

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of )  
Aqua Ohio, Inc. to Increase Its Rates and ) Case No. 21-0595-WW-AIR  
Charges for Its Waterworks Service. )

**DIRECT TESTIMONY  
OF  
DANIEL T. FRANCESKI  
ON BEHALF OF  
AQUA OHIO, INC.**

- |          |  |
|----------|--|
| ___      | Management policies, practice and organization |
| ___      | Operating income                               |
| ___      | Rate base                                      |
| ___      | Allocations                                    |
| ___      | Rate of return                                 |
| <u>X</u> | Rates and tariffs                              |
|          | Other  |

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1 **Direct Testimony of**  
2 **Daniel T. Franceski**

3 **I. BACKGROUND AND PURPOSE**

4 **Q1. What is your name and business address?**

5 A. My name is Daniel T. Franceski. My business address is 30 Glenn Circle, Erdenheim,  
6 Pennsylvania 19038.

7 **Q2. By whom are you employed and in what capacity?**

8 A. I am an independent consultant. In that capacity I have provided data analysis services to  
9 numerous Aqua subsidiaries, including Aqua Ohio, Inc. (Aqua Ohio or Company).

10 **Q3. Please describe your education and business experience.**

11 A. I graduated from Lehigh University with a degree in Electrical Engineering, and I worked  
12 for 37 years for a regulated utility, known at various times as Bell of Pennsylvania, Bell  
13 Atlantic, and Verizon. I have prepared billing analyses and rate designs and assisted in the  
14 preparation of consolidated rate case filings for Aqua America, Inc., now Essential  
15 Utilities, Inc., since 2006, including Aqua Utilities Florida, Sarasota County, Florida, Aqua  
16 Illinois, Aqua New Jersey, Aqua North Carolina, Aqua Ohio, Aqua Pennsylvania, and  
17 Aqua Virginia.

18 **Q4. What is the purpose of your testimony?**

19 A. My testimony supports the Company's billing determinants, revenues at current rates,  
20 and proposed rate design.

21 **Q5. Are you sponsoring any exhibits with this testimony?**

22 A. Yes. The billing determinants, proposed rates, and revenues that I calculated are  
23 contained in the filed working papers in the sections WPE-4. My testimony will discuss  
24 the development of the data contained therein.

1 **Q6. Were those exhibits prepared by you or under your direction and supervision?**

2 A. Yes.

3 **II. BILLING DETERMINANTS**

4 **Q7. Please describe the billing determinants you developed.**

5 A. For water customers, billing determinants consist of the number of billed months by class  
6 and meter size and gallons consumed by customer class and usage rate block. For private  
7 fire protection customers, billing determinants comprise the number of billed months for  
8 private hose connections and sprinkler systems and also number of units for private  
9 hydrants.

10 **Q8. Please describe the method you used to develop billing determinants.**

11 A. I obtained billing information from Aqua Ohio covering the 12-month period ending  
12 December 31, 2020 (the base period). Those reports provided the number of billed  
13 months and usage (in hundred gallons) for each customer bill, and I summarized the  
14 totals by tariff group, class of service, meter size and usage block where applicable.

15 **Q9. How is a billed-month different from a bill?**

16 A. When the days of service on a bill are less than or greater than the standard base period  
17 days (e.g., 26-35 days for a monthly bill), the base charges on that bill will be for a  
18 number of billed months that is less than or greater than 1.0. The sum of all billed  
19 months for all customers over the 12-month base period is an accurate measurement of  
20 the actual billing that occurred, and for purposes of reconciling the billing determinants  
21 reported in a test year with the revenue booked in the same period it is more precise than  
22 multiplying a customer count by 12. The billed months number also incorporates the  
23 number of units being charged on a bill; for example, a customer's single month bill with

charges for seven Private Fire Protection hydrants connections is counted as 7.0 billed (unit) months.

**Q10. How did you determine consumption?**

A. The Company billing data shows for each bill the amount of consumption that was measured and billed. It is broken down by block, when appropriate, identifying consumption billed at various tariff usage rates.

**Q11. How did you validate the accuracy of your base period billing determinants?**

A. I used the base and usage rates which were in effect during the base year for the various rate groups and individual systems. I applied the base charge by meter size to the billed months and the usage rate to the consumption volume; for sprinkler connections and hydrants, I applied the base charge by connection size to the billed unit-months. This produced calculated “expected revenue” for the billing determinants which I then compared to the “booked revenue” for the same time period. The percent difference (shown on Working Paper WPE4-1d) was less than one tenth of one percent, thereby validating the accuracy of my billing determinants.

**Q12. Did you normalize or annualize the billing determinants for the base period?**

A. Yes. For the purposes of rate setting, I adjusted the base year billed months for the various tariff groups and meter sizes to the next higher multiple of 12 months and increased the consumption proportionally. (Those annualized billing determinants are also referred to as “pro forma” determinants in this testimony.)

**Q13. Did you include a growth adjustment in the development of Pro Forma billing determinants?**

A. No. I did not project growth beyond the base period.

1    **III.    RATE DESIGN**

2    **Q14.    Did you design proposed rates in this case?**

3    A.    Yes, I designed rates in collaboration with Witness Heppenstall.

4    **Q15.    How was the proposed customer charge determined?**

5    A.    The proposed monthly Customer Charge per 5/8" meter was calculated by Company  
6    witness Constance Heppenstall, using the PUCO Staff's format, in Schedule 3.2.

7    **Q16.    How did you calculate proposed volumetric rates?**

8    A.    After subtracting from the total proposed revenue requirement the revenue expected from  
9    the customer charges, the proposed miscellaneous charges and proposed private fire  
10    charges, volumetric rates were calculated to realize the remaining revenue requirement.

11   **Q17.    Did you make an effort to reduce the difference in rates among the water tariff**  
12   **groups?**

13   A.    Yes. At current rates, a bill at 4,000 gallons of usage in the prior Ohio American rate  
14   group is about 49% higher than a similar bill in the Lake Division. At proposed rates that  
15   difference is reduced to about 39%.

16   **Q18.    How did you set proposed rates for Private Fire Protection services?**

17   A.    There are private fire protection customers in rate group 1 (Lake Erie) rate group 2 (Lake  
18   Erie East and Masury) and rate group 3 (Prior American). In rate group 1, there are rates  
19   for both hose connections and sprinkler connections and also private hydrants; in rate  
20   group 2, there are rates for hose connections, but no such customers, and there are rates  
21   for sprinkler connections and also private hydrants; in rate group 3, there are rates per  
22   connection size regardless of whether they are hose, sprinklers, or hydrants. The current  
23   rates have disparate relationships (ratios) between sizes and between the same sizes

1 across the rate groups. I proposed rates which move toward standardizing the ratios  
2 between sizes while also reducing the spread across the groups.

3 **Q19. Did you calculate a proof of revenue at proposed rates in this docket?**

4 A. Yes. Those proposed base charges and volumetric rates were applied to the Pro Forma  
5 billing determinants to calculate the expected revenue amount, which was less than one-  
6 hundredth of one percent below the applied-for revenue requirement. That proof of  
7 revenue is shown in the working papers WPE-4.1d

8 **Q20. Does this conclude your testimony?**

9 A. Yes, it does.

**CERTIFICATE OF SERVICE**

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

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*/s Christopher L. Miller*\_\_\_\_\_

Christopher L. Miller  
One of the Attorneys for Aqua Ohio, Inc.



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Summary: Testimony of Daniel T. Franceski electronically filed by Ms. Nicole R Woods on behalf of Aqua Ohio, Inc.