

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Aqua Ohio, Inc. to Increase Its Rates and) Case No. 22-1094-WW-AIR
Charges for Its Waterworks Service.)

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

- | | |
|-------------------------------------|---|
| <input type="checkbox"/> | Management policies, practice, and organization |
| <input type="checkbox"/> | Operating income |
| <input type="checkbox"/> | Rate base |
| <input type="checkbox"/> | Allocations |
| <input type="checkbox"/> | Rate of return |
| <input checked="" type="checkbox"/> | Rates and tariffs |
| <input type="checkbox"/> | 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 water and sewer utilities since 2006,
15 including Aqua Utilities Florida, Sarasota County, Florida, Aqua Illinois, Aqua New
16 Jersey, Aqua North Carolina, Aqua Ohio, Aqua Pennsylvania, and Aqua Virginia.

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

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

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

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

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

A. Yes.

II. BILLING DETERMINANTS

Q7. Please describe the billing determinants you developed.

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

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

A. I obtained billing information from Aqua Ohio covering the 12-month period ending June 30, 2022 (the base period). Those reports provided the number of billed months and usage (in hundred gallons) for each customer bill, and I summarized the totals by tariff group, class of service, meter size and usage block where applicable.

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

A. When the days of service on a bill are less than or greater than the standard base period days (e.g., 26-35 days for a monthly bill), the base charges on that bill will be for a number of billed months that is less than or greater than 1.0. The sum of all billed months for all customers over the 12-month base period is an accurate measurement of the actual billing that occurred, and for purposes of reconciling the billing determinants reported in a test year with the revenue booked in the same period it is more precise than multiplying a customer count by 12. The billed months number also incorporates the 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 WPE4-1e) was less than one tenth of one percent, thereby validating the accuracy of my billing determinants.

Q12. Did you include a growth adjustment in the development of Pro Forma billing determinants?

A. Yes. I projected growth in bills for an 18-month period beyond the base period so that the pro forma period bills would represent projected 2023 billing. I also projected pro forma usage in all blocks to reflect the increased number of bills.

III. RATE DESIGN

Q13. Did you design proposed rates in this case?

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

Q14. How was the proposed customer charge determined?

A. At current rates, the fixed portion of the water consumption service revenues (i.e., without private fire) for the non-contract customers is 24% of the total fixed plus variable (i.e., usage) revenues. The current 5/8" base charge is \$13.00 per month. Using that same ratio, the proposed 5/8" customer charge was calculated to be \$14.80. Monthly charges for all other meter sizes were calculated by using that 5/8" charge as the base charge per Meter Equivalent Unit and multiplying it times the appropriate AWWA factors for the various meter sizes.

Q15. How did you set proposed rates for Private Fire Protection services?

A. The Cost of Service Studies showed that pro forma private fire revenues at current rates would be higher than the COSS target and could be brought more in line with the target by limiting the proposed increase to 2.0%. (There is one exception where the rate for one customer dropped 45% in the last case due to it being miscategorized; that low rate was increased 30% in this proposal to bring it back toward where it should have been.)

Q16. How did you calculate proposed volumetric rates?

A. The revenues proposed from customer charges, private fire charges, and miscellaneous charges, and contracted rate customers were subtracted from the total revenue requirement, leaving the amount of revenue that must be recovered from tariff usage charges. That required usage revenue was divided by the pro forma number of weighted usage units (HG, or Hundred Gallons, weighted according to their tariff entities and usage rate blocks) to get the rate (\$/HG) for a standard usage unit; multiplying the standard usage rate by the various weighting factors gave the proposed usage rates for every tariff entity and usage rate block.

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

3 A. Yes. There are four water tariff groups: Rate Groups 1, 2, 3 and Firestone Trace. At
4 current rates, comparing bills at 4,000 gallons of usage in the other tariff groups to the
5 same volume bill in Rate Group 1, Rate Group 2 customers pay 22% more, Rate Group 3
6 customers pay 48% more, and Firestone customers pay 6% less. Every time a rate case
7 settlement results in the application of the same percentage increase across all tariff
8 groups, the bill disparity across the tariff groups becomes greater. If customers use water
9 for the same purposes, the service offering is the same and should be priced accordingly.
10 Rate increases should not be made “across the board” but should be tailored to lessen the
11 differences among rate entities. This is done by applying slightly different percent
12 increases to the tariff groups, which is what I did in this rate design.

13 **Q18. Did you calculate a proof of revenue at proposed rates in this docket?**

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

18 **Q19. Does this conclude your testimony?**

19 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 13th of January 2023:

John Jones
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/s/ Nicole R. Woods

Nicole R. Woods
One of the Attorneys for Aqua Ohio, Inc.

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