



Representative Lauren McNally
59th House District

Good afternoon, Chair Peterson, Vice Chair Thomas, Ranking Member Humphrey, and members of the Ohio House Government Oversight Committee. Thank you for allowing me the opportunity to testify on House Bill (HB) 444, legislation that will ensure Ohio ratepayers are not burdened with the cost of their public utility provider's lobbying expenses while requiring robust disclosure of political spending and enacting substantial penalties should a utility violate the law. Although my joint sponsor, now Hamilton County Auditor, Jessica Miranda is not able to join us, I am very grateful for her public service to Ohio's families and am honored to carry this legislation on our behalf and on behalf of all those who believe in consumer and political transparency.

This legislation is about meeting Ohioans where they're at, and that is why I decided to introduce this bill. Their stories, our stories, are why we are here. Upon sharing them, and telling you more about this legislation, I hope you will see what HB 444 can do for us and our state, and how it protects the pocketbooks of everyday Ohioans.

My family of six lives in about a 2,000 square foot house on the West Side of Youngstown. It's a great, kid-friendly neighborhood which works perfectly for my four kids Breen, Clare, Paddy, and Brigid who are between the ages of ten and four-years-old. Our house, like a lot of other Ohio houses, is very busy, chaotic, and never still.

Also, not so different from other Ohio houses, my kids can never seem to remember to close a front door. They are constantly letting the heat and air conditioning out and leaving every light in my house on. I swear I spend half my day following them around closing doors and turning lights off. I find myself sounding like my parents when I yell at them that money doesn't grow on trees and electricity is expensive.

Turns out, my parents weren't wrong though: electricity, and all the other essential utilities, are expensive. Not only are they expensive, but costs have also been on the rise over the last handful of years. Because of this, electric and other utility bills have become a topic of casual conversation in our neighborhood.

When my kids are outside playing with their friends next door and I'm chatting with the other parents at the fence, we're talking about how long we can go, or how hot we should let it get, before turning our air conditioner on. Can we wait a few more weeks? How uncomfortable should we let it get? How can we save some money on our bills? All of this may seem surface level, but the reality for everyday Ohioans and Ohio families like mine is that when we roll out of bed, roll up our sleeves, and get to work, we are hoping we can make enough to make ends meet and doing that is becoming harder and harder.

Utility costs play a significant role in Ohio's overall cost of living. The average Americans monthly utility cost is around \$472,¹ translating to spending 10% of yearly income on utilities.² In Ohio, our average residential electrical bill ranks 21st in the U.S. in terms of expense.³ On average, our residents spend about \$181 per month on electricity alone,⁴ adding up to \$2,172 per year. Commercial entities in our state have even higher bills with an average of \$662 in 2021.⁵ The average residential monthly natural gas bill is about \$271.30.⁶

Moreover, rising inflation has had a significant impact on the increasing cost of utilities since 2020. In 2022, consumers on average paid 14.3% more for electricity than in 2021, which is more than double the overall 6.5% rise in prices.⁷ This compound and further exacerbates the overall cost of utilities in Ohio while companies nickel-and-dime consumers with add-ons and fees. In 2019, Ohio residents paid an average of \$13.40 in taxes and fees monthly on their electric bills.⁸

Our family just looked at one of our more recent bills. I'll be honest, I don't even know what most of these line-item fees mean and I sincerely doubt the average Ohioan knows either. My fees on this particular bill add up to nearly \$50. When our friends showed me their bills, there were line items on there that just said, "round up" and had a number next to it. These "2 dollars here, 5 dollars there" fees and even as little as the 11 cent round up fee add up and can be the difference between someone being able to pay their bill or having their utility shut off.

Utilities are a necessity, so it's no wonder that their continually rising costs have become a very serious source of concern for families of all sizes across all corners of Ohio. We're talking top-of-mind worries, ones where middle-class Ohioans are navigating ways to "go without," even

¹ <https://www.forbes.com/home-improvement/living/monthly-utility-costs-by-state/>

² <https://www.bls.gov/opub/ted/2023/consumer-price-index-2022-in-review.htm>

³ <https://github.com/average-electric-bill-ohio/#:-:text=The%20average%20Ohio%20resident%20spends,ranks%201st%20in%20the%20U.S.>

⁴ cont.

⁵ cont.

⁶ <https://www.ohenergyratings.com/companies/national-gas-electric/understanding-your-bill>.

⁷ <https://www.forbes.com/home-improvement/living/monthly-utility-costs-by-state/>

⁸ <https://github.com/average-electric-bill-ohio/#:-:text=The%20average%20Ohio%20resident%20spends,ranks%201st%20in%20the%20U.S.>

though utilities are essential products they really can't or shouldn't go without. All this worry and flexibility just to stretch their household dollars a little further, and that's if they can.

But what about the Ohioans who can't and who've stretched well beyond their reach? Recently, the Greater Cleveland United Way reported on 211 hotline calls in Cuyahoga County.⁹ Of the 120 thousand calls received, 19% were from people needing help with utility assistance.¹⁰ Furthermore, it was reported that in 2022, there were 200k electric disconnections.¹¹ A few dollars a month matters to a lot of people.

As a consumer, I'm happy to pay a service fee here or there with the expectation that those fees are going back into bettering the commodity I'm buying, improving the service or technology in some way. Like utilities, groceries and food are a necessity. When I'm at the grocery store register, and I'm asked to round up or donate to the food pantry, I don't mind because I know where that money is going. There's transparency and a return on investment, whether for society at large or us personally.

But what if they asked me to give a few dollars to support their corporate, political agenda? What if they wouldn't tell us what that agenda is, how it improves the product, or makes our costs go down? What if they didn't ask at all, and paying for it was mandatory? I know my family and other Ohio families don't expect to be charged fees for a business's politicking or business executives enriching themselves through backroom deals.

Yet this is exactly what we, as lawmakers, are allowing to take place in Ohio in the utility space and why we have found ourselves embroiled in one of the biggest scandals to ever take place.¹² Ohio consumers are realizing that these of no account, yet very consequential, fees are piling on to an already expensive, yet very necessary, service that isn't being improved on their behalf but instead is being used for power and politics.

Despite convictions and indictments of conspirators in what was deemed by U.S. Attorney David M. DeVillers as "likely the largest bribery, money laundering scheme ever perpetrated against the people of the state of Ohio," Ohioans are still paying \$500k a day, over one-billion dollars, through increased electric bills and fee hikes.¹³ And when my neighbor is watching the evening news with his AC turned off in 80 degree weather just to save a buck, and he's hearing about how the money for these pay-to-play bribes is coming from his sweat-drenched pockets, you better believe he is mad as hell.

⁹ <https://www.211oh.org/reports>

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¹¹ cont.

¹² <https://www.washingtonpost.com/nation/2020/07/22/ohio-house-speaker-arrested-republican/>

¹³ <https://www.dispatch.com/story/business/2024/02/13/ohio-consumers-stuck-with-the-house-bill-6-amid-fresh/72570999007>

Understanding the fee, what it's for, and how it's meant to help me, the consumer who is paying for it, is already overwhelming to take on. Doing something about it or spending hours on a customer service hotline to do something about it? That's not a realistic expectation for a busy, working family. Going up against the lobbyists advocating for those fees and their millions to contribute toward influencing elections and our government? Fat chance!

It's no wonder Americans' views of politics and elected officials are unrelentingly negative. 65% of Americans say they always or often feel exhausted when thinking about politics.¹⁴ By contrast, just 10% say they always or often feel hopeful about politics.¹⁵ They're right to feel this way if we do nothing, most especially about bread-and-butter issues like their monthly bills and costs. Those feelings are an indictment on us, most especially when there are corruption indictments and we, as the stewards of this government, don't improve their circumstances.

HB 444 is an opportunity to do that and to show that we, as lawmakers, see and feel their experiences. HB 444 will ban public utilities from passing on lobbying and politicking costs to consumers.

This legislation is composed of three basic parts.

1. **Rules:** Ban utilities from lobbying, donating to political groups and non-profits or public relations campaigns with ratepayer money.
2. **Disclosure:** Require utilities to disclose an itemized list of their political expenditures.
3. **Enforcement:** Levy fines against utilities if they engage in politics with ratepayer funds.

These components are necessary because Ohio law is silent on this subject. The Public Utilities Commission of Ohio (PUCO) is authorized to establish a system of accounts,¹⁶ and for electric utilities, PUCO requires these utilities' books of accounts and records to be in accordance with the Uniform System of Accounts (USofA) prescribed by the Federal Energy Regulatory Commission (FERC),¹⁷ an independent agency that regulates the interstate transmission of natural gas, oil, and electricity.¹⁸ FERC also regulates hydropower projects.¹⁹ They're tasked with assisting consumers in obtaining reliable, safe, secure, and economically efficient energy

¹⁴ <https://www.pewresearch.org/politics/2023/09/19/americans-dismal-views-of-the-nations-politics/>

¹⁵ cont.

¹⁶ <https://codes.ohio.gov/ohio-revised-code/section-4905.13>

¹⁷ Ohio Administrative Code (O.A.C.) 4901:1-9-05(A). See also O.A.C. 4901:1-37-04(B), prescribing: "Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records, and accounts that are separate from the books, records, and accounts of its affiliates."

¹⁸ <https://www.ferc.gov/what-ferc>

¹⁹ cont.

services at a reasonable cost through appropriate regulatory and market means, and collaborative efforts.²⁰

In late 2021, FERC issued a Notice of Inquiry seeking comments on the rate recovery, reporting, and accounting treatment of industry association dues and certain civic, political, and related expenses and “whether additional transparency or guidance is needed with respect to defining donations for charitable, social, or community welfare purposes.”²¹ In 2022, the PUCO responded by submitting comments.²² In them, the PUCO stated that Ohio’s statutes governing electric ratemaking²³ do not specifically address recovery of association dues, civic, political, or charitable expenses.

Our Legislative Services Commission confirmed this, as well as the absence of a specific rule from the PUCO banning this practice. The PUCO simply has a long-standing practice of allowing permit recovery of industry association dues that “benefit customers” while not allowing recovery of expenses classified as political, charitable, or lobbying. This uncodified practice gives the false perception that this is existing Ohio law.

Furthermore, it begs several procedural questions on utility reporting and enforcement mechanisms. How are “benefiting customers” and “political expenditures” defined, and are these definitions strong enough? How closely is this being monitored and confirmed?

If this system, as it is today, is working, and an effective deterrent for utilities’ rate recovery of political expenditures, then First Energy couldn’t have amassed \$61 million dollars in revenues to bribe public officials as part of the HB 6 scandal. Where else would they generate that kind of revenue if not from consumers? We know capital expenses are a way utilities make money, but that’s by passing on fees to customers.²⁴ We know utilities borrow dollars from banks and shareholders, only to then pass it along as fees to customers.²⁵ This practice must be stopped as clearly as possible because, no matter how they’re doing it, you, and I, and millions of Ohioans know we will pay for it until it’s an option taken off the table.

Deterrence and transparency are key, and HB 444 clearly defines what constitutes political expenditures while requiring increased penalties and reporting. It will require that not later than the first day of January each year, each public utility shall submit to the PUCO an expenditure report listing all political expenditures that the utility made during the preceding twelve-month period. For each expenditure, the report shall include the payee, amount, and purpose of the

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²¹ <https://www.ferc.gov/media/e-2-rm22-5-000>

²² <https://dis.puc.state.oh.us/ViewImage.aspx?CMID=A1001001A22B22B33420A02803>

²³ See Ohio Revised Code (O.R.C.) Chapters 4909. and 4928

²⁴ <https://www.nrdc.org/bio/jc-kibbey/utility-accountability-101-how-do-utilities-make-money>

²⁵ cont.

expenditure. The report shall be submitted to the PUCO electronically, and upon its receipt, the PUCO shall post the report on the commission website for all to see. In doing so, HB 444 makes it much clearer to the PUCO, and by extension Ohioans, that the political ad appearing on their tv, in their mailbox, or on their phones or computers has been appropriately accounted for and not passed on to them.

If costs are passed on to Ohioans, HB 444 will give our state greater tools to make them whole. Current law prohibits willfully failing to comply with a lawful PUCO order or direction, making each day's continuance of the failure a separate offense.²⁶ This has served as the teeth for PUCO's restrictions on fee recovery, assuming these restrictions are contained in each and every PUCO order. You can have a long-standing practice, live in infamy and be fine, but when it comes to utility regulation in Ohio, we are not "fine" and what we are doing is not enough.

HB 444 builds on these enforcement tools while creating a cost recovery fund for Ohioans struggling with their bills called the Percentage of Income Payment Plan (PIPP) Program. It will require PUCO fines to equal 20 times the amount charged to the public utility's customers in violation of the bill's prohibition. It sends a clear message on the cost of corruption here in Ohio and who will pay for it. The world is watching and the time to send this message is now.

Over the last year, three states have passed legislation around getting politics out of utility bills 27.²⁷ Ohio has done nothing, despite being the reason, this topic of "utility regulation" conversation even exists.

While it won't solve all of the problems that come with the complexity of utility billing or utility regulating, and it isn't meant to, HB 444 will prevent future harm to our institutions of government while improving consumer and political transparency by focusing on eliminating one potential cost being passed on to consumers that we know, for certain, they would not agree to pay and shouldn't have to just because what they're paying for is something they can't live without.

Chair Peterson, Vice Chair Thomas, Ranking Member Humphrey, and members of the Ohio House Government Oversight Committee, thank you for your time and the opportunity to testify. I'm proud to sponsor this important legislation that puts people first and would be happy to answer your questions.

²⁶ <https://codes.ohio.gov/ohio-revised-code/section-4909.41>

²⁷ <https://energyandpolicy.org/wp-content/uploads/2023/01/Getting-Politics-Out-of-Utility-Bills.pdf>