Before
The Ohio Senate
Public Utilities Committee

Testimony on Senate Bill 155
by
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On Behalf of the
Office of the Ohio Consumers' Counsel

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Hello Chair Beagle, Vice-Chair LaRose, Ranking Minority Member Williams, and members of the Committee. Thank you for this opportunity to testify.

I am Dan Shields, the Director of Analytical Services at the Office of the Ohio Consumers' Counsel. The Consumers' Counsel is the representative of Ohio's residential utility consumers, including the electric consumers affected by Senate Bill 155 (Bill). I respectfully recommend that you protect millions of Ohio electric consumers from paying higher electric bills, by not enacting the Bill. The Bill would result in Ohioans subsidizing two uneconomic power plants – one in Indiana and one in Ohio – that were built in the middle of the last century. These power plants are held in part by utilities or utility affiliates through the Ohio Valley Electric Corporation (OVEC).

This testimony updates earlier testimonies by the Ohio Consumers' Counsel for consumer protection from this Bill. In our testimony of October 12, 2017, we noted that the U.S. Department of Energy (US DOE) announced it was seeking a national solution to support coal and nuclear power plants through subsidies to be paid by consumers.

Our update is that, on January 8, 2018, the Federal Energy Regulatory Commission (FERC) rejected the subsidy proposal by the U.S. Department of Energy. In rejecting the Department of Energy's proposed subsidy, FERC touted the benefits of competition for consumers:

> The Commission's support of competitive wholesale electricity markets has been grounded in the substantial and well-documented economic benefits that these markets provide to consumers. In Order No. 890, for example, the Commission cited a DOE study that found that competition had reduced consumers' bills by billions of dollars a year, even as it found that additional savings could be achieved by removing congestion bottlenecks. In Order No. 719, the Commission explained that effective wholesale competition protects consumers by 'providing more supply options, encouraging new entry and innovation, spurring deployment of new technologies, promoting demand response and energy efficiency, improving operating performance, exerting downward pressure on costs, and shifting risk away from consumers.' [FERC Order, Docket RM18-1, para. 11 (Jan. 8, 2018) (footnotes omitted).]

FERC established a new proceeding to explore electricity resilience issues. FERC indicated that once it gathers information on resilience in its new proceeding, it will evaluate whether additional action is appropriate.

Supporting uneconomic power plants can be related to other negative consequences for consumers. Our second update is that OVEC has now proposed to federal regulators that it join the PJM regional power market. The proposal would allow OVEC's subsidized power plants to continue to participate in and distort PJM's wholesale capacity and energy markets to the detriment of consumers. It would also transfer to Ohio consumers, and other PJM consumers, the risk that OVEC's aging transmission system may soon need very costly transmission upgrades to continue to satisfy PJM deliverability and reliability criteria. It could be expected that OVEC's costs for transmission upgrades would ultimately become consumers' burden in increased electric bills.

The better approach to affordable electricity pricing is House Bill 247, which would give Ohioans the benefit of competitive pricing from power plants without paying subsidies to utilities. And House Bill 247 would enable utility refunds to consumers (presently denied) when the Supreme Court of Ohio or other authorities invalidate PUCO-authorized rates. That refund provision is particularly relevant here, where the PUCO has already allowed AEP and DP&L to charge their consumers for OVEC power plant subsidies. Under House Bill 247, consumers would be protected with refunds in the event the Supreme Court of Ohio later reverses PUCO orders allowing subsidies for OVEC plants.

In conclusion, please do not enact this legislation that would increase the electric bills of hard-working Ohioans. Let’s make lower electric generation bills the “new normal” for Ohio families and businesses. That would fulfill the vision for power plant competition in the General Assembly’s 1999 deregulation law, where subsidies were to end and the electric utility “shall be fully on its own in the competitive market.” (O.R.C. 4928.38)

Again, I thank the Committee for this opportunity to discuss utility consumer issues that affect millions of Ohioans and their electric bills.