OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 103
136th General Assembly

Bill Analysis

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Version: As Passed by the Senate

Primary Sponsor: Sen. Wilkin

Rocky Hernandez, Attorney

SUMMARY

Forecasted test periods and property valuation

- Allows a natural gas, water-works, and sewage disposal system company ("utility company") to propose a forecasted test period, consisting of three 12-month periods, in the same manner as an electric light company (ELC) under current law, which includes the following:
  - Being subject to the same property valuation and reporting requirements as ELCs;
  - Providing any financial information from the utility company's full books, which the Public Utilities Commission (PUCO) must protect from disclosure of trade secrets or proprietary information.
- Allows a water-works company to include the cost of replacing water service lines and the water service line replacement reimbursement amounts provided to customers under current law on the valuation report required to be filed for a forecasted test period.

Temporary rate change and automatic approval

- Subjects a utility company's rate case application to increase rates to the same provisions of current law regarding temporary rate changes and automatic approval that are applicable to ELCs, which include:
  - If, after 275 days from the application filing date, PUCO proceedings regarding the rate increase application have not concluded, the utility company may request a temporary rate increase, and a party to the proceedings can request a temporary rate decrease.
  - Not later than 360 days from the application filing date, PUCO must issue an order on a utility company's rate case application; if not, the application is deemed approved by operation of law.

Rate case requirement

- Requires certain natural gas companies (NGCs), not later than December 31, 2029, and every three years thereafter, to file a rate case with PUCO.

Termination of existing riders

- Prohibits a utility company that files for a forecasted test period from requesting, and PUCO from approving, any rider or other cost recovery mechanism to recover capital investment that would be in addition to the company's base rates.
- Terminates, upon rates going into effect based on an approved forecasted test period, any previously approved riders or other cost recovery mechanisms.
- Allows a NGC, notwithstanding the prohibition and termination described above, to apply for, or continue collecting from, the Infrastructure Development Rider (IDR) under current law.

Large load customer alternative rate plans

- Defines a "large load customer" (LLC) as a customer that an NGC projects or anticipates to consume, or actually consumed, in a prior, current, or future 12-month period, more than 1,200,000 McF of natural gas.
- Allows an NGC that has already applied for, or already been approved for, an IDR to file an application to PUCO for an LLC-alternative rate plan.
- Requires an LLC-alternative rate plan to support commercial agreements entered into between the NGC and an LLC.
- Requires PUCO to approve an LLC-alternative rate plan if the NGC meets its burden of proof in a proceeding before PUCO that the LLC-alternative rate plan meets certain requirements.
- Requires any payment received from an LLC pursuant to a commercial agreement under an LLC-alternative rate plan to not be considered revenue in any ratemaking proceeding.
- Provides that an LLC-alternative rate plan application is not to be considered an application for an increase in rates.
- Requires an NGC to file with PUCO a commercial agreement with an LLC entered into pursuant to a proposed or approved LLC-alternative rate plan, which must be automatically approved unless PUCO determines, within 90 days from the date of the filing, that the agreement is inconsistent with the bill's requirements.
- Requires an NGC's proposed LLC-alternative rate plan to be deemed approved by operation of law 90 days from the date the NGC filed an application, unless suspended by PUCO for good cause; the application is deemed approved if PUCO makes no decision regarding the suspension within 90 days.

Competitive retail electric service law changes

- Amends the definition of “linear generator” in Ohio’s Competitive Retail Electric Service law.
- Repeals the requirement that PUCO adopt rules for each electric distribution utility to implement a nonbypassable cost recovery mechanism to recover costs relating to transmission, ancillary, congestion, or any related service.

DETAILED ANALYSIS

Introduction

The bill makes several changes to Ohio Public Utility law that applies broadly to several types of public utilities, and others that are specific for natural gas companies (NGCs) and electric distribution utilities (EDUs). Generally, the bill allows a natural gas, water-works, or sewage disposal system company (“utility company”) to propose a forecasted test period in the same manner as an electric light company (ELC) may do under the recently enacted H.B. 15 of the 136th General Assembly. The bill goes further by making changes to cost recovery efforts by utilities that use a forecasted test period.

Additionally, the bill creates a new alternative rate plan for an NGC to apply for regarding “large load customers,” which are high-use customers that meet certain criteria. The bill details the application and approval process as well as plan requirements.

Lastly, the bill makes changes to provisions of Ohio’s Competitive Retail Electric laws that were added by H.B. 15 of the 136th General Assembly. It amends the definition of “linear generator,” and repeals a requirement for the Public Utilities Commission (PUCO) to adopt a cost recovery mechanism for EDUs to recover certain costs related to the provision of the EDU’s standard service offer.

Forecasted test periods and property valuation

The bill allows a utility company to propose a forecasted test period for purposes of determining revenues and expenses of the company in ratemaking proceedings with PUCO. A single forecasted test period application requires the utility company to propose annual base rates for three consecutive 12-month periods. At the end of the last test period, the utility company must file for a rate case under continuing law. Under current law, only ELCs may file for a forecasted test period.

The bill further subjects utility companies that choose to file for a forecasted test period to the same valuation reporting requirements that ELCs who choose to file a forecasted test period must follow.[1]

For a more detailed explanation of current law regarding forecasted test periods, and various other valuation reporting requirements, see pages 17-20 of LSC’s Final Analysis of H.B. 15

[1] R.C. 4909.042, 4909.05, 4909.06, 4909.07, 4909.08, 4909.15, 4909.156, and 4909.18.

of the 136th General Assembly, available on the General Assembly's website: legislature.ohio.gov/.

Financial information from full books

The bill requires a utility company proposing a forecasted test period to provide any financial information required for that proposal from the company's full books. PUCO must ensure appropriate protections against the disclosure of the company's trade secrets or proprietary information. Under current law, only ELCs proposing to file a forecasted test period must follow this requirement.[2]

Water service line cost and reimbursement

For a water-works company that proposes a forecasted test period, the bill requires the company to provide the following on the company's property valuation report:

- The cost of the replacement of water service lines (including the costs to replace both the company side and customer-owned water service lines and to evaluate customer-owned water service lines of unknown composition);
- The water service line replacement customer reimbursements required when a company confirms there was lead in the customer's water service lines that needed to be replaced by federal or state regulatory action, and the customer properly submitted a reimbursement request.

Continuing law, unchanged by the bill, requires the same information be included on a water-works company's valuation report required for ratemaking purposes, if the company does not propose a forecasted test period.[3]

Termination of existing riders

The bill prohibits a utility company, except for the true up process during each 12-month period of 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 the company's base rates. The bill requires, upon rates going into effect based on a company's use of a forecasted test period, any previously approved riders and other cost recovery mechanisms to recover capital investment to terminate.

Notwithstanding the above, an NGC may still apply for, or continue collecting from, an Infrastructure Development Rider (IDR) used by NGCs to collect certain costs from customers in Ohio.[4]

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[2] R.C. 4909.042(D) and 4909.159.

[3] R.C. 4909.042(B)(9), 4909.05(B)(6), 4909.173, and 4909.174.

[4] R.C. 4909.157; R.C. 4929.161, not in the bill.

Temporary rate change and automatic rate case approval

The bill includes a utility company in provisions of current law that allow an ELC to request temporary rate changes or that provide deemed approval of the company's rate case application.

Under current law, an ELC that applied for an increase in rates in a rate case may request a temporary rate increase, and any party to the proceeding may request a temporary decrease, if PUCO has not issued an opinion and order after 275 days from the application filing date. The rate change, either increase or decrease, remains in effect until modified in accordance with PUCO's order based on the merits of the application. Also, PUCO must, not later than 360 days from the filing of the application, issue a final order to approve, deny, or modify the rate case application; if not, then the application is deemed approved by operation of law.[5]

For a more detailed explanation of the temporary rate change provisions in current law, see page 21 of LSC's Final Analysis of H.B. 15 of the 136th General Assembly, available on the General Assembly's website: legislature.ohio.gov/.

Rate case requirement

The bill requires each NGC that provides utility service to 250,000 or more customers to file a rate case application with PUCO not later than December 31, 2029, and every three years thereafter.[6]

Large load customer alternative rate plans

The bill allows an NGC that has applied for, or already has been approved for, an IDR to also file an application to PUCO for an alternative rate plan to serve large load customers ("LLC-alternative rate plan"). The bill further provides that an LLC-alternative rate plan must support commercial agreements between the NGC and a large load customer ("LLC").

Under the bill, a "large load customer" means a customer that an NGC projected or anticipated to consume, or actually consumed, in a prior, current, or future 12-month period, more than 1,200,000 McF of natural gas.[7]

Requirements for LLC-alternative rate plans

The bill requires PUCO to approve an LLC-alternate rate plan if the NGC meets its burden of proof in a proceeding before PUCO that the plan does the following to protect existing customers:

- Protects the NGC's other customers not served by the LLC-alternative rate plan from paying direct or indirect costs, including any stranded costs, associated with the LLC's share of infrastructure investments made under any commercial agreements entered into the plan.

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[5] R.C. 4909.421; R.C. 4909.193, not in the bill.

[6] R.C. 4909.182.

[7] R.C. 4929.052; R.C. 4929.161, not in the bill.

- Provides any commercial agreement entered into under the plan, once the LLC begins natural gas service and monthly payments to the NGC, must require a monthly credit (determined pursuant to a separate IDR regulatory liability proceeding where the NGC must propose the credit amount based on cost allocation principles), to compensate other customers for the cost of the LLC's use of the NGC's system and infrastructure, to the annual IDR rate charged by the NGC pursuant to continuing law, which will be the cost of the LLC's use of the NGC system and infrastructure.
- Supports economic development in the state by serving the LLC, which is proven by a letter of support by an "economic development entity" (which includes any of the following: JobsOhio or any JobsOhio network or regional partner, the Department of Development, a port authority, special improvement district, community urban redevelopment corporation, community improvement corporation, new community authority, joint economic development district, development corporation, or municipal utility district).[8]

Revenue exemption

The bill exempts any payment received from an LLC, pursuant to a commercial agreement under an LLC-alternative rate plan, from being considered revenue in any ratemaking proceeding under current law.

Additionally, the bill exempts an LLC-alternative rate plan application from being considered an application for an increase in rates.[9]

Commercial agreements

The bill requires an NGC to file with PUCO a commercial agreement with an LLC entered into pursuant to a proposed or approved LLC-alternative rate plan. Additionally, the bill deems an agreement automatically approved unless PUCO, within 90 days from the filing date, determines that the agreement is inconsistent with the LLC-alternate rate plan requirements described above.

The bill also allows an NGC to propose that the commercial agreement include any negotiated terms that differ from the rates or terms of service approved in the NGC's most recent rate case proceeding.[10]

Automatic approval of LLC-alternative rate plan

The bill deems an NGC's application for an LLC-alternative rate plan automatically approved 90 days from the application filing date unless PUCO suspends the approval for good

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[8] R.C. 4929.053; R.C. 4929.163(C)(4), not in the bill.

[9] R.C. 4929.054 and 4929.055.

[10] R.C. 4929.056.

cause shown. Should PUCO not issue an order regarding the suspended application within 90 days, the NGC's LLC-alternative rate plan must be deemed approved by operation of law.[11]

Express agreement

The bill requires an NGC with an approved LLC-alternative rate plan, upon the approval of a commercial agreement, to file with a PUCO-prescribed written statement agreeing not to: (1) recover costs associated with the LLC-alternative rate plan, or any commercial agreement, directly or indirectly from the NGC's other customers, and (2) increase base rates as a direct or indirect result of any provision of an approved commercial agreement of the LLC-alternative rate plan.[12]

Competitive retail electric service law changes

Nonbypassable cost recovery mechanism

The bill repeals current law recently enacted in H.B. 15 of the 136th General Assembly related to electric distribution utilities (EDUs) recovering costs for providing a standard service offer (SSO). Under that law being repealed, PUCO must adopt, for each EDU that provides a SSO, a nonbypassable cost recovery mechanism relating to transmission, ancillary, congestion, or any related services required for the SSO that the EDU incurs pursuant to the SSO.[13]

Linear generator definition

The bill amends the definition of "linear generator" under Ohio's Competitive Retail Electric Services law as follows:

Linear generator definition	
Current law	**Under S.B. 103[14]**
An integrated system consisting of oscillators, cylinders, electricity conversion equipment, and associated balance of plant components that meet the following criteria: 1. Converts the linear motion of oscillators directly into electricity without the use of a flame or spark;	An integrated system that may consist of oscillators, cylinders, electricity conversion equipment, and associated balance of plant components that meet the following criteria: 1. Converts linear motion directly into electricity;

[11] R.C. 4929.057.

[12] R.C. 4929.058.

[13] R.C. 4928.05(B)(1); R.C. 4928.141 and 4928.142, not in the bill.

[14] R.C. 4928.01(A)(43).

Linear generator definition	
Current law	**Under S.B. 103**[14]
2. Is dispatchable with the ability to vary power output across all loads; 3. Can operate on multiple fuel types including liquid or gaseous renewable fuels such as hydrogen, ammonia, and biogas.	2. Is dispatchable with the ability to vary power output across all loads.

HISTORY

Action	Date
Introduced	02-14-25
Reported, S. Public Utilities	10-15-25
Passed Senate (31-0)	10-15-25

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