

**BEFORE THE
PUBLIC UTILITIES COMMITTEE
OF THE OHIO HOUSE OF REPRESENTATIVES**

REP. ROBERT CUPP, CHAIRMAN

**HOUSE BILL 247
TESTIMONY
OF**

THE OHIO MANUFACTURERS' ASSOCIATION

**BY
BRADLEY BELDEN**

NOVEMBER 28, 2017

Chairman Cupp . . . members of the House Public Utilities Committee . . . Good afternoon. Thank you for the opportunity to testify today as a proponent of House Bill 247 and its many provisions for strengthening consumer protection through electric competition.

My name is Bradley H. Belden. I am a Vice President of The Belden Brick Company, which is headquartered in Canton, Ohio. I also serve as Chairman of The Ohio Manufacturers' Association Energy Committee. My testimony is reflective of both my company and the OMA.

The Belden Brick Company owns and operates six plants in Tuscarawas County and employs approximately 450 people in Ohio. We produce both molded and extruded face brick and pavers.

We are the largest family-owned-and-managed brick company in the nation, and the sixth-largest brick manufacturer overall, as measured by production volume.

Access to reliable, affordable electricity is a big competitiveness issue for our company. Our electric spend represents about 4.5 percent of our overall costs. While that doesn't qualify us as an "electric energy intensive" industry, it still represents a significant annual cost. We are always looking for ways to reduce our costs – including what we spend on electricity – because that frees up resources that can be used to invest back into the business and create jobs.

Because our electric costs are such a major line item in our expenses, we are keenly interested in public policies that will drive lowest-cost energy resources and solutions.

Ohio's transition to a competitive market for electricity has produced many well-documented successes that support that objective. For example:

- Between 2011 and 2015, business and residential customers in Ohio have saved approximately \$16 billion, with an expected additional \$3 billion per year in savings going forward.
- Seven new gas-fired power plants have been approved for construction or are under construction in Ohio, while an eighth plant is awaiting approval by the Ohio Power Siting Board.
- And, reserve margins – currently around 20 percent and expected to reach 22 percent in the 2019 / 2020 year, and 23 percent in the 2020 / 2021 year – are more than sufficient to meet Ohio's current and near-term reliability needs.

In other words, retail electricity competition is working as intended. Increased choices and savings have served customers well.

Nonetheless, with HB 247, we have an opportunity to produce even better results.

That's because current law contains a number of rate-making provisions that are anti-competitive, unnecessarily costly for residential and business customers, and bad for Ohio's economy. Many of these anti-competitive provisions became law through Senate Bill 221, passed in 2008, and today represent a serious threat to the benefits of competition we currently enjoy.

Unfortunately, anti-competitive provisions of SB 221 are producing unfair and costly outcomes.

For example: Electric Security Plans (ESPs) permitted under SB 221 have made it possible for utilities to secure approval from the Public Utilities Commission of Ohio (PUCO) to charge customers above-market prices through unwarranted non-bypassable riders.

How much money are we talking about? The Ohio Consumers' Counsel has documented more than \$14 billion in PUCO-approved, above-market electric utility charges since 2000. Those costs were paid by customers of AEP-Ohio, Dayton Power & Light, Duke Energy Ohio, and FirstEnergy.

This begs the question: Why should manufacturers like The Belden Brick Company – or any business for that matter – be forced to pay what amounts to unjustifiable energy “taxes” at a time when competitive electricity markets should be producing lower electric bills?

The answer is, “They shouldn’t.”

House Bill 247 will help protect electricity customers by addressing unfair, anti-consumer provisions in current law that cost customers billions of dollars. By eliminating language in current law that permits utilities to file ESPs, the bill also will eliminate above-market charges that those plans allow.

HB 247 will allow customers to receive refunds for all charges later determined to be improper by the Ohio Supreme Court. Under current law, customers are denied such refunds.

Senate Bill 3, enacted in 1999, prohibits utilities from owning and operating generation. However, instead of divesting their generation, some utilities chose to spin off their generation assets to a corporate affiliate. In recent years, some utilities have used the poor financial performance of those unregulated generation affiliates to seek above-market charges from customers on their distribution utility bills in the form of non-bypassable riders.

HB 247 will make the law clear that utilities and their affiliates cannot own generation thereby eliminating the potential for subsidies flowing to the utilities’ unregulated affiliates.

Businesses across all segments look at what a kilowatt of electricity will cost them. Ohio is positioned well to be able to provide reliable power at extremely competitive rates if we continue down the path of implementing fully competitive market rates. Local energy sources have lowered the cost of generation and invited investment

into our state by new generators. Traditional utilities though have been increasing the total cost of power by adding riders on distribution bills to pay for uncompetitive generation. Ohio will find it harder to retain and attract businesses with a higher total cost of electricity.

There are efforts to have ratepayers in Ohio subsidize an aging, less efficient electricity generating system. Society has moved on from the days of horse-drawn carriages, television picture tubes, and analog film cameras. There's been no effort to have us all pitch in to save the manufacturers of those products by subsidizing their continued production. Why are we doing this with electricity generation? The advancements in technology and ample supply of alternative fuel sources have unlocked lower electricity prices, so why aren't we embracing the documented benefits of the competitive market? HB 247 does just that.

HB 247 will restore much-needed balance and fairness to Ohio's rate-making process. Enactment of the bill will strengthen customer protections against unfair, unwarranted, above-market charges – and, in the process, will support economic growth and prosperity in our state.

I ask for your careful consideration of this legislation.

Chairman Cupp . . . members of the committee . . . this concludes my prepared remarks. Thank you for your kind attention. I am joined by OMA Chief Energy Counsel, Ms. Kimberly Bojko.

Together with Ms. Bojko, we will try to answer any questions that you may have.

#