

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Aqua Ohio,  
Inc. and Aqua Ohio Wastewater, Inc. to Increase  
Its Rates and Charges for Its Waterworks Service  
and Wastewater Service

Case No. 21-0595-WW-AIR  
Case No. 21-0596-ST-AIR

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**DIRECT TESTIMONY  
OF  
ROBERT L. DAVIS  
ON BEHALF OF  
AQUA OHIO, INC. &  
AQUA OHIO WASTEWATER, INC.**

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

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**Direct Testimony of  
Robert L. Davis**

**I. BACKGROUND AND PURPOSE**

**Q1. Please introduce yourself.**

A. My name is Robert L. Davis. I am the President of Aqua Ohio, Inc. and Aqua Wastewater, Inc. (“Aqua Ohio” or “Company”). My business address is 6650 South Ave., Boardman, Ohio 44512.

**Q2. What are your job responsibilities as President of Aqua Ohio?**

A. My responsibilities include management and oversight over all aspects of the Company’s water and wastewater operations. I am responsible for the personnel employed by the Company as well as the development and maintenance of a competent and engaged workforce. I interact with government officials, business representatives and civic organizations. I also direct the development, implementation and monitoring of annual budgets for capital investments and operation and maintenance expenditures. I am responsible for controlling expenditures, overseeing inventory control, water production, distribution procedures, and wastewater collection system procedures.

**Q3. Apart from your current position, do you have any other experience in public utility management?**

A. Yes. I have 35 years’ experience in public utility management in the utility industry. A summary of my experience, academic and professional affiliation is below: For the past six years, I served as Director of Public Utilities for the City of Cleveland and was responsible for the management and oversight of more than 1,700 employees; a budget of more than \$660 million; and all operations within the Divisions of Cleveland Water, Cleveland Water Pollution Control, and Cleveland Public Power. Previously, I served as Director of Utilities for the City of Warren, Ohio for 28 years and was responsible for

1 water, sewer, sanitation, and storm water utilities.

2 **Q4: What is your relevant education and licensure?**

3 A. Education includes: Bachelor of Science Degree in Business Administration from West  
4 Virginia University, Ohio Environmental Protection Agency Water Supply Class IV  
5 License, Ohio Protection Agency Environmental Protection Agency Distribution System  
6 Class II License, Hazardous Waste Management Certification, OSHA Regulatory Safety  
7 Training Certification.

8 **Q5. What is the purpose of your testimony?**

9 A. I explain Aqua Ohio's operations, changes to those operations since the last rate case, and  
10 the factors contributing to the need for Aqua Ohio to seek a rate increase. I conclude my  
11 testimony by introducing other witnesses providing direct testimony on behalf of Aqua  
12 Ohio.

13 **Q6. Have you previously testified before any regulatory agency?**

14 A. No.  
15

16 **II. OVERVIEW OF COMPANY OPERATIONS**

17 **Q7. Please generally describe the Company.**

18 A. Aqua Ohio is a water and wastewater public utility and the second largest state operating  
19 subsidiary among Essential Utilities, Inc.'s, water and wastewater utilities operating  
20 across eight states. Aqua Ohio's main office is in Boardman, Ohio. As of March 31,  
21 2021, the Company served approximately 150,549 water customers and 6,937 wastewater  
22 customers throughout 19 counties in Ohio. The Company has six principal operating  
23 divisions:  
24

1 (1) Lake Erie Division, serving approximately 32,319 water customers in the cities of  
2 Mentor and Mentor-on-the-Lake;

3 (2) Ashtabula Division, serving approximately 14,064 water customers in Ashtabula, the  
4 Village of North Kingsville and portions of surrounding townships in Ashtabula County;

5 (3) Franklin County/Lawrence Division, serving approximately 8,136 water customers  
6 and 6,773 wastewater customers in portions of Blendon, Madison, Norwich, Perry,  
7 Prairie, Sharon and Truro Townships. This division also serves approximately 3,817 water  
8 customers in the Village of Chesapeake, the Village of Burlington, portions of  
9 surrounding townships and Lake White in Pike County as well as seven water customers  
10 in Preble County adjacent to Richmond, Indiana;

11 (4) Struthers Division, serving approximately 23,235 water customers in the cities of  
12 Struthers and Campbell, the villages of Lowellville, Poland and New Middletown, the  
13 Townships of Beaver, Coitsville, Poland, Springfield and portions of Canfield and  
14 Boardman. This division is also responsible for operations serving approximately 1,426  
15 water customers in Masury and serving approximately 273 water customers in  
16 Tomahawk;

17 (5) Stark/Mansfield/Portage Division, serving water to approximately 38,314 customers in  
18 the cities of Massillon and Green as well as portions of Stark County, 1,410 customers in  
19 ten separate smaller systems north and east of Mansfield in Richland County,  
20 approximately 913 customers in Brimfield service area (Beechcrest and Aurora East)  
21 located in Brimfield Township, approximately 978 customers in Mohawk, and  
22 approximately 227 customers in Firestone Trace. Additionally, Aqua serves  
23 approximately 164 wastewater customers in Firestone Trace and Southwood Estates;

(6) Marion/Tiffin Division, serving approximately 25,437 water customers in the cities of Marion and Tiffin and portions of the adjacent townships in Marion and Seneca Counties.

**Q8. When were Aqua Ohio's current rates established?**

A. Aqua Ohio's current water rates were established for its PUCO Regulated Divisions on March 22, 2017 in Case No. 16-0907-WW-AIR (Lake Erie division; Masury division; areas formerly served by Mohawk Utilities, Inc., Tomahawk Utilities, Inc., and Ohio American Water Company); on February 21, 2019 in Case No. 17-1718-WS-ATA (Firestone Trace); and on December 12, 2018 in Case No. 18-1331-WS-ATA (Southwood Estates). Aqua Ohio filed this rate case because the rates established in the previous case are no longer sufficient to support a reasonable return on the investment required to provide service.

Aqua Ohio Wastewater's sewer rates in place at the time of acquisition were established on June 13, 2012 in Case No. 11-4161-WW-AIR (Franklin areas formerly served by Ohio American Water Company); on February 21, 2019 in Case No. 17-1718-WS-ATA (Firestone Trace); and on December 12, 2018 in Case No. 18-1331-WS-ATA (Southwood Estates). The current rates in place for Aqua Ohio Wastewater, Inc. at the time of acquisition are no longer sufficient to support a reasonable rate of return.

**Q9. Is Aqua Ohio proposing to increase rates for all operating divisions?**

A. No. Aqua Ohio's applications cover its entire Lake Erie service division (consisting of Sagamore Hills, the Norlick Place subdivision, the Lake Seneca subdivision, the Lake Erie East division and portions of Ashtabula, Geauga, Lake, Summit, and Williams counties), its entire Masury service division (consisting of Brookfield and Hubbard Townships in Trumbull County), and all areas formerly served by Tomahawk Utilities, Inc. (consisting of portions of Columbiana County), Mohawk Utilities, Inc. (consisting of

portions of Carroll County), and Ohio American Water Company (including Ashtabula, Franklin, Lawrence, Marion, Portage and Preble Counties, and Lake White, Mansfield, Marion and Tiffin), and Firestone Trace and Southwood Estates. The applications exclude the Stark and Struthers Service divisions.

Aqua Ohio Wastewater, Inc. is requesting a change to the wastewater rates in Franklin County, Firestone Trace, and Southwood Estates.

**Q10. Have there been any significant changes in Aqua Ohio's operations since its last rate proceeding?**

A. Yes. On April 22, 2016 Aqua Ohio formed a wholly owned subsidiary, Aqua Ohio Wastewater, Inc., and transferred the wastewater assets into this subsidiary under PUCO Case No. 16-1849-ST-ATC. On March 6, 2018 Aqua Ohio purchased all the assets of Firestone water and wastewater providing service to approximately 138 customers. On January 15, 2019 Aqua Ohio purchased all the assets of Southwood Estates water and wastewater providing service to approximately 26 customers. On January 24, 2020, Aqua Ohio purchase all the assets of the City of Campbell water system providing water service to approximately 3,200 connections.

**III. MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION**

**Q11. What is the management reporting process at Aqua Ohio?**

A. Aqua Ohio has its main office located at 6650 South Avenue, Boardman, Ohio, where management personnel in operations, engineering, accounting and finance are located. Each Division (except Masury) has an on-site Area Manager who directs the local workforce. All Area Managers report to the Director of Operations, who reports directly to me.

1 **Q12. Are you familiar with the Supplemental Information filed in this Case on Schedules**  
2 **S-4.1 and S-4.2?**

3 A. Yes, I am.

4 **Q13. Do you have tables of organization that indicate the line and staff responsibilities**  
5 **within each of your Divisions and the lines of responsibilities between the Divisions and the**  
6 **members of the central operations office?**

7 A. Yes. They are part of Schedule S-4.2 of the Standard Filing Requirements.

8 **Q14. Does Aqua Ohio have policies and procedures in place for its employees?**

9 A. Yes. Aqua Ohio has written policies and procedures covering all key facets of its  
10 operations and they constitute the policies and procedures for our personnel. Non-  
11 administrative hourly workers are members of either the International Union of Operating  
12 Engineers or the Utility Workers Union of America. The Union agreements delineate the  
13 workers' rights, hourly wages, holidays, sick leave and all other applicable benefits and  
14 working conditions. Job responsibilities for non-union workers are set out in job  
15 descriptions and goals and objectives communicated to employees.

16 **Q15. What is Aqua Ohio's general approach to business planning?**

17 A. Aqua Ohio's business planning process follows a five-year capital construction program,  
18 which is updated annually to develop a current construction budget and current operating  
19 budget. Company management monitors construction and operating budgets through  
20 monthly and quarterly reviews. Additionally, when reviewing and modifying the current  
21 five-year capital plan, we take into consideration regulatory compliance (including OEPA  
22 and PUCO) along with inspections of the existing facilities and available funding.

23 **Q16. How does the Company evaluate employees?**

24 A. Aqua Ohio has a formal performance planning process that identifies corporate objectives



1 for each calendar year and serves as a basis for evaluating progress toward the agreed to  
2 outcomes. Each plant manager and field supervisor within the Division has established  
3 performance plans that are monitored routinely by the area manager.  
4

#### 5 **IV. NECESSITY FOR RATE INCREASE**

6 **Q17. Are Aqua Ohio's current rates sufficient for the Company to recover its cost of**  
7 **service and earn a reasonable return on investment?**

8 A. No. An evaluation of the test year ending December 31, 2021 shows that at present rates,  
9 the Company is expected to earn only a 5.09% and 4.75% rate of return on rate base for  
10 water and sewer, respectively. These returns are well below the current investor-required  
11 rate of return recommended by Company witness Mr. Dylan D'Ascendis. With the  
12 requested rate increase, the expected rate of return is 7.42%.

13 **Q18. How do the returns noted above at present rates affect the Company's ability to**  
14 **provide safe, adequate, and reliable service?**

15 A. The Company's ability to provide such water and wastewater service is dependent on a  
16 consistent level of adequate earnings. Adequate earnings are necessary to compensate  
17 current investors and attract future investment. In addition, revenues must be sufficient to  
18 cover operating expenses including, but not limited to, employee payroll and benefits,  
19 insurance, taxes, depreciation, and costs associated with maintenance and operations and  
20 additionally, to provide for the payment of capital costs including interest and dividends.  
21 Current revenues are not adequate to accomplish this result.

22 **Q19. What factors are causing the current revenue deficiency?**

23 A. O&M costs for the test year ending December 31, 2021 are only marginally higher than  
24 what is presently reflected in rates. The greatest factor is the Company's investment in

1 infrastructure. The Company has invested some \$147 million in capital replacement or  
2 improvements since the last rate case for water and since the acquisition of the sewer  
3 systems. On the water side, these investments include replacing and installing water lines,  
4 meters and hydrants as well as improvements to water treatment, pumping and storage  
5 facilities. For the sewer infrastructure, investments have been made in the collection  
6 systems and at the treatment plants. These investments have been necessary to meet  
7 regulatory requirements, enhance customer service and replace aging infrastructure.  
8 Additionally, since acquiring Ohio American Water, Aqua Ohio has worked to identify  
9 and undertake a number of capital infrastructure issues that came as a part of the  
10 acquisition. Details of the major capital replacement and improvement projects are  
11 addressed in Mr. Kusky's testimony.

12 **Q20. What other factors are driving the revenue deficiency?**

13 A. In addition to infrastructure investment, increases in utility plant also result in greater  
14 property tax and depreciation expenses.

15 **Q21. What types of plant and property are necessary to provide water and wastewater**  
16 **service?**

17 A. As of the date certain of December 31, 2021, Aqua Ohio's plant accounts, which are  
18 discussed in Mr. Hanley's direct testimony, include land and land rights, structures and  
19 improvements, wells, pumping equipment and associated facilities, purification plant and  
20 equipment, sludge disposal facilities, transmission and distribution mains, distribution  
21 storage facilities, service lines, meters, hydrants, sewer lines, force mains and other  
22 appurtenances.

1 **Q22. What are some of the major capital improvements Aqua has made since its last**  
2 **water case and sewer system acquisitions by location?**

3 A. A recap of the major capital improvements invested since the last case by location can be  
4 found in Mr. Kusky's testimony.

5 **Q23. Please introduce the other witnesses who are providing direct testimony on behalf of**  
6 **the Company.**

7 A. In addition to me, the following persons are also submitting direct testimony:

- 8 • Paul Hanley, Regional Controller for Aqua, supports Schedule A, B, C, D and parts of E  
9 and S exhibits.
- 10 • William C. Packer, Vice President, Regulatory Accounting and Regional Controller,  
11 provides support on income taxes and the Company's Service Improvement Project.
- 12 • Peter Kusky, Director of Operations, explains the capital infrastructure investments  
13 included in rate base.
- 14 • Dylan D'Ascendis, ScottMadden, Inc., provides testimony regarding a recommended rate  
15 of return for Aqua Ohio.
- 16 • Constance Heppenstall, Gannett Fleming, supports the cost of service study and rate  
17 design developed for this case.
- 18 • John Spanos, Gannett Fleming, supports the depreciation study for the wastewater case.
- 19 • Daniel Franceski, is an independent consultant, provides testimony supporting the  
20 Company's billing determinants, revenues at current rates, and proposed rate design.

21 **Q24. Does this conclude your direct testimony?**

22 A. Yes, it does. I appreciate the PUCO Staff's time and consideration of our rate applications.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Direct Testimony of Robert L. Davis was served by electronic mail to the following persons on this 12th of July, 2021:

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*/s Christopher L. Miller*  
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One of the Attorneys for Aqua Ohio, Inc. and Aqua  
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Summary: Testimony of Robert L. Davis electronically filed by Ms. Nicole R Woods on behalf of Aqua Ohio, Inc.