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**Majority Floor Leader Bill Seitz
The Ohio House of Representatives**

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**Sponsor Testimony for HB 260: Regards Public Utilities and Competitive
Retail Electric Service**

Chiar Stein, Ranking Member Weinstein, and members of the House Public Utilities Committee, I want to emphasize that what this legislation is really all about is returning to the days when there were more complete and full rate cases for the PUCO to review the propriety of the rates being charged and to be charged by our electric utilities. Many people expressed great concern that First Energy was able to go over 20 years without a full rate case. Therefore, this bill seeks to do two things-

- 1.) Reinstate full rate cases every 5 years.
- 2.) Improve the process of a full rate case to make it less expensive and simpler for everybody.

For several years, Distribution Rate Cases (DRC's) have been burdened by a rising number of intervening parties. Intervenors are people, businesses, or institutions who may be impacted by a rate change. Their lawyers leverage their ability to slow down cases and drive up litigation costs to force settlements that are focused on their clients' special interests. This bill empowers PUCO to ensure that an intervenor actually has standing in a rate case and is not simply slowing the process in hopes of financial gain through out-of-court settlement. By screening intervenors and limiting what they can receive in settlement, Ohio customers and EDUs could refocus these important ratemaking cases on the public interest rather than catering to special interests.

The PUCO currently allows any intervening party to request anything that might lead to admissible evidence. This discovery occurs alongside the PUCO Staff's investigation of any case. Although discovery serves an important purpose in PUCO proceedings, it is often needlessly burdensome and used as a tactic to throw sand in the gears of rate cases. This bill narrows the scope of discovery to matters that are

both relevant and proportional to the needs of the case. This proportionality standard aligns with the standard adopted by Ohio state and federal courts for civil cases in recent years. The change will ensure that parties still have access to important information in PUCO proceedings while preventing abuse of that process.

Finally, I want to address the forecasted test periods mentioned in the bill. Put simply, a forecasted test year is a prediction of electricity needs based on past trends. They are common in many states across the U.S., such as Kentucky, Pennsylvania and Michigan. Forecasted test years reduce regulatory lag and reflect current business conditions better, resulting in rates that are more just and reasonable. When a historic test year is used, the results of a rate case—i.e., the new rates—are, at best, based off data that is 2 years old. Thus, by the time the new rates pass through PUCO, they may already be inaccurate. To correct this, the utility company must start the rate case process all over, again increasing litigation costs, limiting efficiency, and creating rate instability for customers.

A limited number of Investment Trackers (ITs) are permitted in the bill to help focus the DRC on matters of tangible, capital investments by utilities. In part, this section responds to criticism that riders created in an ESP are hard to understand and should be considered when the “utility’s books are open”. In addition, by allowing these tangible capital investments in the DRC, and tracked for regular recovery, it should minimize the high-stakes nature of the ESP for utilities and could bring about constructive settlements with intervenors. The ITs that are eligible are as follows-

Distribution Investment Tracker- Investments that help maintain or improve safety, reliability, system efficiency, or grid resiliency.

Storm Response Investment Tracker- Investments that cover maintenance expenses necessitated by weather events that constitute major events as determined by PUCO.

Cybersecurity Investment Tracker- Investments that help improve the cybersecurity measures taken to protect grid infrastructure.

Regulatory Investment Tracker- Investments that support a utilities requirement to abide by government regulatory measures that effect their infrastructure, maintenance, and general operations.

Each investment tracker has limits on the total it can collect and are subject to annual review and reconciliation at the PUCO. Additionally, this legislation also allows the PUCO to reduce or terminate an investment tracker if the PUCO determines it has caused the EDU to earn an excessive rate of return.

Chair Stein, thank you for allowing us to testify on this legislation, we are more than happy to take any questions the committee might have.

