

**Before
The Ohio Senate
Energy and Public Utilities Committee
Testimony on House Bill 264
By
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On Behalf of the
Office of the Ohio Consumers' Counsel
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Hello Chair Wilson, Vice-Chair McColley, Ranking Minority Member Williams, and members of the Committee. I hope you 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 thanks you for this opportunity to testify. He appreciates opportunities to work with legislators on utility consumer issues. And he also has appreciated opportunities for working with stakeholders including Aqua Ohio.

House Bill 264 is legislation that allows the Ohio Water Development Authority to make loans and grants to persons and government agencies to refinance loans for public water and wastewater infrastructure projects. I am *not* testifying on that subject of the bill.

I am testifying, however, on the subject of water utility ratemaking. That subject arises because we understand that the Committee may consider an amendment regarding the so-called system improvement charge. Such an amendment could affect the rates that water utility consumers pay. Later in this testimony I discuss some consumer issues that we understand may be presented in the amendment.

The system improvement charge has been given attention at the General Assembly. It was created in 2004, through Amended Substitute Senate Bill 44. It was another way (outside of a general rate case) for water utilities to increase charges to consumers for infrastructure improvements. In 2013, through Substitute House Bill 379, the limit on the consumer charge was increased and the type of plant costs included in the charge was expanded. 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).

Under the circumstances, I respectfully recommend that the Committee defer consideration of the amendment to stand-alone legislation for the future. Under that approach, there could be a full vetting of this utility consumer issue. A full vetting for consumers is not possible under the current schedule for House Bill 264. The bill has already been passed by the House of Representatives without a provision for water utility ratemaking. And the Committee seems to be nearing the end of the process for House Bill 264.

Supporting my recommendation to defer the issue for fuller consideration is the fact that time is *not* of the essence for this issue. The General Assembly has already authorized the charge and then expanded the coverage of the charge in the past. And the PUCO already has an interpretation of the present system improvement charge statute that is favorable to the utility perspective.

I will briefly comment on the substance of what we understand the Committee might consider today in an amendment. At the outset, I note for consumer protection OCC's preference for conducting utility ratemaking in general rate cases where all revenues and costs, *including declining costs*, be considered. Riders are a form of single-issue ratemaking that enables utilities to cherry-pick rate increases, which is not favorable for consumer protection. Generally, for consumer protection OCC prefers that rider-type charges, such as the system improvement charge, be avoided.

We understand the industry would like to codify another expansion of the system improvement charge that consumers would pay. If there is to be a system improvement charge, the balance between consumer and utility should be achieved by, among other things, limiting the charge to investment necessary for providing safe and reliable service to customers. Other costs should be considered in a rate case. But we understand an amendment could codify allowing water and sewer utilities to collect, through the system improvement charge, costs for fences, gates, landscaping, lighting systems, retaining walls, roads and paths, dams, bridges and culverts, clearing land, trucks, tractors, inspections and permits, and etc. This expanded list for charging

customers exceeds the costs of providing reliable service to existing customers. Again, the water and sewer utilities can file a rate case to seek an increase in the rates that customers pay.

Further, many Ohioans (including at-risk populations and communities) are suffering from the health crisis and ensuing economic crisis. Now is particularly a time to emphasize balance and restraint in ratemaking to protect many Ohioans who will have a heightened need for money.

In closing, thank you again for this opportunity to testify. OCC opposes the inclusion of this amendment in HB 264. And OCC encourages the Senate to keep the amendment out of the bill and instead work in the future on changes to it that would better protect Ohio consumers. OCC looks forward to working with you on this subject and on any other issues affecting Ohio utility consumers.