

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Aqua)	
Ohio, Inc., for Authority to Assess a System)	
Improvement Charge in the Lake / Masury /)	Case No. 19-567-WW-SIC
Prior American / Prior Mohawk / Prior)	
Tomahawk Properties)	

**SUPPLEMENTAL DIRECT TESTIMONY OF
ELAINE J. MARTIN
ON BEHALF OF AQUA OHIO, INC.**

1 **Supplemental Direct Testimony of**
2 **Elaine J. Martin**

3 **I. INTRODUCTION AND SUMMARY**

4 **Q1. Please introduce yourself.**

5 A. My name is Elaine J. Martin.

6 **Q2. Are you the same Elaine Martin who submitted Direct Testimony in this proceeding**
7 **on March 4, 2019?**

8 A. Yes.

9 **Q3. What is the purpose of your Supplemental Direct Testimony?**

10 A. My testimony supports the Stipulation and Recommendation, filed on August 20, 2019
11 (Stipulation), between Commission Staff and Aqua Ohio, Inc. (Aqua Ohio or the
12 Company), and addresses the Stipulation's compliance with the Commission's standards
13 for stipulations, namely that it is the product of serious negotiations among
14 knowledgeable parties, benefits customers and the public interest, and does not violate
15 any important regulatory principles or practices.

16 **Q4. Are you familiar with the Company's application and supporting materials in this**
17 **case?**

18 A. Yes. The application and exhibits were prepared by me or under my supervision, and I
19 am also familiar with the costs and investments included for recovery in this case and the
20 provisions of the Stipulation.

21 **II. THE STIPULATION**

22 **Q5. Briefly describe the Stipulation.**

23 A. Since the filing of the application in this case, Staff and the Company have engaged in a
24 number of discussions to address Staff's concerns regarding the proper scope of capital
25 improvements includable within a System Infrastructure Charge (SIC). The Stipulation,

1 which has been designated as Joint Exhibit 1.0, sets forth the resolution of those
2 discussions and establishes the SIC recommended for approval in this case. In addition,
3 the Stipulation includes Joint Exhibit 2.0, which are revised schedules in support of the
4 stipulated SIC, and Joint Exhibit 3.0, which are recommended final tariffs that
5 incorporate the stipulated SIC.

6 **Q6. What issues regarding the SIC does the Stipulation resolve?**

7 A. In its June 24, 2019 comments, Staff recommended a number of miscellaneous
8 adjustments to the SIC calculation, including corrections for various expenses,
9 retirements, and assets that were identified by the Company during the course of Staff's
10 investigation as not SIC eligible. These recommended adjustments would result in the
11 exclusion from the SIC of \$188,427 of plant additions and \$24,824 of plant retirements,
12 as identified in Attachment A, lines 1-16 and 19-35, of the Staff Comments. The
13 Stipulation memorializes the Company's agreement to the removal of these amounts,
14 which has been reflected in the revised schedules included in Joint Exhibit 2.0 and the
15 calculation of the stipulated SIC.

16 Additionally, the Staff Comments recommended the removal of costs associated
17 with two chemical feed systems at Aqua Ohio's Mentor and Ashtabula Water Treatment
18 Plants (see Attachment A, lines 17 and 18). After settlement discussions between the
19 Company, Staff, and OCC, in consideration of the documentation provided by Aqua Ohio
20 to Staff and OCC in support of the replacement costs of these chemical feed systems, in
21 the interest of resolving all issues raised in the Staff Comments in this proceeding, and
22 for purposes of this proceeding only, Staff agreed to withdraw its adjustments in
23 Attachment A, lines 17 and 18 of the Staff Comments, with the understanding that the

1 stipulated SIC does not include the costs to install the new potassium permanganate feed
2 system at Aqua Ohio's Ashtabula water treatment plant.

3 **Q7. Does the Company believe that the SIC charge agreed on in the Stipulation is**
4 **consistent with the scope of recovery authorized by R.C. 4909.172?**

5 A. Yes. I am not an attorney and am not testifying on the meaning of the law. But I can
6 testify to the facts that may be pertinent to the law as Aqua Ohio understands it. For a
7 waterworks company like Aqua, R.C. 4909.172(C)(1) provides that the "infrastructure
8 plant" includable in a SIC may consist of "capital improvements that the commission
9 determines are used and useful in rendering public utility service" that are "replacement
10 of existing plant including chemical feed systems, filters, pumps, motors, plant
11 generators, meters, service lines, hydrants, mains, and valves, main extensions that
12 eliminate dead ends to resolve documented water supply problems presenting significant
13 health and safety issues to then existing customers, and main cleaning or relining."

14 **Q8. Does the Company believe that the costs included for recovery in the stipulated SIC**
15 **are "used and useful in rendering public utility service"?**

16 A. Yes.

17 **Q9. Does the Company believe that the costs included for recovery in the stipulated SIC**
18 **constitute "replacement of existing plant"?**

19 A. Yes.

20 **Q10. Is the Stipulation a product of serious bargaining among knowledgeable parties?**

21 A. Yes. The Stipulation is the result of a serious and open review process, in which the
22 parties were represented by able, experienced counsel and had access to technical experts.
23 The Stipulation is the outcome of a lengthy process of investigation, discovery,
24 discussion, and negotiation. Moreover, although the Office of the Ohio Consumers'
25 Counsel (OCC) did not sign the Stipulation, OCC has agreed not to oppose the

1 Stipulation. OCC was invited to participate in, and was actively involved in, the
2 settlement discussions that led to the Stipulation. In short, the Stipulation represents a
3 comprehensive, reasonable resolution of the issues in this case by informed parties with
4 diverse interests.

5 **Q11. Does the Stipulation benefit ratepayers and is it in the public interest?**

6 A. Yes. The approval of the stipulated SIC supports Aqua Ohio's ability to continue to
7 provide reliable and accessible potable water that is of a safe and satisfactory quality, by
8 reducing the regulatory lag in recovering the capital investment needed to make large-
9 scale improvements to existing systems, which benefits the Company, its customers, and
10 the public interest. The Commission has stated, repeatedly, that it "believes that, on
11 balance, it is in the best interest of customers to fund the replacement of old waterworks
12 equipment on an accelerated basis in order to improve service quality." *In re Aqua Ohio,*
13 *Inc.*, Case No. 18-337-WW-SIC, Finding & Order, p. 15 (Feb. 6, 2019); *In re Aqua Ohio,*
14 *Inc.*, Case No. 15-863-WW-SIC, Finding & Order, p. 9 (Oct. 7, 2015). In addition, the
15 stipulated SIC is a reduction in the charge requested by Aqua Ohio (from 3.767 to 3.733
16 percent), and is materially lower than the 4.25 percent allowed by R.C. 4909.172.

17 **Q12. Does the Stipulation violate any important regulatory principle or practice?**

18 A. No. If the stipulated SIC is approved by the Commission, Aqua Ohio will not have more
19 than three infrastructure improvement surcharges in effect, in accordance with R.C.
20 4909.172(B)(2). In addition, as acknowledged in Paragraph 9 of the Stipulation, the
21 signatories consider the stipulated SIC to be just and reasonable, for purposes of this
22 proceeding and upon consideration of Aqua Ohio's Application and the information
23 provided to Staff and OCC during this proceeding, and is sufficient to recover the
24 infrastructure plant costs and revenue requirement reflected in the revised schedules

1 included in Joint Exhibit 2.0. For these reasons and the reasons identified above, I do not
2 believe that the Stipulation violates any important regulatory principle or practice.

3 **Q13. What is your recommendation to the Commission?**

4 A. I recommend that the Commission approve the Stipulation. The Stipulation represents a
5 fair, balanced, and reasonable compromise of diverse interests and provides a fair result
6 for customers, thereby meeting the Commission's criteria for adopting settlements.

7 **III. CONCLUSION**

8 **Q14. Does this conclude your supplemental direct testimony?**

9 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail this 30th day
of August, 2019, to the following:

amy.botschner.obrien@occ.ohio.gov
ambrosia.logsdon@occ.ohio.gov
bryce.mckenney@occ.ohio.gov
robert.eubanks@ohioattorneygeneral.gov
steven.beeler@ohioattorneygeneral.gov
anna.sanyal@puco.ohio.gov
lauren.augostini@puco.ohio.gov

/s/ Rebekah J. Glover

One of the Attorneys for Aqua Ohio, Inc.

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Summary: Text Direct Supplemental Testimony of Elaine J. Martin electronically filed by Ms. Rebekah J. Glover on behalf of Aqua Ohio, Inc.