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Before the Ohio Senate Public Utilities Committee
Proponent Testimony on Substitute Senate Bill 103
Joseph Clark – Director of Government and Public Affairs,
Columbia Gas of Ohio, Inc.

Chairman Wilkin, Vice Chairman Reineke, Ranking Member DeMora, and Members of the Senate Public Utilities Committee, my name is Joe Clark, and I am the Director of Government and Public Affairs for Columbia Gas of Ohio. Columbia Gas provides safe and reliable natural gas distribution service to approximately 1.5 million customers across 61 of Ohio's 88 counties. I am here today on behalf of Columbia Gas to provide proponent testimony on Substitute Senate Bill 103. Our President and Chief Operating Officer, Bob Heidorn, previously testified in March of this year on As-Introduced Senate Bill 103.

As you may recall from Bob's previous testimony, SB 103 set out to modernize Ohio's ratemaking for Ohio's natural gas utilities by reducing regulatory lag as well as improving cash flow. Modernized ratemaking will enhance the ability of Ohio's natural gas utilities to participate in Ohio's economic development and growth. Modernization would also help Ohio's natural gas utilities compete for capital to invest in our systems as we seek to serve new customers – while also providing safe, adequate, and reasonably priced service to existing customers. Like all of you, our Ohio natural gas companies like to compete and win for Ohio. Timely passage of Substitute Senate Bill 103 would give our natural gas companies the modernized tools needed to compete – both against other states as well as internally as we position Ohio for investment dollars within our corporations.

Substitute Senate Bill 103, as accepted today in Committee, also accomplishes the goals of the as-introduced version. Substitute Senate Bill 103 will reduce regulatory lag, improve cash flow, and enhance the competitiveness of Ohio's natural gas utilities. Specifically, the sub bill replaces the ratemaking provisions in the as-introduced bill and adopts the modernized ratemaking concepts found in House Bill 15. The forward looking, multi-year rate plans found in HB 15 provide the ratemaking modernization needed to reduce the lag in time from when investments are made to the time when they are recovered. This modernization benefits the companies and also benefits

customers, as better cash flow and less lag leads to less borrowing or interest costs that are passed on to customers.

The adoption of the electric ratemaking modernization comes with other benefits as well. Adopting the ratemaking provisions of HB 15 should make processing of rate cases at the PUCO more streamlined as the same rules and precedent would apply to both electric and gas companies. Similar ratemaking further promotes regulatory symmetry as the new timing provisions on the processing of rate cases would also apply to natural gas companies. Finally, the multi-year ratemaking provisions will also lead to more frequent rate cases. More frequent rate cases means more frequent reviews of the expenses and investments that are being recovered in rates of natural gas utilities, and also leads to more gradual changes in rates.

An important note about natural gas companies in Ohio. On the electric side, there are just the four electric utilities. On the gas side, in addition to the four large natural gas utilities, there are also 16 small natural gas utilities regulated by the PUCO.¹ Substitute Senate Bill 103 preserves, like HB 15, the option for any natural gas utility to use the existing ratemaking provisions already in Ohio law. This optionality is important for the smaller natural gas companies who may not want or need to use modernized ratemaking, especially when considering the burden of rate cases on a smaller natural gas company.

Finally, Substitute Senate Bill 103 also retains the new large load customer provisions included in the as-introduced version of the bill. This specific economic development tool would further incent Ohio's natural gas utilities to build facilities to serve the most significant, large customers from any industry. The language continues to protect existing customers from any risk, including stranded costs, and ensures that current customers are reimbursed for a new large load customer using the existing gas system that those existing customers have already paid for. Spreading system costs across more customers helps control costs for all customers.

Thank you for your time and I would be happy to answer any questions that you have.

¹ [Natural Gas Distribution Companies.pdf](#)