

## **2010 Ohio American Water Rate Case**

In May 2010, the Public Utilities Commission of Ohio (PUCO) authorized Ohio American Water Company (Ohio American) to increase the rates it charges customers for water and wastewater service. The new rates allow the company to generate an additional \$2.6 million annually, a 7.1 percent increase.

The PUCO eliminated more than \$4 million worth of management fees, incentive compensation, and pension expenses from the company's rate increase request. More than \$3 million in Ohio American assets were excluded from the company's rate base request, and the company's rate case expense request was reduced by nearly \$300,000.

### **What is the PUCO's role in setting water rates?**

The PUCO regulates investor-owned water companies throughout the state. The PUCO is charged with monitoring service quality, setting rates and inspecting utility facilities to ensure they are in proper working order. Under Ohio law, a public utility is entitled to recover from its customers the expenses associated with operating the public utility, plus a reasonable return on its infrastructure investments.

When a public utility requests a rate adjustment from the PUCO, several steps are taken to review the company's financial condition and to ensure the company is fulfilling its obligations to customers. The rate case application initiates a process that must, by law, be completed within 275 days. The PUCO takes great care to review the company's financial records to ensure that the rates set by the PUCO do not result in over-collection of revenue by the company.

### **What did Ohio American request?**

In June 2009, Ohio American Water filed an application with the Public Utilities Commission of Ohio (PUCO) to increase water and wastewater rates. The company requested a 60 percent revenue increase phased in over four years through stepped annual rate increases beginning in 2010.

### **What did PUCO Staff recommend in its report?**

The PUCO staff report was issued in November 2009. The staff report is a recommendation to the commissioners. The commissioners are not bound by these recommendations and may implement some of the suggestions and reject others.

In its report, the staff proposed a reduced rate increase and recommended the Commission deny the company's request to phase in additional rate increases each year through 2013. In January 2010, Ohio American withdrew its request for the 2011-2013 annual step increases.

### **How did the PUCO consider public opinion before reaching its decision?**

The PUCO held seven public hearings in Ashtabula, Galloway, Groveport, Mansfield, Marion, Tiffin and Westerville where a total of 118 customers provided testimony. In addition, the PUCO received more than 180 letters, petitions and other correspondence from customers and public officials in opposition to the proposed rate increase. The PUCO factored customer input into its decision, including concerns about the amount and frequency of rate increases, the impact of higher rates on household finances, and a variety of service quality issues.

### How can I expect my bills to change?

Based upon the average revenue increase recommended in the staff report, a residential customer using 7 hundred cubic feet (ccf) each month will see their bill change as follows:

	<b>Ashtabula District, Lawrence County, Marion and Tiffin</b>	<b>Franklin and Portage counties</b>	<b>Waste water</b>
<b>Current monthly bill</b>	\$45.95	\$44.82	\$57.82
<b>Monthly bill with rate increase</b>	\$49.89	\$49.89	\$60.01

Totals do not include all applicable surcharges that vary by water system.

### What other changes did the PUCO make to Ohio American's request?

In addition to reducing the rate increase requested by Ohio American, the PUCO:

- Directed PUCO staff to conduct an audit of Ohio American's management policies and administrative practices with the results to be considered in future rate case proceedings.
- Directed Ohio American to factor customer counts, system growth, inflationary factors and the consumer price index into its budget plans. Ohio American will face additional scrutiny in future rate cases if the company's budget growth far exceeds the rate of inflation and household income.
- Instructed Ohio American to work with PUCO staff to increase customer awareness of the issues within customers' homes that could contribute to water quality concerns. Ohio American must continue to honor the water quality and customer service commitments agreed to in past rate cases.
- Denied the company's request to increase its customer charge from \$9.51 to \$11.39.

### More Information

For more information about this case, visit [PUCO.ohio.gov](http://PUCO.ohio.gov), click on the link to Docketing Information System (DIS) and enter case number 09-391-WS-AIR.