

Sponsor Testimony of HB 344 to the House Committee on Public Utilities
Representatives Jay Goyal and Marian Harris
December 8, 2009

Chairman DeGeeter, Vice Chair Williams, Ranking Member Bacon, and members of the Public Utilities Committee, we are pleased to be offering sponsor testimony on HB 344 - legislation that would limit the burden on consumers who incur the costs of rate-case expenses for water and sewage disposal companies.

My last water/sewage bill was \$76 – for 3 months. A constituent who lives a mile down the road from me had a \$120 water/sewage bill – for one month. Why the difference? I paid a municipal water/sewage company and my constituent paid a private, for-profit company. Consumers who receive water and sewage services from certain privately owned companies are receiving bills well beyond their ability to pay and often the water quality is unacceptable.

Under Ohio's current system of utility regulation, a water/ sewer company that files for a rate increase with the Public Utilities Commission of Ohio (PUCO) may pass on 100% of its rate case expense, including legal fees, research costs, all kinds of study costs and more, to its residential customers in the form of increased rates. For example, a company with a case currently pending before the PUCO estimates its legal costs at nearly \$700,000. Furthermore, in recent years, some companies have increased the frequency of their applications from once every two to three years to a nearly annual basis. This, of course, causes an increasing burden on Ohio consumers in an already difficult economic time.

HB 344 would require large water and sewage companies to pay their fair share of rate case expenses incurred when they request a rate increase. It would cap the portion of those expenses that companies could recover from consumers at 50% and give the PUCO discretion to increase the company's share. If, for example, the PUCO finds that the company engaged in wasteful legal spending, unnecessarily increasing the cost of litigation, or otherwise incurred expenses, residential consumers should not have to foot the bill.

Water and sewage rate increases have become almost annual, and in some cases, result in up to an 80% increase of a consumer's regular water and sewage bill. One company has filed 8 times since 1992 to increase rates: 1992, 1995, 1999, 2001, 2003, 2006, 2007, and currently in 2009. These increases usually affect anywhere from 36,000 to 60,000 customers each time. Additionally, a recent request was made for a 60% rate increases in residential water and sewer bills over the next four years.

This legislation is designed to limit the amount of money that is passed along to the consumer that a water and/or sewage company incurs due to filings of an application to establish or change rates to 50% of the costs associated with filing the rate increase. However, understanding that smaller investor-owned water and sewer companies may lack the resources of the larger companies, this bill excludes companies that serve fewer than 15,000 consumers.

This bill has support from the Ohio Consumers' Council who serves as Ohio's residential utility advocate. They estimate that approximately 145,000 Ohioans receiving water service from those companies would be affected by this legislation. The PUCO staff recommendation in the latest case said the rate requests were unreasonable.

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