

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of: :
: Case No. 09-0560-WW-AIR
In the Matter of that :
Application of Aqua Ohio, :
Inc. for Authority to :
Increase its Rates and :
Charges in the Masury :
Division. :

- - -

PROCEEDINGS

before Mr. Jay Agranoff, Attorney Examiner, at the
Public Utilities Commission of Ohio, 180 East Broad
Street, Room 11-D, Columbus, Ohio, called at 10:00
a.m. on Wednesday, April 14, 2010.

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5 Columbus, Ohio 43215

6 On behalf of the Company.

7 Janine L. Migden-Ostrander
8 Ohio Consumers' Counsel
9 By Mr. Michael E. Idzkowski
10 Ms. Melissa R. Yost
11 Ms. Jody Kyler
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13 Columbus, Ohio 43215-3485

14 On behalf of the Residential
15 Consumers of Aqua Water..

16 Richard Cordray, Ohio Attorney General
17 Duane W. Luckey, Senior Deputy
18 Attorney General
19 By Mr. John H. Jones
20 and Ms. Sarah Parrot
21 180 East Broad Street
22 Columbus, Ohio 43215-3793

23 On behalf of the Staff of the Public
24 Utilities Commission.

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THE ATTORNEY EXAMINER: The Public Utilities Commission of Ohio has assigned for hearing at the time of place Case No. 09-0560-WW-AIR, In the Matter of that Application of Aqua Ohio, Inc. for Authority to Increase its Rates and Charges in the Masury Division.

My name is Jay Agranoff, and I am the attorney-examiner assigned to preside over this particular case.

At this point in time I will take the appearances of the parties.

MR. YURIK: On behalf of the applicant,
John W. Bentine and Mark S. Yurick, with the law firm
of Chester, Willcox & Saxbe, 65 East State Street,
Columbus, Ohio 43215.

THE ATTORNEY EXAMINER: Thank you.

On behalf of the Ohio Consumers' Counsel.

MR. IDZKOWSKI: Yes, Your Honor. On behalf of in the Ohio Consumers' Counsel and the residential customers of the Company, the Ohio Consumers' Counsel, Janine Migden-Ostrander, by Michael Idzkowski and Jody M. Kyler, 10 East Broad

1 Street. Columbus, Ohio, 43215.

2 THE ATTORNEY EXAMINER: On behalf of the
3 Commission staff.

4 MR. JONES: On behalf of the staff of the
5 Public Utilities Commission of Ohio, Attorney General
6 Richard Cordray, Assistant Attorneys General Sarah
7 Parrot and John Jones, 180 East Broad Street,
8 Columbus, Ohio, 43215.

9 THE ATTORNEY EXAMINER: Thank you.

10 As we are all aware, the evidentiary
11 hearing has been scheduled a couple of times and been
12 rescheduled as the parties continued to work through
13 their negotiations of a Stipulation to resolve the
14 issues that are pending in this particular case. It
15 is my understanding at this point in time the parties
16 have reached an agreement in terms of a Stipulation.

17 MR. YURIK: That's correct, your Honor.

18 THE ATTORNEY EXAMINER: Thank you. I
19 know the essence of this morning's hearing will be
20 for purposes of admitting the Stipulation and having
21 a sponsoring witness for that Stipulation.

22 Before we actually proceed with that
23 particular matter, I want to make sure from a
24 housekeeping standpoint specific to the evidentiary
25 admission of the pertinent documents and previously

1 filed testimonies and Staff Report that we mark those
2 exhibits accordingly and move for their admission.

3 I assume that parties have stipulated
4 that that is the appropriate manner for purposes of
5 having those particular documents admitted into the
6 record?

7 MR. JONES: Yes, your Honor.

8 MR. YURIK: That's correct, your Honor.

9 MR. IDZKOWSKI: That's right.

10 THE ATTORNEY EXAMINER: I will go down
11 the row for each of the parties. With respect to the
12 applicant.

13 MR. YURIK: With respect to the
14 applicant, Joint Exhibit 1 is the Stipulation filed
15 in this matter April 13, 2010. That's Joint Exhibit
16 1. Also on behalf of the Aqua Exhibit 1 is the
17 testimony of was Richard A. Hideg. Exhibit 2 is the
18 David R. Monie. Aqua Exhibit 3 is the testimony of
19 Theodore C. Russell, Aqua Exhibit 4 is the testimony
20 of Robert A. Kopas. That testimony was filed in the
21 case-in-chief, and Aqua Exhibit 5 is the testimony of
22 Robert G. Liptak.

23 Aqua Exhibit 6 is the direct testimony of
24 Robert A. Kopas. That Kopas testimony, which is
25 identified as Aqua Exhibit 6, was filed in this

1 docket on April 6, 2010. And also finally the direct
2 testimony of Pauline M. Ahern is Aqua Exhibit No. 7.

3 THE ATTORNEY EXAMINER: With respect to
4 all of the aforementioned testimonies, those were all
5 previously prefiled testimony in the docket in this
6 proceeding?

7 MR. YURIK: That's correct, your Honor.

8 THE ATTORNEY EXAMINER: Would you like to
9 move for the admission of the aforementioned exhibits
10 at this time?

11 MR. YURIK: I like to move for the
12 admission of the aforementioned exhibits, your Honor.

13 MR. JONES: No objection, your Honor.

14 MR. IDZKOWSKI: I don't know if counsel
15 noted the application, if he wished to move that.

16 MR. YURIK: We can make that Aqua
17 Exhibit No. 8 and move that into evidence at this
18 time.

19 Thank you, Mike.

20 THE ATTORNEY EXAMINER: There being no
21 objection, the aforementioned exhibits, which would
22 be Aqua Exhibits 1 through 8, as well as the Joint
23 Exhibit No. 1 shall be admitted as part of the record
24 at this time.

25 (EXHIBITS ADMITTED INTO EVIDENCE.)

1 THE ATTORNEY EXAMINER: Now, with respect
2 to Ohio Consumers' Counsel.

3 MR. IDZKOWSKI: Yes, Your Honor, thank
4 you. Your Honor, we have four exhibits. Exhibit 1,
5 OCC Exhibit 1, that is, is the Direct Prefiled
6 Testimony of Steven B. Hines. OCC Exhibit 2 is the
7 Direct Prefiled Testimony of Amr A. Ibrahim. OCC
8 Exhibit 3 OCC is the Direct Prefiled Testimony of
9 Daniel J. Duann, and OCC Exhibit 4 is the Prefiled
10 Direct Testimony of James D. Williams, as noted in
11 the Stipulation paragraph 14. We would so then move
12 those into evidence, your Honor.

13 THE ATTORNEY EXAMINER: Any objection?

14 MR. YURIK: No objection, Your Honor.

15 MR. JONES: No objection.

16 THE ATTORNEY EXAMINER: There being none,
17 the aforementioned exhibits, OCC Exhibits 1 through
18 4, shall be admitted as part of the record at this
19 time.

20 (EXHIBITS ADMITTED INTO EVIDENCE.)

21 THE ATTORNEY EXAMINER: With respect to
22 staff.

23 MR. JONES: Thank you, your Honor. On
24 behalf of the Commission staff we would like to have
25 marked as Staff Exhibit 1 the Staff Report of

1 Investigation filed in this case on January 21, 2010
2 and would like to move for the admission of Staff
3 Exhibit 1 into this record.

4 THE ATTORNEY EXAMINER: I do have one
5 question with respect to the Staff Report. I know
6 that there were some updates.

7 MR. JONES: Yes, Your Honor. As provided
8 in the Joint Exhibit 1, the Stipulation and
9 Recommendation, there's been some modification to the
10 Staff Report of Investigation as indicated in
11 Stipulation Attachment 1, Stipulation Attachment 2,
12 being schedules A1 and C1, as well as any terms and
13 conditions that would otherwise modify the Staff
14 Report of Investigation. We would like to note that
15 for the record, your Honor.

16 THE ATTORNEY EXAMINER: Thank you.

17 Any objection the to admission of Staff
18 Exhibit 1?

19 MR. YURIK: No objection, Your Honor.

20 MR. IDZKOWSKI: No, your Honor.

21 THE ATTORNEY EXAMINER: There being none,
22 Staff Exhibit 1 shall be admitted as part of the
23 record at this time and shall also have admitted any
24 you updates that are incorporated within the Joint
25 Exhibit 1 that correspond to Staff Exhibit 1.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 THE ATTORNEY EXAMINER: Now that we have
3 taken care of the evidentiary issues, if we could
4 please proceed with the calling of whoever is
5 sponsoring this exhibit at this point. I know it was
6 identified as Mr. Kopas.

7 MR. YURIK: Yes. In order to sponsor the
8 direct testimony of Robert A. Kopas, which has been
9 previously been admitted as Aqua Exhibit 6, the
10 company at this point would call Robert G. Liptak.

11 - - -

12 ROBERT G. LIPTAK
13 being first duly sworn, as prescribed by law, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 By Mr. Yurik:

17 Q. Good morning, Mr. Liptak. Could you
18 please state your full name for the record.

19 A. Robert G. Liptak, L-I-P-T-A-K.

20 Q. How are you currently employed, sir?

21 A. I'm president of Aqua Ohio.

22 Q. And how long have you been employed in
23 that capacity?

24 A. Four months.

25 Q. Okay. Showing you what has previously

1 been marked and admitted as Aqua Exhibit 6, is that
2 the Direct Testimony Robert A. Kopas filed in the
3 present matter on April 6, 2010?

4 A. Yes, it is.

5 Q. Does Mr. Kopas work with you, sir?

6 A. Yes, he does.

7 Q. Could you explain your working
8 relationship or what capacity you work together?

9 A. Yes. Up until this last four-month
10 transitional period, I was a regional president of
11 Aqua America in charge of what we call our northern
12 operations, and Bob was the regional controller or
13 the top financial person for me in that region.

14 Q. Have you reviewed what has previously
15 been marked and admitted as Aqua Exhibit 6?

16 A. Yes, I have.

17 Q. And do you have independent personal
18 knowledge of the matters set forth in that testimony?

19 A. I do.

20 Q. And are all of the matters set forth in
21 what has previously been marked and admitted as Aqua
22 Exhibit 6 true and accurate to the best of your
23 knowledge?

24 A. Yes.

25 Q. Are you able to adopt this testimony and

1 sponsor it as your own at this point?

2 A. Yes.

3 Q. Are there any corrections, modifications,
4 additions or edits that you would like to make to the
5 testimony at this time?

6 A. No.

7 MR. YURIK: Your Honor, I would make the
8 witness available for cross. The exhibit, which is
9 the prefiled testimony, has already been marked and
10 admitted so I don't need to move for the admission.
11 I will make the witness available for cross.

12 THE ATTORNEY EXAMINER: Thank you.

13 Are there any questions from counsel of
14 either OCC or the staff?

15 MR. JONES: No, questions, Your Honor.

16 MR. IDZKOWSKI: No questions, your Honor.

17 THE ATTORNEY EXAMINER: Thank you.

18 - - -

19 EXAMINATION

20 By The Attorney Examiner:

21 Q. You came all the way out here. I don't
22 want to make you feel as if it was for naught so I
23 will ask you some questions.

24 A. Okay, very good. Yes, sir.

25 Q. The first question, you may or you may

1 not know the answer to this, but I will try. Back in
2 Case No. 07-564-WW-AIR, which I believe was the last
3 with respect to the Lake Erie Division, there was a
4 reference in that particular order with respect to
5 the inclusion of the OCC contact information relative
6 to the Commission's directing the company to publish
7 notice of the filing of an application to increase
8 rates and the notice of the public and evidentiary
9 hearings in a rate proceeding for Aqua Ohio, and
10 there was a reference there saying that that issue
11 was going to be dealt with in the next Aqua Ohio
12 application seeking a rate increase.

13 Do you know whether or not that issue was
14 addressed in this particular proceeding?

15 A. I do not.

16 MR. YURIK: I may be able to help, your
17 Honor. If your Honor could address his attention to
18 Appendix B of Joint Exhibit 1, which is the
19 Stipulation and Recommendation.

20 THE ATTORNEY EXAMINER: I'm there.

21 MR. YURIK: If your Honor could direct
22 your attention to numbered paragraph 1, at the bottom
23 of that paragraph, which is the Summary of Customer
24 Rates and Obligations, the OCC's contact number has
25 been added there. Does that answer the question?

1 THE ATTORNEY EXAMINER: Yes. I wanted to
2 make sure since that was delegated for the next Aqua
3 rate case it was addressed in some capacity. That
4 suffices for my purposes.

5 Q. If you could turn to page 6 of the
6 Stipulation.

7 A. Of the Stipulation, your Honor?

8 Q. Yes, sir, on page 6.

9 A. I have it.

10 Q. And I want to make sure I understand
11 specifically the structure of the proposed rate
12 increases and then what I believe is a rate decrease
13 in year 4; is that correct?

14 A. Yes.

15 Q. Okay. So in year four the rates will
16 then decrease 21.45 percent below that which would
17 have existed in year three.

18 A. Yes.

19 Q. Can you explain for me a little bit the
20 rationale for why the proposed rate structures are
21 premised the way they are rather than possibly just
22 having lesser increases over a four-year period,
23 rather than the higher increases for three and then a
24 drop in year four?

25 A. I believe it's a way of trying to almost

1 actuarially handle the timing of the rate increases
2 over the four-year period to allow for the fact that
3 the company is not recovering the total amount of the
4 revenue allowances in year one.

5 So I'm not going to get the proper
6 accounting term but there are basically carrying
7 charges, I believe, that are figured into the period
8 of time in which the full revenue requirement is not
9 being recovered. They are being recovered in
10 subsequent years. And in the way it was handled in
11 the particular calculation that the parties agreed
12 to, this is the way it fell out. Could there have
13 been another way of doing it? I imagine yes.

14 Q. With respect to the billing issue which
15 is discussed towards the bottom of page 6 in
16 paragraph 9B, if I understand correctly, just from my
17 reading of this, are any of your customers currently
18 being billed on a monthly basis in the Masury
19 Division?

20 A. I believe there are some large customers
21 that receive a monthly bill. I don't know, your
22 Honor, the number or the size of those customers, but
23 I do believe there are some large customers that
24 receive a monthly bill.

25 Q. And obviously the intent through this

1 Stipulation is to gravitate the bulk of your customer
2 base now, including all residential customers, over
3 to a monthly billing cycle.

4 A. Yes.

5 Q. How are they currently being billed?

6 A. They are being billed bimonthly.

7 Q. Is there a reason why the criteria of
8 95 percent is being utilized in this particular
9 Stipulation and not 100 percent if the same billing
10 system is going to be utilized across the entire
11 division?

12 A. I believe the purpose of the Stipulation
13 was to make -- this particular provision was to make
14 sure that the monthly billing was instituted and
15 operational over the period of time, and this
16 particular threshold was set as a way of saying that
17 would give everybody a confidence level that was
18 being done, but recognizing also there might be some
19 situations where, for whatever reason, a monthly bill
20 wouldn't be rendered. I fully anticipate we will be
21 getting every customer a monthly bill, but the
22 threshold was set at 95 percent.

23 Q. But the intent is that the billing system
24 that will be utilized to meet this threshold would be
25 the same billing system for all customers.

1 A. Absolutely, absolutely.

2 Q. Is this a new billing system?

3 A. No, it is not new. We are using the same
4 billing system but we will be sending 12 bills
5 instead of six.

6 Q. There isn't foreseen there would be a
7 technical glitch.

8 A. No, I foresee no problem making this
9 conversion to monthly billing.

10 Q. And with respect to the verification of
11 this anticipated threshold, how will this be
12 verified?

13 A. I think we will provide our actual
14 billing information to the parties in the case
15 showing that each customer has received a monthly
16 bill.

17 Q. Is there a particular customer base these
18 calculations are being premised off of to the extent
19 your customer base may increase or decrease in
20 numbers?

21 A. I would think if they increase or
22 decrease, that the 95 percent would apply to that new
23 number in that particular month. So if we added ten
24 customers, we ought to be able to bill 9-1/2 of those
25 ten customers on a monthly basis.

Q. If you could turn to page 7 of the Stipulation, please. You may or may not know the answer to this. This may be something counsel has more knowledge regarding.

But in the middle of that particular page there's a reference there that neither staff nor Aqua Ohio shall oppose OCC's intervention in any PUCO proceeding related to the \$50,000 contribution by Aqua Ohio pursuant to this provision. Do you see that reference?

A. I do see it.

Q. I'm just curious as to what might be contemplated with regards to OCC's intervention since OCC is already currently a party to this particular proceeding? Is it contemplated there's going to be another potential proceeding that may be tangentially related to this?

MR. YURIK: The verbiage there is intended, your Honor, if you look a little bit further down the paragraph, except for enforcing that provision, OCC is not going to either file or intervene in any case that relates to Aqua's failure to bill monthly prior to the adoption of the Stipulation with the conditions as set forth therein.

I wanted to make sure that OCC did have

1 an opportunity if Aqua did not pay the \$50,000 fee,
2 that there was no question that OCC could intervene
3 or file an additional complaint. If the staff were
4 to file that complaint or a noncompliance case based
5 on the failure of Aqua to appropriately pay the
6 \$50,000, OCC would certainly be able to intervene in
7 that without violating the verbiage that provides
8 they won't intervene or file a complaint based on
9 prior noncompliance. Does that make sense?

10 MR. JONES: It is forward looking, your
11 Honor, as far as enforcement.

12 THE ATTORNEY EXAMINER: Okay. But the
13 potential could be whatever enforcement action could
14 be taken would occur in the context of potentially
15 this proceeding which OCC is already a party?

16 MR. JONES: That's correct, Your Honor.

17 MR. YURIK: Correct, I don't know how
18 staff would do this. If staff were to file a
19 noncompliance case, a new case on the failure to pay
20 the \$50,000, that would not be encompass the
21 prohibition of OCC going back.

22 THE ATTORNEY EXAMINER: I just wanted to
23 make sure the record was clear to the extent -- we
24 hope there won't be this issue but to the extent --

25 MR. YURIK: Clearer is better, your

1 Honor. Thank you very much.

2 Q. If you could please turn, sir, to page 8
3 of the Joint Stipulation, and specifically what I'm
4 focused on is your statement in paragraph 12 that
5 states Aqua Ohio will seriously consider merging the
6 Masury Division with one of its other divisions prior
7 to the filing its next application for an increase in
8 rates for the Masury Division.

9 A. Yes.

10 Q. Two questions with respect to that.
11 First, what this seriously means and how does that
12 actually get quantified when making such an analysis
13 of satisfying that particular commitment?

14 A. I would envision prior to our next case,
15 which we now know for Masury won't be in less than
16 three and a half years roughly for the next filing,
17 we would come down to the Commission with some
18 informal discussions with the OCC and the staff with
19 respect to our Masury Division perhaps being rolled
20 into a larger filing for either the Lake Erie
21 Division for perhaps the Struthers Division.

22 And we will have some information at that
23 time with respect to what that would mean with
24 respect to those respective rates for those divisions
25 and how the customers might be impacted and show some

1 information on whether or not it makes sense to merge
2 this smaller division into one of the larger
3 divisions and get all the benefits you get from that
4 of not having to do separate rate cases, separate
5 rate filings, and looking at the pluses and minuses
6 of making that kind of merger of the two divisions.

7 Q. Okay. In the context of your last
8 statement, you kind of answered my question. What
9 are the potential benefits of those type of
10 commitment?

11 A. Not as many rate filings as separate
12 divisions and merging the divisions in some way that
13 makes sense for the customers and the company, for
14 everybody involved.

15 Q. Does that potentially allow the customers
16 to avail themselves of the economies of scale and
17 scope?

18 A. Absolutely.

19 Q. If you could turn to page 10 of the Joint
20 Stipulation, please, specifically paragraph 16, and
21 this may also be a question more to counsel than it
22 is for you. But I don't believe the docket card
23 currently reflects the filing of the proof of
24 publication for the local hearing. Does anyone know
25 if and when that particular proof of publication will

1 be submitted?

2 MR. YURIK: I don't. But I would imagine
3 that we have proof of publication or could obtain
4 that fairly quickly and will certainly get that filed
5 in the docket. You know, it was -- I know it was
6 properly noticed, but we can have that proof of
7 publication docketed in fairly short order. I'm sure
8 we either have it or can obtain it.

9 THE ATTORNEY EXAMINER: Okay. Why don't
10 we add that to our list of exhibits and if we could,
11 have it as a late-filed exhibit and have that as --

12 MR. YURIK: I think that would be Aqua 9.

13 THE ATTORNEY EXAMINER: Aqua 9.

14 Q. If you could please turn to what I
15 believe is attachment 2, and I want to just make sure
16 for my own knowledge I understand what is being
17 utilized here. For purposes of a rate of return in
18 the context of the Joint Stipulation, is 7.80 percent
19 the presumed rate of return, or is that just for your
20 one?

21 MR. YURIK: My understanding of that 7.8
22 rate of return is that that's the utilized rate of
23 return coming up with sort of the levelized correct
24 adjusted operating revenues of \$800,469. So what the
25 Stipulation does is takes the levelized total

1 operating revenue for the three years and phases that
2 number in with carrying costes to be kind of
3 encapsulated in that three-year period.

4 If you look at the phase-in in year
5 three, the revenues received by the company are going
6 to be more than that \$800,469 number to make up for
7 the fact the in years one and years two the company
8 will be getting less than that the \$800,469,
9 considering that third year number is carrying costs.

10 Now, in the fourth year the rates drops
11 down so that the company receives an operating
12 revenue of \$800,469, which is why the decrease from
13 year three. So we creep up during the three-year
14 period to a level, frankly, in year three that if it
15 hadn't been for the fact there is a phase-in, year
16 three would be higher than the company's allowed
17 operating revenues, and then it drops down in year
18 four for the allowable level using the 7.8 percent
19 rate of return. That's my understanding of it.

20 MR. JONES: Your Honor, that's staff's
21 understanding, that 7.8 is the rate of return
22 levelized over those years.

23 THE ATTORNEY EXAMINER: Is it basically
24 then fair to say that the 7.8 percent rate of return
25 is the average that results over this four-year

1 period of time?

2 MR. YURIK: Yes. If one were to take all
3 of the revenue received over this four-year period,
4 add it up, divide by 4 and adjusting for carrying
5 costs, that it would be the -- the company would be
6 receiving the same revenue as if it received \$800,469
7 in revenue each of those four years.

8 Is that correct, John?

9 MR. JONES: That's correct, your Honor.

10 THE ATTORNEY EXAMINER: Does OCC concur
11 with that interruption?

12 MR. IDZKOWSKI: I think, your Honor, I
13 don't know that you can call it an average. It is
14 part of a formula for calculating revenue, and it is
15 certainly part of the overall input into reaching the
16 numbers for revenue that we have in the Stipulation.
17 I don't know that the years if you were to take them
18 and compare them would be -- would provide an average
19 in the way we think of average, looking at one year
20 two year, three year, four year, period adding
21 together and saying this is the four-year rate of
22 return. Does that make sense?

23 THE ATTORNEY EXAMINER: I'm trying to
24 understand the context then of what the 7.80 percent
25 rate of return truly signifies and how that actually

1 gets incorporated in the context of what we are
2 ultimately using for a rate structure over the
3 four-year period of time. My understanding if one
4 were to use the 7.8 percent rate of return without
5 the phase in that, in year one the company would be
6 receiving 7.8 percent in a traditional kind of rate
7 case without a phase in, and that as least based on
8 the test year numbers and discounting for adjustments
9 for rate of return, whatever.

10 If you took a traditional rate case over
11 a three-year period and the company were to receive
12 7.8 percent as their rate of return, that all other
13 things being equal, that the number, the amount of
14 revenue that the company would receive over those
15 three years, the amount that the company would
16 receive over three years based on the calculations
17 we've done would be equal. That was the intent.

18 MR. JONES: You would still arrive at the
19 7.8 percent rate of return at the end of the four
20 years.

21 THE ATTORNEY EXAMINER: But nobody knows
22 specifically what the real rate of return is in year
23 one, do we? It's obviously less than the
24 7.8 percent?

25 MR. YURIK: Yes.

1 THE ATTORNEY EXAMINER: But for purposes
2 of this document, nobody has quantified what that
3 number is.

4 MR. YURIK: My understanding the way this
5 was quantified, we assumed that the company would be
6 afforded a 7.8 percent rate of return and took a
7 snapshot of what a four-year time span would be with
8 the 7.8 percent rate of return, and that that -- the
9 financial condition of the company had that been done
10 and the financial condition of the company with what
11 we actually came up with would be equal. So it was
12 an attempt to normalize that revenue stream for the
13 company while buffering the impact of those increases
14 over a period of time to the customers.

15 THE ATTORNEY EXAMINER: Basically you
16 knew what the end result was and you were trying to
17 back into it.

18 MR. YURIK: Correct.

19 THE ATTORNEY EXAMINER: But the reality
20 of it is, at the end of the four-year period of time,
21 you should be ending up with the 800 and some odd
22 thousand dollars worth of revenue.

23 MR. YURIK: Correct. And my
24 understanding is, all other things being equal, that
25 would be the revenue number in year four. That's the

1 decrease from year three levels because year three
2 levels will look higher than that because the company
3 is receiving a true-up for the fact that in years one
4 and two that the revenues will be lower than would
5 have been authorized had there been a 7.8 percent
6 rate of return approved.

7 THE ATTORNEY EXAMINER: So the revenue
8 requirement of 800 some odd thousand dollars a year
9 is not going to be satisfied in year one.

10 MR. YURIK: Correct.

11 THE ATTORNEY EXAMINER: It will not be
12 satisfied in year two.

13 MR. YURIK: Correct, all other things
14 being equal.

15 THE ATTORNEY EXAMINER: It will be
16 staffed in year three.

17 MR. YURIK: It will be satisfied in year
18 three, and also in year three, based on the rate
19 structure, the company will receive a true-up for
20 years one and two.

21 THE ATTORNEY EXAMINER: So technically it
22 will be making it a little bit more.

23 MR. YURIK: Correct.

24 THE ATTORNEY EXAMINER: Then in year four
25 there will be a decrease below the \$800,000.

1 MR. YURIK: Correct. It will back down
2 to where the company would have been, all other
3 things being equal, based on the test year there was
4 a 7.8 rate of return.

5 THE ATTORNEY EXAMINER: Does counsel from
6 either OCC or staff care to ask any questions
7 relative to conversations that we just had?

8 MR. IDZKOWSKI: To the witness, your
9 Honor?

10 THE ATTORNEY EXAMINER: To the witness or
11 to me, however you want to approach it.

12 MR. IDZKOWSKI: No, your Honor. I think
13 we understand how the rate increases were calculated.
14 From OCC's calculations, though, I know that we
15 anticipate in year one a cumulative increase -- in
16 the first year of 28.3 percent, a cumulative increase
17 in the second year of 67.6 percent, by the third year
18 a cumulative increase of 84.9 percent, and then the
19 fourth year a decrease, so there would be a
20 cumulative increase of 63.45 percent. So the total
21 to the customer of the effect would be a
22 63.45 percent increase.

23 MR. JONES: No questions by staff, your
24 Honor.

25 THE ATTORNEY EXAMINER: Mr. Yurick, do

1 you concur with what OCC just stated?

2 MR. YURIK: I think so, if I understand
3 it correctly. There would be a 28.3 percent increase
4 in year one. There will be a 28.3 percent increase
5 from year one to year two. There will be a
6 28.3 percent increase from two year levels to year
7 three, and then there will be a decrease from year
8 three levels of 21.45 percent.

9 MR. JONES: Your Honor, I would add that
10 that calculation is in accordance with paragraph 6 of
11 the Stipulation. It lays out those percentages for
12 the first three years and the decrease in the fourth
13 year.

14 MR. YURIK: The only reason I mention
15 that, your Honor, and I could be wrong -- I don't
16 think I am -- but counsel for OCC, if you take
17 28.3 and then another 28.3, you get 56.6, and if you
18 add another 28.3, you get 84.9.

19 My concern or the reason that I said that
20 is, my understanding of the way this works you take
21 current levels and increase them by 28.3 percent in
22 year one. And in year two you take year one's
23 numbers, that will be slightly higher than current
24 levels, and increase those by 28.3 percent.

25 So it is more of a geometric sort of

1 progression. If I can remember my high school
2 algebra correctly, it is more of a geometric
3 progression than a straight arithmetic progression.
4 It will be slightly more than a 56.6 percent increase
5 from current years in year two because you have this
6 ratcheting up effect or cumulative effect of the
7 28.3 percent increases?

8 Does that make any sense? Maybe I'm
9 wrong about that. That was my understanding of it.

10 THE ATTORNEY EXAMINER: OCC have anything
11 else to add?

12 MR. IDZKOWSKI: No, your Honor. It is --
13 we don't have some of the calculations attached to
14 the Stipulation that were done in calculating the
15 numbers in paragraph 6, but they are accurate. I can
16 speak to that. I don't know if we need to go into
17 the analysis by lawyers of how those numbers were
18 reached, but we could provide additional information,
19 your Honor, if the hearing examiner would prefer
20 that.

21 THE ATTORNEY EXAMINER: Really what I was
22 attempting to do, just for purposes of the order, in
23 making a clear and layman-like statement as to what
24 the ultimate impact is, and I was hoping that
25 basically something as simplistic as saying that the

1 aggregate effect is a 7.8 percent rate of return that
2 is contemplated through the formula that has been
3 derived in the Stipulation.

4 MR. IDZKOWSKI: I believe that is
5 correct, your Honor.

6 MR. YURIK: I think that is an accurate
7 statement also, your Honor. I apologize. The actual
8 calculations should have been done and should have
9 been checked. They are all -- all the rate
10 information is in the Stipulation for all four years.

11 THE ATTORNEY EXAMINER: Okay.

12 MR. JONES: Your Honor, on behalf of
13 staff, the aggregate effect is a 7.8 percent rate of
14 return.

15 THE ATTORNEY EXAMINER: For my purposes,
16 that was what I was ultimately hoping to confirm
17 through my questions.

18 MR. JONES: Yes.

19 THE ATTORNEY EXAMINER: That's good.

20 Q. (By The Attorney Examiner) Mr. Liptak,
21 do you have anything to add with respect to what we
22 were just discussing?

23 A. I do not.

24 Q. Another question I have for you, was the
25 issue of water quality addressed in the context of

1 this Stipulation?

2 A. Yes, it was. I don't know about in the
3 Stipulation itself, but as a result of the public
4 input session, we spent some time with several of the
5 customers that showed up at that hearing with some
6 issues with respect to dirty water, and we contacted
7 those customers, tried to work out some situations.
8 Two of the customers were on a dead-end that perhaps
9 we could do a better job of flushing. We are also
10 trying to work that particular project to see if we
11 can loop that main so that it no longer becomes a
12 dead-end.

13 Several of the customers were in an area
14 where we abandoned an old storage tank we took down
15 because we didn't need the storage any longer, and
16 apparently that tank was having a significant effect
17 on the water quality. The water quality was lost
18 when the tank was lost, and we spent some time with
19 the customers, and I think we are working through
20 some of the issues that came up at the the input
21 session with of the customers.

22 I don't recall anything in Stipulation
23 with regard to water quality, but I do know we had
24 some follow-up with customers from the input session,
25 which I think was positive and needed to be done.

1 THE ATTORNEY EXAMINER: Counsel, any
2 other parties, whether there were any specific
3 provisions in the Stipulation pertaining to water
4 quality?

5 MR. IDZKOWSKI: There are not, to my
6 knowledge, your Honor.

7 MR. JONES: Not to my knowledge either,
8 your Honor.

9 MR. YURIK: No, your Honor.

10 Q. The last question I have is with respect
11 to this practical implementation of the rate
12 increases that are contemplated in the Stipulation.
13 Mr. Liptak, if you could please explain to me how the
14 company intends to proceed relative to notification
15 to the customers as to the contemplated increases and
16 when those increases will actually begin to appear on
17 their bills.

18 A. As soon as possible after the decision by
19 the Commission. If there is a pending decision by
20 the Commission, as soon as possible after that. We
21 will follow the procedures, notify the customers, and
22 implement the rate increase. I don't have the
23 specifics, your Honor.

24 MR. YURIK: Your Honor, I may be able to
25 be of some help here. My understanding is that the

1 company already mailed notification to customers as
2 of I believe March 29 of the implementation of
3 monthly billing, which is sort of one issue in the
4 Stipulation. The monthly bills will therefore start,
5 it's my understanding, the end of this month. Folks
6 will begin to get a monthly bill.

7 Assuming the Commission were to approve
8 the rates at the beginning of May, the first monthly
9 bill that customers could get reflecting the new
10 rates would be June bills reflecting solely that time
11 period in May post the Commission's approval of the
12 rate.

13 THE ATTORNEY EXAMINER: And the
14 notification with respect to that rate increase will
15 occur concurrently with that bill?

16 MR. YURIK: My understanding that the
17 customer notification was going to be sent out very
18 shortly after the Commission order would approve this
19 rate, so there would be a separate mailing. It
20 wouldn't go out with the bill reflecting the May
21 rates. It could go out at some point near the middle
22 of May so that the customers had notification that
23 their -- the bill they receive in June would reflect
24 higher rates for that time period during May when the
25 Commission approved increase in rates would take

1 place; that is, assuming the Commission doesn't
2 specify in the Commission's order that the Commission
3 wants a longer period for customer notification,
4 which I believe the Commission has the ability to do.

5 If the Commission wanted to say in the
6 order that before you implement these rates, you have
7 to give the customers 30 days notice, I think this
8 Commission has the power to do that. But leaving
9 that aside, if the Commission didn't make that
10 specific order, I think the company's plan right now
11 is very shortly after the Commission approves the
12 rate, they would send out a customer notice, and
13 assuming that happened in May, June bills would
14 reflect that time period in May post the Commission
15 order.

16 THE ATTORNEY EXAMINER: So the company
17 has the capability of updating the billing system
18 that quickly to be able to incorporate the new rates?

19 MR. YURIK: That was my understanding,
20 that they were able to do that.

21 THE WITNESS: Yes, your Honor, we can.

22 THE ATTORNEY EXAMINER: So when speaking
23 of the June bill, we are not talking about billing
24 for June usage; we are talking about billing for May
25 usage.

1 MR. YURIK: Correct, at least that part
2 of May post the Commission's approval of the rate.
3 If there were days in May prior to the Commission's
4 approval of the new rate, those days wouldn't be
5 billed at the new rate, obviously.

6 Q. Mr. Liptak, are customers billed for the
7 same cycle, or are your customers on various cycles
8 throughout the month?

9 A. Our customers are billed on the same
10 cycle.

11 Q. What is that cycle?

12 A. Well, the cycle has just changed now
13 since we implemented monthly billing.

14 Q. Is it a calendar month?

15 A. I don't know the answer to that. I'm not
16 sure what we have gone to with that.

17 Q. I have one last question, if you could
18 turn to what has been marked as Aqua Exhibit 6, which
19 is the prefiled testimony of Mr. Kopas that you are
20 now adopting. Are you there?

21 A. I have it, yes.

22 Q. There is a reference on line 13 and 14
23 that the Stipulation is similar to those approved by
24 the Commission in other cases. Is that just --

25 A. Excuse me, your Honor, what page? I'm

1 sorry.

2 Q. Page 6, lines 13 and 14. The
3 representation that the Stipulation is similar to
4 those approved by the Commission in other cases, do
5 you know specific cases that you were referring to,
6 or is that just more of a generic representation?

7 A. I believe that is a generic
8 representation.

9 THE ATTORNEY EXAMINER: Those are all the
10 questions that I have. Based on any of my question,
11 does counsel for any of the parties seek to ask any
12 clarifying questions?

13 MR. IDZKOWSKI: No, your Honor.

14 MR. JONES: No, your Honor.

15 MR. YURIK: No, your Honor.

16 THE ATTORNEY EXAMINER: If not, I know we
17 already moved and had admitted into evidence Aqua
18 Exhibit 6 as well as the Joint Exhibit 1. But I know
19 that in the context of my questions we have now put
20 one more exhibit on the table. That was Aqua Exhibit
21 9.

22 MR. YURIK: That's correct your Honor.

23 THE ATTORNEY EXAMINER: That will be a
24 late filed exhibit?

25 MR. YURIK: Yes, your Honor.

1 THE ATTORNEY EXAMINER: Do you have a
2 time frame contemplated for when that will occur?

3 MR. YURIK: Assuming we have that or can
4 get that, which I believe sitting here to be the
5 case, the time frame will be before the end of this
6 week.

7 THE ATTORNEY EXAMINER: Okay. Would you
8 like to move for the admission of late filed Exhibit
9 9?

10 MR. YURIK: At this point, your Honor, I
11 would like to move for the admission of Aqua's late
12 filed Exhibit 9, which is the proof of the
13 publication of notice of public hearing.

14 THE ATTORNEY EXAMINER: Any objections?

15 MR. JONES: No objection, your Honor.

16 MR. IDZKOWSKI: No objection, your Honor.

17 THE ATTORNEY EXAMINER: Hearing none,
18 Aqua Exhibit 9 will be admitted as part of the record
19 at this time.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 THE ATTORNEY EXAMINER: If there is
22 nothing else to be brought to my attention.

23 MR. YURIK: Nothing on behalf of the
24 applicant, your Honor.

25 MR. JONES: Nothing on behalf of staff,

1 your Honor.

2 MR. IDZKOWSKI: One thing, your Honor,
3 OCC's interest in filing a brief, I believe we agreed
4 that would be filed by Monday, April 19.

5 THE ATTORNEY EXAMINER: Yes. To the
6 extent that either staff or the company would seek to
7 file something in response, please file something
8 seeking such request and we will deal with that at
9 that point in time.

10 MR. YURIK: Thank you, your Honor.

11 MR. JONES: Thank you.

12 THE ATTORNEY EXAMINER: Just so everybody
13 knows, this, from my perspective, is contemplated to
14 be scheduled for the May 5 agenda. So we are on a
15 tight time frame.

16 There being nothing further, this matter
17 shall be submitted on the record, and I appreciate
18 everybody's cooperation today.

19 MR. YURIK: Thank you, your Honor.

20 MR. JONES: Thank you.

21 MR. IDZKOWSKI: Thank you, your Honor.

22 (The hearing adjourned at 11:04 a.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Wednesday, April 14, 2010, and carefully compared with my original stenographic notes.

Rosemary Foster Anderson,
Professional Reporter and
Notary Public in and for
the State of Ohio.

My commission expires April 5, 2014.

(RFA-8427)

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Summary: Transcript Amended Transcript of Aqua Ohio hearing held on 04/14/10.
electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Anderson,
Rosemary Foster Mrs.