

## **Substitute House Bill 554**

### **Proponent Testimony**

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Mr. Chairman and members of the House Public Utilities Committee, my name is Matt Brakey, and I am the President of Brakey Energy. I am submitting written testimony today in support of Substitute House Bill 554 ("HB 554").

Brakey Energy supports the policy effort of reasonable energy portfolio reform that is contained within HB 554. Specifically, and what will be the focus of my written comments, we support the mercantile customer opt-out proposal effective January 1, 2019 that is contained in HB 554.

### **Who We Are**

Founded by my father, Mike Brakey, Brakey Energy has been in the business of providing comprehensive energy management services to commercial, industrial, and institutional energy users since 1999. We exclusively serve our clients' facilities located in the state of Ohio. We narrow our geographic focus in order to hone our expertise on our state's unique energy regulatory environment.

Though my father is now semi-retired, Brakey Energy has nine employees and is applying the expertise my father engrained in the company to 80 Ohio companies. Most of these commercial, industrial, and institutional customers are located in FirstEnergy-Ohio and AEP-Ohio territory.

Some representative Brakey Energy clients include the World Champion Cleveland Cavaliers, the American League Champion Cleveland Indians, Progressive Casualty Insurance, American Greetings, John Carroll University, Sauder Woodworking, and more than 100 McDonald's franchise restaurants. However, my remarks today are my own and I don't profess to speak on behalf of any individual client.

### **Senate Bill 310 Streamlined Opt-Out**

As many of you know, energy is one of the largest costs for Ohio businesses, and the Senate Bill 221 (SB 221) energy mandates that were enacted in 2008 have added significant cost to doing business in Ohio. We greatly appreciate the work of the Ohio General Assembly in passing Senate Bill 310 (SB 310) in 2014. As a result, Ohio electric consumers, including many of my clients, received much needed relief from the escalation of Ohio's still hidden energy mandate taxes.

Importantly, SB 310 created a streamlined opt-out provision that allows certain high-voltage customers to self-direct their energy efficiency future. In exchange for not having to pay the Energy Efficiency and Peak Demand Reduction (EEPDR) mandate electric bill surcharges, these customers submit periodic energy efficiency plans and follow-up reports to the Public Utilities Commission of Ohio (PUCO). They also must forego all EEPDR program benefits like energy efficiency project rebates.

Some of these high-voltage customers use more electricity in a day than a typical residential customer uses in a lifetime. Many of them spend hundreds of thousands – if not millions – of dollars per month for electricity. These customers pursue energy efficiency projects for a very simple reason: It makes economic sense to do so.

Indeed, for our qualifying clients that took advantage of this option, we recently helped them complete and submit their statutorily required follow-up reports. Without exception, every report included completed energy efficiency or peak demand reduction projects. In many instances, projects were completed above and beyond what the customer initially foresaw as a possibility. And in every instance, these projects were pursued because of the underlying economics – not because ratepayer-funded rebates were being thrown at them.

Despite the clear success of the SB 310 streamlined opt-out, self-directed energy efficiency is not something unique to customers that accept voltage at high levels. Lower voltage commercial, industrial, and institutional customers also pursue energy efficiency projects to save money on their electric bills. Ultimately, determining whether a customer can take advantage of the streamlined opt-out opportunity based solely on voltage level is arbitrary and unfair. Voltage level has no reasonable relation to efficiency capabilities.

### **HB 554 Streamlined Opt-Out Expansion**

HB 554 builds on the reforms that were contained in SB 310. Any efforts that can be made to reduce costs for ratepayers are welcome.

Perhaps most importantly, and consistent with the recommendations from the Energy Mandates Study Committee, HB 554 proposes a reasonable streamlined opt-out for mercantile customers in Ohio. Expanding the streamlined opt-out effective January 1, 2019 – if not sooner - would provide Ohio businesses that consume more than 700,000 kWh per year or are part of a “national account” with an opportunity to act on their own energy efficiency and technology preference rather than pay for government mandates.

As previously mentioned, restricting the streamlined opt-out opportunity based solely on voltage level is arbitrary and unfair. It also produces some peculiar and nonsensical outcomes. For example, we have many clients that have multiple accounts, but though those accounts are not in direct proximity with each other, they find themselves in a situation where some of their accounts qualify and some do not despite there being no material difference in the nature of operations.

Expansion of the streamlined opt-out would address the arbitrariness of the existing opportunity and also allow for consistency across customer accounts. This would be a welcome change.

Finally, the streamlined opt-out does not transfer the cost of the mandate compliance burden to other customers. Rather, current Ohio law requires the removal of the load and usage of opt-out customers from the utility's mandate compliance baseline so as to avoid shifting the compliance burden to other customers. This component of current law remains unchanged by HB 554.

### **Conclusion**

Mr. Chairman, members of the Committee, thank you for your time. One final point: There is an urgency that I would like to convey about the need for reform that I must share with you.

Because of the cycle time of the electric distribution utilities, delaying common sense reforms will require the utilities to launch another expensive, multi-year installment towards compliance that will be passed on to Ohio's residential, commercial, industrial, and institutional customers. This is an outcome Ohioans cannot afford.

Again, thank you for your time.