Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

S.B. 174
135th General Assembly

# Fiscal Note & Local Impact Statement

Click here for S.B. 174's Bill Analysis

**Version:** As Introduced

**Primary Sponsors:** Sens. Wilkin and Lang

**Local Impact Statement Procedure Required:** No

Michael Kerr, Budget Analyst

## Highlights

- The bill allows competitive retail natural gas service (CRNGS) suppliers to offer carbon offsets to customers who desire to counter the greenhouse gas emissions resulting from their natural gas usage.
- Nonparticipating state and local governments are not expected to incur revenue loss from the bill, with minimal cost to the Public Utilities Commission of Ohio (PUCO) from administrative processing requirements.

## Detailed Analysis

The bill provides the opportunity for competitive retail natural gas service (CRNGS) providers to offer carbon offsets to customers, on a voluntary basis, to counter the greenhouse gas emissions resulting from their usage of natural gas. A single carbon offset in the bill represents one ton of greenhouse gas removed from the atmosphere by any method. The Public Utilities Commission of Ohio (PUCO) is required under the bill to approve all applications to implement voluntary carbon offset programs by CRNGS suppliers as long as it is confirmed that the CRNGS supplier is working with a nationally recognized carbon offset registry which conducts regular verification checks to ensure offsets are applied correctly; a description of the types of carbon offsets to be offered and the method by which double counting will be prevented is also required in each application submitted to PUCO.

Carbon offset programs authorized under the bill require CRNGS providers to work cooperatively with natural gas companies to list the amount of emissions offset by each customer's participation in the program on their monthly natural gas utility service bill. In addition, approved programs are to provide procedures allowing for customers to opt in and opt out of the program. An annual report is also required to be filed by each CRNGS supplier offering a carbon offset program with PUCO, which may, after receiving a number of customer complaints deemed sufficient by PUCO, conduct an audit of a CRNGS provider's offset program to ensure correct application of offsets to customer accounts.

The bill is not anticipated to create revenue loss for nonparticipating state and local governments. Minimal cost to PUCO is expected from the administrative processing of applications for carbon offset programs by CRNGS suppliers.

## Background

Similar programs already exist in nearby states. Dominion Energy, for instance, which operates in Ohio as well as some neighboring states, offers a comparable carbon offset program to residential and commercial natural gas customers in North Carolina.[1] Projects offered to offset carbon emissions through the program include forest conservation efforts and landfill gas capture and reuse operations. The company reports the entire carbon footprint of the typical residential natural gas customer may be offset for $12 per month. An application for an analogous voluntary carbon offset program was submitted to PUCO by the Ohio subsidiary of Dominion Energy in March 2022, with an outcome still pending.[2] However, the company seeks to offer a nontariffed program that is governed by agreement between Dominion Energy Ohio and participating suppliers or governmental aggregators. If approved, CRNGS suppliers would be able to provide carbon offsets to customers.

Columbia Gas of Ohio, Inc. previously submitted a rate increase application with PUCO, which contained among other things, a request to implement a "carbon reduction rider." Under the proposal, Columbia would begin purchasing carbon offsets on behalf of customers through the addition of a voluntary carbon reduction rider; the proposed rate was $5 per month.[3] The Commission's staff report covering the request was supportive of the carbon offset program in concept but did not believe an additional rider was necessary; instead, PUCO staff recommended Columbia implement the program as a nonregulated service under an "optional services" tariff.[4] Columbia later agreed to withdraw its proposal to implement the carbon reduction rider, and it further agreed not to seek PUCO approval of a similar rider prior to the filing of Columbia's next base distribution rate case unless the Commission orders otherwise.

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[1] Dominion Energy News Release; September 2022.

[2] Dominion Energy Ohio: PUCO application from March 2022.

[3] Columbia Gas of Ohio, Inc.: PUCO application from May 2021.

[4] Columbia Gas of Ohio, Inc.: PUCO staff report from April 2022.