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PUCO

August 1, 2018

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Assess a System Improvement Charge for Sewage Disposal Service in the Franklin County District, Case No. 15-0864-WS-SIC*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the Application of Aqua Ohio, Inc. to assess a system improvement charge for sewage service in its Franklin County District, Case No. 15-0864-WS-SIC.

Doris McCarter
Chief, Capital Recovery and Financial Analysis Division
Public Utilities Commission of Ohio

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Technician TN Date Processed AUG 01 2018

Enclosure
Cc: Parties of Record

180 East Broad Street
Columbus, Ohio 43215-3793

(614) 466-3016
www.PUCO.ohio.gov

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Aqua Ohio, Inc.
Case No. 15-864-WS-SIC

BACKGROUND SUMMARY

Ohio Revised Code (R.C.) section 4909.172 permits a waterworks company, or a sewage disposal system company, that is a public utility to file an application with the Public Utilities Commission of Ohio (Commission) seeking authorization to collect a system improvement surcharge (SIC) to provide recovery for incremental infrastructure investments between rate case proceedings. Pursuant to R.C. 4909.172(B)(2), the Commission must consider, among other things, the impact of any SIC to the rate of return earned by the utility, and shall not authorize a SIC under this section if said surcharge results in the utility earning an excessive rate of return. The SIC should provide a fair and reasonable rate of return, as determined by the Commission. However, in the event that a SIC that has been previously authorized results in an excessive rate of return, then the Commission may reduce or terminate the SIC.¹

Aqua Ohio, Inc. (Aqua Ohio) filed an application with the Commission seeking authority to implement a SIC for sewage disposal service in its Franklin County District.² Commission Staff reviewed Aqua Ohio's request for a SIC and recommended its approval subject to certain modifications.³ It was determined that the modified SIC would not result in Aqua Ohio earning an excessive rate of return. As part of its authorization, the Commission directed Aqua Ohio to file annual updates showing the calculation of its earned rate of return.⁴ Aqua Ohio has complied with the Commission's Order by filing annual updates showing the earned rate of return for the Franklin County District's Waste Water Division. Aqua Ohio's Franklin County District Waste Water Division earned 5.89 percent in 2015,⁵ 4.89 percent in 2016,⁶ and 11.16 percent in 2017,⁷ due to some recently implemented cost saving measures.

STAFF REVIEW

Staff has reviewed the most recent annual update by Aqua Ohio showing the earned rate of return for the Franklin County District Waste Water Division in 2017. Staff finds that the earned

¹ R.C. 4909.172(D)

² See *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Assess a System Improvement Charge for Sewage Disposal Service in the Franklin County District*, Case No. 15-864-WS-SIC, Application (May 1, 2015) (2015 Aqua Ohio Sewer SIC Case).

³ 2015 Aqua Ohio Sewer SIC Case, Comments on behalf of the Staff of the Public Utilities Commission of Ohio (Jul. 15, 2015).

⁴ 2015 Aqua Ohio Sewer SIC Case, Finding and Order (Oct. 7, 2015).

⁵ 2015 Aqua Ohio Sewer SIC Case, Annual Update (Jun. 10, 2016).

⁶ 2015 Aqua Ohio Sewer SIC Case, Annual Update (Apr. 18, 2017).

⁷ 2015 Aqua Ohio Sewer SIC Case, Annual Update (Jun. 21, 2018).

rate of return of 11.16 percent in 2017 appears excessive when compared to the Commission authorized rate of return of 7.81 percent in Aqua Ohio's last sewer service rate case.⁸

STAFF RECOMMENDATION

Staff recommends that the Commission terminate Aqua Ohio's SIC for sewage disposal service in their Franklin County District due to its earned rate of return.

⁸ See *In the Matter of the Application of Ohio American Water Company to Increase Its Rates for Water Service and Sewer Service*, Case No. 11-4161-WS-AIR, Opinion and Order (Jun. 13, 2012).