

## Utility Rate Case Process

This information discusses Ohio's utility ratemaking process and how the Public Utilities Commission of Ohio (PUCO) determines the rates to be charged by a public utility.

### Rate Case Proceeding

When a utility company files an application for a rate increase with the PUCO, it must include the rationale for the requested increase. It must also propose the classes of customers that will pay for the increase. Utility companies define their customer base into classes, grouped by type of customer, such as residential, commercial and industrial. The application must state who will pay how much and why.

The rate case application initiates a process that must, by law, be completed within 275 days.

1. The PUCO staff performs an investigation of the facts and issues raised in the utility's application. At the same time, parties to the case file intervention petitions, begin the evidentiary process and typically hire experts to prepare testimony.
2. The PUCO staff prepares a report which advises the commissioners of the staff's recommendations regarding the rate case. PUCO Staff conducts infrastructure inspections, reviews plant and financial records and assesses the quality of service provided to customers.
3. Within 30 days of the filing of the PUCO staff report, parties must file their objections to the staff report, framing the issues in the case. (continues on next page)
4. The PUCO schedules hearings in the case, including local public hearings.
5. The parties to the case file their written expert testimony.
6. The PUCO holds local hearings to take statements from customers and evidentiary hearings for the cross-examination of expert witnesses (depending on the complexity of the case, the expert hearing may last for several weeks). Parties then submit written briefs in argument supporting the reasonableness of their contentions by citing testimony and by contending the unreasonableness of other parties' positions.
7. The PUCO attorney examiner assigned to the case reviews the case record, including transcripts of the local public hearings and expert testimony, and then prepares a recommendation to the commissioners.
8. The five commissioners review the case record and the attorney examiner's recommendation and then issue their decision through an "opinion and order."
9. The parties to the case have 30 days to file an "application for rehearing" of the commissioners' opinion and order.
10. Within 30 days of the filing of an application for rehearing, the commissioners must issue an "entry" or the application for rehearing is automatically denied. The Commission may: (a) deny rehearing, (b) grant rehearing and modify the opinion and order, or (c) grant rehearing and hold additional hearings then issue an "order on rehearing."
11. Once the rehearing process is complete at the PUCO, parties may appeal the Commission decision to the Ohio Supreme Court.

## **Rate Regulation**

The basic purpose of utility rate regulation is to balance the needs of the consumer and the utility. Consumers are interested in the lowest possible rates and safe and reliable utility service. The utility is interested in rates which are sufficient to cover the costs of providing utility service and adequate to attract and maintain investment capital. The role of the PUCO in this process is to assure that the needs of the consumer and utility are balanced for the benefit of both.

The rate case may be divided into two basic components:

1. **Determination of revenue requirements**  
What is the amount of gross revenues needed by the utility to cover its operating expenses, depreciation, taxes, etc.?
2. **Determination of rate structure**  
What rates will have to be paid and by which customer classes to provide the necessary gross revenues as determined in the revenue requirements?

## **PUCO Authority and Considerations**

When considering rate cases, the PUCO must adhere to laws passed by the state legislature and decisions made by the Ohio Supreme Court.

The PUCO is authorized by law to consider the following facts and information:

1. Existing rates
2. Proposed rates
3. Why a company is requesting a rate change
4. An inventory and appraisal of a company's property used in rendering service
5. An operating statement reflecting the company's test year
6. Income and expenditures anticipated by the company under the proposed rate change

The commissioners cannot make arbitrary judgments. Only changes to Ohio law, made by the state legislature, can mandate changes in what the PUCO can and cannot consider during a rate case proceeding.