



**Ohio Senate Energy & Public Utilities Committee
Written-Only Interested Party Testimony - Senate Bill 10 (Romanchuk)
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Chair Peterson, Vice-chair Schuring, Ranking Member Williams, and members of the Senate Energy & Public Utilities Committee; my name is Miranda Leppla and I'm the Vice President of Energy Policy for the Ohio Environmental Council Action Fund. Thank you for allowing me to submit interested party testimony on SB 10.

The Ohio Environmental Council Action Fund works to secure healthy air, land and water for all who call Ohio home. We appreciate the work Senator Romanchuk has done to draft a thoughtful bill that addresses multiple ways FirstEnergy has gamed the system to obtain outsized benefits for its utilities, and I will address the decoupling provision passed as part of House Bill 6 in particular. OEC Action Fund is submitting interested party testimony to address the benefits we see in this bill, and to offer an important suggestion for improvement as well.

The traditional utility business model is such that the more electricity the utility distributes to customers, the higher its revenues and profits. This model worked well during the industrial boom in the U.S. because the demand for electricity went up year after year. But, as energy waste reduction measures, or energy efficiency, and more sophisticated energy management of the grid has developed, "decoupling" rate mechanisms were designed remove pressure on utilities to keep selling more and more electricity, and to stabilize revenues that were being lost to less and less electricity being sold.

Decoupling simply unhooks a utility's revenue and ability to earn profit from its sales volume. Instead, revenues are adjusted so that the utility is not disincentivized from things like energy waste reduction programs and energy conservation that help Ohioans save money on their bills. To ensure customers continue to receive the benefits of reducing their energy usage--lower electric bills and allowing Ohioans to rely on less expensive and cleaner forms of energy--decoupling is used to true-up the utility's lost revenue, if any, from energy sales at the end of the year. This mechanism encourages utilities to continue to offer robust energy waste reduction programs by striking a balance between customers and utility losses, if and when consumers use less energy thanks to energy waste reduction measures. A well-designed decoupling mechanism results in a refund to customers when a year is hotter than expected and more electricity is sold by the utility, while in other years, utilities collect more revenue in rates than they would have otherwise.

While Ohio utilities have proposed decoupling measures that were reviewed and approved as ratemaking measures at the Public Utilities Commission of Ohio (PUCO) for years, FirstEnergy essentially bypassed any scrutiny of the decoupling mechanism by locking it in as part of House Bill 6, using 2018--the hottest year on record at the time the bill was passed--as the baseline year to compare its sales to through House Bill 6. This means that Ohioans subject to the decoupling mechanism are unlikely to ever see a refund because the hottest year to date was used as the baseline.

To make matters worse, House Bill 6 simultaneously removed utility-run energy waste reduction/efficiency programs, negating the main reason decoupling makes sense. As a result, FirstEnergy customers are paying this charge no matter how much energy they are using *and* without the benefit of any efficiency rebates that could have lowered their bills. OEC Action Fund agrees that without energy waste reduction programs, removing decoupling makes sense.

However, Ohio utilities are still permitted to offer voluntary energy waste reduction, or energy efficiency, programs, and should be permitted to request decoupling as a ratemaking mechanism in the cases in which those voluntary programs are proposed, including rate cases. The OEC Action Fund recommends that the bill clearly state that utilities proposing voluntary energy waste reduction programs can also request a decoupling mechanism in the case in which the voluntary program is proposed as part of SB 10.

Thank you for allowing me the opportunity to submit testimony as an interested party on SB 10. The OEC Action Fund looks forward to working together to improve the bill.