

**BEFORE THE SENATE ENERGY AND PUBLIC UTILITIES COMMITTEE  
PROPONENT TESTIMONY ON HOUSE BILL 201**

December 12, 2023

Chairman Reineke, Vice Chair McColley, Ranking Member Smith, and members of the Senate Energy and Public Utilities Committee, thank you for the opportunity to provide proponent testimony on House Bill 201. My name is Vince Parisi, and I am the President and Chief Operating Officer of Columbia Gas of Ohio.

HB 201 makes important improvements to the Infrastructure Development Rider, which we refer to as the “IDR.” The IDR, as it exists in current law, is a unique mechanism that permits a natural gas utility company to recover some of the costs required to serve new customers moving to Ohio, and existing customers seeking operational expansion. Sometimes, when these customers approach companies like Columbia for infrastructure installation or upgrades, the costs to install new facilities can be substantial. Responsibility for these costs can fall to the customer who may not otherwise be able to afford the investments. This can, and has, lead to Ohio missing out on job creating projects. The IDR can be used to supplant this customer cost. It is a good mechanism, but it has several shortfalls that disincentivizes usage of the IDR. HB 201 addresses many of these shortfalls.

**Shortfalls of Current Law**

First, the current IDR is not flexible enough for the high costs associated with the large economic development projects Ohio has seen recently. These large projects, like Intel, are installed in areas that are significantly distant from the nearest natural gas pipeline capable of providing service. Because of this, the cost to serve these customers is pretty high.

Second, the IDR cannot be used for the costs that are sometimes necessary to upgrade the facilities of the pipelines from which we receive natural gas. Obviously, we cannot deliver gas that we cannot receive in the first place. The burden of these costs has the potential to prevent job creators from moving to Ohio.

Finally, the IDR does not provide gas utilities with the ability to recover their borrowing costs, nor earn a profit on these investments.

## **House Bill 201**

HB 201 addresses several of these issues. First, it codifies the PUCO's authority to allow utilities to defer uncollected economic development costs until the utility is completely made whole for the investment. This change addresses the issues presented by the size of the projects we've been seeing. This is probably best explained using an example. Columbia is currently recovering the first portion of its costs to serve Intel with our \$0.63 IDR rate. However, the bulk of the costs for this project are not currently being recovered by rider. When they are recovered, we anticipate that we will need to raise the rider closer to the \$1.50 cap. The carryover authority that has been added to HB 201 will allow Columbia to consider other projects in other parts of the state when including those projects would cause Columbia to temporarily exceed the \$1.50 cap.

Second, HB 201 would permit the recovery of upstream investments to ensure adequate gas supply. As stated previously, the pipelines from which our distribution systems receive natural gas can sometimes require certain upgrades or extensions to serve new customers and customer expansions. Because current law prohibits the use of IDR funds for these kinds of investments, the responsibility to reimburse upstream pipelines falls to the customer. This can be cost prohibitive and HB 201 addresses this problem.

Additionally, the bill gives natural gas utilities an opportunity to earn a return on investments made using the IDR. In every other aspect of the utility business model, utility investments in capital assets provide an opportunity for a return on that investment. It is the way all investor-owned utilities make money. When IDR collections are used for capital investments, utility companies do not earn a return. In fact, utilities can lose money on these investments. Because the current IDR does not even permit recovery of the cost to borrow funds for the upfront investment, Columbia will actually lose money as a result of the installation of facilities needed to serve Intel.

The availability of funding for capital investments is a scarce resource for natural gas utility companies. These funds, unless specifically dedicated to required safety or compliance obligations, flow toward avenues that make a return. This is not unlike other businesses. You spend money on the things that make you money. HB 201's implementation of a return on investment will create an incentive for utilities to use the IDR for potential job creators in Ohio.

Finally, I think it is really important to note that HB 201 does not take away any of the PUCO's authority to approve or deny an IDR application, approve or deny any Economic Development Project, nor does it impact the PUCO's authority to review any expenditure recovered under the IDR. The Commission requires utility applicants to provide estimated anticipated investment for Economic Development Projects, the anticipated volume of jobs created and retained by the project, and information about the benefits to the surrounding communities. These important consumer protections, coupled with an explicit prohibition against double recovery, continue to ensure that utility companies only recover prudent investments.

Thank you for the opportunity to participate in today's panel. Columbia Gas is very excited to be a part of Ohio's economic development and provide safe, reliable, and affordable natural gas service to customers, new and current alike. These proposed changes are important to Ohio's economic development and Columbia is excited to support these changes to HB 201. I'm happy to answer any questions you may have.