

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Akron)
Thermal, Limited Partnership for an) Case No. 09-453-HT-AEM
Emergency Increase in its Rates and Charges)
for Steam and Hot Water Service.)

In the Matter of the Application of Akron)
Thermal, Limited Partnership for Approval) Case No. 09-442-HT-AEC
of a Modification to an Existing)
Arrangement.)

In the Matter of the Application of Akron)
Thermal, Limited Partnership for Approval) Case No. 09-441-HT-AEC
of an Arrangement with an Existing)
Customer.)

In the Matter of the Application of Akron)
Thermal, Limited Partnership to Issue Three) Case No. 09-414-HT-AIS
Promissory Long-Term Notes.)

In the Matter of the Application of Akron)
Thermal, Limited Partnership for Approval) Case No. 09-315-HT-ATA
of Revised Tariffs.)

Surrebuttal Testimony
of
Stephen E. Puican

Rates & Tariffs/Energy & Water Division of the
Utilities Department of
The Public Utilities Commission of Ohio
Staff Exhibit ____

July 17, 2009

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1 SURREBUTTAL TESTIMONY OF STEPHEN E. PUICAN

2 1. Q. Would you please state your name and business address?

3 A. My name is Stephen E. Puican. My business address is 180 East Broad Street,
4 Columbus, Ohio.

5 2. Q. Are you the same Stephen E. Puican that previously submitted testimony in
6 this proceeding?

7 A. Yes.

8 3. Q. What is the purpose of your surrebuttal testimony?

9 A. I testified previously that the Commission should not grant Akron
10 Thermal's requested emergency rate increase. That recommendation was
11 based on the conclusion by Staff witness Hodgden that even with the
12 emergency rate increase, Akron Thermal could not justify a revenue
13 requirement in a subsequent permanent rate case application that would be
14 sufficient to cover its existing financing costs. Akron Thermal's witness
15 Jeffrey Bees subsequently filed rebuttal testimony revising some of the
16 numbers on which Staff witness Hodgden's conclusions were based. As a
17 result I believe it is appropriate to comment on whether those revisions
18 would affect my previous recommendation that the emergency increase
19 should not be approved.

20 4. Q. Based on Mr. Bees rebuttal testimony, did Mr. Hodgden revise his prior
21 conclusion that Akron Thermal would not be able to justify a revenue
22 increase in a permanent base rate proceeding which would be sufficient to

1 cover its operating expenses and debt service obligations?

2 A. Staff witness Hodgden submitted surrebuttal testimony that concluded that,
3 based on the modifications described in Mr. Bees' rebuttal testimony, a rate
4 increase that generated \$3,797,831 would be sufficient to cover Akron
5 Thermal's operating expenses and debt service obligations. This increase is
6 within the \$3,995,120 that Mr. Hodgden calculated previously in his direct
7 testimony that potentially could be justified in a permanent base rate
8 proceeding.

9 5. Q. Does that conclusion change your previous recommendation?

10 A. It does not. Although the Company may be able to survive a while longer
11 with the increase, I do not believe it changes the overall prospects for the
12 long-term viability of Akron Thermal. The likelihood that the proposed
13 rates will generate the required revenues is dependent on the stability of the
14 current customer base such that any further loss of customers will require
15 additional rate increases. As discussed in my pre-filed testimony, if the
16 proposed emergency rates are approved, tariff customers would be facing
17 extremely large rate increases in the midst of one of the worst recessions
18 since the Great Depression. A rate increase of this magnitude would almost
19 certainly cause customers to re-evaluate the economics of staying with
20 Akron Thermal vs. other alternatives. Some business customers without
21 alternatives may even be forced to close. In either case, the long-term
22 stability of the current customer base is questionable at best. Given this

1 uncertainty as to Akron Thermal's long-term viability, the Commission
2 should not approve the proposed emergency surcharge. That would at least
3 have the benefit of sparing Akron Thermal's customers from burdensome
4 rate increases that do not in any event ensure the survival of Akron
5 Thermal.

6 6. Q. What do you believe would be the consequence if the Commission rejects
7 the proposed rate increase?

8 A. I believe Akron Thermal would no longer be able to provide service to its
9 customers and would be forced to close its operations.

10 7. Q. In that event, would steam service to customers be jeopardized?

11 A. According to the testimony of Richard Merolla on behalf of the city of
12 Akron, the city has entered into an arrangement with Akron Energy
13 Systems, LLC to operate the system should Akron Thermal cease
14 operating. Akron Energy Systems, LLC is an affiliate company of
15 Cleveland Thermal Steam Distribution, LLC, a PUCO regulated utility
16 providing steam service to customers in Downtown Cleveland. That
17 arrangement is described as an interim arrangement that is designed to
18 permit the City to obtain the necessary assistance and support to continue
19 operation of the steam facilities in the event Akron Thermal ceases to
20 operate. I believe with this arrangement, there will be continuity of service
21 in the event the Commission rejects Akron Thermal's emergency rate
22 increase.

1 8. Q. Does this conclude your surrebuttal testimony?

2 A. Yes, it does.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the **Surrebuttal Testimony of Stephen E. Puican** was served this 17th day of July, 2009 by electronic mail or, where no e-mail address is available, by regular U.S. mail, postage prepaid, or by hand delivery, upon the persons listed below.

/s/ Thomas W. McNamee

Thomas W. McNamee

Samuel C. Randazzo
Gretchen Hummel
Lisa G. McAlister
Joseph M. Clark
McNees Wallace & Nurick LLC
21 E. State Street, 17th Floor
Columbus, OH 43215
sam@mwncmh.com
ghummel@mwncmh.com
lmcAlister@mwncmh.com
jclark@mwncmh.com

Linda Murphy
Attorney for the County of Summit
Executives' Office
175 S. Main Street, 8th Floor
Akron, OH 44308
LMurphy@Summittoh.net

E. Brett Breitschwerdt
Matthew W. Wamock
Bricker & Eckler LLP
100 S. Third Street
Columbus, OH 43215
ebreitschwerdt@bricker.com
mwamock@bricker.com

Daniel R. Conway
Porter Wright Morris & Arthur LLP
41 S. High Street
Columbus, OH 43215
dconway@porterwright.com

Glenn S. Krassen
Bricker & Eckler LLP-
1375 E. Ninth Street, Suite 1500
Cleveland, OH 44114
gkrassen@bricker.com

Barth E. Royer
Bell & Royer Co. LPA
33 South Grant Avenue
Columbus, OH 43215-3927
barthroyer@aol.com

Christopher Niekamp
Bernlohr Aprtz, LLP
The Nantucket Building
23 South Main Street, Third Floor
Akron, Ohio 44308-1822
cjh@b-wlaw.com

Joseph F. Hutchinson, Jr.
Kelly S. Borgan
Baker & Hostetler LLP
3200 National City Center
1900 East Ninth Street
Cleveland, Ohio 441140485
jhutchinson@bakerlaw.com
kborgan@bakerlaw.com