



OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

Fiscal Note & Local Impact Statement

Bill: H.B. 422 of the 132nd G.A.

Status: As Passed by the House

Sponsor: Reps. Ginter and Rogers

Local Impact Statement Procedure Required: No

Subject: Governing purchases by a large water-works or sewage disposal system company

State & Local Fiscal Highlights

- Potential increase in costs for the Public Utilities Commission to perform duties required under the bill. Any such costs, albeit likely minimal, would be paid from the Public Utilities Fund (Fund 5F60).
- The bill has no direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

H.B. 422 allows a large water-works or sewage disposal system company to petition to purchase the property, plant, or business of any municipal water-works or sewage disposal system company with the consent and approval of the Public Utilities Commission of Ohio (PUCO). Under the bill, "large water-works or sewage disposal system company" means a company that has annual operating revenues of \$250,000 or more. The bill sets forth additional requirements for the determination of original cost as it relates to the acquisition of a municipal water-works or sewage disposal system company.

The bill requires PUCO to maintain a list of utility valuation experts, and to approve a petition if it finds that the petition is just and reasonable. PUCO may incur costs to perform these duties. Water-works and other utilities remit their annual regulatory assessments to the Public Utilities Fund (Fund 5F60), which would bear any costs arising from the new duties.

Data from the PUCO website show that only two regulated utilities have annual operating revenues of at least \$250,000: (1) Aqua Ohio, and (2) Woodbran Realty Corporation.¹ Of the two, only Aqua Ohio has separate tariffs in "one or more geographic customer areas," which is a circumstance referenced in the bill.²

¹ <http://www.puco.ohio.gov/docketing/annual-reports-for-fiscal-assessment/annual-reports-completed-and-submitted-to-puco/#sthash.vg7rFAO0.dpbs>.

² R.C. 4905.49.

The rate base paid by regulated customers is largely determined by plant-in-service. The bill sets parameters by which purchased property can be valued. LSC is unaware of any municipal water-works or sewer disposal system company that is contemplating a sale to a regulated utility. Without knowing the intended purchase, the valuation of the property, and the baseline water rates to be paid by municipal customers absent this legislation, the indirect fiscal effect of the bill on governmental customers of water and sewer utilities cannot be determined.

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