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House Bill 317 Sponsor

Chairman Hoops, Vice-Chair Ray, Ranking Member Smith and members of the House Public Utilities Committee. Thank you for the opportunity to give sponsor testimony on House Bill 317. This is a bill that will reduce customers' bills, keep Ohio competitive with other states, and decrease litigation.

Today, Ohio has a unique electric ratemaking structure that uses Electric Security Plans (ESP) and Significantly Excessive Earnings Test (SEET), which have historically enabled over-earnings relative to traditional rate cases. Further, the ESP provides electric distribution utilities (EDUs) a myriad of options to add riders to ratepayers' bills including the ability build and own electric generation, with PUCO approval, and charge their captive customers. Across all utilities we have a low of 11 and a high of 47 riders. In total, there are over 200 separate riders that ratepayers could be paying depending on the EDU service area and customer class.

So what is an Electric Security Plan? Perhaps the best way is to give you some background on this issue. In 2008, Governor Strickland signed into law Senate Bill 221 to revise the PUCO's regulatory structure and require each electric distribution utility to shed its power generation operations. SB 221 required utilities to offer a Standard Service Offer (SSO) for customers who do not actively choose a retail supplier.

Currently, the EDU has a choice between submitting an SSO as an ESP or a market rate offer (MRO). If a utility filed an ESP and it didn't like PUCO's conditions, it can reject them and file a new one. If the utility chose the MRO route, it cannot file an ESP in the future or modify it. So far, all utilities have operated under multiple ESP terms.

The PUCO is required to approve, or modify and approve, if the ESP is more favorable in the aggregate as compared to the expected results that would otherwise apply under an MRO. This can be very subjective. Further, EDUs that opt to provide service under an ESP must undergo an annual earnings test called the SEET.

Now, back to the bill. While seeming complex, this modification is simple in nature. Under House Bill 317, once an EDU's ESP terminates, the utility cannot extend the ESP or apply for a new ESP. Instead, the EDU would be required to file and operate under a MRO. An MRO is a more market-based pricing system versus an ESP which uses a traditional rate plan structure. An important point I want to make here is that most of the ESPs expire in 2024/2025, except for AES Ohio, which is operating under an ESP that has no end date.

Under an MRO, only statutorily approved riders will be allowed. This includes ones for economic development, advanced metering, and alternative energy (RPS). One thing to note, the bill does eliminate the ability for the PUCO to potentially approve a voluntary energy efficiency program. While I am not opposed to the idea, it is my understanding that Rep. Seitz is working with parties on crafting such a program. This bill can potentially accommodate those suggestions.

An additional benefit of the bill is it would resolve the issue of riders being collected from ratepayers under an ESP for years and then are later overturned by the Supreme Court of Ohio. It is estimated since 2009, Ohioans have been billed $1.5 billion in unlawful charges that have no ability to be refunded.

Finally, litigation costs should be reduced. These ESP cases sometimes take years to resolve and much of it is billed to the ratepayer. Under a traditional rate case, there are statutory deadlines on when a case must completed. During a rate case the EDU must open its books to be scrutinized and a cost-benefit analysis will be conducted on behalf of ratepayers.

Thirteen years have passed since the passage of SB 221. Now is the time to examine whether ESPs have outlived their purpose. With the EDUs locked into ESPs for the next few years we have a unique opportunity to do that. MROs could reduce ratepayers' bills and increase utilities transparency to their ratepayers, the citizens and businesses located here in Ohio.

Thank you again for allowing me the opportunity to present HB 317 to you today. I would be happy to answer questions.