

FILE



RICHARD CORDRAY
OHIO ATTORNEY GENERAL

February 4, 2009

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PUCO

Dave Little, President
Ohio American Water Company
PO Box 506
365 E. Center Street
Marion, OH 43301-0506

RE: Case No. 07-1112-WS-AIR and 08-1233-WS-UNC Stipulation Commitment Status

Dear Mr. Little:

The Public Utilities Commission Staff (staff) is in the process of reviewing the status of commitments made by Ohio American Water (Company) in the stipulated agreement approved by the Commission on November 12, 2008 in Case No. 0701112-WS-AIR and tracked in Case No. 08-1233-WS-UNC. This letter will address concerns the staff has with four of those commitments; the unaccounted-for-water (UFW) commitment (#13(D)), the Lake Darby softening commitment (#14), the Ashtabula Commitment (#18), and the Mansfield unmetered system commitment (#19).

UFW – Commitment No. 13(D)

- (3) *Conduct a cost-benefit study outlining known and potential causes of UFW in each of the following systems: Ashtabula, Marion, Huber Ridge, Blacklick and Aurora East, including remedial actions and a timeline for remedying the causes of UFW and to determine the cost for achieving a 15% UFW level and the investment cost for achieving the greatest benefit for the investment and present the Cost-Benefit Report to the Staff within 60 days of the Opinion and Order in this case.*

The Company has provided routine quarterly UFW reports to the staff as required and on a timely basis. However, the remedial action plans required by the Stipulation and Recommendation are lacking. Specifically reports submitted for Ashtabula, (labeled Leak detection) and Marion did not include any cost benefit analysis and nothing at all has been submitted for the Huber Ridge, Blacklick, and Aurora East districts. The cost benefit report was due within 60 days of the Opinion and Order or January 12, 2009.

- (4) *Within 30 days of presenting the Cost-Benefit Report (or later if the Staff directs) meet with Staff, OCC and Marion to discuss the information presented in the Cost-Benefit Report, the Company, Staff, OCC and Marion to determine what actions, if any, the Company should pursue to achieve at least a 15% UFW level in a particular system.*

The implementation of section 13(D)(4) which requires the Company and parties to meet to discuss the information presented in the Cost-Benefit Report is to occur within 30 days of the Cost-Benefit presentation on or about February 12, 2009 and is contingent upon the completion of 13(D). This is also true of sections 13(D)(5) through and including section 13(D)(8). Staff requests the Company immediately provide the required Cost-Benefit Study or a detailed explanation as to the status of the report and a new proposed timeline no later than February 11, 2009.

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Lake Darby Softening – Commitment No. 14

- (B) *Install, operate and maintain an on-line analyzer to monitor the Lake Darby Water Treatment Plant's finished water hardness. The on-line unit will sample, measure and record one sample every two hours while the plant is running.*

Through this commitment the Company agreed to install and maintain an on-line hardness analyzer to measure and record one sample every two hours while the plant is running. It is the staff's understanding that the analyzer was purchased, installed and operational before the Opinion and Order in the rate case was signed.

According to the Company, the analyzer purchased has the capability of taking and testing a sample every 6 to 7 minutes and has been set to do so. As represented by the Company the analyzer is wired into a control system that issues an alarm when the finished water hardness level reaches 145 mg/l, and that will shut the plant down if the level reaches 150 mg/l. However, Ohio American has informed staff that it has not been able to implement software that can digest the numerous data points being generated and to report hardness levels that meet the reporting requirements in this section. Staff was informed by a Company representative in an e-mail dated December 30, 2008 that any software problems associated with the analyzer were expected to be worked out and accurate reports filed by January 5, 2009. When the January 5, 2009 scheduled deadline passed without any reports being submitted, Staff called the Company and instructed them to submit interim reports until the software problems could be corrected.

Ashtabula Commitment No. 18 Ohio American docketed interim hardness reports on January 23, 2009. These reports included a single entry for the on-line analyzer which is assumed by Staff to be the average daily hardness, but the report still has missing entries for some days waiting for new data retrieval software. Ohio American needs to work out any problems with its on-line analyzer hardness reports to staff; so that the January, 2009 report is properly submitted by February 15, 2009. In addition once the reporting problems have been worked out and a format approved by Staff, the reports for November and December, 2008 need to be resubmitted. If the Company is unable to meet the above deadlines a justifiable reason for further delays and a timeline for completion needs to be submitted to staff.

- (A) *Within two (2) months of the Order in this proceeding, the Company will provide to Staff for approval a contingency emergency plan for making improvements to the Bunker Hill tank, in the event of a catastrophic failure of the tank, that will include a detailed list of equipment along with the specific vendors(s) of each piece of equipment that might be required, timetable for obtaining the equipment from each vendor and a plan for managing the distribution system so that water will be available throughout the Ashtabula system during the full or partial outage of the Bunker Hill storage tank.*

Through this commitment, the Company agreed to provide Staff for approval a contingency emergency plan for making improvements to the Bunker Hill tank to address the possibility of a catastrophic failure. A report was filed by e-mail with the staff on January 13, 2009 and a redacted version was docketed in Case No. 08-1233-WS-UNC on January 23, 2009.

The plan appears to be well thought out and should help the Ashtabula District operators to expeditiously handle any short term event causing the tank to be taken out of service.

However the plan does not say whether any additional steps were contemplated should an extended tank outage occur. Staff believes the Company should be required to examine this possibility further and to revise the plan to include a detailed list of equipment, specific vendor(s) for the equipment, a timetable for obtaining the equipment and a plan for managing the distribution system so that water will be available throughout the Ashtabula system during the full or partial outage of the Bunker Hill storage tank.

Ohio American needs to provide clarification on when the valves outlined as being necessary for the emergency operations were located and operated. The reliability of these valves should be verified as soon as possible and if one or more of them are found partially or completely inoperative, the valve should be repaired or replaced immediately. Staff would also like to see the pressure regulating valve being designed for the Bunker Hill booster station installed and operational as soon as possible and a date for completion provided to staff. A project schedule should be submitted to the staff by February 27, 2009 and updated immediately with any justifiable variances.

A meeting between the Company, Staff and OCC to discuss the Company's preliminary plans for upgrading the Ashtabula plant required by stipulation to occur within 3 months of the Opinion and Order, or about February 12, 2009.

Mansfield Commitment No. 19

The company agrees that by the end of 2008, approximately one half of the customers in the ten Mansfield systems will have metered service available. Because the number of Mansfield customers have indicated a desire for metered service, Ohio American will survey those customers who have purchased inside water meters (used by the Richland county Department of Sewers to meter sewage disposal usage) to determine if they desire to use their meters of water usage in which case they would be subject to a meter reading surcharge of \$.35 (or whatever rate the Richland County Department of Sewers charges).

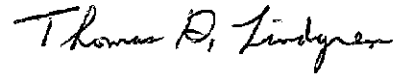
Ohio American docketed a notice on January 8, 2009 that it had installed meters in the Mansfield area for 48.78% of its customers; representing a substantial completion of installing meters to one half of its customers in the ten Mansfield systems.

However, the commitment also required the Company to survey those customers who had purchased inside water meters from the Richland County Department of Sewers and used for metered sewage bills, to determine if they desired to use their meters for calculation of their water bill with the knowledge that they would be charged \$0.35 per reading or whatever rate Richland County determined for the readings.

Staff was recently informed verbally by the Company that it intended to accelerate the installation of meters in the Mansfield district so that all the customers in that district had metered rates as soon as the end of 2009 and no later than the end of 2010. Ohio American should verify its intentions and provide justification for the waiving the survey requirement commitment if this is their intention.

Please respond in writing to the issues and concerns addressed in this letter by February 12, 2009 except where otherwise directed in the body of this letter.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Thomas G. Lindgren".

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