

## MEMO:

The Public Utilities Commission of Ohio (PUCO) today authorized Ohio American Water Company to increase water and wastewater rates. With the approval of the new rates, the company will generate an additional \$2.6 million annually, a 7.1 percent increase over current operating revenues.

Typical customers in Ohio American's Ashtabula, Lawrence County, Marion and Tiffin service areas will see their monthly bills increase an average of \$3.94 for water service. **Customers in Ohio American's Portage County and Franklin County service areas will see an average monthly bill increase of \$5.07 for water service.** Ohio American wastewater customers will see an average monthly bill increase of \$2.19.

In today's opinion and order the Commission:

- Eliminated more than \$4 million of management fees, incentive compensation, and pension expenses from the company's rate increase request.
- 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.
- Excluded more than \$3 million in Ohio American assets from the company's rate base request and reduced the company's rate case expense request by nearly \$300,000.
- 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.

In June 2009, Ohio American Water filed an application with the PUCO to increase the rates it charges for water and wastewater service. The company requested a 60 percent revenue increase phased in over four years through annual step increases.

The PUCO staff issued its report in November 2009. The staff proposed a significantly reduced increase for the first year of Ohio American's request. Staff also recommended that the Commission deny the company's request to phase in additional rate increases in each of the subsequent three years. Ohio American later withdrew its request for all but the first year increase.

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. Ohio American customers expressed concerns with a wide range of issues including the amount and frequency of rate increases, the impact of higher rates on low to moderate income households, the potential negative effect on property values, and a variety of service quality issues.

The new rates will become effective when Ohio American files tariffs consistent with today's Commission opinion and order. A copy of today's Commission opinion and order is available at [www.PUCO.ohio.gov](http://www.PUCO.ohio.gov). Click on the link to Docketing Information System and enter the case number 09-391-WS-AIR.