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Greg Bechert, Scioto Energy, Board Member
Huck Hayes, Alternative Energy Source, Board Member
Chris Greulich, North Shore Energy, Board Member
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October 23, 2019

Chairman Jamie Callender
House Public Utilities Committee
77 South High Street, 11th Floor
Columbus, Ohio 43215:

Chairman Callender:

On behalf of Ohio's energy consultants, suppliers, and professionals, the board of the Energy Professionals of Ohio (EPO) writes to oppose the provisions in HB 247 dealing with customer-focused energy services or products (CFESPs) and the provisions that water down Ohio's existing corporate separation requirements for electric distribution utilities.

The EPO is made up of mostly small businesses across Ohio who help inform and educate residential, commercial, and industrial customers about offers they may see in the marketplace. Collectively, we have helped Ohio customers save *billions* in energy costs by effectively navigating the marketplace. Collectively, the businesses that make up the EPO employ hundreds of Ohioans across the state and provide stable, family-sustaining wages and benefits.

Customer Focused Energy Services or Products – Not Necessary

HB 247 creates customer focused energy services or products (CFESPs). These can include curtailment and individual customer and aggregated demand response activities, energy storage or battery functions, energy management, lighting controls and other smart controls, among other services. Letting a regulated Electric Distribution Utility (EDU) provide these services is redundant because the competitive market is already providing them.

Currently, there are over 30 offers on the PUCO's Apples to Apples Comparison Chart for residential customers in AEP Ohio's service territory (the territory covering the Statehouse and central Ohio) that offer products and promotions for customers in this space. There is simply no need to allow an EDU to offer these products.

CFESPs Will be Forced on Customers Whether They Sign Up or Not

HB 247 allows an EDU to provide CFESPs in two ways:

1. The EDU may receive approval from the PUCO to offer the services under certain sections of current law including rates cases, electric security plans, and energy efficiency and peak demand reduction programs; or
2. The CFESPs are options for customers and the EDU may only recover the costs of the services from the customers who subscribe to them.

While it is laudable that the legislation allows for customers to opt-into these services as in option 2 above, it is a certainty that an EDU will not choose this method to develop and provide CFESPs.

Ohio's EDUs will seek approval of these programs through option 1 which will allow them to recover the costs of the programs through non-bypassable riders on customer's distribution bills. So, while the Legislature just saved customers money through the removal of these types of programs in House Bill 6, House Bill 247 will provide a path for Ohio's EDU's to put these charges back on customers. In addition to just the plan cost of the programs, HB 247 allows a utility to charge customers for the following:

- Lost revenue (from customer's saving money);
- Shared savings;
- Avoided costs;
- And a just and reasonable rate of return on smart grid technology deployment.

Provided with the opportunity to to require every single rate payer within its service territory to pay all of these charges, or compete in the marketplace for customers, which do you think an EDU will choose?

Weakening the Corporate Separation Requirements for EDUs is a Step Backwards

HB 247 would allow an EDU to have an affiliated competitive retail electric services company with only "functional separation," indefinitely. Current law only allows this for interim periods. This modification would allow an EDU to have an affiliated Competitive Retail Electric Services (CRES) company without separate accounting requirements, among other exemptions.

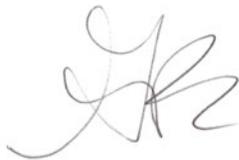
This has proven to be disastrous for customers in the past. A study issued in 2016 by Cleveland State University and Ohio State University showed EDU's in Ohio that retained ownership of power plants increased their non-bypassable rates by well over 150% between 2010 and 2016. I have attached a chart from that study for your convenience showing AEP-Ohio's non-bypassable rates increasing by nearly 200% in the span of 6 years¹.

These increases in rates that customers cannot avoid by shopping erased the benefits that the competitive market provided in lower energy costs. These actions make sense – as an EDU and its affiliated CRES company saw smaller profit margins due to competition, the EDU acted rationally (in its own best interest) and increased its non-bypassable rates to maintain the parent company's overall profit margin.

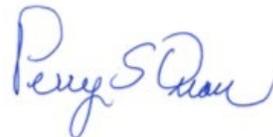
For customers to benefit from the market, strong corporate separation requirements are a must.

Thank you for the opportunity to submit this written testimony. Please feel free to contact Kevin Schmidt, EPO Executive Director, at 614.507.1050 or at kevin@energyprofessionalsofohio.com with questions.

Sincerely,



Greg Bechert
Scioto Energy



Perry Oman
Muirfield Energy



Huck Hayes
Alternative Energy Source

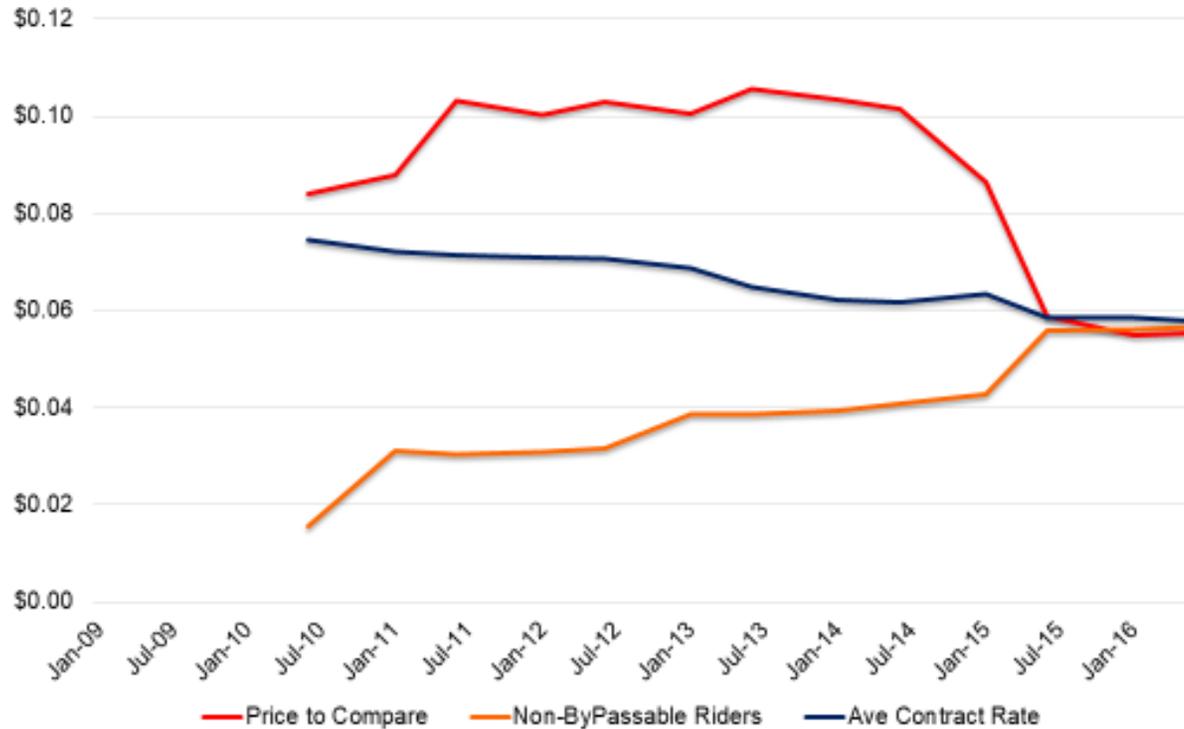


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ⁱ Figures from this graph are found in the study performed by Cleveland State University and the Ohio State University commissioned by NOPEC entitled “Electricity Customer Choice in Ohio: How competition has outperformed traditional monopoly regulation”