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S.B. 103
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Passed by the Senate

Primary Sponsor: Sen. Wilkin

Local Impact Statement Procedure Required: No

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Highlights

- The bill modifies the ratemaking process for certain public utilities and establishes alternative rate plans for natural gas companies. This change may lead to an indirect fiscal impact in utility costs.

Detailed Analysis

The bill modifies the ratemaking process and expands options for certain public utilities, including natural gas, waterworks, and sewage disposal system companies. It allows these public utilities to apply to the Public Utilities Commission of Ohio (PUCO) to establish distribution service rates in the same manner as an electric light company (ELC) under current law. The bill permits these public utilities to propose annual base rates for three consecutive 12-month periods (36 months) in a single forecasted test period application. Those companies that choose a forecasted test period are subject to the same valuation reporting requirements (to enable an annual true-up process that adjusts rates to match the authorized revenue requirement) applicable to ELCs using a forecasted test period.

The bill also aligns the rate cases of the aforementioned public utilities with the same rules and deadlines as an ELC. If proceedings are not concluded within 275 days, the company may request a temporary rate increase, and any party may request a temporary rate decrease. PUCO must issue an order within 360 days, or the application is deemed approved. A natural gas company (NGC) with at least 25,000 customers (i.e., CenterPoint Energy of Ohio, Columbia Gas of Ohio, Duke Energy Ohio, Enbridge Gas Ohio) must file a rate case by December 31, 2029, and every three years thereafter.

The bill prohibits a utility company that applies for a forecasted test period from requesting, and PUCO from approving, any rider or other cost recovery mechanism to recover capital cost investment that would be in addition to a company's base rates. Upon approval of a

forecasted test period, any previously approved riders and other cost recovery mechanisms to recover capital investment must terminate. Notwithstanding this, an NGC may still apply for, or continue collecting from, the infrastructure development rider used to recover certain costs from customers in Ohio.

The bill also allows NGCs to propose alternative rate plans to recover costs and capital expenditures using projected test periods. These alternative rate plans are specifically designed to support commercial agreements with a “large load customer.” PUCO must act on such agreements and plans within 90 days, or they are deemed approved unless PUCO suspends the review for good cause. Under the bill, any payment received from a large load customer pursuant to a commercial agreement under an alternative rate plan must not be considered revenue in any ratemaking proceeding, and alternative rate plan applications are not considered requests for rate increases.

The bill repeals the requirement that PUCO ensure each electric distribution utility (EDU) providing a standard service offer (SSO) has a nonbypassable cost recovery mechanism for transmission, ancillary, congestion, or related services associated with the SSO.

Fiscal effect

State and local governments may see indirect changes in utility costs resulting from potential rate adjustments for utilities due to the forecasted test periods and their associated true-up process that reconciles forecasted plant investment, forecasted revenue, and forecasted expenses with actual outcomes.

The indirect effects associated with alternative rate plans should be limited because the bill requires the NGC to demonstrate to PUCO that its plan “protects the company’s customers that are not served under the alternative rate plan . . . from paying direct or indirect costs, including stranded costs, associated with the large load customer’s share of infrastructure investments made under any commercial agreement entered into under that plan.”

Repealing the requirement that PUCO ensure nonbypassable cost recovery mechanisms for standard service offers may also affect how certain transmission-related costs are recovered.

PUCO may incur some additional administrative costs to review new types of rate applications and to implement the revised procedures.