



**Public Utilities
Commission**

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November 13, 2020

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

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

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Aqua Ohio, Inc. for authority to issue long-term debt, Case No. 20-1617-WW-AIS.

David Liphtratt
Chief, Accounting and Finance Division
Rates and Analysis Department
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

Staff Review and Recommendation

APPLICATION DESCRIPTION

On October 20, 2020, Aqua Ohio, Inc. (“Aqua Ohio”) filed an application with exhibits (“Application”) requesting Public Utilities Commission of Ohio (“Commission”) authorization to enter into a financial arrangement (“Loan”) with the Ohio Environmental Protection Agency (“OEPA”) and Ohio Water Development Authority (“OWDA”), pursuant to Ohio Revised Code sections 4905.40 and 4905.41.

The OEPA annually provides technical and financial assistance programs to help Ohioans improve their drinking water through the Drinking Water Assistance Fund (“DWAF”). Projects are submitted to the OEPA for review and consideration for funding through the DWAF. The OEPA selection committee reviewed several competing project submissions and selected Aqua Ohio’s proposed project to extend a 12-inch watermain into its existing service territory within the City of New Franklin (“New Franklin Project”), which is within the Stark Regional Division. The New Franklin Project will eliminate at least 13 small public water systems by providing regionalized water service as a replacement to such properties. The project will also be able to serve additional customers who are currently on individual wells and septic systems.

The New Franklin Project has an estimated cost of \$4,204,000. The Loan provided through the DWAF is eligible for up to 50 percent principal forgiveness, which means up to \$2,102,000 of the estimated costs would be eligible for forgiveness. Aqua Ohio anticipates the principal amount associated with the New Franklin Project that will require repayment will not exceed \$2,102,000. The interest rate associated with the Loan will be zero percent and will have a maturity of 30 years. The OWDA, being the funding agency for the OEPA, will administer the Loan proceeds pursuant to Aqua Ohio payment requests as the New Franklin Project meets construction milestones. Debt repayment on the unforgiven balance of the Loan is expected to begin January 1, 2022.

STAFF REVIEW AND RECOMMENDATION

As the Application is focused on financing authority related to a specific project, Staff was mindful to have a general understanding of the project while concentrating its focus of review on the merits of the financing package and not on the merits of the New Franklin Project itself. In this case, Staff relies on the technical and managerial expertise of Aqua Ohio and the OEPA to evaluate the business and societal benefits associated with the New Franklin Project.

Financing resulting from this Application will not have a material impact to the overall capitalization of Aqua Ohio. The following table summarizes Aqua Ohio's current capitalization and shows the anticipated impact of the Loan.

	As of 09/30/2020	(%)	Pro-forma*	(%)
Long Term Debt	\$115,357,363	36.6%	\$117,459,363	37.1%
Common Equity	\$199,472,460	63.4%	\$199,472,460	62.9%
Total Capitalization	\$314,829,823	100.0%	\$316,931,823	100.0%

** Pro-forma totals reflect the issuance of \$2,102,000 of new debt and no change in equity.*

Upon review of the Application, Staff believes the financing being made available by the OEPA through the OWDA represents a cost-effective way to finance the construction of the New Franklin Project. As such, Staff recommends approval of the Application.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

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in

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

Summary: Staff Review and Recommendation in regard to the application of Aqua Ohio, Inc. for authority to issue long-term debt electronically filed by Zee Molter on behalf of PUCO Staff