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Testimony
Greg Bechert, Board Member, The EPO
Owner, Scioto Energy
House Public Utilities Committee
May 26, 2021

Chairman Hoops, Vice Chair Ray, Ranking Member Smith, and members of the committee thank you for the opportunity to testify. My name is Greg Bechert and I am an owner at Scioto Energy and a Board Member of the Energy Professionals of Ohio. The EPO thanks you for the opportunity to provide Proponent Testimony today for House Bill 317, legislation that would repeal the Electric Security Plan provisions of Ohio law. While well intentioned when it was created, the ESP has been applied in a manner at the PUCO that is harmful to consumers. I plan to address how this is happening in my testimony today.

Scioto Energy is one of the largest brokering and consulting firms in Ohio. We work with some of the largest energy users in the state all the way down to providing services on a residential level. We help our clients navigate the complex world that is energy management. Contracts can be extremely challenging to understand, and customer's no longer look for just the lowest price. The market has evolved to the point that energy management services including how a customer uses energy, energy efficiency, renewable energy, among other items are necessary in any successful energy management strategy. Because energy has become so complex, nearly two-thirds of all the energy purchased in Ohio goes through brokers to ensure contracts and risk management is tailored to each individual customer.

IN 2019, NOPEC, the largest energy aggregator in Ohio, refreshed a study showing what the effects of energy choice has done for customers. The original study was commissioned in 2016. The effects of competition, innovation, and open markets are not hard to predict but required my offices services to quantify. My office worked with NOPEC to aggregate actually customer data to provide our analysis. We didn't estimate or extrapolate. This is real end-user data showing real results. And the results say energy choice, transparent markets, and competition provides the best downward pressure on commodity prices. However, due to the non-bypassable riders that have been approved through ESPs over the years customer's total bills have not dropped in a proportionate manner.

I'm going to walk the committee through a few charts that demonstrate this what regulatory intervention and mismanagement can do to delivered prices for customers. Remember, the only thing that is exposed to competition is the commodity price of energy (the kilowatt hour), the total bill reflects a lot of regulatory layers that ultimately drive the final bills up.

Figure 10 – This chart shows the price of Duke's standard service offer (SSO), the price a customer would pay if they elect to not shop their electric load, versus average contract prices in Duke's service territory since 2010. You'll note the "price to compare", which is the SSO price, takes a dramatic drop in the January 2011 to July 2011 timeframe. This is the first time the SSO was set by a market option. Once exposed to competition and not set by a regulatory construct this price dropped a whopping 37%. The average contract rates of shopping customers stayed below this SSO rate the entire time with 2018 averaging 7% below the SSO. Markets works, actively participating in markets work even better. In the refresh of the NOPEC report we demonstrate the same effect in AEP Ohio's service territory as well but with a nearly 50% decrease in SSO rate due to competition.

While competition, innovation, and markets were driving the price of the commodity lower, utilities used the regulatory avenue to increase the delivered cost to customers.

This is especially true for customers located in AEP Ohio and FirstEnergy's service territories as these customers were not seeing the saving on their total delivered energy bill.

Figures 6 & 7 – These figures show the change in an OhioEdisoncustomer's bill over a period of 8 years starting in 2011 when markets were providing huge savings to customers. In 2011, the commodity price of a customer's bill made up 65% of the total bill and non-bypassable riders made up on 14%. By 2018 this changed to 52% and 31% respectively. ***What is the result of this increase?*** The increase costs associated with non-bypassable riders swallowed up much of the savings seen by competition on the commodity price.

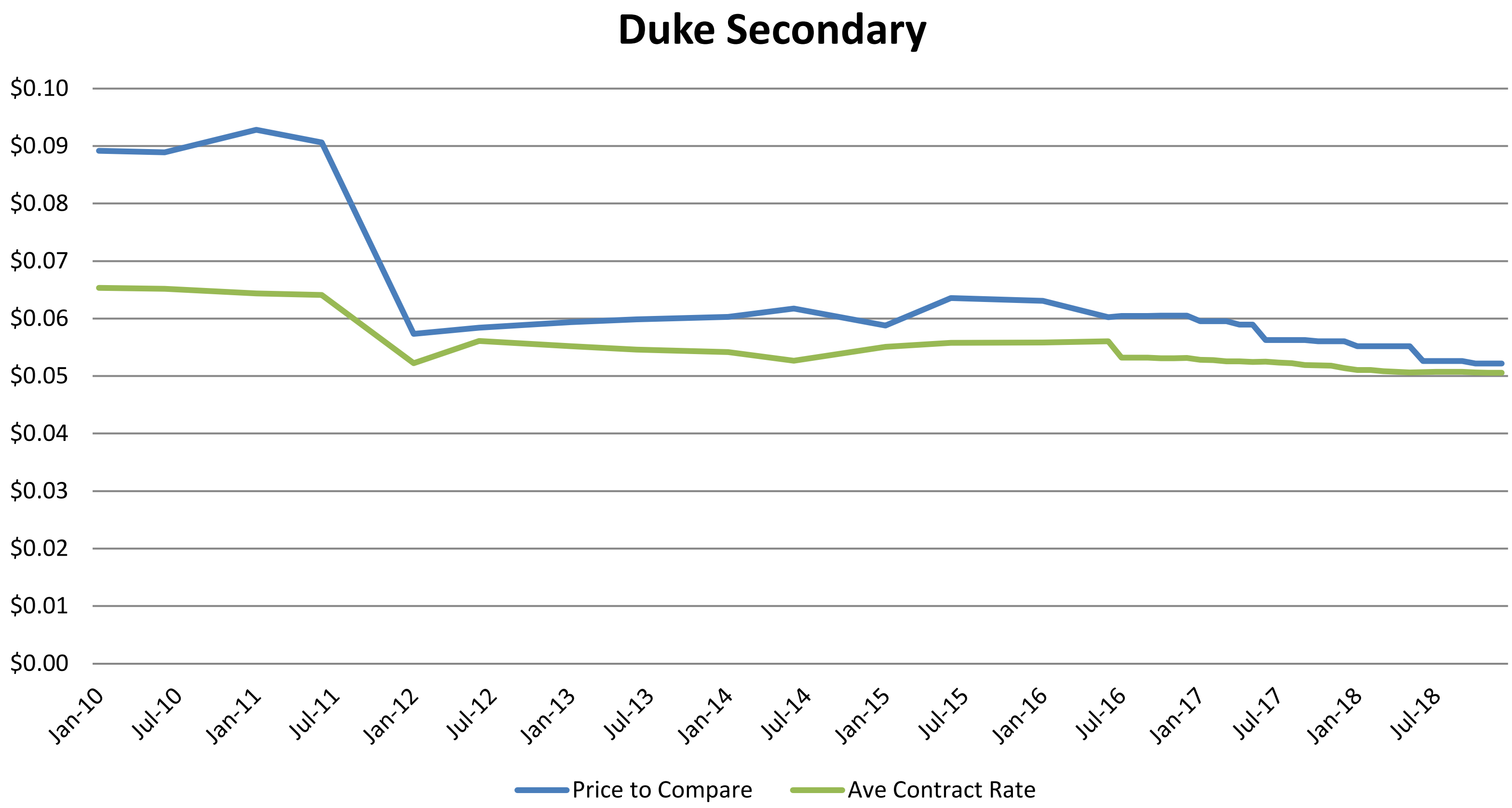
This experience was not unique to FirstEnergy. AEP Ohio was successful at the PUCO in doing the same thing.

These non-bypassable riders are all the result of ESPs. Depending on which investor-owned utility you find yourself being served by, you may have as many as 44 different riders on your bill, but no fewer than 25. While some of these are legitimate expenses, many are just the result of negotiations between parties who intervened in the rate case at the PUCO and received special treatment.

House Bill 317 will dramatically simplify customer bills by removing the ability of a utility to dole out favors to parties in the form of riders in regulatory negotiations. The charts included in my testimony are clear – customer's will save dollars if we remove the nearly unchecked ability of utilities to tack riders onto their bills.

Thank you for the time today. I am happy to answer any questions the committee may have.

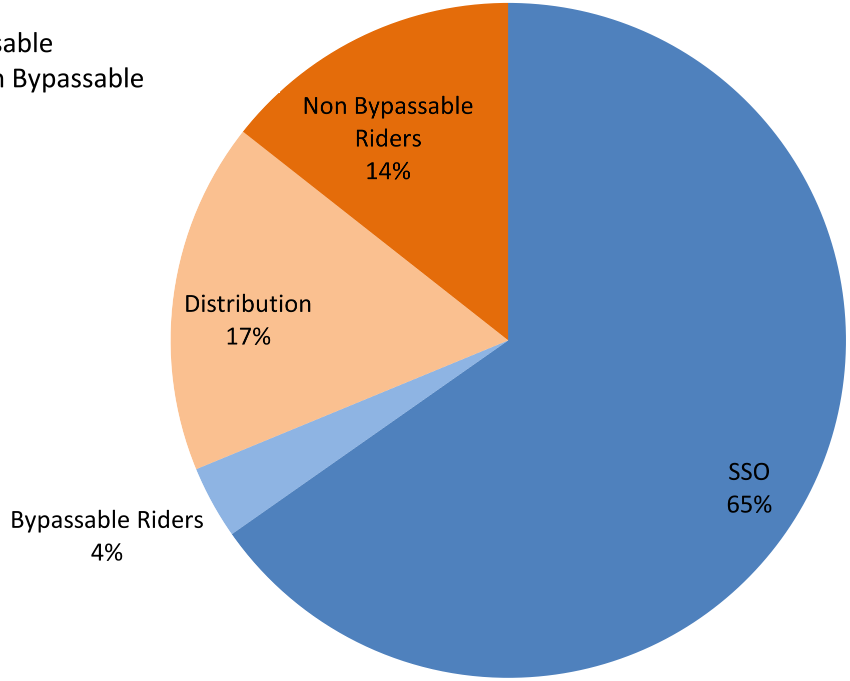
- Figure 10


Duke Secondary
$0.10
$0.09
$0.08
$0.07
$0.06
$0.05
$0.04
$0.03
$0.02
$0.01
$0.00
Jan-10
Jul-10
Jan-11
Jul-11
Jan-12
Jul-12
Jan-13
Jul-13
Jan-14
Jul-14
Jan-15
Jul-15
Jan-16
Jul-16
Jan-17
Jul-17
Jan-18
Jul-18
Price to Compare
Ave Contract Rate

• Figure 6

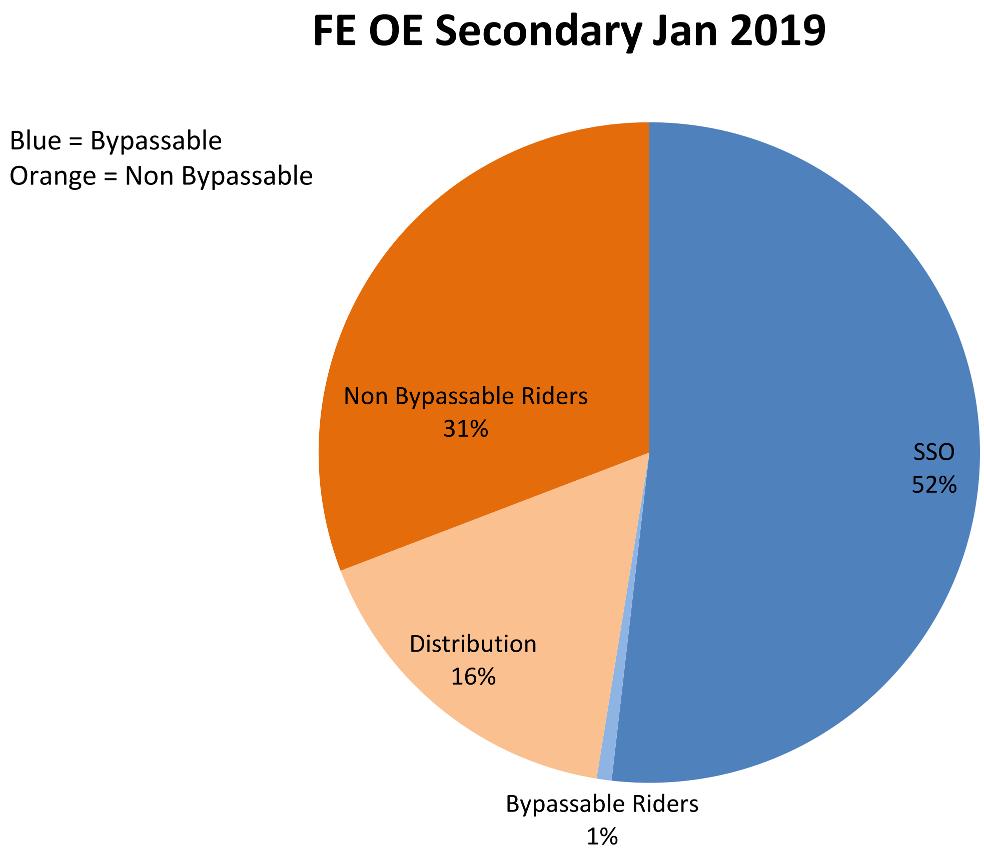
FE OE Secondary Jan 2011

Blue = Bypassable
Orange = Non Bypassable



Total Price:
$0.101 / kWh

- Figure 7



Total Price:
$0.102 / kWh