

**HB 247 Proponent Testimony**  
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Good afternoon Chairman Callender, Vice Chair Wilkin, Ranking Member Smith and members of the House Public Utilities Committee. Thank you for the opportunity to provide Proponent Testimony supporting House Bill 247.

I have represented AEP Ohio concerning legal and regulatory issues in Ohio for 13 years and worked with the Ohio Attorney General's office and the Public Utilities Commission of Ohio (Commission) on similar issues for 16 years prior to that.

H.B. 247 is needed to update and reform the outdated corporate separation laws adopted at the end of the last century prior to tremendous technological changes that have occurred in the last two decades. The proposed legislation enables electric utilities to compete on a level playing field for customer-focused energy services and products, as is further illustrated in the policy document attached to my testimony. The bill also includes important provisions for utility infrastructure that supports economic development.

The original purpose of corporate separation (to separate and divest generation assets) has been fully implemented but now the requirement is being applied in an unreasonable manner that produces unintended consequences and is against the public interest. For example, even though Ohio's electric utilities have obvious expertise and cost-saving efficiencies related to the construction and maintenance of an electric station, current law does not support a utility building or maintaining a station needed for a large commercial or industrial customer that wishes to pay lower rates by receiving high voltage service. Allowing utilities to do so will achieve a win-win by fulfilling the needs of under-served customers and lowering the cost of utility service to all customers in a way that is competitively-neutral to other third-party providers.

Another illustrative benefit of the legislation is that it will permit utilities to fully utilize smart grid components already being deployed and expertise already developed – to the benefit of customers that would like to have the option of receiving services from their utility. To date, AEP Ohio has been a leader in smart grid technology deployment in Ohio; but current law needs to be updated to ensure continued advancement and modernization successes. For example, AEP Ohio has deployed technology called the energy bridge, which connects smart meters with smart home equipment; that technology can be more fully utilized through utility offering of smart services. As a related matter, AEP Ohio is proud to have been a key partner in the national success story of SmartColumbus – this effort should be expanded through the enactment of HB 247 to facilitate a broader SmartOhio initiative. Moreover, H.B. 6's recent elimination of energy efficiency and peak demand reduction mandates creates a void for those customers who wish to continue voluntarily procuring energy management services for a fee from utilities based on their

experience, efficiencies and expertise. HB 247 would help fulfill those needs and address additional examples discussed in the policy document attached to my testimony.

For over a decade since passage of SB 221, retail customers have been underserved in other areas involving customer-focused energy services and smart technology that often overlap with core functions of an electric utility. AEP Ohio submits that this reasonable legislation is needed and promotes the public interest in a fair and balanced manner.

Accordingly, AEP Ohio encourages this Committee to adopt H.B. 247. I am happy to respond to any questions you may have.

## **POLICIES SUPPORTING ENACTMENT OF HB 247**

### **The Need for Reform:**

The Supreme Court recently interpreted the corporate separation statute, R.C. 4928.17, as preventing electric utilities from providing non-electric services. *In re Application of Duke Energy Ohio, Inc., for Approval of its Fourth Amended Corporate Separation Plan*, 148 Ohio St.3d 510, 2016-Ohio-7535 (November 1, 2016).

### **Real world examples of harmful restrictions under current law:**

Today, even when customers request it, AEP Ohio is generally restricted from doing some key activities and providing needed services that customers often request:

- A large industrial customer that receives power at high voltage wants AEP Ohio to build a substation to connect AEP Ohio's grid to the customer's internal electric load. AEP Ohio builds the exact same facilities to serve all other customers (that do not receive power at high voltage) when they are part of the Company's network. The Company has inventory of parts, design and construction expertise, and the ability to ensure safe engineering that is compatible with the grid. Often, this new customer is a large industrial customer is also a large employer and wants to quickly establish service and promote economic development.
- A large commercial or industrial customer whose operations are sensitive to voltage fluctuations or momentary outages and needs a large battery to stabilize voltage or provide intermittent power to avoid momentary outages. An electric utility could purchase the battery – a large capital investment not attainable to many customers – and lease it to the customer.
- Design, deployment and operation of microgrids for customers and integrate the systems with the grid.
- Locate and market electric vehicle charging systems for customers in a manner that is complimentary to the electric grid.
- Develop and implement electrification technology to support Smart Columbus and future smart city efforts Ohio – including smart street lighting, traffic sensors, bridge sensors, safety monitoring systems, integrated electric vehicle corridors, etc.
- Offer energy management services that help customers save money, reduce peak demands and aggregate such resources for the benefit of the grid operation – independent of energy efficiency and peak demand reduction mandates.

These services and customer outcomes were not intended or even contemplated when SB 3 and SB 221 were enacted.

### **The public interest is advanced wif HB 247 is enacted**

There are important reasons why an electric utility can be the best provider of these services:

- Technology that operates in conjunction with the electric grid is best deployed by the grid operator (security, inter-operability, strategic locational placement on grid, etc.)
- Utility deployment of advanced technology can lower cost and increase effectiveness (uniformity, scale of deployment, financing capability, etc.) thereby reducing the cost of providing utility service to non-participating customers.
- To date, competitive providers have not filled the void and satisfied customer needs.

In order to foster advanced technology and provide useful services for customers, electric utilities should be able to provide competitive services to customers:

- The proposed legislative solution ensures that this is done without subsidy by utility ratepayers, in a manner that does not exclude other competitive providers.
- The core original purpose of corporate separation to separate generation services and assets have been fully implemented so that component of existing law will not be reversed through adoption of HB 247.
- This approach will facilitate flexibility and pursuit of the most effective solutions coming out of the Commission's PowerForward initiative.