



House Bill 142 Proponent Testimony
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Chair Holmes, Vice Chair Klopfenstein, Ranking Member Glassburn, and Members of the Committee, thank you for the opportunity to speak in support of House Bill 142. My name is Jimmy Stewart, and I've had the privilege of serving as the President of the Ohio Gas Association since 2011. We represent natural gas utilities that keep Ohio homes warm, businesses running, and industries thriving.

Natural gas isn't just another energy source—it's the backbone of what powers Ohio. Of the approximately 25,000 megawatts of power Ohio generates, about 60% comes from natural gas. In 2023, Ohio consumed 1,363 billion cubic feet of natural gas and 63% of Ohio households used natural gas for home heating – 17% above the national average. We've seen studies show that the natural gas and oil industry supports about 5% of Ohio's total employment, or more than 350,000 direct and indirect jobs. Natural gas remains a very economic source of energy for all Ohio residential and business customers and HB 142 supports the continued use of this vital and affordable energy source.

I appreciate the chance to discuss why HB 142 is important for keeping energy affordable, supporting economic growth, and ensuring our state remains competitive with its neighbors.

HB 142 supports economic development

Our Ohio economy is growing and poised for more growth driven by Ohio's energy leadership. HB 142 addresses the large and significant energy needs of this growth, and in particular energy intensive businesses as well as behind the meter generation. HB 142 provides a new regulatory framework for "large load customers" that protects and benefits existing customers while attracting these new large load customers such as data centers. Specifically, HB 142 lays out 3 objective criteria for the utility to prove for PUCO approval of agreements with large load customers. These three criteria include:

- Ensuring no financial risk to existing customers – no subsidies, no stranded costs paid by existing customers.
- A contribution by the large load customer to offset its use of existing pipeline systems, which will benefit other customers.
- Verifying an economic development purpose through support of an economic development entity.

With these protections, Ohio's natural gas utilities take on the risks associated with such large investments while also earning a return more appropriate for taking those larger risks, as compared to a gas utility's ordinary but smaller investments in its system. HB 142 also sets reasonable shot clocks on the PUCO to act in such a competitive environment, recognizing the "speed to market" Ohio needs to embrace in order to beat our competitors both nationally and internationally.

Modernizing Ratemaking to Avoid Outdated Costs

Under Ohio's current regulatory framework, cases at the PUCO take too long, meaning rates consistently do not reflect the actual costs of providing service. Why does that matter? Like any other business, our members are trying to match up when they invest in infrastructure and when they can recover those costs. A utility's cash flow is critical, even more so given the billions of dollars every year that Ohio utilities invest in Ohio. Delays in recovering costs make Ohio utilities less attractive places to invest capital.

This delay has impacts on customers too. One of our OGA member companies estimates the reforms in HB 142 would allow that company to be approximately 5% more efficient with capital dollars. These efficiencies mean more "bang for the buck" for customers, allowing more of customers' dollars going towards investments rather than financing interest costs, and also slows the pace of increases on customers' bills.

HB 142 modernizes Ohio's ratemaking structures to allow our OGA member companies to better compete for capital while also protecting customers. Importantly, the concepts in HB 142 are not something untested or new – HB 142 adopts better ratemaking concepts that are used by every state surrounding Ohio. HB 142 also includes guardrails that ensure customers will not pay for speculative investments and instead only pay for investments already installed and serving customers.

HB 142 also modifies the shot clock on the PUCO to issue orders on utility cases to recover their investments, giving the PUCO more time than is in current law but also giving utilities more certainty if the PUCO misses the deadline required by the legislature.

Conclusion

House Bill 142 is a straightforward, common-sense update to Ohio's regulatory framework. By modernizing how we set rates, supporting economic development, and ensuring Ohio remains competitive, this legislation benefits customers, businesses, and the state as a whole.

Thank you for your time and consideration. I welcome any questions you may have.