



State Senator Mark Romanchuk
Senate Bill 143 Sponsor Testimony
Ohio Senate Energy & Public Utilities Committee
December 12, 2023

Chairman Reineke, Vice Chair McColley, Ranking Member Smith and members of the committee, thank you for giving me the opportunity to testify on SB 143. SB 143 is similar to HB 247 I introduced in June of 2017.

Electric Security Plans are Harmful for Ohioan's Pocketbooks and Our State Economy

Electric Security Plans (ESP) were created in 2008 as a “back-stop” to allow the recently created electricity market to fully develop. Since 2008, the market has, in fact, fully developed. At the same time, the ESP statute was manipulated causing Ohioans and our businesses to pay unnecessary charges equaling 100's of millions of dollars on their electric bills. In some cases, ratepayers received nothing in return for their payments. In short, ESPs were used to circumvent traditional ratemaking and extract excess money from the pockets of Ohioans. The ESP statute is flawed.

Ordinarily you would expect that the Public Utilities Commission of Ohio (PUCO), which should be a check on the investor owned utility, would prevent such manipulation. Unfortunately, they failed. I know this because over the years, the Ohio Supreme Court has ruled that \$1.5 billion of PUCO approved charges were unlawful.

After the Ohio Supreme Court overturns improperly approved charges, most people would expect the money to be returned to their rightful owners. That doesn't happen either. This is because of a 1957 Ohio Supreme Court ruling which prevents the utility from returning the money.

Simply put, the system is not working. It's incorrectly applying charges and, if the charges are deemed to be unlawful, they can't be returned to the Ohioan who paid it.

The Ohio legislature Should Fix This Broken System

Fortunately, I am not the only legislator who identified this problem. I want to thank Senator Wilkin for joining the fight to finally address this broken system. The only way forward,

however, is to fully repeal the ESP statute and return to the traditional ratemaking which occurred before 2008.

Traditional ratemaking ensures fair rates for the consumer. It's an open and transparent process conducted by the PUCO that reviews all utility's revenues and expenses and sets consumer utility rates to yield a certain rate of return. Think of rate of return as the utility's profit. Like all businesses, the utility wants to maximize their profit. On the other hand, the utility is a monopoly and does not have to compete for business like all other businesses do. Therefore, it's the job of the PUCO and the state legislature to ensure a monopoly utility earns a profit that is reasonable and not excessive. The traditional ratemaking process has been essentially upended by the utilities and state law by the filing of ESP cases that are not reviewing *all* revenues and expenses. This process of using ESPs in place of traditional rate making has eliminated a vital check and balance. ESPs don't ensure consumer utility rates that yield an overall reasonable profit level. That's why the utilities are against the elimination of ESPs.

The Legislature Should Muster the Courage to Eliminate ESPs and Shift Back to Traditional Ratemaking for the Good of all Ohioans and Our Businesses

Thank you for your attention. Now the ball is in your court.