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**PROPONENT TESTIMONY – H.B. 364
OHIO HOUSE PUBLIC UTILITIES COMMITTEE
MARCH 23, 2022**

Chairman Hoops, Vice-Chair Ray, Ranking Minority Member Smith, ladies and gentlemen of the Ohio House Public Utilities Committee, thank you for allowing me the opportunity to offer proponent testimony in support of House Bill 364.

As president of an investor-owned water utility in Ohio, I believe that House Bill 364 provides an opportunity to address several shortcomings from a portion of HB 379 that was passed by the 129th General Assembly in early 2013. That bill made great progress by improving the regulatory construct with the Public Utilities Commission of Ohio (PUCO) for water works and sewage disposal companies here in Ohio. Since the passage of HB 379, several dockets dealing with Section Revised Code 4909.172, the Application for Approval to Collect Infrastructure Improvement Surcharge (SIC) have been litigated. And, as a part of that experience, several areas for improvement to subsections of 4909.172 have come to light.

The original intent of 4909.172 was the creation of a process to address the timeliness of aging water and sewage disposal infrastructure investment needed in order to maintain the quality and reliability that Ohioans have come to expect. It did so by creating a mechanism for the Public Utility Commission of Ohio (PUCO) to evaluate and approve the recognition in customer rates of qualifying replacement infrastructure installed by waterworks or sewage disposal companies in between formal rate cases.

At that onset in 2003, replacement infrastructure was limited to pipes, valves and hydrants. HB 379 expanded the categories of qualifying infrastructure to include replacement plant equipment from the drinking water treatment process through delivery at the meter for waterworks companies and from the wastewater gathering system to treatment for sewage disposal companies. This expansion of qualifying categories brought with it a higher level of complexity to the preparation and litigating of these cases before the PUCO.

I would offer that the proposed changes contained in House Bill 364 will reduce the level of complexity in future SIC cases by:

1. **Utility Plant Accounts** - Identifying specific Utility Plant Accounts from the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts to be included as qualifying replacement infrastructure in the SIC filing before the PUCO. For waterworks, these accounts include replacement capital from water treatment through metering. For sewage disposal, these accounts include replacement capital

from the gathering system through treatment. These elements in Section 4909.172 (C) (1) and (2) provide greater specificity as to the categories of replacement plant to be included in a SIC filing.

2. **New Compliance-related Infrastructure** – Replacing existing Section 4909.172 (C) (4) to include a provision for new rather than solely replacement plant that can be included in the SIC filing so long as it is installed to comply with a consent decree, final order or rule of the U.S. or Ohio Environmental Protection Agencies. This item improves the timeliness of capital recovery for new plant that is required to ensure environmental compliance of the waterworks or sewage disposal system.
3. **Upgrades & Improvements** – Modifying Section 4909.172 (C) (5) to address the replacement of existing plant that results in an upgrade or improvement in previously existing plant so long as that investment is prudent, otherwise qualifies for inclusion in the SIC and performs the same or similar function and qualifies under recovery in the above accounts.
4. **SIC Case Statutory Time Limit** - Modifying Section 4909.172 (D) to set a time limit of 180 days for the Commission to issue a final order in a SIC case. If the PUCO does not meet the 180-day timeline, the SIC rate increase goes into effect as filed subject to refund of the amount in excess of those authorized in the final PUCO order. All refunds shall bear interest at a rate per Section 1343.03 of the Revised Code.

Taken together, House Bill 364's refinements to 4909.172 serve to benefit customers, regulators and utilities alike. From the utility customers' perspective House Bill 364 reduces the frequency of expensive and time-consuming rate cases while ensuring prudent regulatory oversight. For regulators and the utilities, the SIC litigation process is more straightforward and less demanding on resources.

This bill is our opportunity to address several needed improvements to the current Revised Code in Section 4909.172.

Thank you for your consideration of this important legislation. I will be happy to answer any questions that the committee may have.