



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 319 of the 130th G.A.](#)
(LSC 130 2906-2)

Date: December 1, 2014

Status: In House Public Utilities

Sponsor: Rep. Grossman

Local Impact Statement Procedure Required: Yes

Contents: Permits a natural gas company to apply for an infrastructure development rider to cover costs of certain economic development projects

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- Potential increase in expenditures to counties, municipalities, townships, and school districts. The amount of the increase, if any, depends on the infrastructure development costs approved for recovery from customers by the Public Utilities Commission of Ohio (PUCO).

Detailed Fiscal Analysis

H.B. 319 permits a natural gas company to file an application with the Public Utilities Commission of Ohio (PUCO) for approval of an infrastructure development rider to cover "prudently incurred" infrastructure development costs. The approved costs must be for one of the following:

1. An economic development project that meets criteria set forth by PUCO in administrative rules adopted after H.B. 319 is enacted.
2. An economic development project that is certified by the Director of Development Services under the Site Ohio certification program.

The bill specifically prohibits PUCO from authorizing the infrastructure development rider if the proceeds to be generated by the rider exceed annual thresholds defined by the bill. For those economic development projects authorized under PUCO's administrative rule criteria, a natural gas company may not recover more than \$2 each year from any single customer in the state for all projects. For those economic development projects authorized by the Site Ohio certification program, a natural gas company may not recover more than \$1 each year from any single customer in the state for all projects. The LSC bill analysis provides other details of the bill, including the application and approval process.

A natural gas company that establishes an infrastructure development rider must file an annual report with PUCO detailing both the infrastructure development costs and the rider rate for the upcoming 12 months. PUCO may audit a natural gas company to determine if infrastructure development costs incurred and collected by the company conformed to PUCO's orders.

H.B. 319 specifies that any property installed or constructed by a natural gas company "to enable the provision of natural gas service" to an economic development project must be considered "used and useful in rendering public utility service."

Fiscal effect

The cost of an infrastructure development rider will increase costs for the customer base, which includes counties, municipalities, townships, and school districts. The number and magnitude of these infrastructure development riders depends on the regulatory approval of PUCO. It is uncertain what gas companies will seek in terms of infrastructure development riders over the forthcoming years, and it also is uncertain how many of these riders will be approved by PUCO. Nevertheless, the bill limits the costs paid by any single customer to no more than \$3 per calendar year. In that scenario, a customer would be paying the maximum allowable charges under both a PUCO-defined economic development project and a Site Ohio project. According to statistics reported on the PUCO website, as of June 2014 there were 3.05 million

residential natural gas customers in Ohio and over 253,000 commercial and industrial natural gas customers.

H.B. 319 stipulates that property installed or constructed by a natural gas company to enable the provision of natural gas service to an economic development project must be considered used and useful in rendering public utility service. This allows utilities to expand their valuation of property, which is used in determining rates for services rendered by a public utility. The provision will potentially increase rates paid by natural gas company customers.

Synopsis of Fiscal Effect Changes

- The substitute bill explicitly caps the infrastructure development rider whereas the introduced bill did not have such a cap.
- The substitute bill allows for costs to be recovered from customers via ratemaking. The introduced version of the bill did not explicitly stipulate that natural gas infrastructure property installed and constructed for an economic development project be considered used and useful.