Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

S.B. 117

134th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 117's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Romanchuk and Craig

Local Impact Statement Procedure Required: No

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Highlights

- The bill repeals any mechanism for retail recovery of prudently incurred costs related to the Ohio Valley Electric Corporation (OVEC), including a provision enacted in H.B. 6 of the 133rd General Assembly, and provides refunds to customers for amounts already collected under the H.B. 6 mechanism. This would establish refunds for electric utility ratepayers, including the state and political subdivisions, and would reduce their costs at least through 2030.
- OVEC-specific charges collected in 2020, from all ratepayers, amounted to approximately $78 million. LBO is unaware of a data source that would allow a reliable estimate of the portion of this that will be refunded to the state or political subdivisions. Additional amounts collected in 2021 prior to enactment of the bill would also be refunded.

Detailed Analysis

The bill repeals the legal basis for all mechanisms for retail recovery of prudently incurred costs for utilities' ownership stakes in a legacy generation resource,[1] including the Ohio Valley Electric Corporation (OVEC). The provision being repealed by the bill was enacted in H.B. 6 of the 133rd General Assembly. S.B. 117 also terminates cost recovery mechanisms related to OVEC that were in effect on or before the effective date of H.B. 6, and prohibits their being reestablished or in any way reinstituted, as a result of the bill or Public Utilities Commission of Ohio (PUCO) order,

[1] The definition of "legacy generation resource," which the bill would repeal, is all generating facilities owned directly or indirectly by a corporation that was formed prior to 1960 by investor-owned utilities for the original purpose of providing power to the federal government for use in the nation's defense or in furtherance of national interests, including OVEC.

decision, or rule. The bill requires the full amount of revenues collected from customers through the H.B. 6 mechanism to be promptly refunded to customers from whom the revenues were collected.

Fiscal effect

The bill would reduce costs of purchasing electric utility services for state agencies and local governments. Future savings to all electric customers in the six electric distribution utility (EDU) territories in the state from the repeal of the new "Legacy Generation Rider" enacted under H.B. 6 and the previous OVEC riders would depend on future wholesale energy prices and OVEC costs (see background information below), but based on experience in 2020, would amount to about an estimated $78 million per year assuming continuation of the wholesale prices and OVEC costs during that year. In 2020, the monthly residential rate for each EDU was 58¢. The updated monthly residential rate for each EDU in 2021 is $1.18, which is about double the rate in 2020; thus LBO staff anticipate that the 2021 amount collected under the rider may be higher than the 2020 amount. LBO did not find data to allow a determination of the share of collections from the rider that would be refunded to the state or to political subdivisions.

H.B. 6 imposed a single rider applicable to all six EDU territories in the state. Beginning in January 2020, the new "Legacy Generation Rider" applied a statewide rate to various customer classes (e.g., residential) in every territory. Under current law, EDUs are allowed to incur recoverable costs (via the Legacy Generation Rider) through December 31, 2030, so governmental savings from the bill would likely last at least until then. A document related to the rider,[2] prepared by the Public Utilities Commission of Ohio, specifies that "Staff will calculate the statewide rate based on the forecasted data provided by the Electric Distribution Utilities (EDUs) . . . . The January 1, 2021 update and all subsequent updates will include the forecasted amount for the upcoming six-month period as well as the over/under collection amount from a prior period."[3]

Background

OVEC operates two coal-fueled plants along the Ohio River and each of its "sponsoring companies" are entitled to their specified share of all net power and energy produced by OVEC's two generating stations. In return, the sponsoring companies must pay their share of all of OVEC's costs resulting from the ownership, operation, and maintenance of its generation and transmission facilities. Among the dozen sponsoring companies are three Ohio EDUs: Ohio Power Company (19.93% ownership stake), Duke Energy Ohio (9.0%), and Dayton Power and Light Company (4.9%).

Prior to H.B. 6, three EDUs received their OVEC-specific costs through riders with various dates for their scheduled expiration: October 31, 2023 (Dayton Power and Light), May 31, 2024 (AEP Ohio; the Ohio Power Company is a subsidiary of AEP), and May 31, 2025 (Duke Energy

[2] The document, *In the Matter of Establishing the Nonbypassable Recovery Mechanism for Net Legacy Generation Resource Costs Pursuant to R.C. 4928.148, Case No. 19-1808-EL-UNC*, dated September 25, 2019, is available at: http://dis.puc.state.oh.us/TiffToPDf/A1001001A19I25B60748H03091.pdf.

[3] The document also noted that "For all update filings after the January 1, 2020 update, the Staff and EDUs shall work together to establish an appropriate timeline for filing, reviewing and calculating the rates. The subsequent updates should be filed . . . 30 days prior to the proposed effective date and shall become effective on the proposed effective date unless otherwise specified by the Commission."

Ohio). The bill prohibits EDUs from reimposing the previous riders or any other OVEC-related cost recovery mechanism.

In theory, the three separate OVEC riders and the Legacy Generation Rider operate as a "hedge." In the event that OVEC's revenues exceed its costs for a given year, ratepayers would have received a credit rather than a charge. The hedge aspect, as proposed by EDUs, suggests that OVEC's costs are largely stable and uncorrelated with the price of natural gas, which is a large determinant of Ohio's on-peak power prices. In practice, since the riders were implemented, they have only yielded charges to customers.

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