

**Sponsor Testimony on House Bill 740**  
**Repeal of Electric Utility Significantly Excessive Profit Budget Language**  
**Provided by Representatives Michael J. Skindell & Sedrick A. Denson**  
**Before the House Select Committee on Energy Policy and Oversight**  
**September 10, 2020**

Chairman Hoops, Vice Chair Abrams, Ranking Member Leland and members of the House Select Committee on Energy Policy and Oversight, it is a pleasure to provide sponsor testimony on House Bill 740, legislation repealing electric utility “significantly excessive profit” language in House Bill 166, the State Budget Bill.

In Ohio, electric distribution utilities are entitled to earn monopoly profits from the electric services they provide to customers. Ohio's allowance for profits is larger than most other states. Prior to passage of H.B. 166 in 2019, electric utilities were allowed to earn excessive profits but "significantly excessive profits" were required to be returned to customers through an adjustment in prospective rates. By amending R.C. Section 4928.123, H.B. 166 changed how "significantly excessive profits" are calculated benefiting FirstEnergy. Under the language adopted in H.B. 166, FirstEnergy would be allowed to treat its three distribution utilities as one, so if one utility had significantly excessive profits, those profits could be spread out among all three utilities. The practical impact of the amendment allowed FirstEnergy's Ohio Edison's higher profits to be combined with FirstEnergy's Toledo Edison and Cleveland Electric Illuminating Company, thus allowing FirstEnergy to keep Ohio Edison's excess profits rather than adjusting consumer rates.

The Ohio Manufacturers' Association and the Ohio Consumer Counsel, among others, opposed this language being added to the budget. In testimony on H.B. 166 before the Senate Finance Committee on June 17, 2019, the Consumer Counsel stated:

“This change would artificially dilute Ohio Edison’s high profits, on paper, for calculating whether it is charging customers for significantly excessive monopoly profits. Under the bill, Ohio Edison’s higher profits would be averaged with the lower profits of FirstEnergy’s other Ohio utilities, Toledo Edison and Cleveland Electric Illuminating. Instead of protecting consumers under the 2008 energy law

against paying for high utility profits, the bill would protect FirstEnergy from refunding significantly excessive monopoly profits to a million Ohio Edison customers.”

In summary, repealing this language would allow 'significantly excessive profits' to be returned to consumers. Ohioans deserve better. Ohioans have lost confidence and trust in Ohio government with the passage of H.B. 6 and passage of the significantly excessive profit language inserted in H.B. 166. The immediate and complete repeal of this type of legislation will be a step forward in restoring trust.

The confidence and trust of Ohioans cannot be restored until we root out policies that line the pockets of large companies at the expense of everyday Ohioans – until we take action to show the people of this state that we work for them, not corrupt special interests.

Chairman Hoops, Vice Chair Abrams, Ranking Member Leland and members of the House Select Committee on Energy Policy and Oversight, thank you for the opportunity to provide sponsor testimony on HB 740. We would be happy to answer any questions that you may have on this legislation.