

## Rule Summary and Fiscal Analysis

### Part A - General Questions

**Rule Number:** 4901:1-7-19

**Rule Type:** Amendment

**Rule Title/Tagline:** Forward-looking economic costs.

**Agency Name:** Public Utilities Commission of Ohio

**Division:** Utilities

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#### I. Rule Summary

1. **Is this a five year rule review?** Yes
  - A. **What is the rule's five year review date?** 4/10/2023
2. **Is this rule the result of recent legislation?** No
3. **What statute is this rule being promulgated under?** 111.15
4. **What statute(s) grant rule writing authority?** 4901.13, 4927.03
5. **What statute(s) does the rule implement or amplify?** 4927.04; 4901.13
6. **Does the rule implement a federal law or rule in a manner that is more stringent or burdensome than the federal law or regulation requires?** No
  - A. **If so, what is the citation to the federal law or rule?** Not Applicable
7. **What are the reasons for proposing the rule?**

To satisfy the five year review requirement and to comply with the requirements of R.C. 121.95(A) for state agencies to reduce the total number of regulatory restrictions by 30 percent by June 30, 2025.
8. **Summarize the rule's content, and if this is an amended rule, also summarize the rule's changes.**

The rule addresses the setting of forward-looking economic prices. The rule is amended to reduce unnecessary regulatory restrictions and the addition of clarifying language. Some rule sections were renumbered due to the deletion of language.

9. **Does the rule incorporate material by reference? Yes**
10. **If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.75, please explain the basis for the exemption and how an individual can find the referenced material.**

Exemption exists due to incorporation by reference of either sections of the Ohio Revised Code, rules in the Ohio Administrative Code, regulation in the Code of Federal Regulations, or sections of the United States Code. References to the incorporated materials are readily available online.

11. **If revising or re-filing the rule, please indicate the changes made in the revised or re-filed version of the rule.**

To correct the statutory cites for Ohio Adm.Code Chapter 4901:1-7.

*05/03/2023 To correct the statutory cites for Ohio Adm.Code Chapter 4901:1-7.*

## **II. Fiscal Analysis**

12. **Please estimate the increase / decrease in the agency's revenues or expenditures in the current biennium due to this rule.**

This will have no impact on revenues or expenditures.

n-a

n-a

13. **What are the estimated costs of compliance for all persons and/or organizations directly affected by the rule?**

n-a

14. **Does the rule increase local government costs? (If yes, you must complete an RSFA Part B). No**

15. **Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C). No**

16. If the rule imposes a regulation fee, explain how the fee directly relates to your agency's cost in regulating the individual or business.

n-a

### III. Common Sense Initiative (CSI) Questions

17. Was this rule filed with the Common Sense Initiative Office? Yes

18. Does this rule have an adverse impact on business? No

- A. Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? No
- B. Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? No
- C. Does this rule require specific expenditures or the report of information as a condition of compliance? No
- D. Is it likely that the rule will directly reduce the revenue or increase the expenses of the lines of business of which it will apply or applies? No

### IV. Regulatory Restriction Requirements under S.B. 9. Note: This section only applies to agencies described in R.C. 121.95(A).

19. Are you adding a new or removing an existing regulatory restriction as defined in R.C. 121.95? Yes

- A. How many new regulatory restrictions do you propose adding to this rule? 0
- B. How many existing regulatory restrictions do you propose removing from this rule? 41

4901:1-7-19(B)(2) Removal of regulatory restriction requiring that an ILEC shall have the burden of proof that such study period would not be reasonable for a specific element.

4901:1-7-19(B)(3) Removed a regulatory restriction requiring that the TERIC of an element shall be measured based on the use of the most efficient telecommunications technology currently available.

4901:1-7-19(B)(3) Removed a regulatory restriction requiring that the TERIC of an element shall be measured based on the lowest cost network configuration.

4901:1-7-19(B)(3) Removed a regulatory restriction requiring that the TERIC of an element shall be measured based on the existing location of the ILEC's wire centers.

4901:1-7-19(B)(3) Removed a regulatory restriction requiring that the TERIC of an element shall be calculated using the forward-looking cost of capital debt.

4901:1-7-19(B)(5) Removed a regulatory restriction requiring that the TERIC of an element shall be calculated using the depreciation rate that reflects the forward-looking economic lives of the equipment.

4901:1-7-19(B)(5) Removed a regulatory restriction requiring that the TERIC of an element shall be calculated using the depreciation rate that reflects the economic value of an asset.

4901:1-7-19(B)(6)(a) Removal of regulatory restriction requiring that federal, state and local income tax expenses shall be determined based on the TELRIC.

4901:1-7-19(B)(6)(b) Removal of regulatory restriction requiring that since federal, state and local income tax expenses are applicable, recognition shall be given to the "tax-on-tax" situation that results from the deductibility of state and local tax when federal taxes are paid.

4901:1-7-19(B)(7) Removed regulatory restriction requiring that costs shall be projected to their anticipated level over the study period by using prices in supplier contracts or an appropriate index of future cost.

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4901:1-7-19(B)(8)(a)(iii) Removed a regulatory restriction requiring that other components of material investment may include inventory, supply expenses, and sales taxes.

4901:1-7-19(B)(8)(a)(iii) Removed a regulatory restriction requiring that the sales tax component of investment shall be calculated by applying a sales tax factor, if applicable.

4901:1-7-19(B)(8)(a)(iv) Removed a regulatory restriction requiring that the factor shall be applied to the material and inventory components.

4901:1-7-19(B)(8)(a)(iv) Removed a regulatory restriction requiring that the supply component shall include the expense incurred by the ILEC for storage, inventory, and deliver of material.

4901:1-7-19(B)(8)(b)(i) Removed a regulatory restriction requiring that vendor-related labor investment shall include vendor-provided installation and engineering.

4901:1-7-19(B)(8)(b)(i) Removed a regulatory restriction requiring that vendor-related labor investment shall include vendor-provided installation and engineering.

4901:1-7-19(B)(8)(b)(iii) Removed a regulatory restriction requiring that total labor costs are to be computed by multiplying the account averages or product specific work times by the appropriate labor rate.

4901:1-7-19(B)(9) Removed a regulatory restriction requiring that the ILEC shall have the burden to justify the reasonableness of the fill factors used in its TELRIC studies.

4901:1-7-19(B)(10)(c) Removed a regulatory restriction that the factor shall be specific to the investment and expense accounts associated with the element and developed from the most current data reasonably available to the ILEC.

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4901:1-7-19(B)(11) Removed a regulatory restriction requiring that the forward-looking, economic cost per unit of an element shall be in accordance with the rule.

4901:1-7-19(B)(12)(a) Removed a regulatory restriction requiring that if the ILEC offers an element on a flat-rate basis, the number of units shall be defined in accordance with the rule.

4901:1-7-19(B)(12)(b) Removed a regulatory restriction requiring that if the ILEC offers an element on a usage-sensitive basis, the number of units shall be defined in accordance with the rule.

4901:1-7-19(C)(3)(a) Removed a regulatory restriction requiring that forward-looking joint costs, shall be allocated consistent with the rule.

4901:1-7-19(C)(3)(a) Removed a regulatory restriction requiring that the Commission shall evaluate the reasonableness of the joint cost allocation methodology on a case-by-case basis.

4901:1-7-19(C)(3)(b) Removed a regulatory restriction requiring that forward-looking common costs shall be allocated among elements and services in a reasonable manner.

4901:1-7-19(C)(3)(b) Removed a regulatory restriction requiring that an ILEC shall have the burden of proving that the fixed allocation permits only reasonable recovery of any forward-looking common costs.

4901:1-7-19(B)(4) Removed a regulatory restriction requiring regarding the calculation of the TERIC element.

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4901:1-7-19(B)(6)(a) Removal of regulatory restriction requiring that federal, state and local income tax expenses shall be determined based on the TELRIC.

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4901:1-7-19(B)(8)(a)(ii) Removed a regulatory restriction regarding investment development.

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4901:1-7-19(B)(8)(a)(ii) Removed a regulatory restriction regarding investment development.

4901:1-7-19(B)(8)(a)(iii) Removed a regulatory restriction requiring that the sales tax component of investment shall be calculated by applying a sales tax factor, if applicable.

4901:1-7-19(B)(8)(a)(iv) Removed a regulatory restriction requiring that the factor shall be applied to the material and inventory components.

4901:1-7-19(C)(3)(b) Removed a regulatory restriction requiring that an ILEC shall have the burden of proving that the fixed allocation permits only reasonable recovery of any forward-looking common costs.

- C. If you are not removing existing regulatory restrictions from this rule, please list the rule number(s) from which you are removing restrictions.**
- D. Please justify the adoption of the new regulatory restriction(s).**

Not Applicable