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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research and Drafting

Legislative Budget Office

H.B. 260
(with AM1260-1, AM2070, and AM2057)
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 260's Bill Analysis

Version: In House Public Utilities

Primary Sponsors: Reps. Seitz and Robb Blasdel

Local Impact Statement Procedure Required: No

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Highlights

- The bill requires electric light companies (ELCs) to file a distribution rate case with the Public Utilities Commission of Ohio (PUCO) at least once every five years and permits ELCs to propose a fully forecasted test period for use in ratemaking.
- ELCs may request approval under the bill for a distribution investment tracker (DIT), a storm response tracker (SRT), and up to two cyber security and regulatory trackers (CSRTs) for the purpose of increasing rates. In general, the term "tracker" replaces, but holds the same meaning as, "rider" in Ohio public utility regulation.
- The bill requires public utilities to refund any revenue obtained through a rider or other rate mechanism rather than through base rates, if it is later deemed unreasonable, unlawful, or improper by the Ohio Supreme Court.
- The bill prohibits an electric distribution utility (EDU), or affiliate, from making a cash payment, or entering into any agreement not made part of the public case record, to a party in any PUCO proceeding.
- State and local governments are not expected to incur direct fiscal effects under the bill.

Detailed Analysis

Rate case proceedings

The bill requires electric light companies (ELCs) (i.e., a company that supplies electricity for light, heat, or power to consumers in Ohio, including transmission service) to file a distribution rate case with the Public Utilities Commission of Ohio (PUCO) at least once every five years and permits ELCs to propose a fully forecasted test period, with costs determined to be reasonable by the Commission, for use in ratemaking. This contrasts with current law, which requires several months of actual revenue and expense data to be included in a 12-month test period just prior to the utility's filing date. Existing law has no requirement for ELCs to periodically file a distribution rate case.

Fully forecasted test periods available to an ELC under the bill must utilize a reasonably forecasted and normalized rate base, revenues, and expenses for the first 12 months that new rates will be in effect. Final rates must use actual normalized plant investment, revenues, and expenses. "Trued up" rates are to be set following an audit conducted by PUCO comparing forecasted versus actual plant investment, revenues, and expenses. PUCO is also required under the bill to set annual reliability performance standards for each electric utility within 24 months of the legislation's effective date, and PUCO may establish a staggered schedule of initial proceedings for this purpose.

The bill prohibits an electric distribution utility (EDU), or affiliate, from making a cash payment to, or entering into any agreement not made part of the public case record with, a party in any PUCO proceeding. PUCO is also given authority under the bill to approve: (1) cost-effective energy efficiency or weatherization programs for residential customers, (2) time of use rate designs for commercial and residential customers to encourage off-peak charging of electric vehicles, and (3) economic development, job retention, or interruptible rate programs for energy-intensive industrial customers.

Intervenors in PUCO proceedings are limited in the bill to those who are "adversely and directly affected" by a case, requiring PUCO to consider the intervenor's interest as a "consumer, customer, or competitor" when ruling on their application; discovery is also limited to nonprivileged, proportional information relevant to the proceeding.

Refunds

Public utilities are also required under the bill to refund any revenue obtained through a rider or other rate mechanism rather than through base rates, if it is later deemed unreasonable, unlawful, or improper by the Ohio Supreme Court.

Trackers

An ELC may request approval for up to four trackers, used to collect revenue relating to distribution investment, storm response, or cyber security and regulation. The revenue requirement collected by any tracker must be allocated to base distribution rate classes consistent with the allocation of approved base distribution rates.

The types of revenue that may be collected in the three categories of trackers included in the bill are:

- Distribution investment tracker (DIT): allows for the collection of the revenue requirement relating to "distribution infrastructure investments designed to maintain or improve safety, reliability, system efficiency, security, or grid resiliency" (capped at 4% of the annual base distribution revenue requirement).
- Storm response tracker (SRT): allows for the collection of the revenue requirement relating to "distribution infrastructure investments and distribution operations and maintenance expenses necessitated by weather events not reflected in base distribution rates that constitute major events, as determined by the Commission."

- Cyber security and regulatory trackers (CSRTs): allows for the collection of the revenue requirement relating to "distribution infrastructure investments or distribution operations and maintenance expenses relating to single issues consistent with state policy" (capped at 2% of the annual base distribution revenue requirement).

Two CSRTs, along with one DIT and one SRT, are authorized per ELC under the bill. In general, the term "tracker" replaces, but holds the same meaning as, "rider" in Ohio public utility regulation; both are rate mechanisms used to recover/refund costs for statutorily defined purposes. Double recovery of costs through a tracker is also expressly prohibited in the bill.

Fiscal effect

The bill's impact on PUCO agency expenditures is indeterminate. Other state and local government entities are not expected to incur direct fiscal effects under the bill.

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