

AMENDMENT 135_1405-1
TESTIMONY BY AMY SPILLER, PRESIDENT, DUKE ENERGY OHIO & KENTUCKY
BEFORE THE OHIO SENATE ENERGY & PUBLIC UTILITIES COMMITTEE
December 12, 2023

Chair Reineke, Vice Chair McColley, Ranking Member Smith, and members of the Ohio Senate Energy & Public Utilities Committee, I am Amy Spiller, President of Duke Energy Ohio & Kentucky. In this capacity, I lead the regulatory and legislative functions relative to the delivery of safe, adequate, and reliable utility service to 750,000 electric and 480,000 natural gas customers, just as we and our predecessor companies have done for over 185 years. In furtherance of the development of our region's economic stature, I offer the following testimony in support of Amendment 135_1405-1 (Amendment) to House Bill 201.

Duke Energy Ohio believes that changes to utility policy and law should occur only under two scenarios. The first is the existence of a substantiated pattern where customers are either harmed or disadvantaged. The second is when a clear and demonstrable improvement to existing conditions is brought forward. We believe that both scenarios exist today – the current structure threatens the state's ability to grow its economy and workforce, which adversely impacts all Ohioans, and a reasonable remedy to address the situation is warranted and available.

Competition for economic development is fierce and the intensity is increasing. For many states, including Ohio, a significant barrier to business attraction and expansion is a shortage of attractive "turnkey" or "shovel-ready" sites. For those unfamiliar with the term, "shovel-ready" describes a site that can be marketed to site selectors and businesses for timely occupancy and commencement of operations. The Ohio Department of Development and JobsOhio have recognized that our state lacks a robust inventory of these such sites. And, in his 2023 State of the State Address, Governor DeWine acknowledged that, "We simply don't have enough shovel-ready, development-ready sites for the kind of calls we are getting from companies all over the world."¹

In the past, timeliness, with respect to business attraction and expansion, was measured in terms of years. In today's world, it can be measured in months or even weeks. To meet this chronological demand, sites must have available and capable utility infrastructure in place in

¹ DeWine, M. (2023, January 31). *Governor DeWine's State of the State Address*. Mike DeWine Governor of Ohio: News Releases. <https://governor.ohio.gov/media/news-and-media/governor-dewines-2023-state-of-the-state-address-01312023#:~:text=It%20is%20a%20budget%20that,us%20start%20with%20our%20children>.

advance of inquiries by site selectors and businesses. Now, much of today's economic development news involves Intel, the Honda-LG battery plant, and a growing list of data centers announcing their intentions to locate in central Ohio. However, as the primary critical infrastructure operator and electric and natural gas utility provider in southwest Ohio, Duke Energy Ohio's attention is understandably focused on the customers and communities we serve. Unfortunately, our experience indicates that the constituencies in our area of the state are currently disadvantaged in the area of economic development, though through no fault of their own. A major impediment lies in a lack of sufficient utility infrastructure that would make the region more marketable and attractive to new and expanding businesses. In fact, in southwest Ohio we have experienced a threefold increase in business location inquiries since 2020, in addition to a dramatic increase in jobs, capital investments, and the need for the utility services required to support this transformational growth. While the best shovel-ready sites across Ohio have succeeded, the inventory has been diminished thus presenting an opportunity for the more disadvantaged areas to attract growth. The availability of utilities has become the critical path to economic success.

As lawmakers, you have the ability to keep Ohio competitive by merely refining an existing regulatory mechanism so that it can be better used to meet the challenges of today and tomorrow. The mechanism to which I refer is the Infrastructure Development Rider (IDR). The IDR was created in 2015 by House Bill 319 of the 130th General Assembly. It is a good tool for growing natural gas infrastructure, but its potential for application is limited as it was designed for a very discreet set of circumstances that are reactive in nature. To be useful for economic development, it needs to be updated to apply proactively to new opportunities and to appropriately capture all the related investment components necessary for success. I will now describe the elements of the amendment.

- This amendment permits the use of the IDR to recover the costs of constructing infrastructure to economic development sites that are supported by the Ohio Department of Development, JobsOhio, or one of their regional partners.
 - I want to stress that approval under this provision sunsets after six years to give the state the ability to map the new policy's progress and to determine whether it is worthy of reauthorization.
- It retains existing due process regarding IDR applications, meaning that the Public Utilities Commission of Ohio (PUCO) will still have full approval and denial authority for cost recovery applications under the IDR.

- It retains the existing allowable monthly charge cap of \$1.50 per customer and codifies an ability for the PUCO to mitigate the monthly charge impact to customers by authorizing recovery over a longer yet still restricted time.
- It allows for recovery of the natural gas company's infrastructure development costs, which include its capital investment, a return on that investment, its cost of debt, and the costs required for transmission supply interconnections. (The rate of return and cost of debt having been determined in the utility's most recent base rate case.)

Ohio stands at an intersection of opportunities and challenges related to economic growth. Duke Energy Ohio has spoken with state leaders and lawmakers, including some of you here today, about the need for a broad conversation to cover the state's economic development situation and potential for the future. We believe that positioning Ohio for economic prosperity would best be achieved through a comprehensive and coordinated strategy that interweaves energy, workforce, and taxation policies. More specifically, the energy component should include the availability, adequacy, and affordability of utility resources and infrastructure.

Although the policy contained within the amendment is not a comprehensive solution to all the energy challenges facing Ohio, it will significantly improve the state's competitive standing for economic development in the near term. It accomplishes this by refining an existing regulatory mechanism; maintaining rigorous due process, government oversight and responsible customer protections; and, by including a sunset requirement on the prospective policy component. Based upon the need for action and the reasonableness of this proposal, Duke Energy Ohio strongly urges you to enact this important public policy.

Chair Reineke, Vice Chair McColley, Ranking Member Smith, and members of the Ohio Senate Energy & Public Utilities Committee, thank you for allowing me to testify about this very important policy. I will now welcome any questions.