



**Opponent Testimony - Ohio House Bill 247 (Stein)
Miranda Leppla, Vice President of Energy Policy
October 23, 2019**

Chair Callender, Vice-chair Wilkin, Ranking Member Smith and members of the House Public Utilities Committee, my name is Miranda Leppla and I'm the Vice President of Energy Policy for the Ohio Environmental Council Action Fund. Thank you for allowing me to provide testimony on HB 247.

Our organization, celebrating its 50th anniversary this year, works to secure healthy air, land and water for all who call Ohio home. In its current form, the OEC Action Fund is opposed to HB 247 because, if enacted, it further muddies the regulatory structure for Ohio's electricity market and could lead to lock-down of areas of the market that are currently open to competition. Stifling competition in those markets will likely lead to a slower uptake of adoption of cleaner forms of energy and technologies that assist individuals in reducing consumption. Additionally, as written, the bill creates opportunities for Ohio utilities to charge customers for various services without appropriate oversight.

The OEC Action Fund works to make progress toward a cleaner grid in whatever regulatory framework is in place in Ohio, research indicates that competitive markets for electricity and capacity encourage cleaner, more efficient energy resources to come online, curbing harmful air pollution at a faster pace that is essential to addressing immediate and long-term public health and environmental impacts. Rather than encouraging the continued development of competitive markets, HB 247 steers Ohio in a different direction by giving the utilities greater leeway to place charges on utility customers' bills for services typically part of the competitive energy business, and to do so without adequate oversight or regulation. Additionally, it also weakens corporate separation between the distribution utility and its subsidiaries, and authorizes imposition of nonbypassable riders on all utility customers for larger businesses. At a minimum, any bill that enables utilities to have increased participation in the traditionally deregulated competitive side of the marketplace must have checks and balances on the utilities to ensure customers aren't overpaying or on the hook for projects that weren't necessary to build.

For example, the bill authorizes cost recovery for “smart grid” deployment and “customer-focused energy services or products”, including a “just and reasonable rate of return”. While OEC Action Fund supports reasonable deployment of smart grid technologies due to their many positive environmental benefits, the danger in this framework is allowing regulated utilities to make investments without any metric to demonstrate a greater public or societal good. The effect of the bill is that what has been traditionally deregulated, competitive services would now be managed by monopoly utilities. This is not necessarily a bad policy decision, but there are real implications to going in this direction, and the bill does not adequately ensure all the necessary checks and balances, nor does it ensure the regulated utility could be as nimble and move as quickly with developing technologies as the competitive market currently does. The greatest risk is creating the possibility of sticking ratepayers with unnecessary costs with absolutely no benefit coming back to them in the form of better service, cleaner air, or more options to exercise energy choice.

Let me be clear in our position: There is a role for distribution utilities to play in modernizing the grid, and to adapt their business model to ever-changing technologies so that they can be financially healthy companies. For example, in areas of the market where development isn’t occurring it may be appropriate for the regulated utility to fill in the gap. The bill currently permits utilities to own electric vehicle charging infrastructure--where we have already seen rapid deployment in AEP Ohio territory as a result of their rebate program, done in a competitively neutral way. However, we have seen less deployment of charging infrastructure in low income and rural areas. If a utility were to get involved with EV charging in those areas, they would be contributing to a greater public or societal good by rolling out infrastructure necessary for more electric vehicles to replace gas-powered vehicles. It is in areas of the market like this that it might be appropriate for our regulated utilities to get involved, but clear rules and oversight are a key ingredient in going in this direction.

While the OEC Action Fund likes many of the grid modernization and distributed energy resources ideas included in HB 247, including increased deployment of electric vehicle charging stations, energy storage and batteries, Volt-VAR optimization, microgrids, and community solar¹--these investments should be done in a competitively neutral way to ensure the most rapid deployment of these technologies, not in a manner that artificially removes competition and impacts pricing. Doing so will slow uptake and likely increase pricing of these technologies.

¹ If community solar is enabled by this proposal, it needs to be defined and language related to virtual net metering should be included in the statute.

The bill could be improved if the utilities' right to recover from customers, for example, for development of microgrids or community solar is done in a competitively neutral manner by a subsidiary of the utility, using a competitive bidding process and handled by a third party.

Our organization has been advocating for increased deployment of renewables, implementation of cutting edge smart grid technologies, and smart deployment of distributed energy resources for years. All of these can help us reduce carbon emissions in the state, improving Ohio's air quality and environment, and many items identified in this bill could do that too. However, instead of simplifying Ohio's messy regulatory structure, HB 247 instead makes it more uncertain and gray, and permits the utilities to slide back into the deregulated competitive marketplace without much regulation around what they can charge customers for. If the legislature intends to permit utilities to get more involved in the competitive side of markets in Ohio, then careful and full consideration of strict parameters placed on cost recovery is critical to ensure continued competition.

Thank you for allowing me the opportunity to speak in opposition to HB 247. I'd be happy to answer any questions that you may have.