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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 247  
133<sup>rd</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 247's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsor:** Rep. Stein

**Local Impact Statement Procedure Required:** No

Russ Keller, Senior Economist

### Highlights

- The bill explicitly permits electric distribution utilities (EDUs) to recover from ratepayers the costs for smart grid technology and customer-focused energy services or products. The utilities may include these types of projects as part of their electric security plans filed with the Public Utilities Commission of Ohio (PUCO).
- The bill also permits EDUs to gain PUCO approval for two different types of riders for (1) infrastructure development, and (2) a mercantile customer's facilities. Costs of these projects would be borne by all ratepayers on a nonbypassable basis, which means the EDUs' distribution customers would pay the rider regardless of their electric generation supplier.
- State agencies and local political subdivisions are consumers of electricity. The electric bill riders for infrastructure development and mercantile customer facilities may have a minimal impact on government entities' expenditures for electricity.

### Detailed Analysis

#### Smart grid technology within electric security plans

The bill modifies the existing definition of "smart grid" for the purpose of state-regulated electricity distribution. The additional specificity about what qualifies as smart grid technology is relevant for a regulated utility's cost recovery and the associated electric distribution rates approved by the Public Utilities Commission of Ohio (PUCO). Similarly, the bill newly defines "customer-focused energy services or products," which is relevant for ratemaking purposes.

The bill permits "deployment of smart grid technology," as well as the "provision of customer-focused energy services or products" as allowable expenses for an electric

distribution utility's (EDU) electric security plan (ESP). Since the enactment of S.B. 221 of the 127<sup>th</sup> General Assembly, state law gave EDUs two options for ratemaking: (1) ESPs, which permit utilities to recover costs and collect an approved rate of return, and (2) the market rate offer. EDUs must demonstrate that their ESPs are superior to the market rate offer in order to gain approval from PUCO. The state regulatory agency may consider both quantitative and qualitative factors when evaluating the competitiveness of an ESP. Since the enactment of S.B. 221 in 2008, every EDU has selected ESPs in lieu of market rate offers.

State agencies and local political subdivisions are consumers of electricity. The bill's newly specified costs are authorized within the context of ESPs, and continuing law prevents PUCO from approving an ESP unless it is more favorable in the aggregate as compared to the expected results that would otherwise apply to customers under a market rate offer. Therefore, affected governmental ratepayers should experience little, if any, impact from the new ESP provisions for smart grid technology and customer-focused energy services or products.

### **Riders for infrastructure development and customer facilities**

The bill permits EDUs to levy a "nonbypassable rider charged to all distribution customers regardless of whether the infrastructure development is used and useful at the time constructed" to support or enable a state or local economic development project. For the purposes of this new rider, the bill defines "infrastructure development" and "infrastructure development costs." The former definition classifies as infrastructure substation facilities and extensions of transmission or distribution facilities owned and operated by an EDU.

H.B. 247 also permits an EDU to levy a nonbypassable rider recovering the cost of "facilities for a mercantile<sup>1</sup> customer that is newly locating or expanding operations in the state, and has a forecasted monthly peak demand of five megawatts or more."

According to 2018 statistics from the U.S. Energy Information Administration, only 18.2% of statewide electricity consumption relied on the default generation supply of an EDU, whereas 88.5% of statewide consumption was delivered via the EDUs' regulated distribution system.<sup>2</sup> The distinction is relevant for ESP riders because nonbypassable riders affect the entire distribution customer base of an EDU whereas nonbypassable riders only apply to those customers taking generation supplied by an EDU.

Electricity costs incurred by state and local governments may increase due to the two nonbypassable riders authorized by the bill. However, such a fiscal impact depends on future decisions made by private entities; given the prospective nature of these two potential riders, LBO cannot definitely estimate the impact. As of this writing, both riders are assumed to have a minimal fiscal effect on state agencies and local political subdivisions.

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<sup>1</sup> Under continuing law in R.C. 4928.01, a mercantile customer is one that consumes electricity for nonresidential use and consumes more than 700,000 kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.

<sup>2</sup> The remaining 11.5% of electricity consumption was under the purview of municipally owned utilities or electric cooperatives, neither of which is regulated by PUCO. Therefore, any riders or charges authorized by the bill would not affect these types of customers.