount at the same time Aqua
5 has requested a 9.2% rate increase from its captive customers. For a 23-year
6 period, and at time when the tariff customers were experiencing multiple rate
7 increases, Mercantile Customer 1 enjoyed 23 years of massive rate discounts
8 subsidized by the tariff customers, including residential customers. Aqua's
9 current application reflects that it prefers to continue this subsidy that is
10 detrimental the captive tariff customers. I recommend that the PUCO adjust
11 (increase) revenues by \$681,962 by terminating the special contract and
12 recognizing Mercantile Customer 1 as a tariff customer.

13
14 ***Q13. HAS THE ISSUE OF UNDER COLLECTING REVENUE FROM THE***
15 ***SPECIAL CONTRACT CUSTOMERS BEEN RAISED BEFORE?***

16 ***A13.*** Yes, in the 2009 Ohio American rate case, Case No. 09-391-WS-AIR, the OCC
17 raised the issue that the residential tariff customers were subsidizing the industrial
18 contract customers. In the PUCO Finding and Order in that Case, the PUCO
19 stated, "[w]hile we have not specifically adopted the OCC's position to
20 redistribute the revenue in this case, we are troubled by OCC's allegation that the
21 Company has renegotiated and extended certain agreements without any increase
22 in rate given the rate increases experienced by tariff customers since 2001. We
23 will review all future contract extensions and any new special arrangements with

1 industrial customers with a critical eye to ensure that the Company is
2 appropriately recovering costs from all its customer classes, both tariff customers
3 and contract customers.”¹¹
4

5 The current contract with Mercantile Customer 1 reflects the latest extension of
6 the special arrangement, approved in Case No. 10-2674-WW-AEC that would
7 adjust annually by the Consumer Price Index (“CPI”).¹² The Utility’s proposal is
8 inadequate and detrimental to captive customers.
9

10 ***Q14. WOULD YOU PLEASE PROVIDE THE HISTORY AS IT RELATES TO***
11 ***MERCANTILE CUSTOMER 2?***

12 ***A14.*** Yes. Mercantile Customer 2’s special rate discount contract was approved by the
13 PUCO in Case No. 07-990-WW-AEC.¹³ The terms of the contract provided for a
14 ten-year discounted contract rate that would increase annually by an amount equal
15 to the CPI. Mercantile Customer 2 funded approximately \$1,795,000 worth of
16 new wells and filter enhancements to the Marion water plant and funded a
17 \$1,240,000 Main Extension in five increments.¹⁴ In its Finding and Order the
18 PUCO noted that, “[t]he Applicant states that the Agreement will benefit Ohio
19 American’s current customers because the Agreement will impose no new costs
20 upon the current customers and because the Agreement for one substantial large

¹¹ Finding and Order Case No. 09-391-WS-AIR.

¹² Finding and Order Case No.10-2674-WW-AEC.

¹³ Aqua purchased the Ohio American properties in May 2012 and assumed responsibility for the current contract with Mercantile Customer 2.

¹⁴ Application in Case No. 07-990-WW-AEC.

customer who will assist in spreading the costs of service in the future. Ohio American asserts that ratepayers will bear no additional expense as a result of this Agreement.”¹⁵ That rationale in support of the special contract with Mercantile Customer 2 no longer holds true today. Captive tariff customers are clearly bearing additional unwarranted expenses as a result of this agreement. Mercantile Customer 2 currently receives a 78% discount at the same time Aqua has requested a 9.2% rate increase from its captive customers. Such a proposal is inappropriate in that it is unjust and unreasonable. The PUCO should view the rate case as an opportunity to correct this inequity to those customers funding the subsidy. A 78% annual discount from the otherwise applicable industrial tariff charges is unjust and unreasonable for the remaining captive tariff customers. I recommend that the PUCO adjust (increase) the revenues by \$1,068,263 by terminating the special contract and recognizing Mercantile Customer 2 as a tariff customer.

Q15. WHAT IS UNIQUE ABOUT WATERWORKS COMPANIES WITH RESPECT TO THE TEST YEAR?

A15. The test year for a water-works company can be adjusted for any changes that are reasonably expected to occur during the test period or the twelve-month period immediately following the test period.¹⁶ With both mercantile customer contracts up for renewal or termination, this case presents an opportunity for the PUCO to

¹⁵ Finding and Order Case No. 07-990-WW-AEC.

¹⁶ Ohio Revised Code Section 4909.15(D).

1 address these matters. Both Mercantile Customers should be recognized as tariff
2 customers and the test year revenues should be adjusted (increased) to reflect both
3 customers charged at the tariffed rate.
4

5 ***Q16. ARE YOU TESTIFYING THAT THE MERCANTILE CUSTOMER***
6 ***CONTRACTS SHOULD BE TERMINATED OR NOT RENEWED?***

7 ***A16. Yes.*** My recommendation addresses how the revenues from these customers
8 should be treated in the rate case for purposes of determining the revenue
9 requirements should the special contracts be terminated and these Mercantile
10 Customers were to be charged as tariffed customers instead.
11

12 **IV. TANK PAINTING**
13

14 ***Q17. WOULD YOU EXPLAIN THE HISTORICAL PRACTICE REGARDING***
15 ***RATE TREATMENT FOR TANK PAINTING?***

16 ***A17.*** For rate making purposes, when an elevated water storage tank (“tank”) is newly
17 constructed, all costs associated with the tank are capitalized, including all costs
18 to paint the tank for the first time. The Utility earns a return on that investment
19 because shareholder supplied source of funds were used to construct and paint the
20 tank. The Utility also receives a return of the initial tank costs through
21 depreciation expense over its useful life. The return on investment and
22 depreciation expenses are paid by customers of Aqua through the rates the Utility
23 collects.

1 When the tank is re-painted, past PUCO practice has been to amortize the tank
2 painting costs by expensing the total amount over the time interval between tank
3 paintings. Each time the Utility would seek a rate increase, the tank painting
4 expense allowance would be trended to today's dollars utilizing the Handy-
5 Whitman Index.¹⁷ The rationale for trending the historical cost to current cost has
6 been to establish a provision for future tank painting in base rates.

7

8 ***Q18. HOW IS THE PROVISION FOR FUTURE TANK PAINTING ACCOUNTED***
9 ***FOR?***

10 ***A18.*** There is a customer-funded reserve for future tank painting on the liability side of
11 the Utility's balance sheet. The Utility will debit the tank painting amortization
12 expense account and credit the reserve with that amount collected through charges
13 from customers for future tank paintings. The projected regulatory liability
14 balance as of December 31, 2016 is \$2,142,507. This represents funds currently
15 available for future tank painting that customers have funded through past base
16 rate charges.

17

18 ***Q19. HAS THERE BEEN ANY CHANGE TO THE QUALITY OF PAINT OVER***
19 ***THE YEARS?***

20 ***A19.*** Yes. Prior to the early to mid1990's lead-based paint was used and the expected
21 useful life was approximately ten years. After that time, the Utility began using
22 Epoxy paint with an expected useful life of 15 years or more. As a result of the

¹⁷ Staff Report Case No. 13-2124-WW-AIR.

1 higher quality paint, tanks could go much longer (5 years) without being
2 repainted.

3
4 ***Q20. DID AQUA PROPOSE ANY CHANGES TO THE RATE TREATMENT***
5 ***REGARDING TANK PAINTING IN THIS CASE?***

6 ***A20.*** Yes. As part of the depreciation study that was completed in 2016, a capital
7 account has been established and existing tank paintings have been transferred to
8 that capitalized account. Going forward, consistent with the Utility's application
9 all tank painting (initial lead paint removal/epoxy painting and subsequent epoxy
10 painting) will be capitalized and depreciated over a 15-year life.¹⁸ Consequently,
11 Aqua proposes to remove tank painting expense from test year operating expenses
12 and return the customer funded \$2,142,507 regulatory liability currently on its
13 books over a 15-year period.

14
15 ***Q21. DO YOU AGREE WITH AQUA'S CHANGES TO THE RATE TREATMENT***
16 ***PROPOSAL REGARDING TANK PAINTING?***

17 ***A21.*** I agree with Aqua's proposal to move all existing tank painting to a capital
18 account, eliminate tank painting expense, and to capitalize all future tank painting.
19 I also agree that the customers' money Aqua is holding in the deferred regulatory
20 liability account should be returned to the customers. I disagree, however, with
21 Aqua's proposal to refund the customers' payments over a 15-year period. It is
22 unreasonable for Aqua to keep money that belongs to the customers for a period

¹⁸ Direct Testimony of Aqua Witness Elaine J. Martin at 4, Case No. 16-907-WW-AIR (June 24, 2016).

1 of 15 years. The customer supplied source of funds currently on the books should
2 be returned to customers sooner. Aqua has proposed a three-year amortization for
3 rate case expense. The return of the customer supplied source of fund should be
4 returned over the same timeframe, three years.

5

6 ***Q22. HOW DID THE PUCO STAFF TREAT TANK PAINTING?***

7 ***A22.*** The PUCO Staff recommended a number of convoluted and puzzling changes to
8 the ratemaking treatment regarding tank painting which I will address below:

9 (1.) All future lead-based tanks that are to be re-painted with Epoxy should be
10 capitalized.¹⁹

11 (2.) Future re-painting of tanks that have been painted with Epoxy should
12 either be transferred back to operating expenses if it had been capitalized;
13 or, it will remain in tank painting expense as an operating expense if it had
14 already been re-painted with the Epoxy and is currently reflected in tank
15 painting expense.²⁰

16 (3.) Staff further believes that tank-painting expense for future tanks should
17 continue to be trended to current dollars and the amortization period
18 should be increased from 15 years to 20 years.²¹

19 (4.) Staff also believes that a lead-based tank that has been re-painted and
20 capitalized is to also be recognized in tank painting expense and included
21 in future test year operating expenses after ten years.²²

¹⁹ Staff Report at 9, Case No. 16-907-WW-AIR (Nov. 17, 2016).

²⁰ Id.

²¹ Id.

(5.) Staff did not recommend returning any of the customer's money currently held in Aqua's tank painting liability account, which has been funded by customers.

**Q23. WHAT IS WRONG WITH THE STAFF'S TANK PAINTING
METHODOLOGY?**

A23. First, Staff's proposal that future re-painting of tanks that have been painted with Epoxy should either be transferred back to operating expenses if it had been capitalized; or, it will remain in tank painting expense as an operating expense if it had already been re-painted with the Epoxy makes no sense to me. All tank painting should be capitalized consistent with the Utility's proposal. I am confused by Staff's proposal to recognize future Epoxy tank painting as an expense. The current trended cost recovery built into rates for tanks that have been repainted with Epoxy paint (previously painted with lead) are much higher than the expected cost for a future repaint. Tanks that had lead-based paint had to be stripped of the lead-based paint before it could be re-painted with the Epoxy paint. The cost to strip the lead-based paint was, and is, very significant because the Utility must comply with the Environmental Protection Agency's ("EPA") regulatory requirements for the disposal of lead. Aqua only needs to remediate the lead-based paint from its tanks once. Staff includes the EPA remediation costs in tank paint expense. This makes it an unreasonable basis to establish likely future tank painting expenses because Aqua will not have to duplicate these

²² Staff Report at 7, Case No. 16-907-WW-AIR (Nov. 17, 2016).

1 expensive EPA costs again. Second, with respect to tank-painting expense for
2 future tanks, the amortization period should be increased from 15 years to 20
3 years. Staff did not explain why the capitalized tanks would be depreciated over
4 15 years or 20 years. Third, for those tanks which Staff believes should be
5 capitalized, an expense cannot be also capitalized. It results in double recovery of
6 costs. Staff proposes to allow Aqua a return on the capitalized tank painting,
7 allow the return of tank painting cost through depreciation expense, and force the
8 customers to fund future tank painting at the same time via the expensing of costs.
9 Such an approach is unreasonable. Last, with respect to the tank painting reserve
10 account, Aqua's customers have funded a \$2,142,507 reserve for *future* tank
11 painting which should be returned to them if future tank painting costs are to be
12 capitalized. To make matters even worse, Staff even recommends giving Aqua a
13 return on the customers' money currently held in the tank painting reserve
14 account. This unreasonably gives the Utility a rate of return on the customer
15 supplied source of funds which would cause additional costs to customers through
16 higher charges. This is unlawful and violates long standing PUCO precedent.²³

17
18 To summarize all of Staff's recommendations, Staff proposes to capitalize tank
19 painting if a tank has lead-based paint and needs to be re-painted, expense the re-
20 painting of Epoxy based tanks, and, capitalize and expense tanks that are to be
21 painted with Epoxy paint the first time. Staff proposes to allow Aqua to retain the
22 deferred \$2,142,507 reserve balance customers paid for *future* tank painting, and

²³ Ohio Revised Code Section 4909.05(C)(8).

1 even allow Aqua to earn a return on customers' money. This approach is
2 unreasonable. Future tank painting expense should be capitalized consistent with
3 the Utility's proposal and the monies held in the customer-funded tank painting
4 expense account should be returned to customers.

5
6 ***Q24. WHAT RATE TREATMENT DO YOU RECOMMEND TO PROTECT***
7 ***CUSTOMERS FROM PAYING EXCESSIVE RATES RELATED TO TANK***
8 ***PAINTING EXPENSES?***

9 ***A24.*** It is entirely appropriate to capitalize all future tank painting costs given the
10 advances in painting technology. In general, a capital expenditure is an
11 expenditure in which the benefit continues over a long period and it constitutes an
12 asset betterment that allows the tank to reach its expected life.²⁴ The paint
13 coatings currently being applied are far superior to past technology. It is expected
14 that these improved protective coatings will help tanks reach average service lives
15 of 70 years.²⁵ As such these expenses should be capitalized.

16
17 I recommend the following rate treatment with respect to tank painting:

- 18 (1.) Tank painting expense should be removed from test year operating
19 expenses. The customers have already paid for the tanks to be painted.
20 (2.) All future tanks to be painted should be capitalized utilizing shareholder
21 supplied source of funds and earn a return on and of its investment.

²⁴ Response to Staff Data Request No. 93.

²⁵ Id.

(3.) The December 31, 2016 regulatory liability balance of \$2,142,507 that represents a surplus of customer supplied source of funds should be returned to the customers over a three year period. A three-year refund period should be used as it is the identical to amortization period used for rate case expense.

WRW Attachment B Schedule C-3.7 and Workpaper C-3.7a reflect OCC's adjustment to tank painting.

V. RATE BASE

Q25. DOES OCC HAVE ANY ADJUSTMENTS TO PLANT IN SERVICE?

A25. Yes. In 2014, Aqua purchased Mohawk Utilities. Included within the original cost of Mohawk Utilities was land containing all wells, right of way, access roads and EPA required buffer zones for the wells. Aqua also purchased an additional 55.654 acres of farm land around water plants one and two.

I believe the additional \$569,285 of land purchased in 2014 should be recognized as land held for future use. It is not currently used in providing service to Aqua's customers.²⁶ Consequently, the Utility should not get a return on this investment because this plant is not used to provide service.

²⁶ OCC RPD-7.

1 WRW Attachment B Schedules B-2.2 page 1, B-2.1 page, 2, B-2, and B-1 reflects
2 OCC's adjustment to plant in service.

3

4 ***Q26. DOES OCC RECOMMEND AN ADJUSTMENT TO OTHER RATE BASE***
5 ***ITEMS?***

6 ***A26.*** Yes. On Applicant's Schedule B-6 Other Rate Base Items, the Utility correctly
7 included the Deferred Credit Balance of \$2,142,521 representing the customer
8 source of funds for future tank painting. The sum of the items listed on B-6 is
9 then carried forward to the Rate Base Schedule B-1. Other Rate Items are a
10 reduction to Rate Base to recognize the fact that Aqua should not receive a return
11 on any customer supplied source of funds.

12

13 The PUCO Staff erred in its calculation of B-6 Other Rate Base Items. The
14 PUCO Staff removed the Deferred Credit Balance of \$2,142,521. By removing
15 the customer supplied source of funds from Schedule B-6, it has the effect of
16 adding the Deferred Credit Balance to Rate Base and providing a return to the
17 Company on the customer supplied source of funds.

18

19 I recommend the Deferred Credit Balance of \$2,142,521 be added back to
20 Schedule B-6 so Aqua does not earn a return on customer supplied funding.

21

22 WRW Attachment B Schedules B-6 and B-1 reflects OCC's adjustment to Other
23 Rate Base Items.

VI. FLOW THROUGH

***Q27. WILL OTHER SCHEDULES CHANGE AS A RESULT OF YOUR
RECOMMENDATIONS?***

A27. Yes, as a result of the recommendations proposed by OCC, other adjustments to the Staff's schedules are necessary. Property taxes will decrease, excise tax will increase, uncollectible accounts expense will increase, and federal income tax will increase. All schedules that change as a result of the OCC recommendations are attached to my testimony.

VII. SCHEDULE ERRORS

Q28. DOES STAFF'S SCHEDULES TIE OUT?

A28. No. When I set the rate of return on Staff's lower bound and higher bound to the same percentage, I should be able to tie the revenue requirement to the proposed increase on schedule C-1. The rate of return on schedule C-1 should match the rate of return on schedule A-1, and it does not. There are errors in Staff's schedules that prevent the rate of return on C-1 to match the rate of return on Staff Schedule A-1. The revenue to the Utility will always be higher than the recommended rate of return based on Staff's calculations.

1 ***Q29. DOES THIS CONCLUDE YOUR TESTIMONY?***

2 ***A29.*** Yes, however I reserve the right to incorporate new information that may

3 subsequently become available.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Direct Testimony of Wm. Ross Willis on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission to the persons listed below on this 19th day of December 2016.

/s/ Kevin Moore
Kevin Moore
Assistant Consumers' Counsel

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Aqua Ohio Inc.
 Meter Charge Change--Whirlpool
 Response to OCC 4th Set INT--74

16-0907-ww-air

	Prior Monthly Monthly Customer Charge	Case 11-4161-ws-air Monthly Customer Charge Effective June 13,2012	Case 13-2124-ws-air Monthly Customer Charge Effective Sept. 10,2014
2"	\$50.09	\$46.88	\$72.00
6"	\$295.84	\$276.87	\$450.00
6"	<u>\$295.84</u>	<u>\$276.87</u>	<u>\$450.00</u>
	\$641.77	\$600.62	\$972.00
		(6.41)% (Decrease)	61.83% Increase

INT-77 With regards to the Whirlpool Corporation, provide actual monthly volumetric usage by rate block according to both, the industrial tariff class, and according to the Water Agreement for the period January 2015- August 2016. Update September 2016 – December 2016 when data become available. Provide all data in an Excel spreadsheet.

Response Purchase of Ohio American effective May 2012.
Presenting data from beginning May 2012 going forward.

	Whirlpool 1st Block per water agreement Consumption <u>Gallons</u>	Whirlpool 2nd Block per water agreement Consumption <u>Gallons</u>	Whirlpool Total per water agreement Consumption <u>Gallons</u>
Jan-15	10,174,976	0	10,174,976
Feb-15	11,183,348	0	11,183,348
Mar-15	11,220,700	210,252	11,430,952
Apr-15	11,088,345	0	11,088,345
May-15	11,220,700	368,091	11,588,791
Jun-15	10,719,557	0	10,719,557
Jul-15	11,220,700	1,235,829	12,456,529
Aug-15	11,220,700	3,677,464	14,898,164
Sep-15	9,158,376	0	9,158,376
Oct-15	11,220,700	931,372	12,152,072
Nov-15	11,071,140	0	11,071,140
Dec-15	10,278,207	0	10,278,207
	<u>129,777,449</u>	<u>6,423,008</u>	<u>136,200,457</u>
Jan-16	8,553,204	0	8,553,204
Feb-16	11,021,021	0	11,021,021
Mar-16	10,439,786	0	10,439,786
Apr-16	11,220,700	238,678	11,459,378
May-16	11,058,423	0	11,058,423
Jun-16	11,220,700	252,891	11,473,591
Jul-16	11,220,700	444,392	11,665,092
Aug-16	11,220,700	350,137	11,570,837
Sep-16	11,220,700	1,820,804	13,041,504
	<u>97,175,934</u>	<u>3,106,902</u>	<u>100,282,836</u>

INT-79. Provide the number of water meters and sizes (in inches) of each water meter at POET Biorefining for the period 2011-2016.

RESPONSE: Aqua objects that this interrogatory seeks information that is neither relevant to the subject matter of this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving this objection, Aqua answers as follows: Aqua uses two four-inch meters to bill POET Biorefining.

INT-81

With regards to POET Biorefining, provide the monthly volumetric usage by rate block according to both, the industrial tariff, and according to the Water Agreement for the period January 2015-August 2016, Update September 2016 – December 2016 when data become available. Provide all data in an Excel spreadsheet.

Response Purchase of Ohio American effective May 2012.
Presenting data from beginning May 2012 going forward.

	POET 1st Block per water agreement Consumption Gallons	POET 2nd Block per water agreement Consumption Gallons	POET Total per water agreement Consumption Gallons
Jan-15	15,361,580	0	15,361,580
Feb-15	14,511,796	0	14,511,796
Mar-15	11,203,545	0	11,203,545
Apr-15	13,630,219	0	13,630,219
May-15	15,773,008	0	15,773,008
Jun-15	13,581,596	0	13,581,596
Jul-15	14,344,981	0	14,344,981
Aug-15	16,356,487	0	16,356,487
Sep-15	16,108,883	0	16,108,883
Oct-15	16,026,223	0	16,026,223
Nov-15	14,052,493	0	14,052,493
Dec-15	12,155,438	0	12,155,438
	173,106,249	0	173,106,249
Jan-16	11,239,451	0	11,239,451
Feb-16	11,104,054	0	11,104,054
Mar-16	11,769,071	0	11,769,071
Apr-16	14,426,518	0	14,426,518
May-16	13,368,776	0	13,368,776
Jun-16	13,102,096	0	13,102,096
Jul-16	16,153,766	0	16,153,766
Aug-16	14,832,709	0	14,832,709
Sep-16	17,425,825	0	17,425,825
	123,422,266	0	123,422,266

Response to Staff Data Request No. 93.

The following explanation is to follow up on prior discussions regarding Aqua Ohio's proposal to capitalize costs associated with tank painting.

Long-term Benefits. In general, a capital expenditure is an expenditure in which the benefit continues over a long period, rather than being exhausted in a short period. Tank painting satisfies this definition. It constitutes an asset betterment that allows the tank (itself clearly a capital asset) to reach its expected life. The painting itself has an expected life of 15 years and should be recovered over that time period from plant in service. Given that tank painting has been shown to allow tanks to reach their expected useful life, the capitalization and depreciation of tank painting has been accepted by other jurisdictions (including Pennsylvania, North Carolina, Texas, Virginia, Missouri, Indiana, and West Virginia). Under any definition, the benefits of tank painting are not exhausted within a short time frame.

This conclusion is confirmed by advances in technology. Per industry experts, the coatings currently being applied are far superior to past technology, and as a result paint systems are lasting much longer than systems dating from the 1980s. For example, the Eagle Road Tank in the Lake Division was built and painted in 2001. Fifteen years later, the tank still has not been repainted and has not been scheduled for painting until 2019. It is expected that these improved protective coatings will help tanks reach average service lives of seventy years.

Past treatment. When Aqua purchased Ohio American Water Company, OAWC recorded a regulatory liability for Tank Painting because OAWC had been permitted to amortize the expenses in its rate cases, yet it never actually painted the tanks. As a result, the regulatory liability is expected to be \$1,529,777 for the OAWC properties by December 31, 2016. Aqua Ohio's deferred tank painting is also a regulatory liability and will be \$612,630 at the same date. Aqua's regulatory liability results from the longer lives associated with improved tank-coating technology. (See attached e-mails.)

In Aqua's last rate case, Case No. 13-2124-WW-AIR, the regulatory asset or liability was added or subtracted from rate base on schedule B-6; this has the same effect on the revenue requirement as capitalizing and depreciating. (See attached spreadsheet, sheet titled "Calculation.")

Inclusion in Filing. In the depreciation study filed with the present case, a separate property group was established to capitalize tank-painting expense and to depreciate it over 15 years. This 15-year time period, which the company considers conservative, reflects the allowance by Staff in Case No. 13-2124-WW-AIR. (See Staff Report at 11.) Under the treatment proposed in this case, Aqua would return to customers the accumulated regulatory liability of \$2,142,507 over a 15-year period, which would lower the revenue requirement.

If the prior method of handling tank painting is applied in the current case, it would increase the annual cost of service by \$504,429. Tank painting expenses have increased (see attached spreadsheet, sheet titled "Costs"), and customers would not receive the benefit of the return of the accumulated regulatory liability.

Testimony before The Public Utilities Commission of Ohio

Globe Metallurgical, Inc. - Case No. 16-737-EL-AEC

Ohio Power Company - Case No. 13-2385-EL-SSO

Camplands Water LLC. - Case No. 13-1690-WW-AIR

Duke Energy Ohio, Inc. - Case No. 12-1685-GA-AIR

Duke Energy Ohio, Inc. - Case No. 12-1682-EL-AIR

Ohio American Water Company - Case No. 11-4161-WS-AIR

Water and Sewer LLC. - Case No. 11-4509-ST-AIR

Aqua Ohio, Inc. - Case No. 09-1044-WW-AIR

Duke Energy Ohio, Inc. - Case No. 08-709-EL-AIR

*Ohio Edison Company, The Cleveland Electric Illuminating Company
And The Toledo Edison Company - Case No. 07-551-EL-AIR*

Northeast Ohio Natural Gas Corp. - Case No. 03-2170-GA-AIR

Water and Sewer LLC. – Case No. 03-318-WS-AIR

Southeast Natural Gas Company – Case No. 01-140-GA-AEM

Masury Water Company - Case No. 00-713-WW-AIR

Akron Thermal, Limited Partnership - Case No. 00-2260-HT-AEM

GTE North Inc., - Case No. 87-1307-TP-AIR

The Cleveland Electric Illuminating Company - Case No. 85-675-EL-AIR

WRW Attachment B

Aqua Ohio, Inc.
 PUCO Regulated Water Divisions
 Case No. 16-0907-WW-AIR
 Overall Financial Summary
 For the Twelve Months Ended December 31, 2016

Schedule A-1
Page 1 of 1

Line No.	Description	Supporting Schedule Reference	Staff			OCC
			Applicant	Lower Bound	Upper Bound	
1	Rate base as of date certain	B-1	\$ 168,899,251	\$ 169,932,144	\$ 169,932,144	\$ 167,220,338
2	Operating Income	C-1	9,520,334	10,408,534	10,408,534	12,110,752
3	Earned rate of return (2 / 1)		5.64%	6.13%	6.13%	7.24%
4	Rate of return recommended	D-1	7.67%	7.21%	7.74%	6.50%
5	Required operating income (1 x 4)		12,954,573	12,246,788	13,147,753	10,869,322
6	Operating income deficiency (5 - 2)		3,434,238	1,838,254	2,739,219	(1,241,430)
7	Gross revenue conversion factor	A-2	1.6318	1.6318	1.6318	1.6318
8	Revenue deficiency (6 x 7)		5,603,991	2,999,714	4,469,934	(2,025,799)
9	Revenue increase recommended		5,604,094	2,999,714	4,469,934	(2,025,799)
10	Test year adjusted operating revenues	C-1	60,841,217	61,051,317	61,051,317	62,801,542
11	Revenue requirement (9 + 10)		\$ 66,445,311	\$ 64,051,030	\$ 65,521,251	\$ 60,775,743
12	Increase over current revenue (9 / 10)		9.21%	4.91%	7.32%	-3.23%

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Jurisdictional Rate Base Summary
As of December 31, 2016

Schedule B-1
Page 1 of 1

Line No.	Rate Base Component	Supporting Staff Schedule Reference	Applicant	Staff
1	Plant in Service	B-2	\$ 325,989,668	\$ 324,367,624
2	Less: Depreciation Reserve	B-3	92,318,239	92,321,034
3	Net Plant in Service		<u>233,671,428</u>	<u>232,046,591</u>
4	Plus: Construction Work in Progress	B-4	-	-
5	Plus: Working Capital	B-5	-	-
6	Less: Contributions in Aid of Construction	B-6	32,893,077	32,893,077
7	Less: Advances for Construction	B-6	4,834,975	4,834,975
8	Less: Customers' Advances - Related Facilities	B-6	420	420
9	Less: Other Items	B-6	27,043,706	27,097,782
10	Rate Base (3) through (9)		<u>\$ 168,899,251</u>	<u>\$ 167,220,338</u>

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Major Property Groupings
As of December 31, 2016

Schedule B-2
Page 1 of 1

Line No.	Major Property Groupings	Applicant Unadjusted (a)	Staff Adjusted (b)
1	Water		
2	Intangible Plant	\$ 845,899	\$ 845,899
3	Source of Supply Plant	8,683,761	9,657,983
4	Pumping Plant	19,238,338	19,257,941
5	Water Treatment Plant	56,322,996	53,817,879
6	Transmission and Distribution Plant	210,074,229	209,558,690
7	General Plant	18,452,542	18,446,341
8	Total District	313,617,764	311,584,733
9			
10	Service Center		
11	Service Center Intangible Plant	8,835,082	8,804,370
13	Service Center General Plant	3,978,521	3,978,521
14	Total Service Center	12,813,603	12,782,891
15			
16	Total District and Service Center	\$ 326,431,367	\$ 324,367,624

(a) Applicant's Schedule B-2

(b) Staff's Schedule B-2.1

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 1 of 10

Line No.	Account No.	Account Title	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1		Intangible Plant:					
2							
3	301	Organization	\$ 129,252	100.00%	\$ 129,252	\$ -	\$ 129,252
4							
5	302	Franchises & Consents	11,179	100.00%	11,179	-	11,179
6							
7	303	Misc. Intangible Plant	705,467	100.00%	705,467	-	705,467
8							
9		Total Intangible Plant	\$ 845,899		\$ 845,899	\$ -	\$ 845,899

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 2 of 10

Line No.	Account No.	Account Title	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1		Source of Supply Plant:					
2							
3	310	Land & Land Rights	\$ 1,358,460	100.00%	\$ 1,358,460	\$ (715,728)	\$ 642,732
4							
6							
7	312	Collecting & Impounding Reservoirs	23,054	100.00%	23,054	-	23,054
8							
9	313	Lake, River & Other Intakes	2,948,225	100.00%	2,948,225	(285,465)	2,662,760
10							
11	314	Wells & Springs	2,291,699	100.00%	2,291,699	(40,426)	2,251,273
12							
13	315	Infiltration, Galleries & Tunnels	24,409	100.00%	24,409		24,409
14							
15	316	Supply Mains	602,286	100.00%	602,286	2,015,841	2,618,127
16							
17		Total Source of Supply Plant	\$ 8,683,761		\$ 8,683,761	\$ 974,222	\$ 9,657,983

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 3 of 10

Line No.	Account No.	Account Title	Total District	Allocation %	Allocated Total	Adjustment	Adjusted
	(A)	(B)	(C)	(D)	(E = C x D)	(F)	Jurisdiction
							(G)
1		Pumping Plant:					
2							
3	320	Land & Land Rights	\$ 58,344	100.00%	\$ 58,344	\$ -	\$ 58,344
4							
5	321	Structures & Improvements	2,869,063	100.00%	2,869,063	9,496	2,878,559
6							
7	323	Other Power Production Equipment	4,179,599	100.00%	4,179,599	-	4,179,599
8							
9	325	Electric Pumping Equipment	10,785,582	100.00%	10,785,582	10,107	10,795,689
10							
11	326	Diesel Pumping Equipment	79,391	100.00%	79,391	-	79,391
12							
13	327	Hydraulic Pumping Equipment	276,329	100.00%	276,329	-	276,329
14							
15	328	Other Pumping Equipment	990,030	100.00%	990,030	-	990,030
16							
17		Total Pumping Plant	\$ 19,238,338		\$ 19,238,338	\$ 19,603	\$ 19,257,941

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 4 of 10

Line No.	Account No.	Account Title (A) (B)	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1		Water Treatment Plant:					
2							
3	330	Land & Land Rights	\$ 499,778	100.00%	\$ 499,778	\$ -	\$ 499,778
4							
5	331	Structures & Improvements	17,822,653	100.00%	17,822,653	(5,825,931)	11,996,722
6							
7	332	Water Treatment Equipment	38,000,565	100.00%	38,000,565	3,320,814	41,321,379
8							
9		Total Water Treatment Plant	\$ 56,322,996		\$ 56,322,996	\$ (2,505,118)	\$ 53,817,879

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 5 of 10

Line No.	Account No.	Account Title	(A)	(B)	Total District	Allocation %	Allocated Total	Adjustment	Adjusted
					(C)	(D)	(E = C x D)	(F)	Jurisdiction
									(G)
1		Transmission & Distribution Plant:							
2									
3	340	Land & Land Rights	\$		787,744	100.00%	\$ 787,744	\$ -	\$ 787,744
4									
5	341	Structures & Improvements			726,176	100.00%	726,176	-	726,176
6									
7	342	Distribution Reservoirs and Standpipes			14,856,909	100.00%	14,856,909	(227,309)	14,629,600
8									
9	342-1	Distribution Reservoirs and Standpipes - Tank Painting			1,837,950	100.00%	1,837,950	(287,927)	1,550,023
10									
11	343	Transmission and Distribution Mains			130,464,792	100.00%	130,464,792	(303)	130,464,489
12									
13	345	Services			27,671,549	100.00%	27,671,549	-	27,671,549
14									
15	346	Meters			10,395,686	100.00%	10,395,686	-	10,395,686
16									
17	347	Meter Installations			10,544,698	100.00%	10,544,698	-	10,544,698
18									
19	348	Hydrants			12,788,725	100.00%	12,788,725	-	12,788,725
20									
21		Total Transmission and Distribution Plant	\$	210,074,229			\$ 210,074,229	\$ (515,539)	\$ 209,558,690

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 6 of 10

Line No.	Account No. (A)	Account Title (B)	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1		General Plant:					
2							
3	389	Land & Land Rights	\$ 77,996	100.00%	\$ 77,996	\$ -	\$ 77,996
4							
5	390	Structures & Improvements	5,792,291	100.00%	5,792,291	-	5,792,291
6							
7	390-1	Structures & Improvements Leasehold Improvements	112,230	100.00%	112,230	-	112,230
8							
9	391-1	Office Furniture and Equipment	340,649	100.00%	340,649	-	340,649
10							
11	391-2	Office Furniture and Equipment - Data Proc.	43,750	100.00%	43,750	-	43,750
12							
13	391-3	Office Furniture and Equipment - Computers	860,295	100.00%	860,295	(15,957)	844,338
14							
15	392	Transportation Equip. Fully Depreciated	74,208	100.00%	74,208	-	74,208
16							
17	392-1	Transportation Equip. Depreciable	\$ 3,226,087	100.00%	\$ 3,226,087	\$ 18,780	\$ 3,244,866

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 7 of 10

Line No.	Account No.	Account Title	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1	393	Stores Equipment	\$ 24,605	100.00%	\$ 24,605	\$ -	\$ 24,605
2							
3	394	Tools, Shop and Garage Equipment	1,768,031	100.00%	1,768,031	(1,231)	1,766,800
4							
5	395	Laboratory Equipment	561,521	100.00%	561,521	-	561,521
6							
7	396	Power Operated Equip.	1,628,799	100.00%	1,628,799	(7,792)	1,621,007
8							
9	397	Communication Equipment	3,627,533	100.00%	3,627,533	-	3,627,533
10							
11	398	Miscellaneous Equipment	306,869	100.00%	306,869	-	306,869
12							
13	399	Other Tangible Plant	7,678	100.00%	7,678	-	7,678
14							
15		Total General Plant	18,452,542		18,452,542	(6,201)	18,446,341
16							
17		Total Tangible Plant	312,771,865		312,771,865	(2,033,031)	310,738,834
18							
19		Total District	\$ 313,617,764		\$ 313,617,764	\$ (2,033,031)	\$ 311,584,733

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 8 of 10

Line No.	Account No.	Account Title	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1		Service Center Intangible Plant:					
2							
3	303	Misc. Intangible Plant					
4		Service Center - Water	\$ 13,674,481	64.61%	\$ 8,835,082	\$ (30,712)	\$ 8,804,370
6							
7	Total	Service Center Intangible Plant	<u>\$ 13,674,481</u>		<u>\$ 8,835,082</u>	<u>\$ (30,712)</u>	<u>\$ 8,804,370</u>

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 9 of 10

Line No.	Account No. (A)	Account Title (B)	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1		Service Center General Plant:					
2							
3		Land & Land Rights					
4	389	Service Center - Water	\$ 693,797	64.61%	\$ 448,262	\$ -	\$ 448,262
5							
6	390	Structure & Improves					
7		Service Center - Water	1,099,620	64.61%	710,464	-	710,464
8							
9		Structure & Improvements					
10	390-1	Leasehold Improvements					
11		Service Center - Water	987,085	64.61%	637,756	-	637,756
12							
13		Office Furniture and					
14	391-1	Equipment					
15		Service Center - Water	147,696	64.61%	95,426	-	95,426
16							
17		Office Furniture and					
18	391-2	Equipment - Data Proc.					
19		Service Center - Water	738,922	64.61%	477,417	-	477,417
20							
21		Office Furniture and					
22	391-3	Equipment - Computers					
23		Service Center - Water	2,130,007	64.61%	1,376,198	-	1,376,198
24							
25		Transportation Equip.					
26	392	Fully Depreciated					
27		Service Center - Water	-	64.61%	-	-	-

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Plant in Service by Accounts and Subaccounts
As of December 31, 2016

Schedule B-2.1
Page 10 of 10

Line No.	Account No.	Account Title	Total District (C)	Allocation % (D)	Allocated Total (E = C x D)	Adjustment (F)	Adjusted Jurisdiction (G)
1	392-1	Transportation Equip.					
2		Depreciable					
3		Service Center - Water	\$ 122,153	64.61%	\$ 78,923	\$ -	\$ 78,923
4							
5	394	Tools, Shop and Garage					
6		Equipment					
7		Service Center - Water	64,812	64.61%	41,875	-	41,875
8							
9	395	Laboratory Equipment					
10		Service Center - Water	-	64.61%	-	-	-
11							
12	397	Communication Equipment					
13		Service Center - Water	132,848	64.61%	85,833	-	85,833
14							
15	398	Miscellaneous Equipment					
16		Service Center - Water	40,809	64.61%	26,366	-	26,366
17							
18		Total Service Center General Plant	6,157,748		3,978,521	-	3,978,521
19							
20		Total Service Center	19,832,229		12,813,603	(30,712)	12,782,891
21							
22		Total District and Service Center	\$ 333,449,993		\$ 326,431,367	\$ (2,063,743)	\$ 324,367,624

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Proposed Adjustments to Plant in Service
As of December 31, 2016

Schedule B-2.2
Page 1 of 2

Line No.	Account No.	Account Title	Total District Adjustment	Allocation %	Jurisdictional Adjustment	Description and Purpose of Adjustment
1	310	Land & Land Rights	\$ (146,443)	100.00%	\$ (146,443)	Applicant exclusion from Case No. 03-2290-WW-AIR of Suburban District (Shepard Hills) well field land cost.
2	310	Land & Land Rights	\$ (569,285)	100.00%	\$ (569,285)	OCC exclusion of excess land purchased in 2014 at Mohawk.
3	313	Lake & Other Intakes	(285,465)	100.00%	(285,465)	Applicant exclusion from Case No. 95-1076-WW-AIR of Lake Shore Ashtabula District Green Road Plant cost.
4	314	Wells & Springs	27,074	100.00%	27,074	Staff adjustment to move Tiffin well rehab dollars from Expense account 643-2 to Plant in Service.
5	314	Wells & Springs	(67,500)	100.00%	(67,500)	Staff true-up of actual versus projected plant additions and/or retirements.
6	316	Supply Mains	(9,792)	100.00%	(9,792)	Applicant exclusion from Case No. 95-1076-WW-AIR of Lake Shore Ashtabula District Green Road Plant cost.
7	316	Supply Mains	2,025,633	100.00%	2,025,633	Staff true-up of actual versus projected plant additions and/or retirements - Marion pre-treatment upgrades.
8	321	Structures & Improvements - Pumping Plant	9,496	100.00%	9,496	Staff true-up of actual versus projected plant additions and/or retirements - Lake White booster station.
9	325	Electric Pumping Equipment	(117,000)	100.00%	(117,000)	Projection item Staff reasonably believes will not be completed by the Date Certain - Starter with VFD.
10	325	Electric Pumping Equipment	127,107	100.00%	127,107	Staff true-up of actual versus projected plant additions and/or retirements - Marion pre-treatment upgrades.
11	331	Structures & Improvements - Water Treatment	(4,925,931)	100.00%	(4,925,931)	Staff true-up of actual versus projected plant additions and/or retirements.
12	331	Structures & Improvements - Water Treatment	(900,000)	100.00%	(900,000)	Projection item Staff reasonably believes will not be completed by the Date Certain - Norlick WTP.
13	332	Water Treatment Equipment	3,364,354	100.00%	3,364,354	Staff true-up of actual versus projected plant additions and/or retirements.
14	332	Water Treatment Equipment	(43,540)	100.00%	(43,540)	Company Retirement.

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Proposed Adjustments to Plant in Service
As of December 31, 2016

Schedule B-2.2
Page 2 of 2

Line No.	Account No.	Account Title	Total District Adjustment	Allocation %	Jurisdictional Adjustment	Description and Purpose of Adjustment
1	342	Distribution Reservoirs and Standpipes	(227,251)	100.00%	(227,251)	Staff true-up of actual versus projected plant additions and/or retirements.
2	342	Distribution Reservoirs and Standpipes	(58)	100.00%	(58)	Company Retirement.
3	342-1	Distribution Reservoirs and Standpipes - Tank Painting	(287,927)	100.00%	(287,927)	Removal of the Rt 84 tank painting costs.
4	343	Transmission & Distribution Mains	(303)	100.00%	(303)	Items that should not be capitalized. (Meals, Travel, Lodging, etc.)
5	391-3	Office Furniture and Equipment - Computers	(15,957)	100.00%	(15,957)	Company Retirement.
6	392-1	Transportation Equip. Depreciable	(29,472)	100.00%	(29,472)	Company Retirement.
7	392-1	Transportation Equip. Depreciable	48,251	100.00%	48,251	Staff true-up of actual versus projected plant additions and/or retirements.
8	394	Tools, Shop, & Garage Equipment	(1,231)	100.00%	(1,231)	Staff adjustment of Lake White LMI metering pump not used and useful to be retired by the Company.
9	396	Power Operated Equip.	(7,792)	100.00%	(7,792)	Staff true-up of actual versus projected plant additions and/or retirements.
10	Service Center Intangible Plant:					
11	303	Misc. Intangible Plant Service Center - Water	(47,534)	64.61%	(30,712)	Items that should not be capitalized. (Meals, travel, lodging, etc.)
12						
13		Total	\$ (2,080,565)		\$ (2,063,743)	

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Certain Deferred Credits and Accumulated Deferred Income Taxes
As of December 31, 2016

Schedule B-6
Page 1 of 1

Line No.	Account No.	Description	Total Jurisdiction	Allocation %	Allocated Jurisdiction
	(A)	(B)	(C)	(D)	(E)
1	252	Customers' Advances for Construction	\$ 4,834,974.64	100.00%	\$ 4,834,974.64
2	253-3	Related Facilities	420.00	100.00%	420.00
3	271	Contributions in Aid of Construction	32,893,077.19	100.00%	32,893,077.19
4	271	Contributions in Aid of Construction		100.00%	0.00
5					
6	255	Investment Tax Credits:			
7		Pre-1971 3% Credits	852.11	100.00%	852.11
8		1971 4% Credit	3,233.16	100.00%	3,233.16
9		1975 6% Add'l Credit	4,781.99	100.00%	4,781.99
10		1981 10% Credit on Recovery Property	55,086.81	100.00%	55,086.81
11		ITC Benefits Sold	0.00	100.00%	0.00
12					
13		TOTAL Investment Tax Credits	63,954.07		63,954.07
14					
15	283	Deferred Income Taxes:			
16		Accelerated Amortization	0.00	100.00%	0.00
17		Liberalized Depreciation	26,742,149.00	100.00%	26,742,149.00
18		Liberalized Depreciation - Service Center	1,913,062.00	64.61%	1,236,029.36
19		Liberalized Depreciation - Service Center	0.00	0.00%	0.00
20		ACRS Tax Benefits Sold	0.00	100.00%	0.00
21		Other	0.00	100.00%	0.00
22					
23		TOTAL Deferred Income Taxes	28,655,211.00		27,978,178.36
24					
25	253112	Reg Liabilities - Excess Deferred FIT	55,336.00	100.00%	55,336.00
26	186392	Reg Liabilities - Deficit Deferred FIT	(12,707.00)	100.00%	(12,707.00)
27					
28			42,629.00		42,629.00
29					
30	186366	Reg Asset - AFUDC	0.00	100.00%	0.00
31					
32	186302	Deferred Credits - Tank Painting	2,142,521.00	100.00%	2,142,521.00
33					
34	186350	Reg Asset - Pension (a)	(2,637,608.00)	100.00%	(2,637,608.00)
35					
36	186320	Reg Asset - Post Retirement (a)	(354,360.00)	100.00%	(354,360.00)
37					
38	186395	Reg Asset - Deferred Depreciation	(37,124.00)	100.00%	(37,124.00)
39					
40	186399	Reg Asset - Deferred Other	(40,540.00)	100.00%	(40,540.00)
41					
42		Total Other Items Carried Forward to B-1			
43		Pre-1971 3% Credit from line 8	852		852
44		1971 4% Credit from Line 9	3,233		3,233
45		Liberalized Depre. from Line 23	28,655,211		27,978,178
46		Reg Liabilities - Deferred FIT	42,629		42,629
47		Reg Asset - AFUDC	-		-
48		Deferred Credits - Tank Painting	2,142,521		2,142,521
49		Reg Asset - Pension	(2,637,608)		(2,637,608)
50		Reg Asset - Post Retirement	(354,360)		(354,360)
51		Reg Asset - Deferred Depreciation	(37,124)		(37,124)
52		Reg Asset - Deferred Other	(40,540)		(40,540)
53					
54		TOTAL Other Rate Base Items	\$ 27,774,814		\$ 27,097,782
55					
56		ITC Options Elected			
57		1971 Section 46(e) shall not apply.			
58		1975 Section 46(f) shall apply.			

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Jurisdictional Proforma Income Statement
For the Twelve Months Ended December 31, 2016

Schedule C-1
Page 1 of 1

Line No.	Description	(A)	Adjusted Revenue & Expenses	(B)	Proposed Increase	(C)	Proforma Revenue & Expenses	(D=B+C)
1	Operating Revenues		\$ 62,801,542		\$ 5,604,094	(a)	\$ 68,405,636	
2								
3	Operating Expenses:				57,163	(b)	23,652,647	
4	Operation & Maintenance		23,595,484				8,196,879	
5	Depreciation and Amortization		8,196,879				14,778,665	
6	Taxes - Other		14,515,186		263,479		46,628,191	
8	Operating Expenses before Income Taxes		46,307,549		320,642		6,232,449	
9								
10	Income Taxes		4,383,241		1,849,208		52,860,640	
11								
12	Total Operating Expenses		50,690,790		2,169,850		15,544,996	
13								
15	Net Operating Income		12,110,752		3,434,244		\$ 168,899,251	
16								
18	Rate Base		\$ 168,899,251					
19								
21	Rate of return		7.17%				9.20%	

(a) Applicant's E-4

(b) Applicant's Proposed Increase x 1.02% Uncollectible Rate

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Adjusted Test Year Operating Income
For the Twelve Months Ended December 31, 2016

Schedule C-2
Page 1 of 1

Line No.	Description (A)	Water		
		Unadjusted Revenue & Expenses (B)	Adjustments (C)	Adjusted Revenue & Expenses (D)
1	<u>Operating Revenues</u>			
2				
3	Metered Sales Revenues	\$ 55,257,769	\$ 4,250,271	\$ 59,508,040
4	Unmetered Sales Revenue	2,128,600	40,708	2,169,309
5	Other Operating Revenues	1,537,566	(413,373)	1,124,193
7	Total Operating Revenues	58,923,935	3,877,607	62,801,542
8				
9	<u>Operating Expenses</u>			
10				
11	Purchased Water	1,043,332	-	1,043,332
12	Other Operation and Maintenance	23,716,672	(1,164,520)	22,552,152
14	Total Operations and Maintenance	24,760,004	(1,164,520)	23,595,484
15				
16	Depreciation	7,800,043	396,836	8,196,879
17	Amortization of Merger Related Costs	-	-	-
18	Taxes Other Than Income Taxes	14,946,955	(431,769)	14,515,186
19	Income Taxes	2,866,372	1,516,869	4,383,241
21	Total Operating Expenses	50,373,375	317,415	50,690,790
22				
23	Net Operating Income	\$ 8,550,560	\$ 3,560,192	\$ 12,110,752

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Summary of Jurisdictional Adjustments to Operating Income
For the Twelve Months Ended December 31, 2016

Schedule C-3
Page 1 of 1

Line No.	Schedule Reference	Title of Adjustment	Amount
1		Operating Revenue Adjustments	
2			
3	C-3.1	Metered Sales Revenue	\$ 2,289,946
4	C-3.1a	Lake Revenue Adjustment	210,100
5	C-3.1b	Special Contract Revenue Adjustment	1,750,225
6	C-3.2	Unmetered Sales Revenue	40,708
7	C-3.3	Late Payment & Miscellaneous	(413,373)
8			
9		Total Revenue Adjustments	3,877,607
10			
11		Operating Expense Adjustments	
12			
13		Operations and Maintenance	
14	C-3.4	Wages Annualized	(122,070)
15	C-3.5	Uncollectible Accounts Receivable	(16,221)
16	C-3.6	Rate Case Expense	50,015
17	C-3.7	Tank Painting Expense	(1,176,922)
18	C-3.8	Employee Insurance Expense Adjustment	26,049
19	C-3.9	Postretirement Benefit Adjustment	(24,378)
20	C-3.10	Pension Cost Adjustment	19,993
21	C-3.11	Billing Adjustment	1,555
22	C-3.12	Operating Contract Adjustment	(1,606)
23	C-3.13	Maintenance Operation Adjustment	9,688
24	C-3.14	Contributory Thrift (401k) Adjustment	121,811
25	C-3.15	Out of Period Items	(1,345)
26	C-3.16	Well Rehab Expense Reclassification	(27,074)
27	C-3.17	Lobbying Expense	(5,908)
28	C-3.18	Miscellaneous General Expenses	(18,106)
29			
30		Total Operations and Maintenance	(1,164,520)
31			
32	C-3.19	Depreciation	396,836
33	C-3.20	Taxes Other Than Income	(431,769)
34	C-3.21	Income Taxes	1,516,869
35			
36		Total Expense Adjustments	\$ 317,415

Aqua Ohio, Inc.
 PUCO Regulated Water Divisions
 Case No. 16-0907-WW-AIR
 Prior American Special Contract Revenue Adjustment
 For the Twelve Months Ended December 31, 2016

Schedule C-3.1b
Page 1 of 1

Line No.	Purpose & Description	Amount
1	To adjust special contract sales revenues as presented on Applicant's Schedule E-4 to tariff revenues	
2		
3		
4	Adjusted Prior American Industrial Service Charge (a)	\$ 172,476
5		
6	Applicant's WPE-4.1a Page 29	167,076
7		
8	Subtotal (1) - (2)	5,400
9		
10	Adjusted Prior American Industrial Volumetric Revenue (a)	4,557,634
11		
12	Applicant's WPE-4.1a Page 29 Volumetric Revenue	2,812,809
13		
14	Subtotal (10) - (12)	1,744,825
15		
16	Total Adjustment (8) + (14)	\$ 1,750,225
17		

(a) OCC WPC-3.1b p1, OCC WPC-3.1b p2 and OCC WPE-4.1a p29

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Whirlpool Contract
For the Twelve Months Ended December 31, 2016

WPC-3.1b
Page 1 of 2

Line No.	First Block (a)	Second Block (a)	Total Consumption (a)	Amount
1	15,000	86,750	101,750	
2	15,000	96,834	111,834	
3	15,000	99,310	114,310	
4	15,000	95,883	110,883	
5	15,000	100,888	115,888	
6	15,000	92,196	107,196	
7	15,000	109,565	124,565	
8	15,000	133,982	148,982	
9	15,000	76,584	91,584	
10	15,000	106,521	121,521	
11	15,000	95,711	110,711	
12	15,000	87,782	102,782	
13				
14	180,000	1,182,006	1,362,006	
15				
16	1.01625	0.76219		
17				
18	Volumetric Revenue	\$182,925	\$900,913	\$1,083,838
19				
20	Customer Charge (c)			\$11,664
21				
22	Total Tariff Revenue			\$1,095,502
23				
24	Contract Volumetric Revenue (c)			\$401,876
25				
26	Contract Customer Charge (c)			\$11,664
27				
28	Dollar Variance			\$681,962
29				
30	Percentage Variance			62.25%

(a) OCC INT-77

(b) Current Tariff Effective July 14, 2015

(c) Applicant's Workpaper WPE-4.1a p29 & OCC INT-74

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
POET Contract

For the Twelve Months Ended December 31, 2016

WPC-3.1b
Page 2 of 2

Line No.	First Block (a)	Second Block (a)	Total Consumption (a)	Amount
1	15,000	138,616	153,616	
2	15,000	130,118	145,118	
3	15,000	97,035	112,035	
4	15,000	121,302	136,302	
5	15,000	142,730	157,730	
6	15,000	120,816	135,816	
7	15,000	128,450	143,450	
8	15,000	148,566	163,566	
9	15,000	146,089	161,089	
10	15,000	145,262	160,262	
11	15,000	125,525	140,525	
12	15,000	106,554	121,554	
13				
14	180,000	1,551,063	1,731,063	
15				
16	1.01625	0.76219		
17				
18	\$182,925	\$1,182,205		\$1,365,130
19				<u>\$5,400</u>
20				
21				
22				
23				\$1,370,530
24				\$302,267
25				<u>\$0</u>
26				
27				<u>\$1,068,263</u>
28				
29				
30				77.95%

(a) OCC INT-81
(b) Current Tariff Effective July 14, 2015
(c) Current Tariff Effective July 14, 2015 & OCC INT-79
(d) Applicant's Workpaper WPE-4.1a p29

Prior American Properties

Prior American Properties

PROPOSED INDUSTRIAL	Meter Size	Billed Months	Proposed Rate	Proposed Revenue \$\$\$\$\$	CURRENT INDUSTRIAL	Meter Size	Billed Months	Current Rate	Current Revenue \$\$\$\$\$
	5/8"	287	\$10.00	\$3,430		5/8"	287	\$9.00	\$3,087
	3/4"	0	\$15.00	\$0		3/4"	0	\$13.50	\$0
	1"	256	\$25.00	\$6,400		1"	256	\$22.50	\$5,760
	1-1/2"	53	\$50.00	\$4,850		1-1/2"	53	\$45.00	\$4,365
	2"	690	\$80.00	\$56,400		2"	690	\$72.00	\$59,760
	3"	36	\$150.00	\$5,400		3"	36	\$135.00	\$4,860
	4"	136	\$250.00	\$34,000		4"	136	\$225.00	\$38,700
	6"	36	\$500.00	\$24,000		6"	36	\$450.00	\$21,600
	8"	24	\$800.00	\$19,200		8"	24	\$720.00	\$17,280
Total Measured	INDUSTRIAL	1,518		\$172,680	Total Measured	INDUSTRIAL	1,518		\$155,412
POET		12		\$0	POET		12		\$5,400
Whirlpool		12		\$12,950	Whirlpool		12		\$11,664
Total Base	INDUSTRIAL	1,542		\$185,640	Total Base	INDUSTRIAL	1,542		\$172,476

PROPOSED	Meter Size	Billed Months	Proposed Rate	Proposed Revenue \$\$\$\$\$	CURRENT	Meter Size	Billed Months	Current Rate	Current Revenue \$\$\$\$\$
1st Block		140,168	\$1.16800	\$163,716	1st Block		500,168	\$1.01625	\$508,296
2nd Block		1,927,115	\$0.87600	\$1,698,153	2nd Block		4,776,856	\$0.76219	\$3,640,872
3rd Block		1,121,509	\$0.46720	\$523,989	3rd Block		1,004,837	\$0.40850	\$408,466
POET		3,168,792		\$2,375,838	SIC		6,281,861		\$4,557,634
Whirlpool		1,731,062	\$0.1746136	\$302,267	Whirlpool				\$96,719
Whirlpool		1,322,138	\$0.2987026	\$394,926	Whirlpool				
Whirlpool		39,867	\$0.1743296	\$6,950	Whirlpool				
TOTAL INDUSTRIAL PROPOSED				\$3,079,981	TOTAL INDUSTRIAL CURRENT				\$4,654,353
				\$3,265,621					\$4,826,829

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Uncollectible Accounts Annualization
For the Twelve Months Ended December 31, 2016

Schedule C-3.5
Page 1 of 1

Line No.	Purpose & Description	Amount
1	To adjust uncollectible accounts expense to reflect	
2	adjusted test year operating revenue and the charge off rate.	
3		
4	Adjusted test year revenue (a)	\$ 62,801,542
5		
6	Net charge off rate (b)	1.02%
7		
8	Adjusted test year uncollectible accounts	
9	expense Line 4 X Line 6	640,576
10		
11	Test year uncollectible accounts	
12	expense (a/c 904) C-2.1 p 3	656,797
13		
14	Total Adjustment	(16,221)
15		
16	Jurisdictional allocation percentage	100%
17		
18	Jurisdictional amount	\$ (16,221)

(a) Staff's Schedule C-2

(b) Applicant's WPC-12

WRW Attachment B

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Tank Painting Expense
For the Twelve Months Ended December 31, 2016

Schedule C-3.7
Page 1 of 1

Line No.	Purpose & Description	Amount
1	To adjust test year for tank painting cost.	
2		
3	Tank Painting Expense (a)	\$ -
4		
5	Test Year Expense (b)	462,753
6		
7	Subtotal (3) - (5)	(462,753)
8		
9	Annual Amount of Ratepayer Supplied Source of Funds to be Returned (WPC-3.7a)	(714,169)
10		
11	Total Adjustment (7) + (9)	(1,176,922)
12		
13	Jurisdictional allocation percentage	100%
14		
15	Jurisdictional amount	\$ (1,176,922)

(a) Refer to OCC Willis Testimony
(b) Applicant's Schedule C-2.1

Aqua Ohio Inc.
Case No. 16-0907-WW-AIR
Tank Painting Expense Adjustment

Schedule WPC-3.7a
Page 1 of 1

Tank Painting Reserve Account 186.302 as of 12/31/2016

(1)	Prior Aqua Ohio (a)	\$	(612,730)
(2)	Prior American (a)		<u>(1,529,777)</u>
(3)	Total Credit Balance (1) + (2)		(2,142,507)
(4)	Amortization Period 3 YRS		<u>3</u>
(5)	Annual Amount of Ratepayer Supplied Source of Funds to be Returned (3) / (4)	\$	<u><u>(714,169)</u></u>

(a) OCC RPD 8, Staff Data Request 93, and Applicant Workpaper WPC-3.7a

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
16-907-WW-AIR
Summary of Taxes Other Than Income Adjustment
For the Twelve Months Ended December 31, 2016

Schedule C-3.20
Page 1 of 1

Line No.	Description	Schedule Reference	Amount
1	Property Taxes	C-3.20a	\$ 10,805,445
2			
3	Ohio Gross Receipts Tax	C-3.20b	2,878,850
4			
5	Payroll Taxes	C-3.20c	588,869
6			
7	PUCO & OCC Assessments	C-3.20d	85,683
8			
9	Total Taxes Other Than Income Taxes (1) through (7)		14,358,847
10			
11	Test Year Taxes Other than Income Taxes (a)		14,790,616
12			
13	Total Adjustment (9) - (11)		(431,769)
14			
15	Jurisdictional Allocation Percentage		100%
16			
17	Jurisdictional Amount		\$ (431,769)

(a) Applicant's Schedule C-2.1

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Property Tax Adjustment
For the Twelve Months Ended December 31, 2016

Schedule C-3.20a
Page 1 of 1

Line No.	Purpose and Description	Water	Sewer	Total Amount
1	Plant in Service @ 12/31/14 (a)	\$ 300,129,744	\$ 17,924,142	\$ 318,053,886
2				
3	Less OWDA Property - Non Taxable (a)	(7,114,976)		(7,114,976)
4				
5	Add M & S Inventory 12/31/14 (a)	923,191		923,191
6				
7	Taxable Property @ 12/31/14 (1) thru (5)	293,937,959	17,924,142	311,862,101.11
8				
9	State of Ohio Assessed Valuation @ 12/31/2014 (b)			124,541,910
10				
11	Assessed Valuation Percentage (9) / (7)	39.93%	39.93%	39.93%
12				
13	Plant in Service @ 12/31/16 (c)	324,367,624	-	324,367,624
14				
15	Less OWDA Property - Non Taxable (a)	(7,114,976)		(7,114,976)
16				
17	Add M & S Inventory (d)	1,074,239		1,074,239
18				
19	Taxable Property @ 12/31/16 (13) thru (17)	318,326,887	-	318,326,887
20				
21	Assessed Valuation @ 12/31/16 (11) x (19)	127,107,926	-	127,107,926
22				
23	Average Property Tax Rate - per \$1000 (e)	85.01	85.01	85.01
24				
25	Jurisdictional Ohio Property Tax	10,805,445	-	10,805,445
26				
27	Test Year Property Tax (f)	11,261,337		11,261,337
28				
29	Property Tax Adjustment (25) - (27)	\$ (455,892)	\$ -	\$ (455,892)

- (a) Applicant's 2015 Department of Taxation Annual Report
(b) Applicant's Workpaper WPC-3.16b
(c) Staff's Schedule B-2
(d) Staff's Data Request No. 96 at September 30, 2016
(e) Applicant's Workpaper WPC-3.16c
(f) Applicant's Schedule C-2.1

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR

Excise Tax

For the Twelve Months Ended December 31, 2016

Schedule C-3.20b
Page 1 of 1

Line No.	Purpose & Description	Adjusted Operating Income	Proforma Operating Income
1	To adjust the excise tax as shown on C-2.1, (A/C 408-13) page		
2	7, to reflect the current tax rate and test year revenue.		
3	Adjusted Operating Revenue (a)	\$ 62,801,542	\$ 68,405,636
4			
5	Less: Uncollectible Accounts Expense (3) x 1.02% (b)	# 640,576	697,737
6			
7	Less: Sales for Resale (3) x 2.504% (c)	# 1,528,590	1,664,993
8			
9	Total Ohio Taxable Receipts (3) through (7)	60,632,376	66,042,905
10			
11	Less: \$25,000 Exemption	25,000	25,000
12			
13	Net Taxable Receipts (9) - (11)	60,607,376	66,017,905
14			
15	Excise Tax at 4.75%	2,878,850	\$ 3,135,850
16			
17	Test Year Expense (d)	2,794,537	
18			
19	Total Adjustment	84,313	
20			
21	Jurisdictional Allocation Percentage	100%	
22			
23	Jurisdictional Amount	\$ 84,313	

- (a) Staff Schedule C-1
(b) Staff Schedule C-3.5
(c) Staff Schedule C-3.1 and C-2
(d) Applicant's Schedule C-2.1

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Federal Income Tax Adjustment
For the Twelve Months Ended December 31, 2016

Schedule C-3.21
Page 1 of 1

Line No.	Purpose & Description	Amount
1	To record the tax effect of all adjustments summarized on C-3 and to	
2	record Federal income taxes at the statutory rate of 35%.	
3		
4	C-2 Operating income	\$ 8,550,560
5	C-2 Add FIT	2,866,372
6	Pre-tax operating income	11,416,932
7		
8	C-3 Revenues	3,877,607
9	C-3 Operations and Maintenance	1,164,520
10	C-3 Depreciation and Merger Costs Amortization	(396,836)
11	C-3 Taxes other than income	431,769
12	Adjusted pre-tax operating income	16,493,993
13		
14	C-4 Jurisdictional interest expense	(3,922,677)
15	C-4 Jurisdictional book to tax adjustment	(3,370,704)
16	C-4 Other reconciling items	(8,554,560)
17	Adjusted taxable income	646,051
18		
19	Tax at 35%	226,118
20	C-4 Less investment tax credit	(16,720)
21	C-4 Deferred FIT	4,173,843
22	FIT on C-2 above	4,383,241
23		2,866,372
24		
25	Total Adjustment	1,516,869
26	Jurisdictional allocation percentage	100%
27		
28	Jurisdictional amount	\$ 1,516,869

WRW Attachment B

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Adjusted Jurisdictional Federal Income Taxes
For the Twelve Months Ended December 31, 2016

Schedule C-4
Page 1 of 2

Line No.	Description	At Current Rates Schedule C-3		At Proposed Rates	
		Unadjusted	Adjusted	Proforma Adjustments	Proforma
1	Operating income before FIT	\$ 11,416,932	\$ 5,077,061	\$ 16,493,993	\$ 21,777,445
2					
3	Reconciling items:				
4	Interest charges (a)	(3,252,347)	(670,330)	(3,922,677)	(3,922,677)
5					
6	Tax accelerated depreciation	(14,453,254)	2,885,671	(11,567,583)	(11,567,583)
7					
8	Book depreciation	7,800,043	396,836	8,196,879	8,196,879
9					
10	Excess of tax over book	(6,653,211)	3,282,507	(3,370,704)	(3,370,704)
11					
12	Other reconciling items:				
13	Repair Tax deduction	0	(8,554,560)	(8,554,560)	(8,554,560)
14					
15	Misc. Deferred Items	\$25,068	(25,068)	0	0
16					
17	Total reconciling items	(9,880,490)	(5,967,451)	(15,847,941)	(15,847,941)
18					
19	Taxable income	1,536,442	(890,391)	646,051	5,929,504
20					
21	Federal income taxes:				
22	Federal tax liability at 35%	537,755	(311,637)	226,118	2,075,326
23					
24	Investment tax credits (A)	0	0	0	0
25					
26	Federal income taxes - current	\$ 537,755	\$ (311,637)	\$ 226,118	\$ 2,075,326

(a) Staff Adjusted Equals Rate Base Times Weighted Cost of Debt

Aqua Ohio, Inc.
PUCO Regulated Water Divisions
Case No. 16-0907-WW-AIR
Adjusted Jurisdictional Federal Income Taxes
For the Twelve Months Ended December 31, 2016

Schedule C-4
Page 2 of 2

Line No.	Description	At Current Rates Schedule C-3		At Proposed Rates	
		Unadjusted	Adjustments	Adjusted	Proforma Adjustments
1	Deferred income taxes:				
2	Tax accelerated depreciation	\$ 14,453,254	\$ (2,885,671)	\$ 11,567,583	\$ 11,567,583
3					
4	Tax straight-line depreciation	7,800,043	396,836	8,196,879	8,196,879
5					
6	Excess of accelerated over				
7	straight-line depreciation	6,653,211	(3,282,507)	3,370,704	0
8					
9	Deferred income tax at 35%				
10	resulting from depreciation	2,328,624	(1,148,877)	1,179,747	0
11					
12	Deferred income tax at 35%	0	2,994,096	2,994,096	2,994,096
13	resulting from Repair Tax				
14	Amortization of prior years ITC	0	(16,720)	(16,720)	(16,720)
15					
16	Investment tax credit - net	0	2,977,376	2,977,376	0
17					
18					
19	Total deferred income taxes	2,328,624	1,828,499	4,157,123	0
20					
21					
22	Total Federal income taxes	\$ 2,866,379	\$ 1,516,862	\$ 4,383,241	\$ 1,849,208
					\$ 6,232,450

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Case No(s). 16-0907-WW-AIR

Summary: Testimony Direct Testimony of WM. Ross Willis on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Moore, Kevin F. Mr.