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FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of **OHIO AMERICAN**)
WATER COMPANY for Authority to Assess a System)
Improvement Charge on Water Customers Excluding Those in)
Portage and Franklin Counties, Ohio)

Case No. 11-151-WW-SIC

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PUCO

**APPLICATION FOR AUTHORITY
TO COLLECT
A SYSTEM IMPROVEMENT CHARGE
APPLICABLE TO SOME OF OHIO AMERICAN'S DISTRICTS**

Applicant, Ohio American Water Company ("Ohio American"), a corporation organized under the laws of the State of Ohio and a public utility and a water-works company as those terms are defined in Ohio Revised Code Sections ("R.C.") 4905.02 and 4905.03(A)(8), respectively. Ohio American's principal place of business is Marion, Ohio.

Ohio American submits this application for authority to collect a System Improvement Surcharge ("SIC") pursuant to R.C 4909.172 and Ohio Administrative Code (OAC) Rule 4901:1-15-35 and Appendix.

Only a portion of Ohio American's entire service area is proposed to be affected by the SIC. This application encompasses only water plant and does not affect customers in Franklin or Portage Counties, Ohio. The areas to be included in the application are comprised of the following districts --- Ashtabula, Lawrence County, Mansfield, Marion [includes portions of unincorporated areas of Washington Township in Marion County and Canaan Township in Morrow County, the Pike County service area (Lake White), Preble County service area], and the

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Tiffin district in Seneca County. The proposed SIC has been determined pursuant to R.C.

4909.172 and OAC Rule 4901:1-15-35 and Appendix.

This Application includes the following exhibits:

Exhibit A: Proposed Newspaper Notice to be published in the above-referenced districts

Exhibit B: The following schedules:

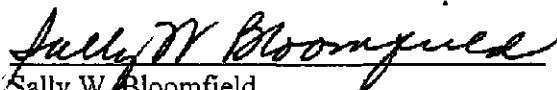
1. Annualized Revenue Requirement
2. Plant Additions by Month
3. Original Cost Retired
4. Provision for Depreciation
5. Annualized Depreciation Associated with Additions
- 5a. Annualized Property Taxes Associated with Additions
6. Annualized Reduction in Depreciation for Retirements
- 6a. Annualized Reduction in Property Taxes for Retirements
7. Pre-Tax Return Summary
- 7a. Embedded Cost of Long Term Debt
- 7b. Embedded Cost of Preferred Stock
8. Calculation of Earned Rate of Return
- 8a. Working Capital and Other Rate Base Items
9. Proposed 4th Revised Sheet No. 1A listing the SIC and updated index tariff sheets
10. Revenue Distribution
- 10a. Impact of SIC for Average Residential Customer
- 10b. Impact of SIC Increase by Tariff Group
11. Proposed Customer Notice

Exhibit C: Testimony of Gary M. VerDouw in support of the Application and schedules

Wherefore, Ohio American respectfully requests the Commission to: find that its Application for a System Improvement Charge is just and reasonable and complies with R.C. 4906.172 and OAC Rule 4901:1-15-35 and Appendix; authorize Ohio American to collect its

proposed System Improvement Charge; approve its proposed tariff revision; approve the proposed Customer Notice; and grant such other relief that to which Ohio American may be entitled.

Respectfully submitted on behalf of
OHIO AMERICAN WATER COMPANY



Sally W. Bloomfield

Matthew W. Warnock

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of **OHIO AMERICAN**)
WATER COMPANY for Authority to Assess a System)
Improvement Charge on Water Customers Excluding Those in) **Case No. 11-151-WW-SIC**
Portage and Franklin Counties, Ohio)

VERIFICATION OF APPLICATION

STATE OF OHIO)
)SS:
COUNTY OF MARION)

Charles Van Horne, Assistant Treasurer of Ohio American Water Company, being duly sworn, deposes and says that the information contained in the foregoing Application and exhibits is true to the best of his knowledge and belief.

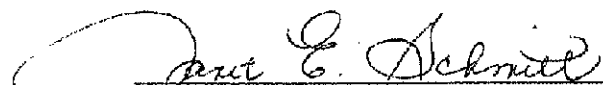


Charles Van Horne
Assistant Treasurer

SWORN TO before me and subscribed in my presence this 12 day of January 2011.



JANET E. SCHMITT
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES FEB. 26, 2014



Notary Public
My Commission Expires: 2/26/14
My County of Residence is: MARION

CERTIFICATE OF SERVICE

Ohio American Water Company certifies that a copy of the foregoing Amended Application for Authority to Collect a System Improvement Charge was sent via first class U.S. Mail to the attached service list on January 12th, 2011.


Sally W. Bloomfield

Ashtabula County

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City Manager
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Ward V Council Representative
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Case No. 09-391-WS-AIR Intervenors

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OHIO AMERICAN WATER COMPANY
NOTICE OF APPLICATION FOR AUTHORITY
TO COLLECT A SYSTEM IMPROVEMENT CHARGE
BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO
CASE NO. 11-151-WW-SIC

On January 12, 2011, Ohio American Water Company filed an Application for authority to collect a System Improvement Charge in the following districts—Ashtabula, Lawrence County, Mansfield, Marion and Tiffin.

A copy of the Application is available for inspection at the office of Ohio American located at 365 East Center Street, Marion, Ohio 43301-0506 or by calling 1-800-673-5999 a copy is also available on the company's website at <http://www.amwater.com/ohaw>. Additionally, a copy of the application is available for inspection at the offices of the Public Utilities Commission of Ohio, 180 East Broad Street, 11th Floor, Columbus, Ohio 43215 or by website at <http://www.puco.ohio.gov/PUCO/Docketing/index.cfm> (enter the case number).

In its Application, Ohio American seeks authority, pursuant to Ohio Revised Code Section 4909.172 to collect a monthly system improvement charge from water service customers in the above noted districts. The purpose of the surcharge is to recover costs incurred related to replacement of certain qualifying infrastructure improvements totaling approximately \$6,408,114 to its water distribution plant that have been installed subsequent to the period upon which the current rates were based in the company's last rate case approved by the Public Utilities Commission of Ohio. Ohio American is proposing a SIC surcharge of 3.1687% to be assessed on the total usage and customer charge applicable to each customer. This surcharge will not exceed a 3% increase on ALL charges applicable to the affected customers. The Application, if granted, would result in \$1.21 a month increase for an average residential customer using 4,500 gallons of water per month in the Ashtabula, Lawrence County, Tiffin, Lake White and Preble County areas; \$1.27 a month for customers in the Marion area and metered customers in the Mansfield areas; and \$1.34 for unmetered customers in the Mansfield areas.

Any person, firm, corporation or association may file comments in Case No. 11-151-WW-SIC regarding the proposed application with the Public Utilities Commission of Ohio at the above address. The deadline for filing comments is _____, 2011.

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Annualized Revenue Requirement

Line				
<u>No.</u>				
1	<u>Return on Investment</u>			
2	Plant In-Service			
3	Additions	\$	6,408,114	Schedule 2, Ln. 6
4	Original Cost Retired		131,679	Schedule 3, Ln. 6
5	Net Plant In-Service (3 - 4)	\$	6,276,435	
6	Less: Accumulation Provision for Depreciation			
7	Depreciation Expense	\$	109,748	Schedule 4, Ln. 8
8	Original Cost Retired		131,679	Schedule 3, Ln. 6
9	Total Accumulated Provision for Depreciation (7 - 8)	\$	(21,931)	
10	Net Rate Base	\$	6,298,366	
11	Pre-tax Rate of Return		10.73%	Schedule 7, Ln. 4
12	Annualized Return on Rate Base (10 x 11)	\$	675,815	
	<u>Operating Expenses</u>			
13	Annualized Provision for Depreciation For Additions	\$	122,687	Schedule 5, Ln. 6
14	Annualized Reduction in Depreciation For Retirements		3,918	Schedule 6, Ln. 6
15	Annualized Property Taxes for Additions		258,504	Schedule 5a, Ln. 5
16	Annualized Reduction for Property Taxes for Retirements		5,312	Schedule 6a, Ln. 5
17	Annualized Revenue Requirement (12 + 13 - 14 + 15 - 16)	\$	1,047,775	
18	<u>Total Revenue Approved In Case No. 09-391-WS-AIR</u>			
19	Water A	\$	30,232,581	
20	Maximum % Allowed Under Section 4909.172 of the Ohio Revised Code		3.00%	
21	Adjusted Annual Revenue Requirement (19 x 20)	\$	906,977	

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-JWW-SIC
Plant Additions By Month

Line No.	Acct. No.	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total Filing
1	Cumulative													
2	Property Grouping													
3	Mains	\$ 68,552	\$ 66,171	\$ 91,253	\$ 1,068,538	\$ 1,540,426	\$ 1,465,912	\$ 1,471,470	\$ 1,488,255	\$ 1,575,489	\$ 3,187,257	\$ 3,922,353	\$ 3,839,583	\$ 5,381,929
4	Services	8,587	17,685	25,963	34,105	118,726	174,242	196,781	220,357	213,679	289,287	289,457	345,477	837,242
5	Hydrants	2,360	2,113	6,262	9,086	18,765	30,164	37,145	34,681	38,181	38,977	61,952	86,628	188,943
6	Total (3 + 4 + 5)	79,499	105,969	123,498	1,111,729	1,677,917	1,670,218	1,705,396	1,743,284	1,828,358	3,485,531	3,973,473	4,271,689	6,408,114
7	Incremental													
8	Property Grouping													
9	Mains	\$ 68,552	\$ 17,619	\$ 5,082	\$ 977,286	\$ 471,888	\$ (74,814)	\$ 6,837	\$ 16,785	\$ 87,234	\$ 1,611,788	\$ 435,097	\$ 217,229	\$ 5,381,929
10	Services	8,587	9,087	8,278	8,142	84,821	55,516	23,539	23,576	(6,876)	45,818	30,160	56,020	837,242
11	Hydrants	2,360	(247)	4,710	2,803	6,678	11,399	6,981	(2,464)	4,509	(214)	22,685	24,864	188,943
12	Total (9 + 10 + 11)	79,499	26,470	17,528	988,231	566,188	(7,698)	35,178	37,897	85,065	1,687,173	487,942	298,213	6,408,114
1	Cumulative													
2	Property Grouping													
3	Mains	\$ 3,775,286	\$ 3,820,944	\$ 3,807,201	\$ 3,739,303	\$ 3,729,008	\$ 3,768,061	\$ 3,792,721	\$ 3,665,143	\$ 3,824,942	\$ 4,871,955	\$ 5,381,929	\$ 5,381,929	\$ 5,381,929
4	Services	347,688	361,147	388,288	419,689	412,131	464,479	489,811	488,808	687,119	788,946	837,242	837,242	837,242
5	Hydrants	73,879	80,856	81,859	87,183	86,922	97,562	99,862	94,878	150,487	189,217	188,943	188,943	188,943
6	Total (3 + 4 + 5)	\$ 4,196,853	\$ 4,263,047	\$ 4,257,357	\$ 4,242,175	\$ 4,228,062	\$ 4,330,102	\$ 4,379,514	\$ 4,258,830	\$ 4,662,548	\$ 5,631,119	\$ 6,408,114	\$ 6,408,114	\$ 6,408,114
7	Incremental													
8	Property Grouping													
9	Mains	\$ (84,286)	\$ 45,848	\$ (13,744)	\$ (67,898)	\$ (10,295)	\$ 39,053	\$ 24,680	\$ (127,578)	\$ 159,799	\$ 84,703	\$ 709,974	\$ -	\$ 5,381,929
10	Services	2,211	13,459	7,151	47,391	(3,557)	52,348	25,332	8,998	185,311	102,827	47,286	-	837,242
11	Hydrants	(12,847)	6,977	803	5,325	(251)	10,639	(580)	(2,004)	55,508	18,731	19,728	-	188,943
12	Total (9 + 10 + 11)	\$ (74,722)	\$ 66,084	\$ (5,690)	\$ (15,182)	\$ (14,113)	\$ 102,040	\$ 49,412	\$ (120,684)	\$ 403,618	\$ 983,571	\$ 776,995	\$ -	\$ 6,408,114

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Original Cost Retired

Line No.	Acct. No.	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
1	Cumulative												
2	Property Grouping												
3	343 Mains	(22,467) \$	(19,246) \$	(2,913) \$	(2,856) \$	(2,856) \$	(2,166) \$	7,537 \$	7,647 \$	10,491 \$	10,738 \$	12,613 \$	13,998 \$
4	345 Services	1,480	2,972	2,972	2,933	3,911	3,911	3,911	5,404	6,448	6,215	8,859	8,859
5	348 Hydrants	1,488	1,498	1,498	1,498	1,498	1,498	2,738	2,738	3,988	4,608	4,892	4,892
6	Total (3 + 4 + 6)	(18,480) \$	(14,776) \$	(1,557) \$	(1,625) \$	(2,562) \$	(3,252) \$	14,193 \$	16,667 \$	19,627 \$	21,453 \$	26,363 \$	27,748 \$
7	Incremental												
8	Property Grouping												
9	343 Mains	(22,467) \$	3,220 \$	16,335 \$	56 \$	- \$	700 \$	9,693 \$	10 \$	2,943 \$	248 \$	1,874 \$	1,385 \$
10	345 Services	1,480	1,482	-	12	927	-	-	1,494	44	767	2,643	-
11	348 Hydrants	1,488	-	-	-	-	1,237	-	-	852	921	383	0
12	Total (9 + 10 + 11)	(18,480) \$	(4,702) \$	16,335 \$	68 \$	927 \$	700 \$	10,931 \$	1,504 \$	3,840 \$	1,936 \$	4,900 \$	1,385 \$

Line No.	Acct. No.	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total Filing
1	Cumulative													
2	Property Grouping													
3	343 Mains	14,152 \$	14,493 \$	14,493 \$	17,281 \$	17,418 \$	17,418 \$	19,477 \$	19,769 \$	61,052 \$	61,839 \$	67,173 \$	67,173 \$	57,173 \$
4	345 Services	8,859	11,847	11,847	11,868	39,650	39,650	39,682	42,779	42,779	42,905	54,747	54,747	54,747
5	348 Hydrants	5,020	5,048	5,020	5,610	5,748	5,748	6,041	8,753	9,278	9,739	9,759	9,759	9,759
6	Total (3 + 4 + 6)	28,031 \$	31,388 \$	31,361 \$	34,760 \$	62,816 \$	62,816 \$	65,200 \$	71,331 \$	113,109 \$	114,463 \$	131,679 \$	131,679 \$	131,679 \$
7	Incremental													
8	Property Grouping													
9	343 Mains	154 \$	342 \$	- \$	2,788 \$	137 \$	- \$	2,096 \$	322 \$	41,252 \$	787 \$	5,334 \$	- \$	87,173 \$
10	345 Services	-	2,988	-	21	27,781	-	32	3,097	-	126	11,842	-	54,747 \$
11	348 Hydrants	128	28	(28)	590	138	-	294	2,712	525	461	20	-	9,759 \$
12	Total (9 + 10 + 11)	283 \$	3,356 \$	(28) \$	3,399 \$	28,056 \$	- \$	2,385 \$	6,131 \$	41,778 \$	1,374 \$	17,156 \$	- \$	131,679 \$

OHIO-AMERICAN WATER COMPANY
WATER - A
Class No. 11-151-1WV-SIC
Provision For Depreciation

Line	Jan-08	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
1	Account No. 343 / Depreciation - Metals											
2	Beginning Plant Balance (a)	\$ 68,552	\$ 66,171	\$ 91,253	\$ 1,068,538	\$ 1,540,425	\$ 1,465,812	\$ 1,471,470	\$ 1,488,255	\$ 1,575,488	\$ 3,182,257	\$ 3,622,353
3	Additions for the month (b)	\$ 17,519	\$ 5,082	\$ 977,265	\$ 171,888	\$ 14,614	\$ 5,657	\$ 16,765	\$ 87,534	\$ 1,611,768	\$ 438,097	\$ 217,230
4	Ending Plant Balance (a)	\$ 86,071	\$ 71,253	\$ 1,065,523	\$ 1,240,423	\$ 1,480,436	\$ 1,471,470	\$ 1,488,235	\$ 1,575,792	\$ 3,097,252	\$ 3,620,354	\$ 3,839,583
5	Depreciation Rate (c)	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
6	Calculated Depreciation Expense (e)	\$ 61	\$ 102	\$ 126	\$ 1,264	\$ 1,823	\$ 1,735	\$ 1,741	\$ 1,781	\$ 3,772	\$ 4,285	\$ 4,344
7	Adjustments (f)											
8	Ending Reserve Balance (g)	\$ 61	\$ 102	\$ 126	\$ 1,264	\$ 1,823	\$ 1,735	\$ 1,741	\$ 1,781	\$ 3,772	\$ 4,285	\$ 4,344
9												
10	Account No. 345 / Depreciation - Services											
11	Beginning Plant Balance (a)	\$ 6,987	\$ 6,987	\$ 17,685	\$ 25,953	\$ 34,105	\$ 140,726	\$ 174,242	\$ 196,781	\$ 220,357	\$ 213,679	\$ 269,457
12	Additions for the month (b)	\$ 9,877	\$ 17,685	\$ 25,953	\$ 34,105	\$ 140,726	\$ 174,242	\$ 196,781	\$ 220,357	\$ 213,679	\$ 269,457	\$ 362,025
13	Ending Plant Balance (a)	\$ 16,864	\$ 24,672	\$ 43,638	\$ 60,058	\$ 174,831	\$ 315,552	\$ 370,988	\$ 417,138	\$ 434,036	\$ 427,358	\$ 531,482
14	Depreciation Rate (c)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
15	Calculated Depreciation Expense (e)	\$ 71	\$ 104	\$ 184	\$ 253	\$ 733	\$ 1,324	\$ 1,573	\$ 1,756	\$ 1,835	\$ 1,800	\$ 2,235
16	Adjustments (f)											
17	Ending Reserve Balance (g)	\$ 71	\$ 104	\$ 184	\$ 253	\$ 733	\$ 1,324	\$ 1,573	\$ 1,756	\$ 1,835	\$ 1,800	\$ 2,235
18												
19	Account No. 346 / Depreciation - Rodents											
20	Beginning Plant Balance (a)	\$ 2,360	\$ 2,113	\$ 2,113	\$ 2,022	\$ 9,006	\$ 10,765	\$ 30,164	\$ 37,445	\$ 34,881	\$ 35,977	\$ 61,662
21	Additions for the month (b)	\$ 2,360	\$ 2,113	\$ 2,113	\$ 2,022	\$ 9,006	\$ 10,765	\$ 30,164	\$ 37,445	\$ 34,881	\$ 35,977	\$ 61,662
22	Ending Plant Balance (a)	\$ 4,720	\$ 4,226	\$ 4,226	\$ 4,044	\$ 18,012	\$ 20,930	\$ 50,328	\$ 74,890	\$ 69,762	\$ 71,954	\$ 123,324
23	Depreciation Rate (c)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
24	Calculated Depreciation Expense (e)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234
25	Adjustments (f)											
26	Ending Reserve Balance (g)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234
27												
28	Ending Reserve Balance (g)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234

Line	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
1	Account No. 343 / Depreciation - Metals											
2	Beginning Plant Balance (a)	\$ 3,839,583	\$ 3,775,286	\$ 3,820,844	\$ 3,807,201	\$ 3,733,303	\$ 3,725,008	\$ 3,768,061	\$ 3,792,721	\$ 3,665,143	\$ 3,623,812	\$ 4,671,855
3	Additions for the month (b)	\$ 17,519	\$ 5,082	\$ 977,265	\$ 171,888	\$ 14,614	\$ 5,657	\$ 16,765	\$ 87,534	\$ 1,611,768	\$ 438,097	\$ 217,230
4	Ending Plant Balance (a)	\$ 3,857,102	\$ 3,830,368	\$ 4,798,109	\$ 3,979,089	\$ 3,747,906	\$ 3,730,665	\$ 3,783,826	\$ 3,880,255	\$ 3,752,874	\$ 3,661,909	\$ 4,889,085
5	Depreciation Rate (c)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
6	Calculated Depreciation Expense (e)	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627
7	Adjustments (f)											
8	Ending Reserve Balance (g)	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627
9												
10	Account No. 345 / Depreciation - Services											
11	Beginning Plant Balance (a)	\$ 16,864	\$ 16,864	\$ 43,638	\$ 60,058	\$ 174,831	\$ 315,552	\$ 370,988	\$ 417,138	\$ 434,036	\$ 427,358	\$ 531,482
12	Additions for the month (b)	\$ 16,864	\$ 16,864	\$ 43,638	\$ 60,058	\$ 174,831	\$ 315,552	\$ 370,988	\$ 417,138	\$ 434,036	\$ 427,358	\$ 531,482
13	Ending Plant Balance (a)	\$ 33,728	\$ 33,728	\$ 87,276	\$ 120,116	\$ 349,662	\$ 631,104	\$ 741,976	\$ 834,274	\$ 868,174	\$ 861,716	\$ 1,062,964
14	Depreciation Rate (c)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
15	Calculated Depreciation Expense (e)	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142
16	Adjustments (f)											
17	Ending Reserve Balance (g)	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142
18												
19	Account No. 346 / Depreciation - Rodents											
20	Beginning Plant Balance (a)	\$ 2,360	\$ 2,113	\$ 2,113	\$ 2,022	\$ 9,006	\$ 10,765	\$ 30,164	\$ 37,445	\$ 34,881	\$ 35,977	\$ 61,662
21	Additions for the month (b)	\$ 2,360	\$ 2,113	\$ 2,113	\$ 2,022	\$ 9,006	\$ 10,765	\$ 30,164	\$ 37,445	\$ 34,881	\$ 35,977	\$ 61,662
22	Ending Plant Balance (a)	\$ 4,720	\$ 4,226	\$ 4,226	\$ 4,044	\$ 18,012	\$ 20,930	\$ 50,328	\$ 74,890	\$ 69,762	\$ 71,954	\$ 123,324
23	Depreciation Rate (c)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
24	Calculated Depreciation Expense (e)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234
25	Adjustments (f)											
26	Ending Reserve Balance (g)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234
27												
28	Ending Reserve Balance (g)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234

Line	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
1	Account No. 343 / Depreciation - Metals											
2	Beginning Plant Balance (a)	\$ 3,839,583	\$ 3,775,286	\$ 3,820,844	\$ 3,807,201	\$ 3,733,303	\$ 3,725,008	\$ 3,768,061	\$ 3,792,721	\$ 3,665,143	\$ 3,623,812	\$ 4,671,855
3	Additions for the month (b)	\$ 17,519	\$ 5,082	\$ 977,265	\$ 171,888	\$ 14,614	\$ 5,657	\$ 16,765	\$ 87,534	\$ 1,611,768	\$ 438,097	\$ 217,230
4	Ending Plant Balance (a)	\$ 3,857,102	\$ 3,830,368	\$ 4,798,109	\$ 3,979,089	\$ 3,747,906	\$ 3,730,665	\$ 3,783,826	\$ 3,880,255	\$ 3,752,874	\$ 3,661,909	\$ 4,889,085
5	Depreciation Rate (c)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
6	Calculated Depreciation Expense (e)	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627
7	Adjustments (f)											
8	Ending Reserve Balance (g)	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,627
9												
10	Account No. 345 / Depreciation - Services											
11	Beginning Plant Balance (a)	\$ 16,864	\$ 16,864	\$ 43,638	\$ 60,058	\$ 174,831	\$ 315,552	\$ 370,988	\$ 417,138	\$ 434,036	\$ 427,358	\$ 531,482
12	Additions for the month (b)	\$ 16,864	\$ 16,864	\$ 43,638	\$ 60,058	\$ 174,831	\$ 315,552	\$ 370,988	\$ 417,138	\$ 434,036	\$ 427,358	\$ 531,482
13	Ending Plant Balance (a)	\$ 33,728	\$ 33,728	\$ 87,276	\$ 120,116	\$ 349,662	\$ 631,104	\$ 741,976	\$ 834,274	\$ 868,174	\$ 861,716	\$ 1,062,964
14	Depreciation Rate (c)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
15	Calculated Depreciation Expense (e)	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142
16	Adjustments (f)											
17	Ending Reserve Balance (g)	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142
18												
19	Account No. 346 / Depreciation - Rodents											
20	Beginning Plant Balance (a)	\$ 2,360	\$ 2,113	\$ 2,113	\$ 2,022	\$ 9,006	\$ 10,765	\$ 30,164	\$ 37,445	\$ 34,881	\$ 35,977	\$ 61,662
21	Additions for the month (b)	\$ 2,360	\$ 2,113	\$ 2,113	\$ 2,022	\$ 9,006	\$ 10,765	\$ 30,164	\$ 37,445	\$ 34,881	\$ 35,977	\$ 61,662
22	Ending Plant Balance (a)	\$ 4,720	\$ 4,226	\$ 4,226	\$ 4,044	\$ 18,012	\$ 20,930	\$ 50,328	\$ 74,890	\$ 69,762	\$ 71,954	\$ 123,324
23	Depreciation Rate (c)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
24	Calculated Depreciation Expense (e)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234
25	Adjustments (f)											
26	Ending Reserve Balance (g)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234
27												
28	Ending Reserve Balance (g)	\$ 9	\$ 8	\$ 8	\$ 8	\$ 38	\$ 45	\$ 96	\$ 142	\$ 133	\$ 138	\$ 234

Line	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
1	Account No. 343 / Depreciation - Metals											
2	Beginning Plant Balance (a)	\$ 3,839,583	\$ 3,775,286	\$ 3,820,844	\$ 3,807,201	\$ 3,733,303	\$ 3,725,008	\$ 3,768,061	\$ 3,792,721	\$ 3,665,143	\$ 3,623,812	\$ 4,671,855
3	Additions for the month (b)	\$ 17,519	\$ 5,082	\$ 977,265	\$ 171,888	\$ 14,614	\$ 5,657</					

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Annualized Depreciation Associated With Additions

Line No.	Acct. No.	Description	Plant In Service Balance At 11/30/10 (a)	Accrual Rates (b)	Depreciation Expense (c)
1		Property Grouping			
2	343	Mains	\$ 5,381,929	1.42%	\$ 76,423
3	345	Services	837,242	5.00%	41,862
4	348	Hydrants	188,943	2.33%	4,402
5		Total (2 + 3 + 4)	<u>\$ 6,408,114</u>		<u>\$ 122,687</u>
6		Grand Total	<u>\$ 6,408,114</u>		<u>\$ 122,687</u>

- (a) Schedule 2
- (b) Accrual Rates Approved in Applicant's Last Base Rate Case
- (c) Columns (a) x (b)

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Annualized Property Taxes Associated With Additions

Line
No. Description

1	Plant in Service - Additions (a)	\$ 6,408,114
2	Percentage of Assessment Value to the Total Cost (b)	<u>60.29%</u>
3	Property Subject to Ohio Property Taxes (1) x (2)	\$ 3,863,452
4	Tax Rate per \$1,000 (b)	<u>66.91</u>
5	Ohio Property Tax (3) x (4)	<u>\$ 258,504</u>

- (a) Schedule 2, Ln. 6
(b) Refer to Case No. 09-391-WS-AIR

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Annualized Reduction in Depreciation For Retirements

Line No.	Acct. No.	Description	Plant in Service Balance At 11/30/10 (a)	Accrual Rates (b)	Depreciation Expense (c)
1		Property Grouping			
2	343	Mains	\$ 67,173	1.42%	\$ 954
3	345	Services	54,747	5.00%	2,737
4	348	Hydrants	9,759	2.33%	227
5		Total (2 + 3)	\$ 131,679		\$ 3,918
6		Grand Total	\$ 131,679		\$ 3,918

- (a) Schedule 3
- (b) Accrual Rates Approved in Applicant's Last Base Rate Case
- (c) Columns (a) x (b)

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Annualized Reduction in Property Taxes for Retirements

Line
No. Description

1	Plant in Service - Retirements (a)	\$	131,679
2	Percentage of Assessment Value to the Total Cost (b)		<u>60.29%</u>
3	Property Subject to Ohio Property Taxes (1) x (2)	\$	79,389
4	Tax Rate per \$1,000 (b)		<u>66.91</u>
5	Ohio Property Tax (3) x (4)	\$	<u>5,312</u>

(a) Schedule 3, Ln. 6

(b) Refer to Case No. 09-391-WS-AIR

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Pre-Tax Return Summary

Line No.	Class of Capital	Reference	(\$) Amount	% of Total	(%) Cost	Weighted Cost (%)	Gross-Up	Pre-Tax Cost %
1	Long Term Debt		\$ 44,520,923	50.32%	6.16%	3.10%	1,04987 (a)	3.25%
2	Preferred Stock		1,147,800	1.30%	8.54%	0.11%	1,61518 (b)	0.18%
3	Common Equity		<u>42,814,924</u>	<u>48.38%</u>	<u>9.34%</u>	<u>4.52%</u>	<u>1,61518 (b)</u>	<u>7.30%</u>
4	Total Capital (1 + 2 + 3)		\$ 88,483,647	100.00%		7.73%		10.73%

Capital Structure based on last rate case as determined by PUCO Staff (Case No. 09-391-WS-AIR)

Note: Prepare This Schedule On The Basis Of The Last Base Rate Case If The Time Current Base Rates Became Effective To The Date Certain Of The Current Proceeding Does Not Exceed Three Years. If Over Three Years, Prepare Schedules Using Current Information.

(a) 1/(1 Minus Gross Receipts Tax) 1,04987
 (b) 1/((1 Minus Gross Receipts Tax) x (1 Minus Federal Income Tax)) 1,61518

OHIO-AMERICAN WATER COMPANY
WATER A

Case No. 11-151-WW-SIC

Embedded Cost of Preferred Stock

as of December 31, 2008 (Date Certain in Last Rate Case)

Line No.	Dividend Rate, Type, Par Value	Date Issued (B)	Dollar Amount Outstanding at Par Value (C)	Unamortized Issue Expense (D)	Premium or Discount (E)	Gain or Loss on Recquired Stock (F)	Net Proceeds (G)	Annual Dividends (H)	Annual Amortization of Issue Expense (I)	Annual Cost (J)
1										
2										
3										
4										
5	5.50% Series B, \$100 par	05/26/61	\$ 30,000	\$ 2,157		\$ -	\$ 27,843	\$ 1,660	\$ 539	\$ 2,189
6	5.75% Series E, \$100 par	06/29/67	33,000	543		-	32,457	1,898	54	1,952
7	8.44% Series F, \$100 par	02/14/62	1,100,000	12,500		-	1,087,500	92,840	1,042	93,882
8										
9										
10	Total		\$ 1,163,000	\$ 15,200	\$ -	\$ -	\$ 1,147,800	\$ 96,388	\$ 1,635	\$ 98,023
11										
12										
13										
14										
15										

Embedded cost of preferred stock (G Divided by J)

8.54%

OHIO-AMERICAN WATER COMPANY
WATER A

Case No. 11-151-WW-SIC

Calculation of Earned Rate of Return

Line No.	Acct. No.		12 Months Ended November 30, 2010	Rate Case Adjustments (b)	as Adjusted
1		Calculation of Net Operating Income Return on Rate Base			
2	101	Plant in Service	\$ 152,079,609		\$ 152,079,609
3	108	Depreciation Reserve	51,392,307		51,392,307
4		Net Plant in Service (2 - 3)	\$ 100,687,302		\$ 100,687,302
5		Working Capital * (a)	-		-
6		Other Rate Base Items (a)	(17,232,031)		(17,232,031)
7		Rate Base (4 + 5 + 6)	\$ 83,455,271		\$ 83,455,271
8		Operating Income Statement			
9	400	Operating Revenues	\$ 37,456,703	\$ 999,801	\$ 38,456,504
10	401-402	Operation and Maintenance Expenses	21,474,622	18,552	21,493,174
11	403-407	Depreciation & Amortization Expense	3,668,201		3,668,201
12	408.1	Taxes Other Than Income - Utility Operating Income	8,302,789	40,156	8,342,945
13	409.1-412.2	Income Taxes - Utility Operating Income	413,396	319,971	733,367
14		Net Operating Income (9 - 10 - 11 - 12 - 13)	\$ 3,597,695	\$ 621,122	\$ 4,218,817
15		Net Operating Return On Rate Base (14 / 7)			<u>5.06%</u>

* Enter Zero, if No Working Capital Was Approved in Company's Last Base Rate Case.

(a) Schedule 8a

(b) Revenues are adjusted to reflect the additional revenues to be earned per the most recent rate case.

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Working Capital & Other Rate Base Items

Working Capital

(1)	Operation & Maintenance Expense	\$	-
(2)	Expense Lag Dollars (1) / 8		-
(3)	Materials & Supplies		-
(4)	1/4 of Operating Taxes		-
(5)	Working Capital (2) + (3) - (4)	\$	-

- (a) Annual Report, Schedule 5
 (b) Annual Report, Schedule 4
 (c) Represents 1/4 of Taxes Other Than Income Taxes & Current Federal Income Taxes Excluding FICA and .75% of the Ohio Gross Receipts Tax

Other Rate Base Items

(1)	Customers' Deposits (a)	\$	-
(2)	Unclaimed Funds (b)		-
(3)	Customer's Advances For Construction (a)		(6,036,058)
(4)	Contributions in Aid of Construction (b)		(3,044,491)
(5)	Investment Tax Credits (b)		(5,188)
(6)	Deferred Federal Income Taxes (b)		(7,534,118)
(7)	Other (b)		(612,176)
(8)	Other Rate Base Items (1) Thru (7)	\$	(17,232,031)

- (a) Refer to Balance Sheet
 (b) Refer to Case No. 09-391-WS-AIR

OHIO AMERICAN WATER COMPANY

P.U.C.O. No. 15

4th Revised Sheet No. (i)
Replaces 3rd Sheet No. (i)

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Issued:

Effective:

Filed under authority in
Case No. 11-151-WW-SIC
ISSUED BY: DAVID K. LITTLE, PRESIDENT
Ohio American Water Company
365 East Center Street, Marion, Ohio 43302

OHIO AMERICAN WATER COMPANY

P.U.C.O. No. 15

6th Revised Sheet No. (x)
Replaces 5th Revised Sheet No. (x)

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Issued:

Effective:

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ISSUED BY: DAVID K. LITTLE, PRESIDENT
Ohio American Water Company
365 East Center Street, Marion, Ohio 43302

OHIO AMERICAN WATER COMPANY

P.U.C.O. No. 15

4th Revised Sheet No. 1A
Replaces 3rd Revised Sheet No. 1A

GENERAL WATER SERVICE

System Improvement Charge

All water service Customers EXCEPT FOR FRANKLIN COUNTY AND PORTAGE COUNTY DISTRICT CUSTOMERS will pay a SIC surcharge which will not exceed three percent of the total charges applicable to the customers in the districts affected by the surcharge. Because of the inability to calculate surcharge on certain charges that would assure that the affected customers would receive no more than a three percent increase to total charges, the surcharge will be calculated on each monthly or bi-monthly bill only on the usage rates and customer charges for water service applicable to those customers, or 3.1687%.

Issued:

Effective:

Filed under authority in
Case No. Case No. 11-151-WW-SIC

ISSUED BY: DAVID K. LITTLE, PRESIDENT
Ohio American Water Company
365 East Center Street, Marion, Ohio 43302

OHIO-AMERICAN WATER COMPANY
WATER A
Case No. 11-151-WW-SIC
Revenue Distribution

Line No.		Revenues Per Last Rate Case Case No. 09-391-WS-AIR	Surcharge Percent	Surcharge Revenues
1	Residential	\$ 18,083,475	3.1687%	\$ 573,011
2	Commercial	4,862,369	3.1687%	154,074
3	Industrial	1,989,855	3.1687%	63,053
4	Industrial Special Contracts (Whirlpool, Poet)	494,189	0.0000%	0
5	Public Authority	1,715,481	3.1687%	54,358
6	Private Fire	620,986	3.1687%	19,677
7	Sales for Resale	1,350,614	3.1687%	42,797
8	Miscellaneous Sales	0	3.1687%	0
9	Other Revenue (NSF, Late Payment, etc.)	1,115,612	0.0000%	0
10		<u>\$ 30,232,581</u>		<u>\$ 906,970</u>
11	Total Surcharge Revenue			<u>\$ 906,970</u>
12	Approved Water A Revenue (Case No. 09-391-WS-AIR)			<u>\$ 30,232,581</u>
13	Overall Surcharge Increase (11 / 12)			<u>3.00%</u>

Ohio American Water Company
Impact for Avg. Residential Customer - System Improvement Charge (SIC) Filing

	SIC Surcharge	Annual Usage	Current Annual Bill	Surcharge Amount	Annual Bill With SIC Surcharge	% Incr
Water Operations						
Single Tariff Pricing						
Ashtabula Lawrence County Tiffin Lake White Preble County	3.1687%	45,000	\$458.59	\$14.53	\$473.12	3.1684%
with Softening Surcharge						
Marion Mansfield	3.1687%	45,000	479.08	\$15.18	\$494.26	3.1686%
Mansfield (Flat Rate)	3.1687%	0	508.50	\$16.11	\$524.61	3.1681%

Ohio American Water Company
Impact of SIC Increase by Tariff Group

	Total Revenues Approved in Case No. 09-391-WS-AIR	Proposed SIC Increase in Revenues	Overall Company SIC % Increase
Water A Group	\$ 30,232,581	\$ 906,977	3.00%
Water C Group	5,561,349	0	0.00%
Wastewater Group	4,055,621	0	0.00%
	<u>\$ 39,849,551</u>	<u>\$ 906,977</u>	<u>2.28%</u>

Water Group A	Water Group C	Wastewater Group
Ashtabula	Blacklick Estates	Blacklick Estates
Lawrence County	Timberbrook	Huber Ridge
Marion	Lake Darby	Lake Darby
Tiffin	Worthington Hills	
Lake White	Huber Ridge	
Preble County	Portage County	
Mansfield		

OHIO AMERICAN WATER COMPANY
CASE NO. 11-151-WW-SIC

PROPOSED CUSTOMER NOTICE TO BE PLACED ON THE BILL OR AS AN INSERT

An Ohio law, effective January 4, 2004, created an infrastructure improvement surcharge, known as the System Improvement Charge (SIC), to assist water companies to fund the replacement and rehabilitation of infrastructure including aging water mains. These improvements are crucial to the future of service reliability and water quality. The surcharge is limited to and may not exceed three percent per year of the rates and charges applicable to each class of customers.

This surcharge procedure assists water companies such as Ohio American Water Company (Ohio American) to accelerate the replacement of old water mains to improve water quality, pressures, flows and long-term system viability and allows customers to pay as the infrastructure work is being completed. Because of the small increases for these improvements, the amount of future rate requests will likely decrease.

On January 12, 2011, Ohio American filed an application with the Public Utilities Commission of Ohio (PUCO) in Case No. 11-151-WW-SIC seeking authority to collect an SIC in the following districts: Ashtabula, Lawrence County, Mansfield, Marion [includes portions of unincorporated areas in Marion County and in Morrow County, the Pike County service area (Lake White), Preble County service area], and Tiffin in Seneca County. Ohio American sought authority from the PUCO for a SIC to recover costs related to certain qualifying infrastructure improvements to the company's distribution system that are not included in the rates approved in the last rate case.

After the PUCO Staff conducted an investigation into the application, the PUCO approved Ohio American's request on _____. The PUCO approved the collection of a SIC of ____% applied to the usage and customer charge for water service to your monthly/bi-monthly bill. The surcharge will appear on bills on or after _____. The SIC surcharge will result in the average residential customer's bill being increased by ___ cents based upon an average consumption of ____ of water. This surcharge will continue to appear on future bills and may be adjusted or eliminated based upon decisions of the PUCO.

If you have any specific questions concerning SIC, the impact of the surcharge, your bill, or if you have any other questions, please call Ohio American's Customer Service Center at 1-800-673-5999. You are a valued customer and we welcome the opportunity to discuss this important matter with you.

Exhibit C

OHIO AMERICAN WATER COMPANY

CASE NO. 11-151-WW-SIC

DIRECT TESTIMONY OF

GARY M. VERDOUW

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**OHIO AMERICAN WATER COMPANY
CASE NO. 11-151-WS-SIC**

**DIRECT TESTIMONY OF
GARY M. VERDOUW**

8 1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

9 A. My name is Gary M. VerDouw and my business address is 727 Craig Road,
10 Saint Louis, Missouri 63141.

11
12 2. Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

13 A. I am employed by American Water Works Service Company ("Service
14 Company") as the Manager of Rates and Regulation. The Service Company is a
15 subsidiary of American Water Works Company, Inc. ("American") that provides
16 support services to American's subsidiaries.

17
18 3. Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL
19 QUALIFICATIONS.

20 A. I graduated from the University of Mary in Bismarck, North Dakota in 1981 with a
21 Bachelor of Science degree in Business Administration. I returned to the
22 University of Mary and completed a second major in Accounting in May of 1988.
23 I have attended the Utility Rate Seminar sponsored by the National Association
24 of Regulatory Utility Commissioners ("NARUC") Water Committee and have
25 participated in various continuing education programs sponsored by my former
26 employers and by the Service Company. I am a member of the American Water
27 Works Association ("AWWA") and am currently a member of the Indiana Utilities
28 Regulatory Commission ("IURC") Water Rate Design Committee.

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4. Q. PLEASE OUTLINE YOUR BUSINESS EXPERIENCE.

A. I began my employment in February of 1981 when I was hired as Reconciliation and Funds Administrator for the North Dakota State Treasurer's Office. I was hired as a Field Accountant for ANG Coal Gasification Company in Beulah, North Dakota in December of 1981. While employed with ANG, I was promoted to Accounts Payable Supervisor in 1982 and Cash Manager in 1984, where I oversaw daily cash management of over \$1.5 billion in secured debt and over \$400 million in daily cash balances. In January, 1988, I was hired as Business Manager for Capital Electric Cooperative, Inc. of Bismarck, North Dakota. My responsibilities there included the supervision and oversight of all accounting, finance, billing, budget, insurance, human resources, cash management, rate studies, and other functions for a growing electric distribution cooperative serving over 13,000 consumers. I was employed at Capital Electric until October of 2004, at which time I moved to the Saint Louis area. In February, 2005, I accepted the position of Senior Financial Analyst – Rates and Regulations with the Service Company. I was promoted to Manager of Rates and Regulation in April of 2008. In my current position, I work with rates and rate issues for regulated subsidiaries of American, including Ohio American Water Company ("Ohio American" or "Company").

5. Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AGENCIES WITH RESPECT TO REGULATORY MATTERS?

A. Yes. I have testified and/or provided testimony in numerous proceedings before the Public Utilities Commission of Ohio ("PUCO", or "Commission"), the Indiana Utility Regulatory Commission, and the Illinois Commerce Commission.

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6. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to address the schedules that are required as part of this application in the filing of a System Improvement Charge ("SIC") for Ohio American Water Company ("OAWC", or the "Company").

7. Q. PLEASE EXPLAIN WHAT A SYSTEM IMPROVEMENT CHARGE IS.

A. A waterworks company or a sewage disposal system company may file an application with the public utilities commission for approval to recover in rates specific costs associated with making specific water and sewer infrastructure replacements to its system.

The Governor signed S.B. 44 that became effective January 6, 2004. The legislation enacted Section 4909.172, Revised Code. This legislation recognized the importance of replacing aging infrastructure.

8. Q. WHAT ARE SOME OF THE KEY PROVISIONS OF THIS LEGISLATION?

A. First, the Company must seek approval from the Commission.

Other key provisions of the legislation are as follows:

- The SIC can only recover specific costs associated with plant expenditures incurred after March 1, 2003 and which are not already reflected in the utility's current rates. The costs include a pretax return and depreciation expense.

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- The PUCO shall not authorize a surcharge under the legislation if it determines that the surcharge causes the Company to earn an excessive rate of return on its valuation.
- The following capital improvements can be included in the SIC:
 1. In the case of a waterworks company, service lines for, and hydrants, mains, and valves installed as a part of, a replacement project for an existing facility; main extensions that eliminate dead ends to resolve documented water supply problems presented significant health or safety issues to then existing customers; and main cleaning or relining;
 2. In the case of a sewage disposal system company, mains and lift stations installed as part of a replacement project for an existing facility; main extensions that resolve documented sewage disposal problems presenting significant health or safety issues to then existing customers; and main cleaning, inflow and infiltration elimination, or relining;
 3. Unreimbursed capital expenditures made by the waterworks company, or the sewage disposal system company, for waterworks, or sewage disposal, facility relocation required by a governmental entity due to a street or highway project;
 4. Minimum land or land rights acquired by the company as necessary for any service line, equipment, or facility described in divisions (A)(1) to (3) of this section.

Other provisions of the legislation are as follows:

- During the period that an authorized surcharge is in effect, the Commission, by order and on its own motion or upon good cause shown, may reduce the

1 amount of or terminate a surcharge if it determines that the surcharge
2 causes the company to earn an excessive rate of return on its valuation.

3 • A surcharge may not exceed three percent of the rates and charges
4 applicable to the revenue class and in effect on the date the application was
5 filed.

6 • The Company shall provide notice of any surcharge authorized under the
7 legislation to each affected customer with or on the customer's first bill
8 containing the surcharge.

9

10 **9. Q. DID THE PUCO INITIATE A PROCEEDING RELATED TO THE ENACTMENT**
11 **OF SECTION 4909.172?**

12 A. Yes. In Case No. 03-2266-WS-SIC, the Commission initiated a proceeding to
13 review the form and content of the information necessary to evaluate the
14 appropriateness of a SIC for a company. The PUCO Staff undertook a review of
15 the legislation and designed a set of guidelines and schedules to be followed by
16 companies filing applications under Section 4909.172. In early 2004, the
17 Commission adopted specific guidelines to be followed by a company who
18 wishes to file for an approval of a SIC. Effective August 22, 2008, the
19 Commission incorporated its guidelines as par of Ohio Administrative Code
20 ("OAC") Chapter 4901:1-15, specifically Rule 4901:1-15-35 and appendix.

21

22 **10. Q. PLEASE DESCRIBE THE INFORMATION THAT OAWC IS FILING**
23 **WITH THE PUCO IN ITS REQUEST FOR AN SIC.**

24 A. The application contains eleven schedules that have been filed as Exhibit B to
25 the Application as required by OAC Rule 4901:1-15-35 and its appendix that

1 support the SIC filing. My testimony discusses each schedule in more detail
2 below.

3
4 **Schedule 1 – Revenue Requirement**

5 The Annualized Revenue Requirement for the Water A tariff group provides a
6 financial summary schedule showing the proposed rate base, pre-tax rate of
7 return, depreciation expense and property tax expense to arrive at a revenue
8 requirement for the Water A infrastructure improvement charge. The total
9 revenue requirement is shown on Line 17 in the amount of \$1,047,775 and is
10 based on a net rate base of \$6,298,366 (Line 10 of Schedule 1) multiplied by the
11 pre-tax return of 10.73% (shown on Line 4 of Schedule 7). Added to the
12 annualized pre-tax return of \$675,815 (shown on Line 12 of Schedule 1) is the
13 net revenue requirement for the impact of depreciation expense in the amount of
14 \$118,769 (Line 13 less Line 14 of Schedule 1) and the net revenue requirement
15 impact of property tax expense in the amount of \$253,192 (Line 15 less Line 16
16 of Schedule 1), bringing the total revenue requirement to \$1,047,775.

17
18 Section 4902.172 of the Revised Code limits the annual surcharge to not more
19 than three percent of the rates and charges applicable to the revenue class and
20 in effect on the date the application was filed. The total revenue requirement
21 approved by the PUCO in Ohio American's most recent rate case (Case No. 09-
22 0391-WS-AIR) for the Water A tariff group is \$30,232,581 as shown on Line 19
23 of Exhibit B, Schedule 1. Three percent of approved Water A Revenue
24 Requirement of \$30,232,581 results in an adjusted maximum surcharge revenue
25 requirement of \$906,977 (Line 19 multiplied by Line 20), as shown on Line 21 of
26 Schedule 1. Although Ohio American has invested in its infrastructure at a level

1 that would generate a surcharge revenue requirement of \$1,047,775, the
2 Company has lowered its revenue requirement by \$140,798 so that the SIC
3 surcharge would not exceed three percent.

4
5 Although the three percent maximum Adjusted Annual Revenue Requirement of
6 \$906,977 as shown on Line 21 of Schedule 1 is the revenue requirement
7 requested by the Company in this application, the accompanying schedules
8 reflect the actual values for plant in service, retirements, depreciation, and
9 property taxes for schedule calculation purposes.

10
11 **Schedule 2 – Plant Additions**

12 Schedule 2 lists all eligible infrastructure additions by major property grouping,
13 account, and by month for the period of January, 2009 through November, 2010.
14 All plant additions shown on Schedule 2 relate to replacement plant for mains,
15 hydrants and services for the Water A tariff group. Total capital additions made
16 between January, 2009 and November, 2010 is \$6,408,114 and is shown on
17 Line 12 of Schedule 2.

18
19 **Schedule 3 – Original Cost Retired**

20 Schedule 3 lists original cost of plant retired, of which there is an eligible
21 replacement, by major property grouping, account, and by month. Such
22 infrastructure is limited to what is identified above under Schedule 2 – Plant
23 Additions. The original cost of the plant retired is \$131,679 and is shown on Line
24 12 of Schedule 3.

25
26 **Schedule 4 – Provision for Depreciation**

1 Schedule 4 lists infrastructure provision for depreciation by eligible related plant
2 account and by month. Such infrastructure is limited to what is identified above
3 under Schedule 2 – Plant Additions. Total provision for depreciation is \$109,748
4 and is shown on Line 30 of Schedule 4.

5
6 **Schedule 5 – Annualized Depreciation Associated With Additions**

7 Schedule 5 includes the most recent balance of eligible plant additions by major
8 property grouping and account from Schedule 2 – Plant Additions as required in
9 order to compute depreciation expense. Also includes all applicable current
10 book accrual rates. The amount of the depreciation expense is \$122,687 and is
11 shown on Line 6 of Schedule 5.

12
13 **Schedule 5a – Annualized Property Tax Associated with Additions**

14 Schedule 5a calculates the annual property tax expense related to the eligible
15 infrastructure additions under Schedule 2 – Plant Additions. The Property
16 Subject to Ohio Property Taxes is based on the Plant in Service – Additions
17 multiplied by the Percentage of Assessment Value to the Total Cost (determined
18 in Case No. 09-391-WS-AIR). Ohio Property Tax is a product of Property
19 Subject to Ohio Property Taxes multiplied by the Tax Rate per \$1,000
20 (determined in Case No. 09-391-WS-AIR) The annualized property taxes
21 associated with additions is \$258,504 and is shown on Line 5 of Schedule 5a.

22
23 **Schedule 6 – Annualized Reduction in Depreciation for Retirements**

24 Schedule 6 includes the most recent original cost balance of retired plant, of
25 which there is an eligible replacement, by major property grouping and account
26 from Schedule 3 – Original Cost Retired as required to compute depreciation

1 expense. The annualized reduction in depreciation expense is \$3,918 and is
2 shown on Line 6 of Schedule 6.

3
4 **Schedule 6a – Annualized Reduction in Depreciation for Retirements**

5 Schedule 6a calculates the annual property tax expense related to the
6 retirements from Schedule 3 – Original Cost Retired. The reduction in property
7 taxes of \$5,312 which is shown on Line 5 of Schedule 6a is based on the same
8 methodology used in Schedule 5a.

9
10 **Schedule 7 – Rate of Return**

11 Schedule 7 shows a rate of return summary from the most recent rate case
12 order (Case No. 09-391-WS-AIR) which generated an overall return of 7.73%.
13 Using the appropriate gross-up factors, the pre-tax return is calculated to be
14 10.73%. Also provided are supporting schedules as of the date certain from the
15 last rate case.

- 16
- Embedded cost of long-term debt, Schedule 7a.
 - Embedded cost of preferred stock, Schedule 7b.
- 17

18
19 **Schedule 8 – Net Operating Income Return on Rate Base**

20 This schedule, with the supporting sub-schedule, calculates the operating
21 income return on rate base using operating income for the year ending the same
22 month as that used for the determination of rate base balance, November, 2010.
23 The return was calculated by incorporating the annualized impact of the results
24 of the Company's recent rate case. Line 15 of the schedule shows that the
25 earned return on the Company's valuation for 2010 was 5.06%. As such, the
26 Company is not over-earning on its authorized rate of return of 7.73%.

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Schedule 8a shows the items that make up the Other Rate Base Items reported on Line No. 6 of Schedule 8.

Schedule 9 – Tariffs

This schedule shows a copy of the proposed tariff sheet, Fourth Revised Sheet No. 1A, showing the proposed surcharge. Since this is the Company's first request for the SIC since the most recent rate case, an SIC surcharge is not set forth in the current tariff. The SIC rate is 3.1687% for customers in the Ashtabula, Lawrence County, Marion, Tiffin, Lake White, Preble County and Mansfield service areas. Since the SIC surcharge is not applicable to Other Revenue such as NSF charges, late payment fees, etc., nor is it applicable to the PUCO approved special contract accounts of Whirlpool and Poet, a surcharge percentage of 3.1687% is needed from the Residential, Commercial, Industrial, Public Authority, Private Fire, and Sale for Resale categories in order to generate an amount that will equal the three percent revenue requirement for the Water A tariff group as requested in this application.

The Company is not proposing a SIC for Franklin County, Portage County or its wastewater customers at this time.

Schedule 10 – Revenue Distribution

The Revenue Distribution in Schedule 10 illustrates that the percentage increase has been uniformly distributed to each applicable customer class, and that the overall surcharge increase does not exceed three percent of the authorized revenue requirement for the Water A tariff group as approved in Case No. 09-

1 0391-WS-AIR. As discussed above in Section 9 – Tariffs, the SIC surcharge is
2 not applicable to Other Revenue such as NSF charges, late payment fees, etc.;
3 nor is the surcharge applicable to the PUCO approved special contract accounts
4 of Whirlpool and Poet. As such, a surcharge percentage of 3.1687% is needed
5 from the Residential, Commercial, Industrial, Public Authority, Private Fire, and
6 Sale for Resale categories in order to generate an amount that will equal the
7 three percent revenue requirement for the Water A tariff group as requested in
8 this application. The schedule also demonstrates the allowed SIC surcharge
9 percentage increase has been distributed uniformly to each affected customer
10 class. Except for a minor rounding amount of \$7, surcharge revenues on
11 Schedule 10 equal the Adjusted Annual Revenue Requirement in the amount of
12 \$906,977 as shown on Line 21 of Schedule 1.

13
14 Schedule 10a shows the SIC surcharge impact for the average residential
15 customer on an annual basis. The impact for the average residential customer
16 ranges from \$14.53 annually (\$1.21 a month) to \$16.11 annually (\$1.34 a month)
17 for a customer using 5 ccf, or 3,750 gallons, a month.

18
19 Schedule 10b shows the Impact of the SIC increase by Tariff group. The
20 schedule shows the increase in revenues from the SIC and the effect on total
21 revenue by tariff group. In summary, the effect of the SIC on the total revenue
22 approved in Case No. 09-391-WS-AIR is to increase revenues for the Water A
23 Group by 3.00% and to increase overall Company revenues by 2.28%.

24
25 **Schedule 11 – Customer Notice**

1 A copy of the proposed customer notice to be contained with or on the
2 customer's first bill containing the surcharge is shown on Schedule 11.

3

4

5 11. Q. DOES THIS COMPLETE YOUR TESTIMONY IN SUPPORT OF THE OAWC
6 SIC FILING?

7 A. Yes, it does, but I would like to reserve the right to supplement if additional
8 issues are raised.

OHIO AMERICAN WATER COMPANY
NOTICE OF APPLICATION FOR AUTHORITY
TO COLLECT A SYSTEM IMPROVEMENT CHARGE
BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO
CASE NO. 11-151-WW-SIC

On January 12, 2011, Ohio American Water Company filed an Application for authority to collect a System Improvement Charge in the following districts—Ashtabula, Lawrence County, Mansfield, Marion and Tiffin.

A copy of the Application is available for inspection at the office of Ohio American located at 365 East Center Street, Marion, Ohio 43301-0506 or by calling 1-800-673-5999 a copy is also available on the company's website at <http://www.amwater.com/ohaw>. Additionally, a copy of the application is available for inspection at the offices of the Public Utilities Commission of Ohio, 180 East Broad Street, 11th Floor, Columbus, Ohio 43215 or by website at <http://www.puco.ohio.gov/PUCO/Docketing/index.cfm> (enter the case number).

In its Application, Ohio American seeks authority, pursuant to Ohio Revised Code Section 4909.172 to collect a monthly system improvement charge from water service customers in the above noted districts. The purpose of the surcharge is to recover costs incurred related to replacement of certain qualifying infrastructure improvements totaling approximately \$6,408,114 to its water distribution plant that have been installed subsequent to the period upon which the current rates were based in the company's last rate case approved by the Public Utilities Commission of Ohio. Ohio American is proposing a SIC surcharge of 3.1687% to be assessed on the total usage and customer charge applicable to each customer. This surcharge will not exceed a 3% increase on ALL charges applicable to the affected customers. The Application, if granted, would result in \$1.21 a month increase for an average residential customer using 4,500 gallons of water per month in the Ashtabula, Lawrence County, Tiffin, Lake White and Preble County areas; \$1.27 a month for customers in the Marion area and metered customers in the Mansfield areas; and \$1.34 for unmetered customers in the Mansfield areas.

Any person, firm, corporation or association may file comments in Case No. 11-151-WW-SIC regarding the proposed application with the Public Utilities Commission of Ohio at the above address. The deadline for filing comments is _____, 2011.