AUTHENTICATED,
OHIO LEGISLATIVE SERVICE
COMMISSION
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Ohio Revised Code

Section 4909.15 Fixation of reasonable rate.

Effective: August 14, 2025
Legislation: House Bill 15

(A) The public utilities commission, when fixing and determining just and reasonable rates, fares, tolls, rentals, and charges, shall determine:

(1)(a) With respect to a public utility that is a natural gas, water-works, or sewage disposal system company, or that is an electric light company that chooses not to file a forecasted test period under section 4909.18 of the Revised Code, the valuation as of the date certain of the property of the public utility that is used and useful or, with respect to a natural gas, water-works, or sewage disposal system company, is projected to be used and useful as of the date certain, in rendering the public utility service for which rates are to be fixed and determined.

(b) With respect to an electric light company that chooses to file a forecasted test period under section 4909.18 of the Revised Code, the valuation of the property of the utility that is projected to be used and useful during the forecasted test period in rendering the public utility service for which rates are to be fixed and determined.

(c) The valuation so determined under division (A)(1) of this section for any public utility shall be the total value as set forth in division (B)(8) of section 4909.042 of the Revised Code and division (B)(9) of section 4909.05 of the Revised Code, and a reasonable allowance for materials and supplies and a reasonable allowance for cash working capital as determined by the commission.

(2) A fair and reasonable rate of return to the utility on the valuation as determined in division (A)(1) of this section;

(3) The dollar annual return to which the utility is entitled by applying the fair and reasonable rate of return as determined under division (A)(2) of this section to the valuation of the utility determined under division (A)(1) of this section;

(4) The cost to the utility of rendering the public utility service for the test period used for the

determination under division (C)(1) of this section by the utility during the test period.

Federal, state, and local taxes imposed on or measured by net income may, in the discretion of the commission, be computed by the normalization method of accounting, provided the utility maintains accounting reserves that reflect differences between taxes actually payable and taxes on a normalized basis, provided that no determination as to the treatment in the rate-making process of such taxes shall be made that will result in loss of any tax depreciation or other tax benefit to which the utility would otherwise be entitled, and further provided that such tax benefit as redounds to the utility as a result of such a computation may not be retained by the company, used to fund any dividend or distribution, or utilized for any purpose other than the defrayal of the operating expenses of the utility and the defrayal of the expenses of the utility in connection with construction work.

(B) The commission shall compute the gross annual revenues to which the utility is entitled by adding the dollar amount of return under division (A)(3) of this section to the cost, for the test period used for the determination under division (C)(1) of this section, of rendering the public utility service under division (A)(4) of this section.

(C)(1) Except as provided in division (D) of this section, the revenues and expenses of the utility shall be determined during a test period as follows:

(a) Electric light companies may propose a forecasted test period. If the company proposes a forecasted test period, the company shall propose annual base rates for three consecutive twelve-month periods in a single forecasted test period application.

During the first twelve-month period, the company shall propose a reasonably forecasted rate base using a thirteen-month average, revenues, and expenses for the first twelve months that new base rates will be in effect.

During the second twelve-month period, the base rate revenue requirement shall be adjusted for the return of, and return on, incremental rate base additions approved by the commission in the initial application. During the third twelve-month period, the base rate revenue requirement shall be adjusted for the return of and return on incremental rate base additions approved by the commission in the initial application.

For each twelve-month period, forecasted plant investment, forecasted revenues, and forecasted expenses versus actual investment, actual revenues, and actual expenses shall be trued up via a cost recovery mechanism approved by the commission.

Each true-up process shall include an adjustment to actual for the rate of return that the company is authorized to earn on the actual investments made. The company shall provide the commission with actual financial information during the true-up process to ensure accuracy. As part of the true-up process, the commission shall include only rate base components that have been found by the commission to be used and useful in rendering public utility service.

At the end of the last test period, the company shall file for a rate case under section 4909.18 of the Revised Code.

(b) All utilities, except for electric light companies that choose to file under division (C)(1)(a) of this section, shall propose a test period that is any twelve-month period beginning not more than six months prior to the date the application is filed and ending not more than nine months subsequent to that date.

(2) For utilities filing under division (C)(1)(b) of this section, the date certain shall be not later than the date of filing, except that it shall be, for a natural gas, water-works, or sewage disposal system company, not later than the end of the test period.

(D) Utilities filing under division (C)(1)(b) of this section may propose adjustments to the revenues and expenses for any changes that are, during the test period or the twelve-month period immediately following the test period, reasonably expected to occur. The utility shall identify and quantify, individually, any proposed adjustments. The commission shall incorporate the proposed adjustments into the determination if the adjustments are just and reasonable.

(E) When the commission is of the opinion, after hearing and after making the determinations under divisions (A) and (B) of this section, that any rate, fare, charge, toll, rental, schedule, classification, or service, or any joint rate, fare, charge, toll, rental, schedule, classification, or service rendered, charged, demanded, exacted, or proposed to be rendered, charged, demanded, or exacted, is, or will

be, unjust, unreasonable, unjustly discriminatory, unjustly preferential, or in violation of law, that the service is, or will be, inadequate, or that the maximum rates, charges, tolls, or rentals chargeable by any such public utility are insufficient to yield reasonable compensation for the service rendered, and are unjust and unreasonable, the commission shall:

(1) With due regard among other things to the value of all property of the public utility as determined under division (A)(1) of this section, excluding from such value the value of any franchise or right to own, operate, or enjoy the same in excess of the amount, exclusive of any tax or annual charge, actually paid to any political subdivision of the state or county, as the consideration for the grant of such franchise or right, and excluding any value added to such property by reason of a monopoly or merger, with due regard in determining the dollar annual return under division (A)(3) of this section to the necessity of making reservation out of the income for surplus, depreciation, and contingencies, and;

(2) With due regard to all such other matters as are proper, according to the facts in each case,

(a) Including a fair and reasonable rate of return determined by the commission with reference to a cost of debt equal to the actual embedded cost of debt of such public utility,

(b) But not including the portion of any periodic rental or use payments representing that cost of property that is included in the valuation report under divisions (B)(4) and (5) of section 4909.042 of the Revised Code and divisions (B)(4) and (5) of section 4909.05 of the Revised Code, fix and determine the just and reasonable rate, fare, charge, toll, rental, or service to be rendered, charged, demanded, exacted, or collected for the performance or rendition of the service that will provide the public utility the allowable gross annual revenues under division (B) of this section, and order such just and reasonable rate, fare, charge, toll, rental, or service to be substituted for the existing one. After such determination and order no change in the rate, fare, toll, charge, rental, schedule, classification, or service shall be made, rendered, charged, demanded, exacted, or changed by such public utility without the order of the commission, and any other rate, fare, toll, charge, rental, classification, or service is prohibited.

(F) Upon application of any person or any public utility, and after notice to the parties in interest and opportunity to be heard as provided in Chapters 4901., 4903., 4905., 4907., 4909., 4921., and 4923.

of the Revised Code for other hearings, has been given, the commission may rescind, alter, or amend an order fixing any rate, fare, toll, charge, rental, classification, or service, or any other order made by the commission. Certified copies of such orders shall be served and take effect as provided for original orders.