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136th General Assembly

Final Analysis

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Primary Sponsor: Sen. Wilkin

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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 consecutive 12-month periods, in the same manner as an electric light company (ELC) under continuing 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.
- Requires 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 preexisting law on the valuation report required to be filed for a forecasted test period.

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 natural gas companies (NGCs), notwithstanding the prohibition and termination described above, to apply for, or continue collecting from, the Infrastructure Development Rider (IDR) under law unchanged by the act.

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.

Temporary rate change and automatic rate case approval

- Subjects a utility company's rate case application to increase rates to the same provisions of continuing 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.

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.
- 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.
- 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 act'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.

- Requires an NGC with an approved LLC-alternative rate plan, upon the approval of a commercial agreement, to file a written statement with PUCO containing certain terms.

Competitive retail electric service law changes

- 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.
- Amends the definition of "linear generator" in Ohio's Competitive Retail Electric Service law.

DETAILED ANALYSIS

Introduction

The act makes several changes to Ohio Public Utility law that apply broadly to several types of public utilities, and others that are specific for natural gas companies (NGCs) and electric distribution utilities (EDUs). Generally, the act 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 act goes further by making changes to cost recovery efforts by utilities that use a forecasted test period.

Additionally, the act 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 act details the application and approval process as well as plan requirements.

Lastly, the act 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 (SSO).

Forecasted test periods and property valuation

The act 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 former law, only ELCs could file for a forecasted test period.

The act 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 continuing law regarding forecasted test periods, and various other valuation reporting requirements, see pages 17-20 of LSC's Final Analysis of H.B. 15 of the 136th General Assembly, available on the General Assembly's website: legislature.ohio.gov/.

Financial information from full books

The act requires a utility company that proposes a forecasted test period to provide any financial information required for that proposal from the company's full books, similar to the requirements applicable to ELCs proposing to file a forecasted test period. PUCO must ensure appropriate protections against the disclosure of the company's trade secrets or proprietary information.[2]

Water service line cost and reimbursement

For a water-works company that proposes a forecasted test period, the act 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.[3]

Continuing law, unchanged by the act, requires the same information to be included on a water-works company's valuation report required for ratemaking purposes, even if the company does not propose a forecasted test period.[4]

Termination of existing riders

The act prohibits a utility company, except for the true-up process during each 12-month period of a forecasted test period under continuing law, from requesting, and PUCO from

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

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

[3] The act requires the water service line costs and reimbursement amounts be included on the property valuation report for a water-works company that files a forecasted test period, but does not require such costs and amounts be included in the calculation of the company's property valuation. Future legislation may be necessary to include these costs and amounts in the property valuation. R.C. 4909.042(B)(8) and (9).

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

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 act further 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.

The act, however, continues to allow an NGC to apply for, or collect from, an Infrastructure Development Rider (IDR) used by NGCs to collect certain costs from customers in Ohio under continuing law, unchanged by the act.[5]

Rate case requirement

The act 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]

Temporary rate change and automatic rate case approval

Under continuing law amended by the act, 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. The act applies these provisions to NGCs, water-works, and sewage disposal system companies in the same manner as ELCs.[7]

For a more detailed explanation of the temporary rate change provisions in continuing 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/.

Large load customer alternative rate plans

The act 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 act further provides that an LLC-alternative rate plan must support commercial agreements between the NGC and a large load customer (LLC).

Under the act, 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.[8]

[5] R.C. 4909.157; R.C. 4929.161, not in the act.

[6] R.C. 4909.182.

[7] R.C. 4909.421; R.C. 4909.193, not in the act.

[8] R.C. 4929.052; R.C. 4929.161, not in the act.

Requirements for LLC-alternative rate plans

The act 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 under the plan.
- 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 Ohio by serving the LLC, which is proven by a letter of support by an "economic development entity" (which, under continuing law unchanged by the act, 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).[9]

Revenue exemption

The act 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 continuing law.

Additionally, the act exempts an LLC-alternative rate plan application from being considered an application for an increase in rates.[10]

Commercial agreements

The act 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 act 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.

[9] R.C. 4929.053; R.C. 4929.163(C)(4), not in the act.

[10] R.C. 4929.054 and 4929.055.

The act 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.[11]

Automatic approval of LLC-alternative rate plan

The act 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 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.[12]

Express agreement

The act requires an NGC with an approved LLC-alternative rate plan, upon the approval of a commercial agreement, to file a written statement with PUCO, in a PUCO-prescribed form, 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.[13]

Competitive retail electric service law changes

Nonbypassable cost recovery mechanism

The act repeals provisions of law that were recently enacted in H.B. 15 of the 136th General Assembly related to EDUs recovering costs for providing an SSO. Under prior law , PUCO had to adopt, for each EDU that provides an 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.[14]

Linear generator definition

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

[11] R.C. 4929.056.

[12] R.C. 4929.057.

[13] R.C. 4929.058.

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

Linear generator definition	
Prior law	**Current law under S.B. 103[15]**
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; 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.	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; 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
Reported, H. Energy	11-18-25
Passed House (91-0)	11-19-25

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