

Proponent Testimony of House Bill 344 to the House Committee on Public Utilities

Representative Cheryl L. Grossman

December 8, 2009

Chairman DeGeeter, Vice Chairman Williams, Ranking Member Bacon, and members of the Public Utilities Committee, thank you for allowing me to give proponent testimony on House Bill 344. I would like to thank Representative Goyal and Representative Harris for their work in crafting this legislation. House Bill 344 was written to help protect consumers by reducing the amount of water and sewer rate increases.

This legislation requires large water and sewage companies to pay their fair share of rate case expenses incurred when they request a rate increase. The bill caps the portion of those expenses that companies could recover from consumers at fifty percent and give the Commission discretion to increase the company's share, if, for example, the Commission finds that the company engaged in wasteful legal spending; unnecessarily increased the cost of litigation; or otherwise incurred expenses for which residential consumers should not have to foot the bill.

In June 2009, Ohio American Water, which services portions of my district, filed a request with the Public Utilities Commission of Ohio to increase rates for all of its approximately 48,000 residential customers in Ohio. This request is the third in three years and may increase residential customers' water and sewer bills for each of the next four years if the proposed step increases are approved by the PUCO. Depending on the community served by Ohio American Water the request would increase current water bills 71 percent and 78 percent for a typical residential customer over a four-year period under Ohio American Water's step

increase proposal. Ohio American Water is also seeking to increase sewer bills by approximately 36.5 percent over the four year period for residential customers in Franklin County.

Ohio American Water provides service to residential customers in portions of Ashtabula, Franklin, Lawrence, Marion, Morrow, Pike, Portage, Richland and Seneca counties. The company was last granted a rate increase in November of 2008. This rate increase resulted in water bills increasing by 30.4 percent for customers of Franklin and Portage counties. Sewer rates for Ohio American Water's Franklin county customers increased 36.9 percent in last year's rate increase.

Ohio American Water has asked with this rate increase for the approval to collect an additional \$25 million over four years from all customer classes. According to Ohio American Water these funds are needed for water treatment plant and system improvements, labor and benefits, customer support, billing, engineering, taxes, depreciation, production and maintenance costs. In addition to the rate increase Ohio American Water has proposed to increase the current \$9.51 monthly customer charge to \$15.87 by 2013.

Recently, The Public Utilities Commission of Ohio issued a report on the Ohio American Water's application to increase rates. In this report the PUCO staff found a few things that troubled me. First, the staff recommended revenue ranges that came out significantly lower than the company's requested revenue. The reason being was that the staff recommended reduction in operating and maintenance expenses by \$4.6 million including a recommended \$1.74 million reduction to management fees and a recommended reduction to plant in service by \$4.1 million. Secondly, the staff determined the company's estimate of rate case expenses

were overstated by approximately \$170,000. The staff recommended denying the requested three year step increase and concluded that Ohio American Water should change its business model to better control costs and to better reflect economic conditions in the market it serves.

This one company's case before the PUCO estimates its legal costs at nearly \$700,000 and this cost should not be passed on to the consumer. Ohio American Water's lack of fiscal responsibility, combined with repeated requests for rate increases causes me great concern and a belief that not enough safeguards are in place. The people of my district and our state cannot afford to bailout companies for their lack of money management. I urge your support of this bill to help protect our citizens from unreasonable requests.

Thank you for your time and consideration. I will happily answer any questions the committee may have.