MINUTES OF THE
THREE HUNDRED AND SIXTY SECOND MEETING
OF THE OHIO CONSUMERS' COUNSEL GOVERNING BOARD
March 17, 2015

Members Present:	Gene Krebs, Chairman Jason Clark Fred Cooke Sally Hughes Susheela Suguness, Vice Chair Roland Taylor Mike Watkins Stuart Young
Members Absent:	Fred Yoder
Guests:	Jeff Clark, Attorney General's Office Howard Petricoff

CALL TO ORDER
Chairman Krebs called the meeting to order at 9:05a.m. He invited members to join him for lunch at the statehouse.

RECOGNITION BY THE CONSUMERS' COUNSEL
Consumers' Counsel Weston introduced Laurie Knight, OCC's Employee of the Quarter for the Fourth Quarter, 2014.

NEW EMPLOYEES
Ms. Hunyadi introduced Lisa Davis, Fiscal Manager.
Mr. Weston introduced Mary Edwards, Consumers' Counsel Aide.

Chairman Krebs asked Mr. Weston to discuss fiscal matters with the Board. Mr. Weston stated that he testified on OCC's budget before the House Finance Subcommittee. He outlined budget expenditures and personnel matters with the Board.

APPROVAL OF MINUTES
Mr. Watkins made a motion to approve the minutes from the January 26, 2015 meeting. Mr. Clark seconded the motion. Mrs. Knight called the roll. The minutes were approved.

PRESENTATION BY Retail Energy Supply Association (RESA)
Mr. Weston introduced Mr. Howard Petricoff from the Vorys law firm. Mr. Petricoff presented to the Board on behalf of RESA. He thanked the Board for the opportunity to present to them and stated that RESA is a nationwide trade association of companies that make retail power sales in the restructured states. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient, customer-oriented outcome than a regulated utility structure.

RESA was founded in 1990. Membership includes more than twenty retail members who operate throughout the United States. Members deliver value-added electricity and natural gas service to residential, commercial and industrial customers. RESA members work with other stakeholders in PUCO proceedings including the OCC.

Mr. Petricoff stated that services that are subject to a natural monopoly must be regulated to prevent monopolistic rents. Services that are subject to competition should not be made to be natural monopolies. Where there is competition you want a thriving market and you do not want regulation.

In today's competitive market place typical types of offers include: fixed price, percentage off utility's standard service offer, variable price, purchase from renewable sources and contract term length.

The biggest problem on the horizon today is the nonbypassable ratepayer guarantees. They are called that because that is how they operate. The utility would call it rate stability or a hedge. What is at stake are four coal-fired plants for AEP, two coal fired plants for Duke and for FirstEnergy three coal-fired plants and one nuclear plant. These plants were selected by the utilities without consultation with any other interested parties.

The utilities selected these plants to provide a hedge against price volatility. Mr. Petricoff called this arrangement a dirty hedge (no set price). The power will be sold into the market, and if the utility raises more money than it costs to generate the power, it will provide a credit for customers. If its generation costs are more than the revenues generated it will be a charge to customers. Mr. Petricoff stated that he does not believe that the power purchase agreement will stabilize rates. These plant costs will fluctuate up and down with the power market. For the first several years power purchase agreements will raise the rate and it's not clear if the losses will continue. However, there is no warranty or guarantee provided by the utilities.

Mr. Petricoff stated that generation is a competitive market. These old (Eisenhower era) coal plants could be closing because they are expensive and uneconomic. In Ohio that is not a bad thing because of the availability of shale gas to power the gas plants that are coming on line which will match and exceed the capacity of the coal plants that are closing. However, if consumers pay the subsidy sought by the utilities Ohio may be in worst shape because these new gas plants may not be built.

The Board recessed at 10:00 a.m. and reconvened at 10:10 a.m.

ELECTRIC UTILITY INDUSTRY

Meaning of "Death Spiral"

Greg Slone presented on the death spiral. The existing utility model is a connected grid powered by large generating units that take a decade to build and have been around at least 50 years. Changes have come to the utility world. These changes are driven by higher costs and environmental concerns.

The business model is affected by: reduced use of electricity from the grid through customer energy conservation and renewables; customer base needed to cover the utilities' fixed costs declines – increasing costs; and increased rates create incentives for more customers to conserve and employ renewables.

Contributions to an electric utility death spiral include: customers conserving energy, distributed generation, roof top solar, improved electricity storage, customer culture change and a lack of adaptation by the electric industry. An example is the utility stance against energy efficiency mandates. These contributing factors will not happen overnight. Consumer resistance to change must be overcome in order for death spiral to come about. For example, residential customers are switching at only a 30 percent level despite a guaranteed level of savings.

The power purchase agreement deal proposed by FirstEnergy (15 year) will guarantee the power plants' rate of return. If that happens, it will postpone the death spiral. Oklahoma has a law that states that residential customers who install distributed generation (solar or wind) have to pay a surcharge to pay for those customers who did not install distributed generation. This does not foster innovation and can slow the death spiral. In Wisconsin the utility proposed increasing the customer charge from $10.50 per month to $68.00 per month, and reducing the cost of generation from $0.14 per kwh to $0.07 per kwh. This change in rate design will protect the utility from reduced customer consumption, thereby slowing the death spiral.

Mr. Slone stated he was not advocating one way or another. He stated what OCC advocates for is affordable rates. If service from the utility was the cheapest rate for consumers we would be for that. However, with the subsidies and bailouts that the utilities are seeking it is unlikely that the utility service will be the cheapest option.

REPORT OF THE CONSUMERS' COUNSEL

Mr. Weston reported on recent activities of the agency. OCC's budget is being considered in House Bill 64. For purposes of our agency, the budget bill testimony contains three components for OCC: the agency budget, basic telephone service legislation, and an additional issue of helping consumers with their utility complaints.

Mr. Weston stated that our testimony reflects the work of many of our staff. Chairman Krebs encouraged the pursuit of helping consumers with complaints. The Board passed a resolution on June 7, 2013, regarding basic local telephone service. And that resolution was attached to our budget testimony.

Mr. Weston testified that ORC 4911.021 should be clarified to allow the Consumers' Counsel to handle consumer complaints. As a government agency with the word consumer in our name and that receives contacts from consumers and also from legislators seeking assistance for consumers, allowing the agency to assist consumers would be consistent with providing services that the public would reasonably expect from a government agency. OCC's budget proposal does not contain a request for more funds to implement this clarification to enable the agency to assist with consumer complaints. .

Mrs. Hughes asked how much it would cost to return OCC's call center. Mr. Weston emphasized he was not asking for a call center. Mr. Weston replied that the cost depends on salary and benefits packages, plus equipment. The call center benefitted consumers when we could help them. The call center also informed our advocacy in various cases by talking with Ohioans and enabling us to learn things we otherwise may not have known.

Dominion Auction Results
Bruce Hayes presented to the Board on natural gas. Mr. Hayes explained the standard choice offer is an auction-determined price -- NYMEX plus retail adjustment or "adder." The Dominion Auction resulted in an adder price of 2 cents. Historically, that auction adder price has been $1.30 or $1.40. OCC was quoted in the Plain Dealer. OCC's quote was: "at a time when Ohio's electric utilities are seeking re-regulation and subsidies from customers, Ohio's natural gas utilities continue to show the benefits of using competitive markets to lower Ohioans' natural gas bills."

PUCO Decision on AEP Electric Security Plan

Power Purchase Agreement (PPA) Charge to Consumers
On February 25, 2015, the PUCO denied AEP's proposal for a power purchase agreement and stated that AEP Ohio can make a future filing to try to justify a PPA to collect charges from customers. The PUCO has provided a road map for these types of cases. The summary of that roadmap is as follows:

- Financial need of generating plant;
- Necessity of generating facility in light of future reliability concerns;
- Impact that closing the generating plant would on electric prices and economic development;
- How the generating plant complies with existing environmental regulations and the utility's plan to comply with pending environmental regulations

OCC wants a substantial focus of a PPA review to be what does a power purchase agreement cost consumers. In the FirstEnergy case, for example, OCC has estimated that cost to be $3 billion. Another criteria for PUCO consideration should be how much does a PPA cost consumers by damaging competition. It has been said that competition has the ability to lower utility bills.

Mr. Weston pointed out that Duke's disconnection rate is 14.3%, the highest rate in Ohio. He noted that Duke has deployed smart meter technology. Chairman Krebs stated that it would be interesting to know the impact poverty levels have on disconnection rates of investor-owned utilities. Mr. Weston distributed an article from the Cincinnati Enquirer on the subject of Duke Energy's disconnection rate.

Ms. Suguness made a motion to enter executive session to discuss employment and evaluation of a public employee. Mr. Watkins seconded the motion. Mrs. Knight called the roll. The motion passed unanimously.

Executive Session began at 11:30 a.m. and concluded at 12:15 p.m.

Chairman Krebs stated the board had completed evaluations and comments of Consumers' Counsel Weston and Deputy Consumers' Counsel Sauer. The Chairman also offered a suggestion to Mr. Weston that he should feel free to call Board members who have experience running large organizations and seek out input from them. Mr. Young said that he and Mr. Cooke would like to state the conclusions of the evaluations.

With no further business, the meeting adjourned at 12:20 p.m.

I verify that the above meeting minutes have been approved and ratified by the OCC Governing Board on this 19th day of May, 2015.

Gene Krebs, Chairman
Ohio Consumers' Counsel Governing Board

Laurie Knight

Laurie C. Knight, Secretary
Ohio Consumers' Counsel Governing Board