



Introduction and Overview

In 2010, some of Ohio's residential water and sewer customers again faced higher bills after water utilities asked the Public Utilities Commission of Ohio (PUCO) to authorize rate increases. Ohio American Water and Aqua Ohio were both granted rate increases raising the cost of bills for some customers for the sixth time since 2000. The Office of the Ohio Consumers' Counsel (OCC) advocated that the PUCO limit the amount of the rate increases or reduce rates for the 84,000 residential customers of the two utilities. The OCC also advocated for low-income payment assistance programs, which proved to be a necessity for some water and sewer customers.

Rate increase limited for Ohio American Water customers

The Office of the Ohio Consumers' Counsel (OCC) concluded in early 2010 that Ohio American Water (OAW) asked its customers to pay too much for water and sewer service in its rate proposal. The OCC recommended rates for residential customers instead be decreased from their 2009 levels.

The OCC's analysis of the Public Utilities Commission of Ohio (PUCO) Staff report called for several corrections and changes that would have decreased rates for customers. The OCC's changes included exclusion of certain management fees, reduced rate case expenses and denial of an increased customer charge, among other issues. When combined with the PUCO Staff's recommendations, the OCC proposal would have resulted in a decrease of more than \$7.3 million in water and sewer rates for OAW customers. The OCC argued for the rate decrease in part because OAW asked to recover unreasonable operating expenses from customers without providing sufficient benefits in return.

The rate decrease requested by the OCC would have resulted in 6.38 percent lower water rates for customers in Franklin and Portage counties and 8.1 percent lower water rates for customers in Ashtabula, Lawrence, Marion, Pike, Richland and Seneca counties.

The OCC also determined that OAW was requiring residential customers to disproportionately subsidize the rates of industrial customers. Proper allocation of costs, in addition to other adjustments, would have brought water rates for residential customers below 2009 levels.

In May 2010, the PUCO ruled on OAW's requested rate increase and limited the utility's proposed 60 percent step increase to an overall rate increase of 7.1 percent. The PUCO eliminated more than \$4 million in management fees and other expenses, reduced rate case expenses by nearly \$300,000 and ordered the current customer charge to remain at \$9.51 per month.



Residents in Galloway express concern to the PUCO regarding Ohio American Water's frequent rate increases during one of many local public hearings.



“When you pay \$202 a month, you shouldn’t have to bathe your five-year old child in brown water.”

*Rochelle Myer
Westerville*

Additionally, OAW will be subjected to a management audit to be considered in future rate increase cases at the PUCO. The utility will continue water quality and customer service commitments agreed to in its 2008 rate case.

Case No. 09-391-WS-AIR

OCC helps cut proposed rate increase in half for Aqua Ohio’s Lake Erie Division customers

The Office of the Ohio Consumers’ Counsel (OCC) advocated to limit a rate increase for Aqua Ohio’s Lake Erie division residential water customers to no more than 6.46 percent. The utility had requested approval for a 19 percent increase from the Public Utilities Commission of Ohio (PUCO) in November 2009.

“...[R]ight now I’m paying more for my water than my daughter in Toledo, Ohio is paying, and that includes her sewers and everything. So I don’t want to pay any more, for crying out loud.”

*Linda Earhart
Montpelier*



Senior Outreach and Education Specialist Ray Foeller, left, distributes fact sheets to a resident at a local public hearing in Westerville.

The PUCO approved an agreement in the case among the OCC, Aqua Ohio and the PUCO Staff in September 2010. The agreement limited the overall increase to 9.71 percent. The utility also agreed to better address, monitor and investigate customer water quality and service complaints. Several Aqua Ohio customers complained they had received late bills with late fees already attached to them or had not received a bill at all.

The OCC helped lower the amount of the rate increase by successfully advocating for the removal or reduction of certain costs from the rates customers pay, including property taxes, insurance and labor costs, and reducing the proposed profit level Aqua Ohio’s Lake Erie division could earn.

Aqua Ohio’s Lake Erie division serves about 29,500 residential customers in portions of Ashtabula, Geauga, Lake, Summit and Williams counties.

Case No. 09-1044-WW-AIR

Rate increase for Aqua Ohio Masury Division customers to be phased in over four years

The impact of an approved Aqua Ohio rate increase in its Masury division was reduced because of an agreement among the Office of the Ohio Consumers’ Counsel (OCC), the utility and the Staff of the Public Utilities Commission of Ohio (PUCO) to have the increase phased in. The OCC initially recommended a six-year phase-in. The agreement spread the impact of the increase over a four-year period, reducing the impact of potential rate shock to residential customers.

“I believe that an 80 percent rate increase in the economic times in this township would be a very vast hardship on the people—the residents of this township ... Now to be faced with another increase on a utility—on water, the one thing that we must have more than anything else is going to be a burden.”

*Philip Schmidt
Brookfield Township*

Approved by the PUCO in May, the agreement was to increase rates 28.3 percent each year from 2010-2012 and then decrease rates 21.45 percent in 2013. Without the phase-in, 1,400 residential customers could have

faced an immediate increase of up to 80.83 percent, the amount Aqua Ohio originally sought.

This was the first increase since 2001 for Aqua’s Masury division, which provides water service to residents in Trumbull County.



Members of the OCC’s water team (left to right: Daniel Duann, Melissa Yost, Steve Hines, and Kyle Verrett) examine reports as part of the OCC’s preparation for a water case.

Highlights of OCC achievements in water during 2010

- ▶ The OCC helped save customers from paying nearly \$300,000 in rate case expenses Ohio American Water sought to collect.
- ▶ A rate increase request for Aqua Ohio’s Lake Erie division was cut in half because of advocacy by the OCC that led to an agreement to resolve the case.
- ▶ Assistance programs totaling \$30,000 were made available in 2010 for low-income Aqua Ohio customers at the recommendation of the OCC.

While the new rates are phased in, Aqua will not be able to file any new rate increase proposals until after halfway through the third year of the agreement.

The water utility was able to justify many of the costs it sought to recover under Ohio laws and regulations. Additionally, Aqua Ohio’s largest Masury customer, which made up about 63 percent of the utility’s water sales revenue, discontinued its water service prior to Aqua’s request to increase rates. This left the remaining—mostly residential—customers responsible to cover a significantly larger portion of the utility’s fixed costs to provide service.

The OCC also negotiated a low-income fund for customers in Aqua Ohio’s Masury division. The water utility paid \$5,000 in September to aid its low-income customers in Trumbull County. The new funds came from an agreement that resolved the utility’s Masury division rate case.

Case No. 09-560-WW-AIR