



State Representative David Leland

Sponsor Testimony – House Bill 10

Chairman Hoops, Vice Chair Ray, Ranking Member Smith, and members of the House Public Utilities Committee, I come before you today to offer sponsor testimony on House Bill 10 – the Competitive Energy Reform Act.

This legislation has two parts. The first is now-Senator Romanchuk’s House Bill 772 from the last General Assembly. It simply repeals the \$2.93 billion in bailouts and consumer-funded subsidies enacted as a part of House Bill 6 and refunds any money collected. The second part creates Energy Waste Reduction (EWR) programs. These programs are, to a certain extent, the product of listening to the comments, questions, and concerns of the majority party during our nearly two-year long discussion on energy policy in Ohio. These programs avoid mandates, and instead take a consumer choice- and market-driven approach to reducing our energy consumption, thereby saving consumers money, creating jobs, and reducing carbon emissions.

Repealing Subsidies & Bailouts

Just in case anyone’s forgotten, House Bill 6 from the 133rd General Assembly was the bailout of the Davis-Besse and Perry nuclear plants in northern Ohio, the Kyger Creek coal plant in Cheshire, Ohio on the West Virginia border, and the Clifty Creek coal plant in Madison, Indiana.

Senator Romanchuk and I are in agreement – we need to repeal these payments, and the companies involved should pay back any funds received. In short, this bill achieves that. Specifically, it:

1. Repeals the nuclear subsidies (Nuclear Resource Credit program)
2. Repeals the OVEC subsidies (Legacy Generation Resource Cost Recovery program)
3. Repeals the solar subsidies (Renewable Energy Credit program)
4. Repeals the decoupling mechanism
5. Repeals the HEAP program changes
6. Requires all revenue be refunded to Ohio consumers

FirstEnergy (now Energy Harbor) never demonstrated the need for this bailout in the first place. This was underscored by their multi-million dollar stock buy-backs. Now after recent FERC rulings, it appears that it may not even want the money anymore.

We should also repeal this OVEC subsidies. Ratepayers in Ohio shouldn’t be in the business of bailing out corporations that make bad business decisions – especially when their money is going to a coal plant in Indiana.

Finally, we should repeal the decoupling provisions. While we have recently learned that FirstEnergy is returning this gift, the passage of HB 10 guarantees that Ohio consumers will not be forced to pay it sometime in the future.

In addition, we all know from the US Attorney investigation that has produced criminal indictments, racketeering guilty pleas, high level executive dismissals, and the resignation of Ohio's top utility regulator, that these policy proposals were brought to us in bad faith. Clearly, the best way we can send the message that Ohio is not for sale is by repealing these provisions of HB 6.

Introducing Energy Waste Reduction (EWR) Programs

Energy Waste Reduction Programs are the innovative backbone of the Competitive Energy Reform Act. They pair a simple concept – investing in the reduction of our total energy usage over time, with the free-market principles of competition and consumer choice.

The EWR Program Structure

At the most basic level, companies will submit proposals to become eligible Energy Waste Reduction program providers to PUCO. These proposals must detail a plan to achieve one-half percent energy savings by the end of its first year, and one percent energy savings each year after that. That means, after ten years customers should be looking at nearly 10 percent savings on their energy usage, but, it's worth emphasizing, these are goals, not mandates.

Once a company becomes an eligible provider, they can bid to become the default provider to serve each electric distribution utility's certified territory. Customers within that territory will be charged a monthly fee on their energy bill, likely coming to \$15-\$20 per year, to be enrolled in the EWR program, and customers can opt out of the program or choose a different EWR program provider at any time. Finally, all eligible EWR providers must submit an annual report detailing their costs, the amount they charged customers, their energy savings, and the customers participating.

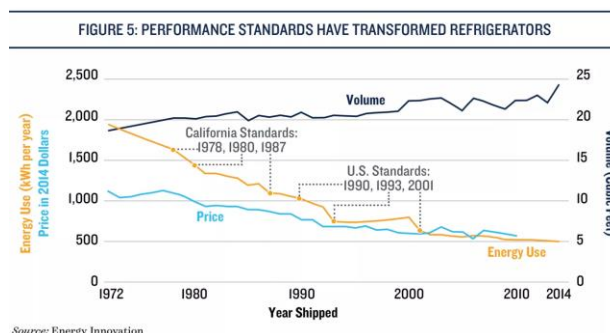
In the end, there are three levels of accountability that ensure these programs are working to save money for Ohio consumers: competition between EWR providers, consumer choice, and the regulatory requirements the EWR providers must meet.

How do EWR Programs work?

EWR Programs can come in a wide variety of shapes and sizes, and they're energy agnostic. The programs simply have to deliver on the yearly one percent energy use reduction goal.

This could mean providing rebates for customers to purchase smart thermostats that regulate temperatures and calibrate with nearby homes in order to reduce peak demand.

It could mean a company could target customers with older, energy-chugging refrigerators and replace them with newer, energy-efficient ones. The chart attached to this testimony illustrates why this is a ripe opportunity:



A company could even take a targeted approach and look business-by-business within a regional territory at the energy usage, make recommendations, and assist with installation costs for less wasteful HVAC systems, compressed air usage, and industrial processes.

The possibilities are truly endless.

The Benefits

The benefits of the program are difficult to overstate. By reducing peak-demand costs, energy usage across the grid will decrease, saving customers money during the most expensive times they can use energy. Customers will also save because utilities won't have to develop the expansive infrastructure to support these peak-demand times. These programs will create jobs for creative entrepreneurs who see opportunity to reduce energy usage, as well as for the people they'd employ – HVAC technicians, appliance recyclers, smart thermostat installers, and industrial process analysts, to mention a few. Finally, these programs will also reduce our carbon emissions.

Remember the cheapest, cleanest kilowatt of energy is the kilowatt not used.

Thank you for the opportunity to offer sponsor testimony, I now look forward to answering any questions you may have.