

Before
The Ohio Senate Public Utilities Committee
Testimony on House Bill 364
(Charges to Consumers for Water Utility Ratemaking)
By
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On Behalf of the
Office of the Ohio Consumers' Counsel
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Hello Chair Hoops, Vice-Chair Ray, Ranking Minority Member Smith, and Committee members. I hope you and your colleagues are well. My name is Jeff Jacobson. I am testifying on behalf of the Office of the Ohio Consumers' Counsel. OCC is the state's representative and voice for millions of residential utility consumers.

Consumers' Counsel Weston and I thank you and the bill sponsor (Rep. Patton) for this opportunity to present opponent testimony on House Bill 364 (H.B.364).

House Bill 364 relates to PUCO ratemaking that affects Ohio consumers' water and wastewater bills. You have heard a lot over the years about the relatively new riders or add-on charges that are allowed in single-issue ratemaking for energy utilities.

In current law, the legislature allowed what is in essence a rider for water utilities to charge consumers for infrastructure costs without filing a general rate case. The rider is known as the System Improvement Charge or "SIC" for short, in Revised Code 4909.172. Riders allow for utility and PUCO cherry-picking of charges instead of a general rate review in rate cases. A general rate case provides the needed balance between utilities and consumers.

House Bill 364 will greatly expand the infrastructure plant that would be eligible for water and wastewater utilities to include in the rider that consumers pay. That change is bad for consumers.

For example, the bill would allow the System Improvement Charge to include new plant, whereas current law limits the system improvement charge to plant replacements. (Lines 92-97) OCC generally opposes the allowance of these single-issue utility riders. However, the current law's limitation of the charges to plant replacement at least

provides some balance between utility and consumer interests. The bill is upending that balance.

Another example is that the current law has a targeted approach to the specific utility investments that can be included in the riders. But the bill will allow a broad-brush approach to including utility cost accounts in the rider. (Lines 62-79) Again, the current law at least provides some balance between utilities and consumers regarding the System Improvement Charge. That measure of balance should not be undone.

In addition to these problems with the charge itself, the bill also will limit the PUCO's process for public input on the rider. Limiting the ratemaking process is a typical utility objective. Ratemaking is complex and can require much case preparation by stakeholders who are dependent on obtaining information from utilities. The bill would allow the utility Aqua, for example, to implement a rider increase after 180 days, albeit subject to refund. (Lines 92-114) Here again, the bill favors utilities by undoing some balance that exists in current law between utility and consumer interests. The bill will result in the PUCO conducting a water rider case on an even more expedited schedule than the current process that already short-cuts rate cases. That will give the utility even more advantage in the ratemaking process, to the disadvantage of consumers.

Please note that water utilities and the System Improvement Charge have already been given adequate attention and flexibility for ratemaking by the legislature. The rider was created in 2004, through Amended Substitute Senate Bill 44. It was a way for water utilities to increase charges to consumers for infrastructure improvements outside of a traditional rate case. In 2013, through Substitute House Bill 379, the cap on the consumer charge was increased and the type of plant costs includable in the charge was expanded, in favor of utilities. That bill also allowed other ratemaking changes favorable to water utilities. Further, there was some ratemaking favorable to water utilities enacted in 2019, in Substitute House Bill 422 (relating to acquisition of water systems).

Finally, I note that many Ohioans (including at-risk populations and communities) have been challenged by the pandemic and its impact, including by financial challenges. So the impact of utility charges on consumers is an even more sensitive issue.

In conclusion and for consumer protection, OCC respectfully recommends that the Committee not adopt the proposed legislation. The General Assembly has already favored water utilities with more than adequate ratemaking flexibility. And the PUCO already has been implementing the current law for the rider in a way that is favorable to the utilities.

Thank you for your consideration.