THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE COMMISSION'S REVIEW OF THE RULES IN OHIO ADM. CODE CHAPTER 4901:1-37.

CASE NO. 22-866-EL-ORD

FINDING AND ORDER

Entered in the Journal on November 30, 2022

I. SUMMARY

{¶ 1} The Commission adopts the proposed amendments to Ohio Adm.Code Chapter 4901:1-37, as determined in and attached to this Finding and Order.

II. DISCUSSION

A. Applicable Law

- \P 2 R.C. 121.951(A)(1), effective June 8, 2022, requires the Commission to amend or rescind rules identified in its base inventory using the criteria listed in R.C. 106.03(A) as necessary to reduce the total number of regulatory restrictions by thirty percent over the course of three years. The Commission opened this docket to review the Electric Utility and Affiliates rules in Ohio Adm.Code Chapter 4901:1-37.
- {¶ 3} In performing the above review, R.C. 106.03(A) requires the Commission to determine, among other things, whether the rule should be amended or rescinded (including for the purpose of accomplishing the requirements of R.C. 121.951) because it exceeds or conflicts with the purpose, scope, or intent of the statute(s) under which the rule was adopted; creates a compliance or oversight burden that is greater than the burden that would be created if the agency accomplished the intended purpose of the restriction by other means; is no longer useful or beneficial; or duplicates, overlaps with, or conflicts with a federal or state law or rule.
- $\{\P 4\}$ Additionally, in accordance with R.C. 121.82, in the course of developing draft rules, the Commission must evaluate the rules against the business impact analysis

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(BIA). If there will be an adverse impact on businesses, as defined in R.C. 107.52, the agency is to incorporate features into the draft rules to eliminate or adequately reduce any adverse impact. Furthermore, the Commission is required, pursuant to R.C. 121.82, to provide the Common Sense Initiative office the draft rules and the BIA.

Pursuant to R.C. 121.95(F), a state agency may not adopt a new regulatory {¶ 5} restriction unless it simultaneously removes two or more other existing regulatory restrictions. In accordance with R.C. 121.95, and prior to January 1, 2020, the Commission identified rules having one or more regulatory restrictions that require or prohibit an action, prepared a base inventory of these restrictions in the existing rules, and submitted this base inventory to Joint Committee on Agency Rule Review (JCARR), as well as posted this website inventory the Commission's at on https://puco.ohio.gov/wps/portal/gov/puco/documents-and-rules/resources/ restrictions. With regard to the amendments discussed in this Finding and Order with respect to Ohio Adm.Code Chapter 4901:1-37, the Commission has both considered and satisfied the requirements in R.C. 121.95(F).

B. Procedural History

- {¶ 6} The Commission and Staff evaluated the rules contained in Ohio Adm.Code Chapter 4901:1-37. No significant substantive changes were proposed. Rather, the changes Staff recommended address amending rules throughout all chapters to conform with the purpose of R.C. 121.951(A)(1), by eliminating regulatory restrictions.
- {¶ 7} By Entry issued on October 19, 2022, the Commission requested comments on Staff's proposed revisions to Ohio Adm.Code Chapter 4901:1-37 and ordered that comments should be filed by October 19, 2022.
- $\{\P\ 8\}$ Industrial Energy Users-Ohio (IEU-Ohio) timely filed comments on November 9, 2022.

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III. CONCLUSION

{¶ 9} In making its rules, an agency is required by R.C. 106.03(A) to consider the continued need for the rules, the nature of any complaints or comments received concerning the rules, and any relevant factors that have changed in the subject matter area affected by the rules. Further, R.C. 121.951(A)(1) requires state agencies to reduce their total number of regulatory restrictions. The Commission has evaluated Ohio Adm.Code Chapter 4901:1-37 and recommends amending the rules as demonstrated in the attachment to this Finding and Order.

- {¶ 10} In its comments, IEU-Ohio expressed concern that revisions to Ohio Adm.Code 4901:1-37-04(D)(10)(d) eliminated the requirement that electric utilities need to "strictly follow all tariff provision." IEU-Ohio believes that the revision may signal to utilities that they do not have to strictly follow all tariff provisions that contradicts the rules' stated purpose and intent. (IEU-Ohio Comments at 3-4.) The Commission notes that, even with this rule's absence, an electric utility would still be required to abide by its filed tariffs, Commission orders and rules, and applicable laws. See, e.g., R.C. 4905.56. As such, eliminating this rule would not authorize electric utilities to deviate from their filed tariffs. However, in order to avoid any confusion on this point, the Commission has amended Ohio Adm.Code 4901:1-37-04(D)(10)(d) to read "The electric utility strictly follows all tariff provisions" (emphasis added).
- {¶ 11} Further, IEU-Ohio opposes the proposed revision to Ohio Adm.Code 4901:1-37-05(B)(8) that eliminates the requirement that utilities contain a description and timeline of all planned education and training on their public website. IEU-Ohio stated that the proposed revision decreases the transparency around corporate separation plans. (IEU-Ohio Comments at 4-5.) The Commission is committed to utility transparency and has amended Ohio Adm.Code 4901:1-37-05(B)(8) to read "The information will be maintained on the electric utilities' public web site" (emphasis added).

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 $\{\P$ 12 $\}$ An agency must also demonstrate that it has evaluated the impact of the rule on businesses, pursuant to R.C. 106.03(A)(6) and 121.82(A). Moreover, pursuant to R.C. 121.95(F), the agency must remove two or more existing regulatory restrictions for every new regulatory restriction added. The Commission has included stakeholders in the development of these rules, has considered the impact of the rules on businesses, and has adhered to the requirement regarding the removal of regulatory restrictions.

- {¶ 13} Accordingly, at this time, the Commission finds that the amendments throughout Ohio Adm.Code Chapter 4901:1-37, as described in the attachment to this Finding and Order, should be adopted and filed with JCARR, the Secretary of State, and the Legislative Service Commission (LSC).
- **{¶ 14}** The rules are posted on the Commission's Docketing Information System website at http://dis.puc.state.oh.us. To minimize the expense of this proceeding, the Commission will serve a paper copy of this Finding and Order only. All interested persons are directed to input case number 22-866 into the Case Lookup box to view this Finding and Order, as well as the rules, or to contact the Commission's Docketing Division to request a paper copy.

IV. ORDER

- $\{\P 15\}$ It is, therefore,
- **{¶ 16}** ORDERED, That amended Ohio Adm.Code 4901:1-37-01; -02; -03; -04; -05; -06; -07; -08; and -09 be adopted. It is, further,
- {¶ 17} ORDERED, That the adopted rules be filed with JCARR, the Secretary of State, and LSC, in accordance with divisions (D) and (E) of R.C. 111.15. It is, further,
- {¶ 18} ORDERED, That a copy of this Finding and Order, with the rules, be served upon the Common Sense Initiative at CSIPublicComments@governor.ohio.gov. It is, further,

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{¶ 19} ORDERED, That a copy of this Entry be served upon all investor-owned electric utilities in the state of Ohio, all certified competitive retail electric service providers in the state of Ohio, and the Electric-Energy industry list-serve.

COMMISSIONERS:

Approving:

Jenifer French, Chair M. Beth Trombold Lawrence K. Friedeman Daniel R. Conway Dennis P. Deters

JML/IMM/hac

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4901:1-37-01 **Definitions.**

- (A) "Affiliates" are companies that are related to each other due to common ownership or control. The affiliate standards shall also apply to This includes any internal merchant function of the electric utility whereby the electric utility provides a competitive service.
- (B) "Commission" means the public utilities commission of Ohio.
- (C) "Competitive retail electric service provider" means a provider of a competitive retail electric service as defined in division (A)(4) of section 4928.01 of the Revised Code.
- (D) "Electric services company" shall have the meaning set forth is defined in division (A)(9) of section 4928.01 of the Revised Code.
- (E) "Electric utility" shall have the meaning set forthis defined in division (A)(11) of section 4928.01 of the Revised Code.
- (F) "Employees" are all full- or part-time employees of an electric utility or its affiliates, as well as consultants, independent contractors, or any other persons performing various duties or obligations on behalf of or for an electric utility or its affiliate.
- (G) "Fully allocated costs" are the sum of direct costs plus an appropriate share of indirect costs. For purposes of these rules, the term "fully allocated costs" shall have has the same meaning as the term fully loaded embedded costs as that term appears in division (A)(3) of section 4928.17 of the Revised Code.
- (H) "Person" shall have the meaning set forth is defined in division (A)(24) of section 4928.01 of the Revised Code.
- (I) "Staff" means the staff of the commission or its authorized representative.

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4901:1-37-02 Purpose and scope.

- (A) The purpose of this chapter is to require all of the state's electric utilities to meet the same standards so a competitive advantage is not gained solely because of corporate affiliation.
- (B) This chapter is intended to create competitive equality, prevent unfair competitive advantage, prohibit the abuse of market power and effectuate the policy of the state of Ohio embodied in section 4928.02 of the Revised Code.
- (C) The commission may, upon an application or a motion filed by a party, waive any requirement of this chapter, other than a requirement mandated by statute, for good cause shown.
- (D) To ensure compliance with this chapter, examination of the books and records of affiliates may be necessary.
- (E) Violations of this chapter shall be subject to section 4928.18 of the Revised Code. The electric utility has the burden of proof to demonstrate compliance with this chapter.

AMENDED

4901:1-37-03 Applicability.

- (A) The provisions of this chapter shall beare applicable in accordance with sections 4928.17 and 4928.18 of the Revised Code and apply to:
 - (1) The activities of the electric utility and its transactions or other arrangements with its affiliates.
 - (2) Any shared services of the electric utilities with any affiliates.
 - (3) The sale or transfer of generating assets.
- (B) Nothing in this chapter is to be construed as prohibiting or otherwise impeding an electric utility's ability to conduct activities pursuant to rules 4901:1-38-03 to 4901:1-38-05 of the Administrative Code.

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4901:1-37-04 General provisions.

- (A) Structural safeguards.
 - (1) Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall function independently of each other.
 - (2) Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.
 - (3) Cross-subsidies between an electric utility and its affiliates are prohibited. An electric utility's operating employees and those of its affiliates shall function independently of each other.
 - (4) An electric utility may not share employees and/or facilities with any affiliate, if the sharing, in any way, violates paragraph (D) of this rule.
 - (5) An electric utility shall ensure that all shared employees appropriately record and charge their time based on fully allocated costs.
 - (6) Transactions made in accordance with rules, regulations, or service agreements approved by the federal energy regulatory commission, securities and exchange commission, and the commission, which rules the electric utility shall maintain in its cost allocation manual (CAM) and file with the commission, shall provide a rebuttable presumption of compliance with the costing principles contained in this chapter.
- (B) Separate accounting.

Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records, and accounts that are separate from the books, records, and accounts of its affiliates.

(C) Financial arrangements.

Unless otherwise approved by the commission, the financial arrangements of an electric utility

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are subject to the following restrictions:

- (1) Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.
- (2) An electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate.
- (3) An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate.
- (4) An electric utility shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate.
- (5) An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate.
- (6) An electric utility shall not pledge, mortgage, or use as collateral any assets of the electric utility for the benefit of an affiliate.

(D) Code of conduct.

- (1) The electric utility shall not release any proprietary customer information (e.g., individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.
- (2) On or after the effective date of this chapter, the electric utility shall make customer lists, which include name, address, and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in its service territory, unless otherwise directed by the customer. This provision does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services. This information shallwill not be used by the certified retail electric service providers for any other purpose than the marketing of electric service to the customer.
- (3) Employees of the electric utility's affiliates shall not have access to any information about the electric utility's transmission or distribution systems (e.g., system operations,

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capability, price, curtailments, and ancillary services) that is not contemporaneously available, readily accessible, and in the same form and manner available to a nonaffiliated competitor providing retail electric service.

- (4) An electric utility shall treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and nonaffiliated, and shall not release such information, unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomes available to the public other than as a result of disclosure by the electric utility.
- (5) The electric utility shall not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, or otherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or any other waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's affiliates.
- (6) The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.
- (7) The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electric service providers operating on the system, but shall not endorse any competitive retail electric service providers, indicate that an electric services company is an affiliate, or indicate that any competitive retail electric service provider will receive preference because of an affiliate relationship.
- (8) The electric utility shall use reasonable efforts to ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power and the electric utility's compliance officer shall promptly report any such unreasonable sales practices, market deficiencies, and market power to the director of the rates and analysis department (or their designee).
- (9) Employees of the electric utility or persons representing the electric utility shall not indicate a preference for an affiliated electric services company.
- (10) The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following:

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- (a) An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.
- (b) The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or nonaffiliation.
- (c) The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates or customers of affiliates preferential treatment or advantages over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.
- (d) The electric utility shall-strictly follows all tariff provisions.
- (e) Except to the extent allowed by any applicable law, regulation, or commission order, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any retail electric service.
- (11) Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services.
- (E) Emergency.
 - (1) Notwithstanding the foregoing, in a declared emergency situation, an electric utility may take actions necessary to ensure public safety and system reliability.
 - (2) The electric utility shall maintain a log of all such actions that do not comply with this chapter, and such log shall be that is subject to review by the commission and its staff.

AMENDED

4901:1-37-05 Application.

(A) Consistent with section 4928.17 of the Revised Code, an electric utility that provides in this state, either directly or through an affiliate, a noncompetitive retail electric service and a competitive retail electric service (or a noncompetitive retail electric service and a product or service other than retail electric service) shall file with the commission an Any application for approval of a proposed corporate separation plan, filed with the Commission pursuant to

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section 4928.17 of the Revised Code, . The application shallshould include a narrative describing how the plan ensures competitive equality, prevents unfair competitive advantage, prohibits the abuse of market power, and effectuates the policy of the state of Ohio embodied in section 4928.02 of the Revised Code.

- (B) The proposed corporate separation plan shallwill be treated as a stand alone document that, at a minimum, includes the following:
 - (1) Provisions that maintain structural safeguards.
 - (2) Provisions that maintain separate accounting.
 - (3) A list of all current affiliates identifying each affiliate's product(s) and/or service(s) that it provides.
 - (4) A list identifying and describing the financial arrangements between the electric utility and all affiliates.
 - (5) A code of conduct policy that complies with this chapter and that <u>applies to all</u> employees of the electric utility and affiliates <u>must follow</u>.
 - (6) A description of any joint advertising and/or joint marketing activities between the electric utility and an affiliate that the electric utility intends to utilize, including when and where the name and logo of the electric utility will be utilized, and explain how such activities will comply with this chapter.
 - (7) Provisions related to maintaining a cost allocation manual (CAM).
 - (8) A description and timeline of all planned education and training, throughout the holding company structure, to ensure that electric utility and affiliate employees know and can implement the policies and procedures of this rule. The information willshall be maintained on the electric utilities' public web site.
 - (9) A copy of a policy statement to be signed by electric utility and affiliate employees who have access to any nonpublic electric utility information, which indicates that they are aware of, have read, and will follow all policies and procedures regarding limitation on the use of nonpublic electric utility information. The statement will include a provision stating

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that failure to observe these limitations will result in appropriate disciplinary action.

- (10) A description of the internal compliance monitoring procedures and the methods for corrective action for compliance with this chapter.
- (11) A designation of the electric utility's compliance officer who will be the contact for the commission and staff on corporate separation matters. The compliance officer shall certify that the approved corporation separation plan is up to date and in compliance with the commission's rules and orders. The electric utility shall notify the commission and the director of the rates and analysis department (or their designee) of changes in the compliance officer.
- (12) A detailed description outlining how the electric utility and its affiliates will comply with this chapter. The format shall will identify the provision and then provide the description.
- (13) A detailed listing of the electric utility's electric services and the electric utility's transmission and distribution affiliates' electric services.
- (14) A complaint procedure to address issues concerning compliance with this chapter, which, at a minimum, shall include the following:
 - (a) All complaints, whether written or verbal, shallare be referred to the compliance officer designated by the electric utility to handle corporate separation matters or the compliance officer's designee.
 - (b) The complaint shall be is acknowledged within five working days of its receipt.
 - (c) A written statement of the complaint shall be prepared and includes the name of the complainant, a detailed factual report of the complaint, all relevant dates, the entities involved, the employees involved, and the specific claim.
 - (d) The results of the preliminary investigation shall beare provided to the complainant in writing within thirty days after the complaint was received, including a description of any course of action that was taken.
 - (e) The written statements of the complaints and resulting investigations required by paragraphs (B)(14)(c) and (B)(14)(d) of this rule shall be kept in the CAM, in

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accordance with rule 4901:1-37-08 of the Administrative Code for a period of not less than three years.

- (f) This complaint procedure shalldoes not in any way limit the rights of any person to file a formal complaint with the commission.
- (C) Each electric utility shall file its approved corporate separation plan in its tariff docket.

AMENDED

4901:1-37-06 Revisions and amendments.

- (A) All proposed revisions and/or amendments to the electric utility's approved corporate separation plan shall be filed with the commission, and with a copy of the filing shall be provided simultaneously provided to the director of the rates and analysis department (or their designee).
- (B) Except for proposals related to the sale or transfer of assets filed pursuant to rule 4901:1-37-09 of the Administrative Code, if a filing to revise and/or amend the electric utility's corporate separation plan is not acted upon by the commission within sixty days after it is filed, the modified corporate separation plan shall will be deemed approved on the sixty-first day after filing.
- (C) Each electric utility shall file any modified corporate separation plan in its tariff docket upon approval of such plan.

AMENDED

4901:1-37-07 Access to books and records.

(A) The electric utility shall maintain records sufficient to demonstrate compliance with this chapter, and shall produce, upon the request of staff, all books, accounts, and/or other pertinent records kept by an electric utility or its affiliates as they may relate to the businesses for which corporate separation is required under section 4928.17 of the Revised Code, including those required under section 4928.145 of the Revised Code.

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- (B) The staff may investigate such electric utility and/or affiliate operations and the interrelationship of those operations at the staff's discretion. In addition, the employees and officers of the electric utility and its affiliates shall be made available for informational interviews, at a mutually agreed time and place, as required by the staff to ensure proper separations are being followed.
- (C) If such employees, officers, books, and records cannot be reasonably made available to the staff in the state of Ohio, then upon request of the staff, the appropriate electric utility or affiliate shall reimburse the commission for reasonable travel expenses incurred.

AMENDED

4901:1-37-08 Cost allocation manual (CAM).

- (A) Each electric utility that receives products and/or services from an affiliate and/or that provides products and/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocated between the electric utility and affiliates and the regulated and nonregulated operations.
- (B) The CAM will be maintained by the electric utility.
- (C) The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.
- (D) The CAM will include:
 - (1) An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.
 - (2) A description of all assets, services, and products provided to and from the electric utility and its affiliates.
 - (3) All documentation including written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are allocated between affiliates.
 - (4) A copy of the job description of each shared employee.
 - (5) A list of names and job summaries for shared consultants and shared independent

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contractors.

- (6) A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.
- (7) A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.
- (8) A log of all complaints brought to the electric utility regarding this chapter.
- (9) A copy of the minutes of each board of directors meeting, where it shall that will be maintained for a minimum of three years.
- (E) The method for charging costs and transferring assets shall be based on fully allocated costs.
- (F) The costs should be traceable to the books of the applicable corporate entity.
- (G) The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years.
- (H) Following approval of a corporate separation plan, an electric utility shall provide the director of the <u>utilities_rates and analysis</u> department (or their designee) with a summary of any changes in the CAM at least every twelve months.
- (I) The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.
- (J) The staff may perform an audit of the CAM in order to ensure compliance with this rule.

AMENDED

4901:1-37-09 Sale or transfer of generating assets.

- (A) Consistent with division (E) of section 4928.17 of the Revised Code, an electric utility shall not sell or transfer any generating asset it wholly or partly owns without prior commission approval.
- (B) (A) An electric utility may apply for commission approval to sell or transfer its any generating

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assets it wholly or partly owns by filing an application to sell or transfer.

- (C) (B) An application to sell or transfer generating assets shall should include, at a minimum:
 - (1) Clearly set forth the object and purpose of the sale or transfer, and the terms and conditions of the same.
 - (2) Demonstrate how the sale or transfer will affect the current and future standard service offer established pursuant to section 4928.141 of the Revised Code.
 - (3) Demonstrate how the proposed sale or transfer will affect the public interest.
 - (4) State the fair market value and book value of all property to be transferred from the electric utility, and state how the fair market value was determined.
- (D) (C) Upon the filing of such application, the commission may fix a time and place for a hearing if the application appears to be unjust, unreasonable, or not in the public interest. The commission shallwill fix a time and place for a hearing with respect to any application that proposes to alter the jurisdiction of the commission over a generation asset.
- (E) (D) If, after such hearing or in the case that no hearing is required, the commission is satisfied that the sale or transfer is just, reasonable, and in the public interest, it shallwill issue an order approving the application to sell or transfer.
- (F) (E) Staff shall havemay access to all books, accounts, and/or other pertinent records maintained by the transferor and transferee as related to the application to sell or transfer generating assets and in accordance with rule 4901:1-37-07 of the Administrative Code.

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Case No(s). 22-0866-EL-ORD

Summary: Finding & Order adopting the proposed amendments to Ohio Adm.Code Chapter 4901:1-37, as determined in and attached to this Finding and Order. electronically filed by Ms. Mary E. Fischer on behalf of Public Utilities Commission of Ohio