



WATER

Introduction and overview

Rate increases requested in 2009 by some investor-owned water utilities reached levels unseen before by the Office of the Ohio Consumers' Counsel (OCC).

- ▶ Ohio American Water applied to increase rates for the third time in four years. This time, it asked for increases in residential rates from 71 to 78 percent over four years.
- ▶ Aqua Ohio asked the Public Utilities Commission of Ohio (PUCO) to raise rates for its Lake Erie division customers by 7 to 19 percent and its Masury division customers by 80 percent.
- ▶ In April, Water and Sewer, Inc. was allowed to increase sewer rates for its customers by 88 percent.

The amount of the increases sought by the utilities concerned the OCC, which closely reviewed each utility's application in an effort to keep rates as low as possible, under Ohio law, for residential customers.

The amount and frequency of some water utilities' rate requests have caused financial hardships for residential consumers. This prompted the OCC to seek changes to the law governing Ohio water utilities that would help consumers keep their costs from substantially increasing in future rate cases. The OCC partnered with state Reps. Jay Goyal (D-Mansfield) and Marian Harris (D-Columbus) to create legislation, introduced in November, which would, if enacted, protect consumers from paying all the legal and other personal expenses related to water and sewer rate cases. *(More information about House Bill 344 can be found in the Government Affairs section of this report.)*

The OCC also was able to help resolve billing issues for thousands of Aqua Ohio customers in 2009. The utility improperly billed, or did not send bills to, its customers for extended periods of time since May 2007. Through the work of the OCC and PUCO staff, the PUCO fined Aqua \$132,000, because it failed to fix the billing issues by February 2009. The fine was paid to the state's general revenue fund. The company also agreed to contribute \$25,000 to help Aqua's low-income customers. The company could face other penalties pending an audit by the PUCO staff, which was due at the end of the year.

Sewer, legal costs limited in Water & Sewer rate case

The Office of the Ohio Consumers' Counsel (OCC) and others convinced Water & Sewer, LLC to reduce some sewer expenses by 50 percent and cap expensive legal costs to lower the impact of a large rate increase approved by the Public Utilities Commission of Ohio (PUCO) in April.

Water & Sewer signed an agreement with the staff of the PUCO increasing rates for residential sewer service by 87.79 percent annually. The OCC and the village of Richfield did not sign the agreement, but did not oppose it after the company agreed to reduce sludge hauling expenses by \$28,500 and capped legal costs at \$15,000. Water & Sewer's legal expenses in the case already had exceeded \$22,000 and were increasing.

Case No. 08-227-WS-AIR



Aqua Ohio sought to increase rates for residential customers

The Office of the Ohio Consumers' Counsel (OCC) began an investigation into a proposed rate increase by Aqua Ohio, Inc. for its 1,400 customers in the Masury division located in Trumbull County. The utility asked the Public Utilities Commission of Ohio (PUCO) in August for permission to raise residential rates for the average customer from \$19.05 per month to \$34.35 per month, an 80.3 percent increase. Aqua Ohio also requested to shift billing its customers from a bimonthly to a monthly system.

The magnitude of the potential rate increase and the effect it could have on customers are issues the OCC planned to address in 2010. The OCC also planned to raise questions about the utility's billing switch proposal. The OCC will work to ensure the change does not result in additional billing problems that have troubled some Aqua Ohio customers since 2007.

A report from PUCO staff is expected to be released in early 2010 about the utility's request. The OCC will continue its work to protect Aqua Ohio's residential consumers from rate shock and increase efficiency as a way for consumers to lower their bills.

Aqua Ohio also made a separate request in December to increase rates for its Lake Erie division that would affect 31,400 residential customers. The request would increase rates from 7 to 19 percent, depending on customer location. Additionally, fixed costs, such as the customer charge, account activation charge and reconnect fee, would increase significantly.

Cases No. 09-560-WW-AIR, 09-1044-WW-AIR

Aqua Ohio fined \$132,000 for failure to fix billing issues dating to 2007

The Office of the Ohio Consumers' Counsel (OCC) played an instrumental role in pushing Aqua Ohio Inc. to resolve water billing and backlog issues that affected thousands of residential customers throughout its service territory.

The problems occurred when Aqua Ohio implemented its new billing system in May 2007. Customers were billed inconsistently, sometimes for multiple months of service. As a result of the company's failure to resolve these issues by a February 2009 deadline imposed by the Public Utilities Commission of Ohio (PUCO), Aqua Ohio was fined \$132,000 in August.

The utility also was required to contribute \$25,000, which was distributed equally among its Lake Erie, Stark and Struthers Divisions, to help Aqua Ohio's low-income water customers pay their bills. The PUCO directed its staff to investigate whether the utility had resolved its billing and backlog issues within four months of its August decision.

The OCC pursued the case after consumers repeatedly reported they were not receiving regularly scheduled water bills – sometimes for more than six months. When they did receive a bill, the cumulative amount was high. Customers also said Aqua Ohio was not taking actual meter readings for many months – a violation of PUCO service

standards. Some of the bills sent late to customers also included late payment fees.

The OCC and the PUCO staff agreed a resolution of Aqua Ohio's billing and backlog issues was necessary to protect customers. In October 2008, the OCC, PUCO staff and Aqua Ohio reached an initial agreement requiring the company to address the problems by Oct. 15, 2008 or face daily penalties. The OCC filed testimony in February 2009 on behalf of Aqua Ohio's customers, and the PUCO held a hearing later that month. Finding that the problems still existed, the PUCO upheld the October 2008 agreement to fine the utility. The agreement provided for a \$1,000 per day fine to be assessed if the billing and backlog issues were not resolved by Oct. 15, 2008. The PUCO assessed the daily fine against Aqua Ohio from Oct. 15, 2008 to Feb. 24, 2009 (132 days) – a total fine of \$132,000.

Case No. 08-1125-WW-UNC



Water team analysts Steve Hines (left), Rusty Russell (second from left) and Daniel Duann (right) meet with Analytical Director Aster Adams.



Customers of OAW listen to Consumers' Counsel Janine Migden-Ostrander.

OCC urged PUCO to decrease water rates for Ohio American Water customers

Residential water and wastewater customers of Ohio American Water (OAW) could see increases between 71 and 78 percent to their bills if the company's third rate increase request in four years is approved. The Office of the Ohio Consumers' Counsel (OCC) intervened to protect consumers from the increase.

A Public Utilities Commission of Ohio (PUCO) staff report issued in November 2009 rejected OAW's proposal to collect an annual step increase through 2013 and unavoidable expenses, such as taxes and infrastructure improvements, from residential customers.

While the OCC agreed with the staff findings, it filed additional objections to the report on Dec. 29. In the objections, the OCC recommended a rate decrease for residential customers.

An average water customer in OAW's Franklin and Portage districts using 6 Ccf (hundred cubic feet) of water per month would see a rate decrease of 6.38 percent. An average water customer using 10 Ccf in all other districts (Ashtabula, Lake White, Lawrence, Mansfield, Marion and Tiffin) would experience a rate decrease of 8.1 percent. There would be a nominal increase to monthly wastewater rates of 75 cents for the average residential consumer.

In its analysis of OAW's proposal, the OCC discovered that a disproportionate percentage of OAW's operating costs are charged to residential customers, in effect subsidizing the rates that industrial customers pay. Expert testimony was filed demonstrating that proper allocation of costs to each customer class, in addition to other adjustments, would bring residential water rates below current levels.

The OCC also is seeking to maintain or improve water quality, improve low-income programs, properly address conservation plans and make other improvements that will adequately protect consumers. The OCC also addressed the need for an independent management audit of certain expenses incurred by the utility.

Public hearings in the case were scheduled in January 2010, as well as an evidentiary hearing at the PUCO. A decision in the case by the PUCO is expected by mid-2010.

Case No. 09-0391-WS-AIR

OCC BENEFITS FOR LOW-INCOME CONSUMERS IN 2009: Through the OCC's efforts, Aqua Ohio agreed to contribute \$25,000 to help low-income customers with their bill payments.

“Our water bill runs, on average, \$220 per month. In perspective, that is more than one-quarter of our monthly mortgage payment.

“My husband has been laid off work for nearly a year now. We live disconnect to disconnect every month, because of it. If the (OAW) increase were to be approved, we would have to sell our home of 15 years – the only home our children have ever known.

“Our family has worked very hard for what we have, and I would hate to think that we could lose everything because of yet another rate increase for water that isn't even worth what we pay for it now.”

*Michelle Morrison
Blacklick Estates, Ohio
Nov. 25, 2009
Quoted in Gahanna News*