

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
AQUA OHIO, INC. FOR APPROVAL OF A
FINANCIAL ARRANGEMENT WITH THE
OHIO ENVIRONMENTAL PROTECTION
AGENCY AND THE OHIO WATER
DEVELOPMENT AUTHORITY.

CASE NO. 20-1617-WW-AIS

FINDING AND ORDER

Entered in the Journal on December 2, 2020

I. SUMMARY

{¶ 1} The Commission approves the application filed by Aqua Ohio, Inc. seeking approval of a financial arrangement with the Ohio Environmental Protection Agency and the Ohio Water Development Authority.

II. DISCUSSION

A. Procedural History

{¶ 2} Aqua Ohio, Inc. (Aqua) is a water-works company as defined by R.C. 4905.03 and a public utility as defined by R.C. 4905.02. As such, Aqua is subject to the Commission's jurisdiction in accordance with R.C. 4905.04, 4905.05, and 4905.06.

{¶ 3} R.C. 4905.40 permits a public utility to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of more than 12 months, when authorized by the Commission. Pursuant to R.C. 4905.40(A)(1), the public utility may issue notes or other evidences of indebtedness when it is necessary for, among other things, the construction, completion, extension, renewal, or improvement of its facilities and, under R.C. 4905.40(A)(2), for reorganization or readjustment of its indebtedness and capitalization, among other purposes. The application process for obtaining Commission authorization is outlined in R.C. 4905.41. The application must include the amount, purpose, and terms of the financial arrangement, as well as the total assets and liabilities of the public utility.

{¶ 4} On October 20, 2020, Aqua filed an application in Case No. 20-1617-WW-AIS. Pursuant to R.C. 4905.40 and 4905.41, Aqua seeks approval to enter into a financial arrangement with the Ohio Environmental Protection Agency (OEPA) and the Ohio Water Development Authority (OWDA).

{¶ 5} On November 13, 2020, Staff filed its review and recommendation.

Summary of the Staff Report

{¶ 6} The Staff's review and recommendation reveals that 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's proposed project to extend a 12-inch water main into its existing Stark Regional Division service territory within the city of New Franklin (New Franklin Project) for funding approval. 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 New Franklin Project will also be able to serve additional customers who are currently on individual wells and septic systems.

{¶ 7} The estimated cost of the New Franklin Project is \$4,204,000, of which up to 50 percent (\$2,102,000) will qualify for loan forgiveness, leaving the estimated loan amount to be repaid not to exceed \$2,102,000. Moreover, the interest rate associated with the loan will be zero percent and will have a maturity of 30 years. As the funding agent for OEPA, the OWDA will administer the loan proceeds pursuant to Aqua payment requests as the New Franklin Project meets construction milestones. Debt repayment on the unforgiven balance of the loan is expected to begin on January 1, 2022. According to Staff, the financing resulting from this application will not have a material impact on the overall capitalization of Aqua.

{¶ 8} Upon review of the Application, Staff believes the financing 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.

B. Commission Conclusion

{¶ 9} Upon consideration of the application and Staff's review and recommendation, the Commission finds that the financial arrangement with the OEPA and the OWDA, the terms thereof, and the probable cost to Aqua, within the parameters set forth in the application, do not appear to be unjust or unreasonable. Based on the information provided in the application, we find that this financial arrangement with OEPA and the OWDA represents a cost-effective way to finance the construction of the New Franklin Project. Therefore, the Commission finds that the application should be approved.

III. ORDER

{¶ 10} It is, therefore,

{¶ 11} ORDERED, That Aqua's application be approved. It is, further,

{¶ 12} ORDERED, That Aqua shall apply the proceeds from the long-term financial arrangement for the purposes set forth in this Finding and Order and otherwise pursuant to the provisions of R.C. 4905.40. It is, further,

{¶ 13} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of the long-term financial arrangement for future ratemaking treatment. It is, further,

{¶ 14} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of Aqua. It is, further,

{¶ 15} ORDERED, That nothing in this Finding and Order be construed to imply any

guaranty or obligation as to the long-term financial arrangement on the part of the state of Ohio. It is, further,

{¶ 16} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 17} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

JRJ/kck

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in

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

Summary: Finding & Order approving the application filed by Aqua Ohio, Inc. seeking approval of a financial arrangement with the Ohio Environmental Protection Agency and the Ohio Water Development Authority. electronically filed by Kelli C. King on behalf of The Public Utilities Commission of Ohio