



Ohio Legislative Service Commission

Bill Analysis

Maura McClelland

H.B. 87

129th General Assembly
(As Introduced)

Reps. Goyal and Grossman, Garland, Blessing, Gonzales, Reece, Fende

BILL SUMMARY

- Prohibits all of the following companies from recovering more than half of rate-case expenses incurred in a standard rate case:
 - Water-works companies that serve 15,000 or more customers in Ohio;
 - Sewage disposal system companies that serve 15,000 or more customers in Ohio; and
 - Water-works companies that are also sewage disposal system companies that serve a total of 15,000 or more customers in Ohio.
- Prohibits those same companies from recovering any rate-case expenses in an emergency rate proceeding, certain ratemaking proceedings specific to water and sewage utilities, and any ratemaking mechanism established after the bill's effective date.

CONTENT AND OPERATION

Limitation of recovery of rate-case expenses in standard rate cases

The bill limits recovery of rate-case expenses – to not more than half of those expenses – for water-works companies and sewage disposal system companies of certain sizes in standard rate cases. Specifically, the companies subject to the limitation are:

- Water-works companies that serve 15,000 or more customers in Ohio;

- Sewage disposal system companies that serve 15,000 or more customers in Ohio; and
- Water-works companies that are also sewage disposal system companies that serve a total of 15,000 or more customers in Ohio.

The bill does not apply to a water-works or sewage disposal system company that is owned and operated exclusively by and solely for the company's customers, or one that is owned or operated by a municipal corporation.¹

The bill defines "rate-case expenses" as:

- Fees, wages, or other compensation for labor paid to attorneys, consultants, witnesses, or employees;
- Expenses for attorneys, consultants, witnesses, or employees;
- Costs for preparing studies, including lead-lag studies, cost-of-service studies, depreciation studies, and other studies; or
- Any other expenses incurred in relation to an application for establishment or change in rates.²

A standard rate case involves an application to "establish any rate, joint rate, toll, classification, charge, or rental, or to modify, amend, change, increase, or reduce any existing rate, joint rate, toll, classification, charge, or rental, or any regulation or practice affecting the same," filed with the Public Utilities Commission of Ohio (PUCO). All applications in a standard rate case must contain a schedule of the existing rate, joint rate, toll, classification, charge, or rental, or regulation or practice, a schedule of the change sought, and a statement of the facts and grounds of the application. If the application is for a rate increase, it must also include:

- A report of the utility's property used and useful in rendering the service referred to in the application;
- A complete operating statement of the utility's last fiscal year;
- A statement of the income and expense anticipated under the application;

¹ R.C. 4905.02, 4905.03, and 4909.01 (not in the bill).

² R.C. 4909.181(A) and (B).

- A statement of financial condition summarizing assets, liabilities, and net worth; and
- A proposed notice for newspaper publication fully disclosing the substance of the application. The PUCO may require that the utility include additional information.³

Rate-case-expense prohibition in other rate proceedings

The bill prohibits the same water-works and sewage disposal system companies as discussed above from recovering *any* rate-case expenses incurred in any of the following rate proceedings:

- An emergency rate proceeding;
- A proceeding involving an application for a rate change based solely on the cost of water or sewage treatment;
- A proceeding to collect an infrastructure improvement surcharge; and
- Any other ratemaking mechanism established after the bill's effective date.⁴

An emergency rate proceeding is a proceeding under which the PUCO may, if necessary to prevent injury to the business or interests of the public or of any Ohio public utility in case of any emergency to be judged by the PUCO, temporarily change or, with the utility's consent, suspend any existing rate, schedule, or order relating to a public utility.⁵ Administrative Code rules outline filing requirements for a proceeding under this law.⁶ The second proceeding – a rate change based solely on a change in the cost of the water or the sewage treatment – must involve cost changes imposed by local government or a public utility. Specifically, the water or the sewage treatment for which the cost has changed must be provided to the company seeking the rate change by either:

- A municipal corporation or other local governmental unit whose rates are not subject to regulation by the PUCO; or

³ R.C. 4909.18 (not in the bill).

⁴ R.C. 4909.181(C).

⁵ R.C. 4909.16 (not in the bill).

⁶ See, e.g., O.A.C. 4901-1.

- A public utility whose rates have been approved by the PUCO under an application filed in a standard rate case.⁷

HISTORY

ACTION	DATE
Introduced	02-08-11

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⁷ R.C. 4909.171 (not in the bill).

