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Testimony of the Manufacturing Policy Alliance on S.B. 102
Ohio Senate Energy and Public Utilities Committee
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Chairman Reineke, Vice Chair McColley, Ranking Member Smith, and fellow distinguished members of the Senate Energy and Public Utilities Committee, the Manufacturing Policy Alliance (MPA) respectfully submits this proponent testimony in support of S.B. 102.

MPA was formed to provide an effective voice on critical policy matters that affect the competitiveness of Ohio and its large manufacturing companies. We strive to work with the General Assembly and the Governor to help sustain a healthy and vibrant economy. MPA believes that S.B. 102 would provide significant improvements to electric ratemaking when compared to current law.

The heart of S.B. 102 is its reforms to electric *distribution* ratemaking at the PUCO. Today, electric distribution rates are set in two primary ways: 1) base rate cases, and 2) Electric Security Plans (ESPs). Base rate cases are holistic in their approach, opening up the books of the utility for increased scrutiny. ESPs allow for the use of riders, which are additional charges on your monthly electric bill for specific purposes (storm damage, distribution investment, smart meters, etc.), but which are more narrowly reviewed.

S.B. 102 would establish a balance of both approaches: mandatory rate cases coupled with a new “interim distribution mechanism” (IDM), which serves as a replacement to the outdated ESP statute. The current ESP statute – as well as the current Market Rate Offer (MRO) statute – do not require rate cases, nor do they contain limitations on supplemental charges. S.B. 102 requires base rate cases at least once every five years. Also, the bill provides a statutory cap of four percent (4%) on the IDM and requires approval for each iteration at PUCO. These are new consumer protections that simply do not exist under current law.

What can be part of an IDM? The investments eligible for recovery include those for maintaining or improving safety, reliability, system efficiency, security, or resiliency purposes. These categories are subject to the four percent cost cap. The other type of investments include those that are external in nature and/or not foreseeable by the utility, such as damage caused by weather or costs incurred because a governmental entity required a new highway to be built. These are not subject to a cost cap because the utility cannot control when a tornado may touch down or a government edict may be declared. Finally, other non-base charges could still be collected as they are today, provided that the utility does not earn a rate of return (i.e. profit), such as the kilowatt-hour tax or universal service fund rider.

Each utility can file an IDM no more frequently than every twelve (12) months and is limited to a maximum amount of three total IDMs. This is very similar to the existing practice at PUCO for drinking water and wastewater utilities (see ORC 4909.172). After this point, the utility would

need to file a new base rate case in order to collect additional charges from customers. Nothing in the legislation limits or removes the utilities' right to file a new base rate case at any time.

S.B. 102 also contains reforms that update Ohio's rate case process. Notably these include requirements that cases are completed within one year and allows for the use of a fully-projected future test year, rather than a historic test year. It is a process that is used in numerous states, including Kentucky, Pennsylvania, Florida, and more, as well as FERC and PJM. While this process is more beneficial to the utility compared to current law, those benefits are offset by the numerous other consumer protections contained in the bill.

Finally, the bill supports the economic development efforts of the state. The bill continues the use of interruptible rate programs that allow for very large electric consumers to provide a reliability benefit to the rest of the state in exchange for a reduced electric bill. When a steel mill, for example, is called upon to shut off their furnace to help prevent a blackout, it is the equivalent of turning off tens of thousands of residential homes. The bill also authorizes other economic development and job retention tools, which are extremely important for maintaining the competitiveness for energy-intensive companies that are competing globally. There are also new economic development tools created in the bill, including capital lease financing arrangements and economic development transmission to prepare sites for future development.

MPA believes S.B. 102 will significantly improve the way in which electric rates are set and by doing so, will make Ohio a more attractive state for manufacturing. We encourage the Senate to enact Substitute S.B. 102.

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions that you or members of the Committee may have.