

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio-
American Water Company to Increase Its
Rates for Water and Sewer Service.

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Case No. 11-4161-WS-AIR

**SUPPLEMENTAL DIRECT TESTIMONY OF
DAVID K. LITTLE
ON BEHALF OF
OHIO AMERICAN WATER COMPANY**

RECEIVED-BOOKETING DIV

2012 MAR -1 PM 5:10

PUCO

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

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1 **Supplemental Direct Testimony of**

2 **David K. Little**

3 **I. WITNESS INTRODUCTION**

4 **Q1. Please introduce yourself.**

5 A1. My name is David K. Little. I am the President of Ohio-American Water Company. My
6 business address is 365 East Center Street, Marion, Ohio 43302.

7 **Q2. Are you the same David K. Little that previously submitted direct testimony in this**
8 **proceeding?**

9 A2. Yes.

10 **Q3. What is the purpose of your supplemental direct testimony?**

11 A3. My testimony explains the basis for Ohio-American Water Company's ("Ohio American"
12 or "Company") objections to the Service Monitoring and Enforcement section of the Staff
13 Report of Investigation issued in this proceeding on January 31, 2012; specifically,
14 Objection Nos.10 – 14.

15 **Q4. Are you sponsoring any exhibits with your testimony?**

16 A4. Yes. I am sponsoring OAW Exhibit 1.1.1.

17 **II. SERVICE MONITORING AND ENFORCEMENT**

18 **Q5. What are the Company's objections to the Service Monitoring and Enforcement**
19 **section of the Staff Report?**

20 A5. The Company has five specific objections. These objections concern Staff's findings and
21 recommendations regarding: (1) Marion District Communications (Staff Report at 44-
22 45); (2) Ashtabula District Plan Improvements (Staff Report at 45-47); (3) Mansfield

1 Unmetered Systems (Staff Report at 47-48); (4) Five-Year Tank Inspections (Staff
2 Report at 48-49); and (5) Lead Services (Staff Report at 49-50.)

3 **Q6. What is the basis of Objection No. 10 concerning Marion District Communications?**

4 A6. In a stipulation approved in Case No. 05-1233-WS-UNC, the Company agreed to assign
5 one of its management team members to continue communicating with the Marion City
6 Engineer or City Service Director at least monthly. The Company also agreed to keep
7 detailed records of construction projects to make sure that work on Company facilities
8 was performed in conjunction with work on Marion's facilities where feasible.

9 The Staff Report finds that Ohio American has generally met its commitment to
10 have regular communications, but that "City officials stated that it has not been having
11 regular meetings with the Company personnel because of City staffing shortages"
12 (Staff Report at 45.) Staff also says that the City "submitted documentation showing
13 seven incidents where the Company failed to apply for excavation permits until after the
14 City called to remind them to do so, or after the work had already begun." (Staff Report
15 at 45.)

16 It appears that Staff received inaccurate information from certain Marion City
17 Officials during its investigation concerning direct communications with the City of
18 Marion. Ohio American has met with Marion City Officials at a minimum of once a
19 month since Mr. Scott Ballenger assumed the role of Operations Manager in the Marion
20 District in May 2010. OAW Exhibit 1.1.1 provides a detailed summary of all meetings
21 held with Marion City Officials. This list has been reviewed with the Marion City Safety
22 Director and has been verified as accurate. These meetings have proven to be very

1 beneficial to the City, the Company and the residents of Marion. It is the Company's
2 intent to continue monthly communications.

3 The information provided to Staff concerning Ohio American's compliance with
4 permit requirements is also inaccurate. In Mr. Ballenger's investigation of this issue with
5 Jay Shoup, the City Service Director, he was able to provide ten issues concerning
6 excavation permits. It was determined that three of the excavations were performed as
7 emergencies on weekends and permits were requested on the following Monday. Four of
8 the excavations did in fact have permit requests prior to commencement of the work. The
9 Company was compliant with the excavation permit process more than ninety-seven
10 percent of the time in 2011. The Company will continue to file permits as required and
11 include this topic in monthly meetings with the City to address issues that occur.

12 The process established for regular communications with the City of Marion has
13 worked well. Staff's recommendations that the Company "resume" communications and
14 submit revised procedures concerning work permits are unnecessary and should be
15 rejected.

16 **Q7. What is the basis of Objection No. 11 concerning the Ashtabula District Plan**
17 **Improvements?**

18 A7. The stipulation approved in Case No. 07-1112-WS-AIR requires Ohio American to
19 implement a permanent solution to address emergency operations and procedures
20 necessary to operate the Ashtabula area water system in the event that the Bunker Hill
21 ground storage tank would be out of service for any extended period of time. Pages 46
22 and 47 of the Staff Report summarize the work completed to date. The Company wishes
23 to clarify that additional improvements are estimated to be completed by December 31,

2012, not 2011 as stated in the Staff Report. It should also be noted that completion of these improvements are contingent on the availability of capital resources.

Q8. What is the basis of Objection No. 12 concerning the Mansfield Unmetered Systems?

A8. The Stipulation approved in Case No. 07-1112-WS-AIR required Ohio American to install meters for approximately one half of the customers in the ten Mansfield area systems by the end of 2010. The Staff Report notes that 74 percent of the Mansfield customers and five of the ten systems now have Company-owned meters. Staff recommends that Ohio American prepare and plan a schedule to replace the balance of the Imperial Biscayne distribution mains, including installing meter pits necessary for the completion of metering the system, by the end of 2013.

While the Company does not dispute the desirability of completing the replacement of mains and metering of all accounts in the Imperial Biscayne System #2, the cost to do so would far outweigh the benefits. The current mains are located in customers' back yards. Replacement mains and meter pits would be installed in front yards and street rights-of-way. The cost to complete this work would result in an extremely high investment per customer in this area, and this cost would ultimately be borne by other customers. More thought should be given to whether this would be a prudent investment. As such, the Company objects to the recommendation to complete this project.

Q9. What is the basis for Objection No. 13 concerning the Five-Year Tank Inspections?

A9. Ohio American has one correction to the five-year tank inspection recommendations and one objection.

1 The correction pertains to the second paragraph on page 49 of the Staff Report,
2 which incorrectly references the 75,000 gallon elevated water storage tank located in the
3 Aurora East water system near Kent, Ohio. The proper reference should be to the
4 Beechcrest water system, not the Aurora East water system.

5 The objection pertains to Staff's recommendation that the Company make the
6 repairs recommended in the TIC inspection report for the Mansfield area Imperial
7 Biscayne concrete tank "within 6 months of the issuance of the opinion and order in this
8 case." (Staff Report at 49.) While the Company does not object to making any repairs
9 necessary, weather, contractor availability and other issues may prevent the Company
10 from completing the recommended repairs within six months of the issuance of the
11 opinion and order in this case. If the Commission determines that a "hard deadline" is
12 necessary for completion of this work, it should order that the work be completed in
13 twelve months instead of six so that the Company is not penalized for factors beyond its
14 control.

15 **Q10. What is the basis for Objection No. 14 concerning Lead Services?**

16 A10. Staff recommends that Ohio American "expand its lead services elimination practice to
17 include main replacements, main relocations, service leaks, and main breaks where lead
18 services have been exposed." (Staff Report at 50.) This recommendation suggests that
19 the Company is not already doing what Staff recommends, which is not the case. Lead
20 services are replaced whenever required under the action level rules in O.A.C. Rules
21 3745-81-80 through 3745-81-89. To the extent Staff is suggesting that all known lead
22 services be replaced, regardless of whether replacement is required under Ohio EPA
23 rules, the Company disagrees. All capital investment made by Ohio American will

1 ultimately be reflected in customers' rates. Certain investment is necessary to meet
2 regulatory requirements. Given the limited availability of, and competition for, capital
3 dollars, the Company should not be required to make investments that are not required to
4 meet regulatory requirements at the expense of investments that are.

5 **Q11. Does this conclude your supplemental direct testimony?**

6 A11. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Supplemental Direct Testimony of David K.

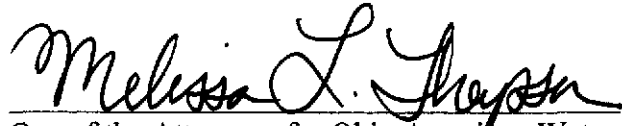
Little was served by electronic mail on the 1st day of March, 2012, to the following:

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A handwritten signature in black ink, appearing to read "Melissa L. Yost". The signature is fluid and cursive, with a horizontal line drawn underneath it.

One of the Attorneys for Ohio American Water
Company

OAW Exhibit 1.1.1
2010 Meetings

Meeting Date	Meeting Description
5/19/10	Scott, talk to Marion city inspector T. Field about city permits
5/20/10	Scott & Kellie, meeting with County Commissioner & Fair board to discuss backflow prevention at the Fairgrounds
6/3/10	Scott, attended Marion County Regional Planning Commission meeting. Review Village of Union Park (housing for physical) impaired, future location off of Wellness Drive.
6/8/10	Scott, met with City Fire Inspector M. Makowski & gave him updated distribution maps
6/14/10	Don, met with Marion TWP Fire Chief and discussed hydrants at Buckeye Warehouse
6/15/10	Scott & Jerry, met with City Eng. Jim Bischoff & T. Fields to discuss Columbia St. project, replacement of 6" main
6/16/10	Scott, talk to City Attorney M. Russell, topic fraudulent customers
6/20/10	Scott, dropped off fraudulent information to M. Russell
7/8/10	Scott, met with City Safety Director T. Robbins to discuss City & OAW issues.
7/15/10	Scott, stop in to meeting Prospect Mayor Jim Millisor (not in office) met Pam Pieron admin asst.
7/22/10	Scott, met with City Safety Director T. Robbins to discuss City & OAW issues.
7/26/10	Scott, plant tour with City T. Robbins & City Eng. J. Shoup / cancelled by City
8/4/10	Scott, attended Marion County Regional Planning Commission meeting. Review Marion Village housing, site east of Meijers
8/5/10	Scott & Jerry, met with City Eng. J. Bischoff and T. Robbins discussed project going on through out the city future projects and street paving
8/9/10	Scott, met with City Fire Inspector M. Makowski topic Nucor Steel & Rite Aid fire services
8/10/10	Scott, talk to T. Lively city inspector, topic main break Columbia St.
8/14/10	Scott, Saturday Fire Chief breakfast meeting including EMA Harry Burdick. City, County, Caledonia, Prospect, Waldo, Salt Rock, Pleasant & Green Camp. Topics hydrant maint. & operations. Notifying OAW when using hydrants for fire and training. Submit monthly to OAW non-revenue usage forms. Future chlorine training & hydrant training
8/24/10	City Progress meeting, projects: Columbia St., Woodrow Ave., Oak Grove and Barks Ave. attendee's: J. Bischoff, T. Fields, T. Lively, J. Hetterscheldt, S. Ballenger, J. Lee (CDM) and contractors from Deer Creek and Park Enterprise.
8/24/10	Scott, met with J. Shoup Director of Public Service & T. Robbins Director of Public Safety to discuss city & OAW issues.
8/31/10	City Progress meeting, projects: Columbia St., Woodrow Ave., Oak Grove and Barks Ave. attendee's: City Eng. J. Bischoff, T. Fields, T. Lively, J. Hetterscheldt, S. Ballenger, J. Lee (CDM) and contractor Park Enterprise. Deercreek was a no show.
9/14/10	Scott, met with T. Robbins Director of Public Safety to discuss city & OAW issues. Update discussed with projects through out the Marion area. Woodrow, Oak Grove, Columbia St., Columbia St., Waterloo, Council & N. Prospect St. and Blaine Ave. Also discuss paving S. State St. main break area.
9/21/10	Scott, site visit with Cliff Evans (PUCO). Ran generator's under load, flumes & gates project, visited outlying sites Victory Rd booster station, Caledonia booster station, Gurley tank, and Green Camp pump station.
10/7/10	Scott met with Jay Shoup City Director of Public Services, discussed street paving, Jay also states that OAW communication with the city is the best it's ever been during his tenure.

OAW Exhibit 1.1.1
2010 Meetings

Meeting Date	Meeting Description
10/12/10	Scott met with Mayor Scott Schertzer, Director of Public Safety Tom Robbins, Sheriff Tim Bailey and Chief Deputy Al Haden. Item discussed, Mayor talked about the new house bill HB344 not allowing OAW recoup dollars spent on filing a rate case. Time frame of when we will be paving South State Street, Upcoming chlorine training for OAW and I will invite city first responders and deputies from the sheriffs dept. Extending our recourses to new billing supervisor Brenda Nuoso. Plant projects, flumes, gates and sludge removal.
10/29/10	Scott met with Mayor Schertzer, Director of Public Safety Robbins, Director of Public Services Shoup. Items discussed billing, city 2011 projects, housing demo, paving, business growth.
11/3/10	Scott, attended Caledonia City Council meeting. My main goal was to introduce myself and give them my contact information. Mayor Welch & the council was very appreciative.
11/16/10	Scott met with Director of Public Safety Robbins, items discussed OAW project on Fairground St., paving. Robbins stated no permit or restorations issues.
11/17/10	Met with Multi County Jail director Dale Osborne to make aware that we were installing new valve at Victory Rd. booster station.
12/15/10	Scott met with Mayor Schertzer, Director of Public Safety Robbins, Director of Public Services Shoup. Items discussed main breaks and water treatment plant flumes project. No complaints from the city.
12/16/10	Meeting with Marion City Engineer Jim Bischoff & Director of Public Services Jay Shoup. OAW attendee's Scott, Don, Jerry, Josh, Russ. Items discuss were 2011 city projects. OAW wanted to be proactive so we called the meeting.
12/17/10	Scott scheduled to meet with Cliff Evans (PUCO) at the plant to review progress made on flumes project. No show or call.

OAW Exhibit 1.1.1
2011 Meetings

Meeting Date	Meeting Description
1/25/11	Scott B. met with J. Shoup Director of Public Service & T. Robbins Director of Public Safety to discuss city & OAW issues. Talking points, SIC filing, Plant flume project, State paving project, City projects (OAW checking valves-Robinson St., Milburn Ave, Oak St completed) H.S. pump #6 replacement. Only issue from city was to make sure permits are in on time and excavation patches checked on periodically during cold weather months. I explained to Jay and Tom that we have a new internal process in place on reviewing permit accuracy.
2/24/11	Scott B. met with City Director T. Robbins and City Engineer Jim Bischoff. Talking points, Herman St. main replacement project, City street project 2011, Hydrant permits, paving replacement, City increasing permits fee's.
2/24/11	DJS. As Gail Dickson was driving on Silver St, he noticed a large sink hole at the intersection of Niles St. Gail stopped and put a cone on the site and called me. I called Todd Fields and reported it.
2/28/11	Todd Fields called and reported that the excavation on W Columbia St at Linden Pl had a pothole. TB filled hole on 2/28.
3/9/11	Scott B. invited PUCO Cliff Evans to treatment plant. Items discussed, 2010 new capital improvement - tank flumes, isolation gate and sludge house. 2011 new capital H.S. pit crane and replacement of H.S. pump #6. Discussed master meters usage charges, OUPS raising there ticket rates. City raising permit fee's. Cliff said Marion District was the best of all utilities when it comes to submitting outage reports. Don S. also met with Cliff to discuss OUPS fee's.
3/23/11	Scott B. met with City Director T. Robbins, Jay Shoup Director of Public Service and Mayor S. Schertzer Talking points, Herman St. main replacement project, city street projects and city increasing permits fee's. No complaints from the city.
4/19/11	Scott B. met with City Director T. Robbins, items discussed city projects which are being reviewed by engineering firms. City permit to be completed when weather permits and asphalt company open for the summer season.
4/19/11	DJS Received call from Scott B about the customer at 461 Mound St. Mrs Collins was unclear about the status of the boil advisory on Mound St., from 4/14/11. I stopped and knocked on the door. No response. As I was leaving, a man claiming to be the customers brother pulled into the drive. I introduced myself and explained that the boil advisory for Mound St had been lifted on 4/15/11. I left my business card with the gentleman, and asked that he inform his sister, and that she call me if she still has questions.
4/19/11	DJS Received a call from Todd Fields, City Inspector. Todd said we needed to add fill and obtain a permit for an excavation we did at 126 Leader St. I told Todd that to the best of my knowledge, we had no excavation at that address. I asked the Distribution crew and no one remembered digging there. I asked the locator for Columbia Gas if he had located for anyone there and he said no. Then I talked to a employee at 126 Leader and was told that during the recent heavy rains, this area had flooded, and that there was a blow out from a storm tile in this area. I called Todd back and explained the situation.
4/27/11	Scott B. spoke with Prospect Mayor Millisor and set up a meeting for May 5
4/29/11	Scott B. call Caledonia Mayor Welsh to inform her that we are going to be fixing a company leak today near 134 S. High St. Caledonia. Mayor was very appreciative for the information.
5/6/11	Scott B. met with Prospect Mayor Millisor and Ken Blue. Topics discussed, system pressures and well isolations
5/12/11	Scott B. met with City Director T. Robbins and Director of Public Safety Jay Shoup. Items discussed 2011 city projects. Jay will email me an update. No complaints. I gave a plant tour to Tom and Jay.
6/1/11	Scott B. attended Caledonia Council Meeting, explained new hydrant meter lease agreement, hydrant flushing schedule, street repairs.
6/2/11	Scott B. spoke with Mayor Schertzer, Mayor Millisor & Mayor Welch about S.I.C.

OAW Exhibit 1.1.1
2011 Meetings

Meeting Date	Meeting Description
6/7/11	Scott B attended Caledonia Public Affairs Meeting, attendance Geri Mircle, Larry Hanes, Art Blair, Owne McIntire, Alice Cisco
6/16/11	Scott B. met with City Director T. Robbins and Director of Public Safety Jay Shoup & engineer Jim Bischoff. Items discussed 2011 city projects and street paving. No city complaints.
6/23/11	Scott B. spoke at length with city inspector Todd Fields on saw cutting asphalt prior to excavation.
7/15/11	Scott B. and Jerry H. met with interim city engineer Terry Livley to discuss the status on 2011 city projects.
7/26/11	Scott B. called Marion City Director Tom Robbins, Caledonia Mayor Welch and Prospect Mayor Millisor to let them know that the radio station aired city wide boil advisory which was incorrect. Mike Nolting WMRN made the correct statement boil advisory St. Rt. 95 between Edgefield Dr. and St. Rt. 23.
7/26/11	Scott B. met with Mayor Schertzer, City Director T. Robbins and Director of Public Safety Jay Shoup. Topics discussed 2011 city projects and street paving, Aqua, No city complaints.
8/30/11	Scott B. met with City Director T. Robbins, items discussed 2011 city projects, 2011 city paving,
9/22/11	Scott B. met with Township Fire Chief Fogle, items discussed hydrant use, and fire services.
9/26/11	City meeting cancelled by City Director T. Robbins
10/20/11	Scott B. met with City Director T. Robbins, Director Public Safety Jay Shoup & Mayor S. Schertzer. Topic discussed city paving, street replacement, city permits, billing, Nachurs. No city complaints.
10/26/11	Stephaine Goyna (PUCO) plant tour and tank visit.
11/30/11	Scott B. met with City Director T. Robbins, Director Public Safety Jay Shoup & Mayor S. Schertzer. Topic discussed city paving, city permits, No city complaints.
12/27/11	Scott B met with City Director T. Robbins and J. Shoup. Topic discussed, city laying off 15 police officers, bill collecting and delinquent accounts. No complaints.

OAW Exhibit 1.1.1
2012 Meetings

Meeting Date	Meeting Description
1/9/12	Scott B. met with City Director T. Robbins, Director Public Safety Jay Shoup & Mayor S. Schertzer. Topic discussed, Mt. Vernon main break, city laid off 21 (16 police & 5 admin). Accepting donation \$ for Aquatic center, Sheriff laid off 11, Sales tax will drop back down to 6.5% in March because 7% was voted down. OAW asked for an engineering meet to discuss 2012 city projects, No city complaints.
1/31/12	Scott B. met with Chief Canterbury, Topics discussed, main extension to Pleasant TWP fire house, hydrant operation, call the plant when using hydrant.
2/13/12	Scott B. met with City Director's T. Robbins, J. Shoup & Engineer T. Lively. Items discussed city projects (May St. Robinson Ave. & Milburn Ave. The Nucor vacation of Cheney Ave. Permits, Union Tank.
2/16/12	Scott B. & Jerry H. met with Chief Zwolle, Captain Makowski to discuss Nucor vacation of Cheyne Ave.