

**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

---

**DIRECT TESTIMONY  
OF  
WILLIAM C. PACKER  
VICE PRESIDENT, REGULATORY ACCOUNTING AND REGIONAL CONTROLLER  
ESSENTIAL UTILITIES, INC.**

---

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

**Q1. Please state your name and business address.**

A. My name is William C. Packer. My business address is 762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010.

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

A. I am employed by Essential Utilities, Inc. (“Essential”), which is the parent company of Aqua Ohio, Inc. and Aqua Ohio Wastewater, Inc. (“Aqua Ohio”), as Vice President Regulatory Accounting and Regional Controller.

**Q3. Please describe your educational and professional experience.**

A. I graduated from Richard Stockton College of New Jersey in 1998 with a Bachelor of Science degree in Business Studies with a concentration in Accounting. I began my 20-year career in the utility industry in September 1999, when I joined New Jersey American Water Company (“American”) as a General Staff Accountant and from 2001 to 2005 held various positions in finance and accounting at American. At American, I had the opportunity to support the rate-making process by working closely with operating subsidiaries in 23 states, preparing schedules and answering interrogatories.

I began my career at Aqua New Jersey, Inc. in March 2005 as Assistant Controller. Since then I have held a variety of positions in finance and accounting. In April 2017, I was promoted to the position of Vice President – Controller of Aqua PA. I have been the chief accounting and revenue requirement witness in rates cases filed in Pennsylvania since 2008 and in New Jersey since 2005. I have also provided expert witness testimony for the Company’s Aqua North Carolina, Inc. and Delta Natural Gas Company, Inc. subsidiaries. In addition to my corporate experience, I was elected as Mayor of the Borough of Woodbury Heights in November of 2018 and was sworn in on January 5, 2019. The

1 Borough of Woodbury Heights is one of 565 municipalities in New Jersey and has a  
2 population of approximately 3,000 residents. I have been an elected official since 2010  
3 and the Borough owns and operates both its water and wastewater utilities, thus giving me  
4 a unique perspective to the considerations municipalities face when it comes to providing  
5 utility service to its residents.

6 **Q4. What are your duties as Vice President, Regulatory Accounting and Regional**  
7 **Controller?**

8 A. My overarching responsibility is to lead the execution of regulatory strategies – including  
9 transmission and distribution rate setting to recover investments and operating costs - to  
10 optimize revenues and return on investments. I am responsible for ensuring that the  
11 financial planning process achieves the strategic objectives from both a short and long-  
12 term perspective. I also oversee efforts to achieve all capital resources required to provide  
13 the most cost effective and efficient means of operation. In addition to this, I also serve as  
14 the Regional Controller for the Company's largest water subsidiary Aqua Pennsylvania,  
15 Inc. and Aqua New Jersey, Inc. In my capacity as Regional Controller, I directly oversee  
16 the financial operations of these two subsidiaries and assist local leadership in the discharge  
17 of our duty to provide safe, adequate, and reliable utility service to our customers.

18 **Q5. What are your duties regarding Aqua Ohio?**

19 A. As part of my position, I assist Aqua Ohio with rates, accounting, and income tax issues.  
20 I am especially involved with topics requiring collaboration between these subsidiaries and  
21 Essential.  
22  
23

1 **Q6. Have you testified before the Ohio Public Utilities Commission previously?**

2 A. No, I have not. As stated earlier in my testimony, I have testified before the Pennsylvania  
3 Public Utility Commission, New Jersey Board of Public Utilities, North Carolina Utilities  
4 Commission and the Kentucky Public Service Commission.

5 **Q7. What is the purpose of your testimony?**

6 A. The initial purpose of my testimony is to discuss the subject of Aqua Ohio's federal  
7 income taxes. I will also describe the income tax support those two companies receive  
8 from Essential. Lastly, I will address Essential's ongoing Service Improvement Project  
9 ("SIP") and its significant anticipated benefits to Aqua Ohio's customers.

10  
11 **Federal Income Taxes**

12 **Q8. Has Aqua Ohio prepared jurisdictional federal income tax summaries?**

13 A. Yes. Summaries are located in Schedules C-4 and C-4.1.

14 **Q9. Does Aqua Ohio's tax rate reflect all recent tax reform at the federal level?**

15 A. Yes, rates reflect federal tax reform. Aqua Ohio incorporated the reduced income tax rate  
16 in calculating the revenue requirement in this proceeding. Aqua Ohio also updated the  
17 gross revenue conversion factor for the lower tax rate.

18 **Q10. Please summarize the federal tax reform that was incorporated by Aqua Ohio in**  
19 **developing the revenue requirement.**

20 A. The Tax Cuts and Jobs Act ("TCJA") was enacted on December 22, 2017. The TCJA  
21 reduces the maximum federal corporate income tax rate from 35% to 21% effective January  
22 1, 2018. The Commission investigated the impact of the TCJA on Aqua Ohio, Inc. in Case  
23 No. 18-1843-WW-UNC, and on Aqua Ohio Wastewater, Inc. in Case No. 18-1841-ST-  
24 UNC. The Commission's order established deferrals with a sur-credit to customers' bills

1 for the return of established reserves. Compliance filings reconcile the amounts refunded  
2 to customers. The tax rate differential refunds will continue in effect until new base rates  
3 are established. Aqua Ohio is proposing to eliminate the TCJA sur-credit related to the  
4 35% to 21% rate differential in this proceeding. Excess deferred income taxes on protected  
5 items will continue as a stand-alone sur-credit to be filed with the Commission regularly.  
6 Lastly, unprotected excess deferred income taxes are being amortized over ten years  
7 effective January 1, 2020 with sur-credits reflected on customers' bills during the ten-year  
8 period.

9 **Q11. Is amortization of investment tax credit a component of income tax expense?**

10 A. No. Investment Tax Credit is fully amortized.

11  
12 **Federal Income Tax Support**

13 **Q12. Please discuss the income tax support Aqua Ohio receives from Essential.**

14 A. Essential's tax department oversees all aspects of income tax accounting, compliance,  
15 and reporting. This includes, tax provisioning, current and deferred tax accounting, tax  
16 return preparation and filing, consolidation, and payments or refund processing. The  
17 Essential tax department works directly with Aqua Ohio's finance and accounting teams  
18 to coordinate these activities and support the tax positions ultimately taken by Aqua Ohio  
19 companies over their lives.

20  
21 **SERVICE IMPROVEMENT PROJECT ("SIP")**  
22

23 **Q13. Please discuss the Service Improvement Project.**  
24

1 A. Essential desires to significantly improve customer service, network reliability, safety,  
2 current capabilities, and add multiple channels for a better customer service experience  
3 across all of its entities. As such, Essential is progressing with an enterprise-wide project,  
4 including Aqua Ohio, to make these improvements a reality.

5 **Q14. Are the Aqua Ohio systems currently fully integrated?**

6 A. No. Notably, Aqua Ohio has been on our Lawson financial platform since 1999 and  
7 similarly our Banner customer service platform since approximately 2007. As such,  
8 upgrades of these two systems makes up the primary investment goal of the SIP project.  
9 The SIP project will create a new business software platform for Essential and Aqua Ohio  
10 and allow it to retire or eliminate dependency on old, unsupported software modules by a  
11 host of different software manufacturers.

12 **Q15. Can you describe the “SAP” component of the Service Improvement Project?**

13 A. Certainly. Since Essential must invest in new software systems, it, as a matter of choice, is  
14 implementing a proven, fully integrated system. SAP is at the top of the market. SAP is a  
15 robust system that is expected to become the backbone of the Essential companies.  
16 Roughly 80% of the largest utilities use this software. In terms of excellence, it has been  
17 the leader for the 13<sup>th</sup> consecutive time in Gartners quadrant. Over 800 utilities worldwide  
18 use SAP’s customer management and billing modules. Peoples Natural Gas, an Essential-  
19 owned entity, has already implemented SAP and its experience has shown SAP has  
20 significantly improved its customer service numbers. Additionally, significant  
21 improvement to network reliability, backup, disaster recovery, and security will be  
22 accomplished through the SIP.

**Q16. What specific benefits does Essential and Aqua Ohio expect from SAP?**

A. SAP has several characteristics that are inherently attractive to Essential and Aqua Ohio:

- Expandable to allow for growth of the enterprise.
- Comfortably supports a multi-company and multi-utility corporate framework.
- Easily integrates with other commercially sold software, as well as custom developed applications.
- Has a significant number of proven implementations at other utilities.
- Shows a commitment to supporting utility-type businesses.
- Exhibits a proven track record with improving customer service at People's Natural Gas.

**Q17. When is SAP estimated to be in service for Aqua Ohio?**

A. We estimate an approximate in-service date of December 15, 2021.

**Q18. Please address the costs of the SIP initiative.**

A. Essential will bear the cost of this effort, with Aqua Ohio assuming its share. Essential's cost for the SIP project is estimated to be \$143,000,000. Aqua Ohio's share of this amount is approximately \$6,800,000, which is allocated on the basis of customers or approximately 15% of the water & wastewater segment subsidiaries.

**Q19. How much of Aqua Ohio's estimated share is reflected in these proceedings?**

A. Approximately \$5,445,000 is reflected in rate base.

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

A. Yes, it does. Thank you.

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Direct Testimony of William C. Packer Vice President, Regulatory Accounting and Regional Controller Essential Utilities, Inc. was served by electronic mail to the following persons on this 12th of July, 2021:

John Jones  
Chief, Public Utilities Section  
Office of Ohio Attorney General  
30 East Broad Street, 16th Floor  
Columbus, Ohio 43215  
[John.Jones@OhioAttorneyGeneral.gov](mailto:John.Jones@OhioAttorneyGeneral.gov)

Amy Botschner O'Brien  
Ambrosia E. Wilson  
Ohio Consumers' Counsel  
65 E. State Street, 7th Fl.  
Columbus, Ohio 43215  
[Amy.botschner.obrien@occ.ohio.gov](mailto:Amy.botschner.obrien@occ.ohio.gov)  
[Ambrosia.wilson@occ.ohio.gov](mailto:Ambrosia.wilson@occ.ohio.gov)

/s Christopher L. Miller

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



**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**7/12/2021 5:18:39 PM**

**in**

**Case No(s). 21-0596-ST-AIR**

Summary: Testimony of William C. Packer electronically filed by Ms. Nicole R Woods on behalf of Aqua Ohio Wastewater, Inc.