

# City of Cincinnati



Mayor John Cranley

Office of Mayor John Cranley

May 12, 2020

The Honorable Representative Jamie Callender  
Chair, House Public Utilities Committee  
77 S. High Street  
11th Floor  
Columbus, OH 43215 Rep61@ohiohouse.gov  
Re: H.B. 163– Opponent Testimony

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Dear Chairman Callender and committee members,

Thank you for the opportunity to express the City of Cincinnati's strong opposition to H.B. 163. This legislation is extremely concerning for cities that provide water or sewer service to customers outside of their jurisdictional boundaries. The bill creates an arbitrary rate limitation that will result in the city's residents subsidizing the costs of service to customers outside of city and includes the threat of loss of a city's local government funds.

The City of Cincinnati's water utility (GCWW) is over 200 years old and is a national leader in treatment and provision of high-quality water. GCWW provides water to more than a million residents and hundreds of businesses in over 44 townships and municipalities throughout southwest Ohio. Access to GCWW's clean and reliable water service is a significant catalyst for economic growth throughout the region.

HB 163 is objectionable for several reasons:

1. It prevents the municipal utility from setting a rate to recover the actual costs of extending and providing water and sewer services to neighboring jurisdictions. The cost to construct, maintain, and replace mains, pumps and other assets to extend service to other jurisdictions is greater than that to serve inside-City customers. For example, the GCWW water service area extends over 800 square miles in size, although the City boundaries encompass only about 80 square miles. A water main replacement project easily exceeds \$1 million/mile. The bill would shift the extra cost for far flung residents to the residents of the municipality providing water service.
2. It has the potential to pit customer jurisdictions against utility-owning jurisdictions in a zero-sum struggle for local government funds. The bill would create the right for customer jurisdictions to sue the utility jurisdiction for charging a higher rate for service. The municipal utility is burdened to prove that the rate differential calculation is in accordance with general industry standards, with the extreme penalty of loss of local government funding and access to state infrastructure financial assistance from OEPA and other sources. The utility-owning municipality's local government funds would then be divided among the customer jurisdiction. This creates an incentive for customer jurisdictions to sue the utility-owning jurisdiction. No city or village is willing to risk having their local government funding taken away and divided among neighboring jurisdictions.

3. It encroaches on local government contractual rights and municipal home rule utility authority under Ohio Constitution XVIII sections 4 and 6. Cincinnati serves business and residents of numerous local jurisdictions under contracts that allocate the cost of building, maintaining, operating and replacement of water infrastructure and providing water service. If cities and other jurisdictions are limited in the rates that they are able to charge and pay for water and sewer service, utility owning jurisdictions may be unwilling to extend service to other jurisdictions because they will be limited in their ability to recover the costs of serving these customers.

To avoid the penalties if HB 163 were to pass, the City of Cincinnati would be restricted from charging rates to outside customers that reflect the cost of serving them. Because water/sewer infrastructure are expensive to build, own, and operate and are financed through long term debt, the utility municipality would have no choice but to increase the rates for City residents and business rate payers in order to cover the extra cost of serving customers outside of the City.

Thank you for your consideration. We urge you not to pass this bill out of committee.

Sincerely,



John Cranley  
Mayor, City of Cincinnati