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Ohio House of Representatives
132nd General Assembly

House Bill 422, 132nd General Assembly
Senate Public Utilities Committee
Sponsor Testimony

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Chairman Beagle, Vice-Chair McColley, Ranking Member Williams, members of the Senate Public Utilities Committee, thank you for allowing me the opportunity to offer sponsor testimony in support of House Bill 422.

Ohio's water and wastewater systems are dominated by municipalities, many of whom are in need of infrastructure investment. Without some "out of the box" approaches, this lack of funding often leads to systems that lack operational and financial expertise and access to capital necessary to fund investments that will keep them in compliance with more stringent environmental regulatory compliance, sustainable service reliability levels and consumer safety.

Currently, the American Society of Civil Engineers estimates that Ohio will require more than \$12 billion to be invested in water system and more than \$14 billion in wastewater system infrastructure over the next 20 years and most communities struggle to fund this investment.

The "out of the box" approach that I've referred to is that of engaging the large public utilities from the private sector as a source of funds for these infrastructure replacements and improvements. Such an approach also frees up additional funding for community improvements like fire protection, police, park improvements and employee pension funding.

I also want to be very clear, the "out of the box" thinking envisioned in this bill is completely voluntary. These projects will only occur with a willing municipality and regulated utility.

When large regulated public utilities may be able and willing to acquire or engage in a public-private partnership (P3) with these municipalities, there is currently a roadblock in accurately determining the property value for the municipality's water-works and sewage disposal system.

The municipal corporation's accounting methods do not currently represent the actual fair market value of that property since their infrastructure investments rely heavily on property taxes, operating budgets, state and federal funding as well as contributed property from developers. Traditional methods of original cost net of depreciation that are used by public utilities from the private sector to determine property value and in turn setting customer rates are not used by municipalities.

In arriving at a sale price or value for a P3 partnership, municipalities may be deprived from receiving market value for their assets and, in turn, the acquiring regulated public utilities are prevented from recognizing their entire investment in customer rates.

In a manner similar to legislation that has been successfully implemented in Indiana, Pennsylvania, Illinois, Missouri, New Jersey and California, this legislation opens this opportunity to Ohio's municipalities with infrastructure needs and interested large public utilities by creating a valuation appraisal process to determine the market-based asset value.

In closing, I would say this legislation is a natural outgrowth of the priorities outlined in the Buckeye Pathway. This bill will lead to a large investment in, and modernization of, water and wastewater infrastructure which will strengthen our communities across Ohio.

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