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Office of the Ohio Consumers' Counsel *Your Residential Utility Consumer Advocate*

Janine L. Migden-Ostrander  
Consumers' Counsel

July 20, 2007

Renee Jenkins, Secretary  
Public Utilities Commission of Ohio  
180 East Broad Street, 13<sup>th</sup> Floor  
Columbus, Ohio 43215

PUCO

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RE: Case Nos. 06-433-WS-AIR and 07-252-WS-UNC  
Ohio American Water Company

Dear Ms. Jenkins,

On January 10, 2007, the Office of the Ohio Consumers' Counsel ("OCC") and the Staff of the Public Utilities Commission of Ohio ("PUCO") entered into a settlement agreement with Ohio American Water ("OAW"), in Case No. 06-433-WS-AIR. The PUCO approved the settlement on March 7, 2007. One objective of the settlement was to improve service quality for customers whereby OAW would take additional steps to eliminate discolored water caused by the water chemistry in OAW's Huber Ridge service area. See Stipulation at ¶ 12.

On June 29, 2007, OAW filed its Progress Report for May and June 2007 (Report). In its Report, OAW claims that the discolored water problem in the Huber Ridge area "has been resolved" as demonstrated and documented by the results of the water sampling of 1) the Huber Ridge Water Treatment Plant (HRWTP) and 2) the Huber Ridge water distribution system. See Report at p. 4. OCC concurs that OAW is making progress in correcting the problem. But, contrary to the statements of OAW, the discoloration issues are not "eliminated" as required in the settlement agreement. This is because Stipulation requirements addressing the discolored water in the HRWTP and the Huber Ridge distribution system have not been met. Nor can they be met until at least May 1, 2008.

First, in regards to the Huber Ridge water distribution system, OAW has not provided six (6) consecutive months of sampling data showing that discoloration has been eliminated in the distribution system. The settlement agreement requires that:

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By June 30, 2007, if discoloration continues in the Huber Ridge distribution system, the Company will cease charging the reverse osmosis surcharge each month until the discoloration has been eliminated. After June 30, 2007, once the discoloration has been eliminated for a given month, the Company may reinstate the reverse osmosis surcharge, but if discoloration returns prior to the elimination of discoloration for a period of six (6) consecutive months, the Company shall cease charging the reverse osmosis surcharge for each month that the discoloration standard has not been met. *Once the Company has provided water that is not discolored for six (6) consecutive months, the Company may continue to charge the reverse osmosis surcharge without reference to the discoloration standard.*

(Emphasis Added.) Stipulation at ¶12(G). Assuming that for July 2007, discolored water in the distribution system is eliminated, per the settlement agreement, the provision to cease charging the reverse osmosis surcharge applies until six consecutive months show that the discoloration standard has been met—at least until December 31, 2007. During this time, OAW must continue sampling the water in the distribution system according to the Plan that was required by paragraph 12(B). Because OAW has not provided water that is not discolored for six consecutive months, after June 30, 2007, paragraph 12(G) has not been satisfied. And at least 5.5 more months of sampling are required to demonstrate that the discolored water has been eliminated in the Huber Ridge water distribution system.

Second, in regards to the HRWTP, OAW has not met the requirements of Stipulation paragraph 12(B)(i) because OAW has not provided 12 consecutive months of results from the sample tap in which 95% of all samples evaluated are at or below the secondary standards for iron and manganese. May 2007 was the first month that OAW reported that 95% of all samples evaluated were at or below the secondary standards for both iron and manganese. OAW met this standard only after adding sodium permanganate to the finished water on May 18, 2007, for manganese removal. See Report at p.1. This chemical additive (sodium permanganate) was required under Stipulation paragraph 12(F) because more than 5% of the reportable samples analyzed in the previous quarter did not meet both iron and manganese standards. Thus, May 2007 was the first month that the standard for both iron and manganese was met. Under the Stipulation, OAW must then sample for iron and manganese through April 2008 (twelve consecutive months)—assuming that the standard is met each month.

Additionally, the table below shows the number of complaints received by OAW regarding discolored water, per month, through June 2007:

*	January:	2 complaints
*	February:	11 complaints
*	March:	9 complaints
*	April:	6 complaints
*	May:	9 complaints
*	June:	4 complaints

The complaints received in June were down somewhat, but the number of complaints recorded in May was the second highest number in 2007. These complaints suggest as well that it is too early to conclude that the water quality problem of Huber Ridge has been "resolved" as OAW claims.

Contrary to the statements in the Report filed on June 29, 2007, OAW has not "resolved" the discolored water problem in the Huber Ridge area because it has not met all of the standards mandated by the settlement agreement. And as discussed above, OAW will not be able to meet all of those requirements until at least May 1, 2008.

Sincerely,

Maureen R. Grady <sup>by M.Y.</sup> per e-mail authorization

Maureen R. Grady  
Assistant Consumers' Counsel

cc: Parties of Record