



# THE BUCKEYE INSTITUTE

## **Decouple Ohio's Unfair Utility Deal**

Interested Party Testimony  
Ohio Senate Energy and Public Utilities Committee  
Senate Bill 10

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As Submitted

Chair Peterson, Vice Chair Schuring, and Ranking Member Williams, thank you for the opportunity to submit written testimony regarding Senate Bill 10.

My name is Greg R. Lawson, I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Ohio’s energy policy is tragically flawed. It has used government power to disadvantage market competitors, which is never a good idea. It has made energy more expensive than it needs to be for Ohio families and businesses, which has cost us jobs, wages, and profits. It has used taxpayer-funded subsidies to bailout inefficient energy producers, which is crony capitalism at its worst.

Senate Bill 10 forces a much-needed debate on these concerns and those raised by the “**ugly corporate bailout**” known as House Bill 6. Unfortunately, Senate Bill 10 does not repeal the bailouts or all that was wrong with House Bill 6, but it does take a good initial stride forward.

Specifically, Senate Bill 10 will repeal House Bill 6’s egregious decoupling provisions that locked-in higher energy prices for consumers while benefiting FirstEnergy. Decoupling provisions for utilities traditionally offset losses incurred to implement energy-efficiency programs or other government mandates. But the decoupling provision in House Bill 6 used the highest base-rate year in the last decade to lock-in the highest possible cost to consumers for the maximum benefit of *one* company—FirstEnergy. Even FirstEnergy’s former-CEO Chuck Jones once callously described these provisions as “**recession-proofing**” the company.

Senate Bill 10 also repeals language in the last operating budget bill that would allow utilities to withhold refunds to consumers under revisions to the “significantly excessive earnings test” (SEET) that was established in 2008. And it contains provisions to refund the decoupling and SEET charges that have already been charged to consumers. Both take steps in the right direction.

The **recent agreement** between Attorney General Dave Yost and FirstEnergy to “zero out” the decoupling rider is welcome, but it does not solve the problem because the statute retains the decoupling provision. Thus, the risk that the decoupling mechanism could rear its hideous head again remains. Legislative action is therefore necessary.

In the 1990s, Ohio moved toward a more competitive, customer-centric, partially-deregulated electricity market that benefited all consumers and gave them greater control in meeting their energy needs. As rates rose across the country, Ohio’s competitive market provided cheaper electricity. Regrettably, Ohio’s more recent energy policies have undermined these advantages with expensive, **job-killing** renewable portfolio standards, corporate bailouts, and House Bill 6’s decoupling provisions. Now, the state languishes in a strange hybrid environment in which regulated investor-owned utilities retain generation capacity through affiliates, and utilities use electric security plans to soak unsuspecting consumers.

Ultimately, Ohio needs a comprehensive energy-market restructuring to fully undo the damage that House Bill 6 and other misguided energy policies have caused. In the meantime, Senate Bill 10 and Senator Romanchuk’s previously introduced **legislation** provide a good place to start.

Thank you for the opportunity to submit written testimony on this important issue.



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