

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Aqua)	
Ohio, Inc. for Approval of a Financial)	
Arrangement with Ohio Environmental)	Case No. 20-1617-WW-AIS
Protection Agency and Ohio Water)	
Development Authority.)	

**APPLICATION FOR APPROVAL OF A FINANCIAL ARRANGEMENT
AND REQUEST FOR EXPEDITED TREATMENT**

In accordance with R.C. 4905.40 and 4905.41, Aqua Ohio, Inc. (Aqua) respectfully requests the Commission's authorization to enter into a financing arrangement with the Ohio Environmental Protection Agency ("OEPA") and Ohio Water Development Authority ("OWDA"), as set forth below:

1. Aqua is a "public utility" and "waterworks company" subject to Commission jurisdiction as defined, respectively, in R.C. 4905.02(A) and 4905.03(G).

2. Aqua's principal place of business is 6650 South Avenue, Boardman, Ohio 44512. Aqua provides water service to the public in accordance with its various certificates of public convenience and necessity issued by the Commission and its tariffs applicable to its service areas, including the Stark Regional Division, covering certain portions of Stark and Summit Counties.

3. As part of the Drinking Water Assistance Fund (DWAF) the Ohio Environmental Protection Agency (OEPA) annually provides technical and financial assistance programs to help Ohioans improve their drinking water. The DWAF follows provisions of Section 1452 of the Safe Drinking Water Act and Ohio Revised Code Section 6109.22. Select projects compete for funding and are graded on a variety of criteria that

address the regionalization of public water systems, public health issues, compliance with federal and state requirements and effective system management.

4. After review by the OEPA selection committee, Aqua was selected to receive funds from the DWAF to extend a 12" watermain into its service territory within the City of New Franklin, within the Stark Regional Division, in order to eliminate at least 13 small public water systems and regionalize water service to these properties. This project will also be able to serve other customers who are currently on individual wells and septic systems.

5. Up to 50 percent of the loan for which Aqua has been approved is eligible for principal forgiveness. The terms of the loan are as follows:

- Total project estimate is \$4,204,000, of which up to 50% (\$2,102,000) will qualify for forgiveness, leaving the estimated loan amount to be repaid not to exceed \$2,102,000.
- The term of the loan is 30 years and the associated interest rate is 0%.
- The OWDA is the funding agency for the OEPA and will act as the bank for this program. Per the terms of the grant, Aqua will request payment from OWDA.
- Aqua anticipates that the loan will be approved at the October 29, 2020 OWDA board meeting.
- Aqua will submit payment requests during construction/administration of the project to OWDA and they will reimburse Aqua.
- Debt repayment is expected to begin 1/1/2022.

6. A letter from the OEPA detailing the selection process and the terms of the loan is attached as Exhibit A. Aqua's submitted budget to OEPA, not including capitalized overhead, is attached as Exhibit B.

7. In accordance with R.C. 4905.41, Aqua also submits the following as a part of this Application:

- Exhibit C: Loan agreement between Aqua and OEPA/OWDA (*to be filed after approval by OWDA as a late-filed exhibit*);
- Exhibit D: Aqua's Balance Sheets as of September 30, 2020, and September 30, 2019;
- Exhibit E: Aqua's Statement of Income and Reinvested Earnings for the twelve months ended September 30, 2020, and the nine months ended September 30, 2020;
- Exhibit F: Financial Forecast for the periods ending December 31, 2020, and December 31, 2021;
- Exhibit G: Aqua's Statement of Capitalization as of the Balance Sheet date and pro-forma capitalization as of September 30, 2020, and December 31, 2020;
- Exhibit H: Aqua's Statement of Cash Flows for the year ended December 31, 2019, and the nine months ended September 30, 2020; and
- Exhibit I: Aqua's Statement of Common Stockholder Equity as of September 30, 2020.

8. Aqua states that approval of this Application is to meet its present and prospective obligation to provide for required utility service; that approval is necessary, just, and reasonable; that there will be no immediate effect on Aqua's current revenue requirement as a result of the approval of this financial arrangement.


9. To enable the timely consummation of the proposed transactions, Aqua respectfully requests expedited treatment of this Application in accordance with Ohio Adm. Code 4901-1-12 and request that it be approved on or before November 30, 2020.

WHEREFORE, Aqua respectfully requests that the Commission approve this Application according to the terms set forth above.

Dated: October 20, 2020

Respectfully submitted,

AQUA OHIO, INC.


Edmund Kolodziej, Jr.
President and COO, Aqua Ohio, Inc.


Rebekah J. Glover (Reg. No. 0088798)
(Counsel of Record)
Matthew R. Pritchard (Reg. No. 0088070)
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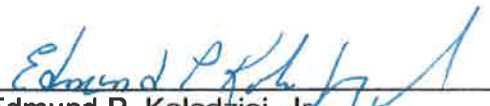
COUNSEL FOR AQUA OHIO, INC.

AFFIDAVIT

STATE OF OHIO)
)
MAHONING COUNTY)

ss:

Edmund P. Kolodziej, Jr., personally appeared before me, a Notary Public, in and for said State, and being first duly sworn, said that he is President & COO of Aqua Ohio, Inc., the Applicant herein; and that the statements in the foregoing Application are true.



Edmund P. Kolodziej, Jr.
President & COO, Aqua Ohio, Inc.

Sworn to and subscribed in my presence this 20 day of October, 2020.



Notary Public



CHRISTINE SNAREY
NOTARY PUBLIC
FOR THE
STATE OF OHIO
My Commission Expires
May 11, 2024

EXHIBIT A



Mike DeWine, Governor
Jon Husted, Lt. Governor
Laurie A. Stevenson, Director

October 5, 2020

Mr. James Zell
Administrator, Financial Analysis Section
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

RE: Aqua Ohio's Application for Drinking Water Assistance Funds and Program Overview

Dear Mr. Zell,

We are writing this correspondence to provide details regarding Aqua Ohio's eligibility to receive monies in support of a regionalization project in New Franklin, Ohio. As part of the Drinking Water Assistance Fund (DWAF) the Ohio Environmental Protection Agency (OEPA) annually provides technical and financial assistance programs to help Ohioans improve their drinking water. The DWAF follows provisions of Section 1452 of the Safe Drinking Water Act and Ohio Revised Code Section 6109.22. Select projects compete for funding and are graded on a variety of criteria that address the regionalization of public water systems, public health issues, compliance with federal and state requirements and effective system management.

This year, Aqua Ohio submitted a nomination form to extend a 12" watermain into its service territory within the City of New Franklin in order to eliminate at least 13 small public water systems and regionalize water service to these properties. In addition, this project will be able to serve other customers who are currently on individual wells and septic systems. After review by the OEPA selection committee, Aqua Ohio's project scored the highest among all nominations and thus qualified to receive a loan for the project in which up to 50% would be eligible for principal forgiveness (a grant that would not have to be repaid). Below are specific details regarding the loan:

- Total project estimate is \$4,204,000 of which up to 50% (\$2,102,000) would qualify to be forgiven. Thus, the estimated loan amount to be repaid would not to exceed \$2,102,000.
- The term of the loan is 30 years and the associated interest rate is 0%.
- The Ohio Water Development Authority (OWDA) is the funding agency for the Ohio EPA and will act as the bank for this program. Per the terms of the grant, Aqua will request payment from OWDA.
- We anticipate the loan will be approved at the October 29, 2020 OWDA board meeting.

Mr. James Zell
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October 5, 2020

- Aqua will submit payment request during construction/administration of the project to OWDA and they will reimburse Aqua.
- The debt repayment is expected to begin 1/1/2022.

Please don't hesitate to contact us should you have any additional questions. Details regarding the Drinking Water Assistance Fund (DWAF) Program Year 2021 Program Management Plan are available at <https://www.epa.ohio.gov/Portals/29/documents/ofa/2021-DWAF-PMP-Compiled.pdf>

Sincerely,

Paula E. Yade

Paula E. Yade
Project Coordinator
Division of Environmental & Financial Assistance (DEFA)

EXHIBIT B

Water Supply Revolving Loan Account

Exhibit 1

Project Name: New Franklin Waterline Extension

Borrower: Aqua Ohio Inc.

Address: 6650 South Avenue

City & State: Boardman, OH

Borrower's Authorized Representative: Edmund P. Kolodziej

Loan Number: FS391577-0004

Zip Code: 44512

Phone: (330) 832-5764

Project Description

The project establishes the first phase of a public water system infrastructure into New Franklin. Aqua Ohio will provide public water service by extending the waterline from the City of Green into New Franklin.

Cost Data

Activities	Eligible	Total Project Cost
Technical Services		
Engineering Services	\$288,600.00	\$288,600.00
Force Account	\$94,848.00	\$94,848.00
Construction		
Wenger Excavating Inc. - New Franklin 12" Water Main Project	\$2,385,352.00	\$2,385,352.00
Other Costs		
Contingency	\$1,024,562.00	\$1,024,562.00
Planning	\$7,500.00	\$7,500.00
Subtotal	\$3,800,862.00	\$3,800,862.00
Application Fee	\$32,307.00	\$32,307.00
Total Estimated Cost	\$3,833,169.00	\$3,833,169.00

WSRLA Loan Information

Interest Rate:	0.0%
Term in Years:	30.0
Number of Payments:	60
Participation Rate:	0.0166667
Principal Forgiveness Amount	\$1,900,431.00

Principal Amount:	\$1,932,738.00
Interest:	\$0.00
Total Cost of Borrowing:	\$1,932,738.00
Payment:	\$32,212.30

Project Schedule

Application Date:	09/22/2020
Resolution Date:	09/14/2020

Project Completion:	12/31/2021
Date of Initial Payment:	01/01/2023

Pledged Revenues

Section 1452(f)(1)(C) of the Safe Drinking Water Act requires one or more dedicated sources of revenue for repayment of the loan. The following information specifies those sources

Revenue Source

Special Assessments	
General Taxes	
Water Service Charge	\$1,932,738.00
Other:	
Total	\$1,932,738.00

Special Terms and Conditions

None

To the best of my knowledge and belief, the information contained on this exhibit represents the actual project costs being requested from the WSRLA. I hereby acknowledge that the non-eligible and not funded costs identified above, if any, will be provided from sources other than the WSRLA as to allow the project to be fully implemented.


Edmund P. Kolodziej

10-9-20

Date

EXHIBIT C
(to be filed as a late-filed exhibit)

EXHIBIT D

Aqua Ohio, Inc.
Balance Sheet
As of September 30, 2020
(Unaudited)

ASSETS	Current Year	Prior Year
	September 30, 2020	September 30, 2019
Property, Plant, and Equipment, Net of Accum. Depr.	\$506,489,011	\$494,060,989
Construction Work In Progress	\$14,451,493	\$22,970,010
Utility Plant Acquisition Adjustment, Net of Accum Amort.	(\$2,083,464)	(\$1,944,660)
Net Plant	\$518,857,040	\$515,086,339
Current Assets:		
Cash	\$1,526,708	\$593,959
Accounts Receivable , Net	\$7,322,795	\$7,902,150
Accounts Receivable, Other Affiliates	\$11,132	\$7,344
Unbilled Revenue	\$5,495,203	\$4,812,944
Materials And Supplies	\$3,006,338	\$2,458,320
Prepayments and Other Current Assets	\$3,099,844	\$3,166,288
Other	\$0	\$0
Sub-Total	\$20,462,020	\$18,941,005
Deferred Debits:		
Regulated Assets	\$5,800,096	\$6,680,214
Goodwill	\$2,286,108	\$2,286,108
Other Non-Current Assets	\$1,037,556	\$2,214,404
Sub-Total	\$9,123,760	\$11,180,726
Total Assets	<u>\$548,442,820</u>	<u>\$545,208,070</u>

Aqua Ohio, Inc.

Balance Sheet

As of September 30, 2020

(Unaudited)

	Current Year	Prior Year
LIABILITIES AND CAPITAL	September 30, 2020	September 30, 2019
Shareholders' Equity:		
Common Shares @\$10 Stated Value, 300,000 shares authorized & 259,800 shares served and outstanding	\$2,598,000	\$2,598,000
Capital Surplus	\$69,333,048	\$68,778,091
Reinvested Earnings	\$127,541,413	\$104,458,846
Sub-Total	\$199,472,461	\$175,834,937
Long-Term Debt:		
Long-Term Debt, Excluding Current Portion	\$107,289,369	\$107,625,504
Long-Term Debt, Affiliates	\$8,000,000	\$8,000,000
Unamortized Debt Expense	(\$2,447,430)	(\$2,568,661)
Sub-Total	\$112,841,939	\$113,056,843
Current Liabilities:		
Current Portion Of Long-Term Debt	\$67,993	\$2,065,264
Loans Payable	\$0	\$0
Accounts Payable, Trade	\$6,114,992	\$4,627,583
Accounts Payable, Affiliates	\$47,725,232	\$33,721,086
Accrued Income Taxes, Federal	\$2,984,942	\$3,852,745
Accrued Interest	\$1,713,657	\$1,755,226
Accrued Other Taxes	\$12,928,408	\$12,860,247
Other Current Liabilities	\$3,082,776	\$2,857,188
Sub-Total	\$74,618,000	\$61,739,339
Deferred Credits & Other Non-Current Liabilities		
Customers' Advances For Construction	\$2,593,775	\$3,066,800
Deferred Federal Income Taxes	\$36,683,462	\$32,679,046
Unamortized Investment Tax Credit	\$0	\$1,773
Regulatory Liabilities	\$41,227,429	\$44,357,076
Other Non-Current Liabilities	\$4,350,599	\$5,617,374
Sub-Total	\$84,855,265	\$85,722,069
Contributions In Aid Of Construction	\$76,655,155	\$108,854,882
Total Liabilities And Capital	<u>\$548,442,820</u>	<u>\$545,208,070</u>

EXHIBIT E

Aqua Ohio, Inc.

Statement of Income and Reinvested Earnings (Unaudited)

	Twelve Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Operating Revenue	\$113,064,628	\$85,617,882
Operating Expenses:		
Operations and Maintenance	\$41,229,610	\$31,191,613
Depreciation	\$15,590,272	\$11,737,182
Amortizations	\$133,963	\$96,676
Taxes, Other Than Income Taxes	\$23,661,394	\$17,836,048
Total Operating Expenses	\$80,615,239	\$60,861,519
Operating Income	\$32,449,389	\$24,756,363
Other Expense (Income):		
Interest On Long-Term Debt	\$5,205,485	\$3,896,305
Other Interest Expense (income)	\$210,706	\$147,998
Allowance for funds used during construction	(\$1,152,913)	(\$613,231)
Other net periodic benefit costs	\$432,762	\$232,833
Gains (Loss) From Sale of Property	(\$19,453)	(\$19,453)
Total Other Expense (Income)	\$4,676,587	\$3,644,452
Income Before Income Taxes	\$27,772,802	\$21,111,911
Income Taxes: Federal	\$4,690,234	\$3,372,820
Net Income	\$23,082,568	\$17,739,091
Net Income Available For Common	\$23,082,568	\$17,739,091
Common Dividend Declared	\$0	\$0
Other	\$0	\$0
Reinvested Earnings For Period	\$23,082,568	\$17,739,091
Reinvested Earnings Beginning Of Period	\$104,458,847	\$109,802,324
Reinvested Earnings End Of Period	<u>\$127,541,415</u>	<u>\$127,541,415</u>

EXHIBIT F

AQUA OHIO, Inc.

FINANCIAL FORECAST

	<u>2020</u>	<u>2021</u>
Operating Revenues	\$113,542,853	\$ 115,116,685
O&M Expenses	40,400,950	41,225,827
Depreciation	15,849,468	18,153,717
Amortizations	121,975	101,172
Other Components Benefits	310,440	(517,188)
Taxes Other	23,738,248	23,968,200
Income Taxes	4,605,388	4,272,153
Sub total	<u>85,026,470</u>	<u>87,203,881</u>
Gross Income	28,516,382	27,912,804
Interest (net)	4,572,964	6,957,351
Net Income	<u><u>\$ 23,943,419</u></u>	<u><u>\$ 20,955,453</u></u>

EXHIBIT G

AQUA OHIO, INC
PRO-FORMA CAPITALIZATION

Shareholder's Investment	As of September 30, 2020	Adjustments	As of December 31, 2020
Common Stock	\$ 2,598,000		\$ 2,598,000
Paid-in-Capital	69,333,047		69,333,047
Earned Surplus	<u>127,541,413</u> 199,472,460	<u>6,204,330</u> 6,204,330	<u>133,745,743</u> 205,676,790
<u>Long-Term Debt</u>			
Note to Aqua america Inc.	8,000,000		8,000,000
First Mortgage Bonds	96,672,363		96,672,363
Ohio Water Development Bonds	<u>10,685,000</u> 115,357,363	<u>-</u> -	<u>10,685,000</u> 115,357,363
<u>Short-Term Debt</u>			
TOTAL CAPITALIZATION	<u>\$ 314,829,823</u>	<u>\$ 6,204,330</u>	<u>\$ 321,034,153</u>

EXHIBIT H

AQUA OHIO INC
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2019 AND NINE MONTHS ENDED SEPTEMBER 30, 2020

	PRIOR YEAR PER AUDIT 12/31/2019	CURRENT YR ENDING 9/30/2020
Cash flows from operating activities:		
Net income	19,545,014	17,739,089
Noncash items in net income:		
Depreciation & amortization	15,318,025	11,833,858
Deferred income taxes	2,747,446	1,777,880
Stock based compensation	252,642	159,447
Gain on sale of other assets	0	(19,453)
Net change in A/R, invent & prepayments	6,841,046	11,852,821
Net change in A/P & other accruals	(1,281,164)	(2,328,939)
Net change in accrued interest	(14,415)	905,170
Payment of Competetive Transition Charge	0	0
Other	1,459,761	(4,283,321)
Net cash flows from operating activities	<u>44,868,356</u>	<u>37,636,552</u>
Cash flows from investing activities:		
Purchase of fixed assets	(45,033,983)	(27,701,207)
Acquisitions of water/ww systems	8,597	(7,471,597)
Increase in funds restricted for construction	0	0
Decrease in funds restricted for construction	0	0
Net proceeds from sale(purchases) of other assets	0	27,864
Other	0	0
Net cash flows from investing activities	<u>(45,025,386)</u>	<u>(35,144,941)</u>
Cash flows from financing activities:		
CAC & CIAC	851,168	687,974
Repayments of customers' advances	(220,955)	(170,737)
Net proceeds (repayments) of short-term debt	0	0
Proceeds from long-term debt	0	0
Repayments of long-term debt	(362,643)	(2,065,263)
Proceeds from issuing preferred stock	0	0
Payments to redeem preferred stock	0	0
Proceeds from issuing common stock	0	0
Repurchase of common stock	0	0
Dividends paid on preferred stock	0	0
Dividends paid on common stock	0	0
Other	0	0
Net cash flows from financing activities	<u>267,570</u>	<u>(1,548,026)</u>
Net increase (decrease) in cash	110,540	943,586
Cash and equivalents at beginning of year	<u>472,584</u>	<u>583,124</u>
Cash and equivalents at end of period	<u><u>583,125</u></u>	<u><u>1,526,710</u></u>

EXHIBIT I

AQUA OHIO INC
STATEMENT OF COMMON STOCKHOLDER'S EQUITY
PERIOD ENDED SEPTEMBER 30, 2020

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2019	\$ 2,598,000	\$ 68,967,492	\$ 109,802,324	\$ 181,367,816
Net Income	\$ -	\$ -	\$ 17,739,089	\$ 17,739,089
Common Stock Dividends	\$ -	\$ -	\$ -	\$ -
Capital Contribution Aqua America Inc	\$ -	\$ 365,555	\$ -	\$ 365,555
Balance at September 30, 2020	<u>\$ 2,598,000</u>	<u>\$ 69,333,047</u>	<u>\$ 127,541,413</u>	<u>\$ 199,472,460</u>

This foregoing document was electronically filed with the Public Utilities

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10/20/2020 2:08:47 PM

in

Case No(s). 20-1617-WW-AIS

Summary: Text In the Matter of the Application for Approval of a Financial Arrangement with Ohio Environmental Protection Agency and Ohio Water Development Authority electronically filed by Ms. Rebekah J. Glover on behalf of Aqua Ohio, Inc.