

Consumers' Corner



Serving Ohio's 4.5 million households

Spring 2014



Energy, water reselling charges may add up for consumers

You might be a resident of one of the many apartments, manufactured homes and other housing communities where a company other than the local public utility bills you for your utility services.

If that's the case, your utility service can be included in the rent, pro-rated among others in the community, or be submetered. Submetering enables the apartment owner or other company to buy utility service at a master meter on the property and then resell the service to residents by using a submeter to record the residents' individual usage for purposes of billing them.

The Office of the Ohio Consumers' Counsel (OCC) was troubled by revelations of high charges in a three-part investigation that appeared in the *Columbus Dispatch* last fall. The news investigation found that the practice of reselling public utility services has inflated some residential utility bills by as much as 40 percent, compared to those customers directly billed by a public utility.

According to the newspaper investigation, this practice of reselling public utility services could potentially affect about 3 million Ohioans who live in apartments, manufactured homes and condominiums.

In some instances, the owner of the apartment, manufactured home park, or the developer of the condominium complex conducts the installation of submeters and associated billing practices. But in other cases, third-party submetering companies such as American Power & Light and Nationwide Energy Partners handle this task for the property owner. These third-party resellers enter into contracts with landlords, manufactured home park operators, and other entities to install submeters and perform billing services.

Residential consumers who receive bills from the third-party resellers are often unaware that the companies are not a regulated utility.

(continued on page 2)



Michael Schuler

Tips to save you money on utility bills this summer

After the cold, snowy winter that we experienced, Ohioans are looking forward to the warm weather of summer. However, that also means many can be expecting higher electric bills as we try to stay comfortable in our homes. Although more usage may lead to higher electricity costs, there are things we can do in our homes to stay cool without emptying our wallets. The Office of the Ohio Consumers' Counsel (OCC) offers the following information to help you lower your energy usage, without sacrificing comfort.

Natural ventilation can go a long way toward reducing the need to run your air conditioner or fans. If you feel you can, open windows on cooler nights to let the air cool your home. Remember to open upstairs windows (if you have a two-story home) to help release warm air that accumulates during the day. Planting trees and shrubs can help by blocking direct sunlight from entering your windows. Using drapes or window blinds during the day to reduce the amount of heat from the sun is helpful as well.



Download the Summer Cooling Tips fact sheet at www.occ.ohio.gov

Yearly inspections of your air conditioner will make sure that it is running well, which will reduce energy usage. Keeping plants from growing directly around the compressor will also help maintain smooth airflow and improve energy savings. Lamps and other appliances that give off heat should be kept away from your thermostat to avoid false readings that may cause your air conditioner to run longer. Installing efficient lighting throughout your home also gives off less

heat. According to the U.S. Department of Energy, only about 10 to 15 percent of electricity used by incandescent bulbs translates to usable light – the rest turns into heat.

When possible, avoid using your oven for cooking on warmer days. Instead, use your stove, microwave oven or an outdoor grill, if you have one. This will reduce the amount of heat generated in your home and lower your need for air conditioning. In addition, limit the use of other appliances such as dishwashers, curling irons and hair dryers. Using these appliances later at night or early in the morning when temperatures are cooler will help you save on energy usage.

Finally, if you have not done so, you may want to consider doing an energy assessment – a process that helps to identify where you can make improvements in your home to maintain a comfortable environment while reducing energy usage and costs. You can view more information about energy efficiency and smart energy tips on OCC's website at www.occ.ohio.gov/publications/factsheets-smart_energy.shtml.

By Erin Biehl

Consumers should be afforded protections in energy review



Over the past year, consumer groups, businesses, environmental groups, electric utilities, and other stakeholders have debated legislation in the Ohio General Assembly that would revisit Ohio's 2008 energy law. The focus of the debate has been Ohio's energy efficiency and renewable standards.

Senate Bill 310 was introduced on March 28, 2014. It follows Senate Bill 58 last year that was not enacted. S.B. 310 would freeze the state's targets for energy efficiency and renewable energy from increasing for two years. Otherwise, these state targets were scheduled to increase to bring more energy efficiency and renewable energy into Ohio. During the freeze, a panel of lawmakers would study the issues.

Unfortunately, the debate that began last year about the 2008 energy law has not revisited other more pressing issues that affect consumers

in the 2008 law. The energy law contains provisions that tilt ratemaking in the favor of utilities and against consumers.

In testimony (www.occ.ohio.gov/l/services/testimony/2014-04-30.pdf) before the Ohio Senate Public Utilities Committee, the Consumers' Counsel made a half-dozen recommendations for changes in the law, to provide consumer protections. Those changes include ending the allowance in the law for electric utilities to charge consumers excessive profits. (Only "significantly" excessive profits are disallowed.) Another change is the Consumers' Counsel's recommendation to end the practice of allowing electric utilities to bill consumers for charges above the market price of electricity.

The Consumers' Counsel also recommended that the General Assembly pass a law to require refunds to consumers. These refunds should happen when the Ohio Supreme Court or the PUCO determines, after the utilities collect the charges from customers, that the charges were unlawful or unreasonable. When the Ohio Supreme Court ruled recently that the PUCO had no justification for permitting AEP to charge \$368 million (plus interest) to customers, the Court said that it could not order a refund under current law even though that was unfair to customers.

Ohioans are already paying more on average for electricity than residential consumers in 32 other states, according to the U.S. Energy Information Administration. The Consumers' Counsel will continue to make proposals to protect the affordability of electric service for Ohio consumers.

By Scott Gerfen

Duke customers spared \$729 million in rate increases

At a time when Ohio utility customers are paying more, on average, for electricity than residents of 32 other states, Duke Energy's 690,000 electric customers were spared an overall increase of \$729 million. If approved, that increase would have cost customers an additional \$150 to \$200 per year for three years. The Public Utilities Commission of Ohio (PUCO) dismissed Duke's request for the additional money in February after the Office of the Ohio Consumers' Counsel (OCC) and others advocated that the utility's proposal was unjust and unreasonable and violated an agreement in an earlier case.

In that earlier case in 2011, OCC, the PUCO Staff, Duke and others reached an agreement allowing Duke to collect \$330 million in "electric service stability charges" that Duke claimed it needed to protect against losses due to competition for generation service. In exchange, Duke agreed to a series of auctions to set generation prices and allow customers to take advantage of historically low market prices

for electricity. The first auction resulted in a 17.5 percent rate decrease for customers, who continued to see lower prices throughout 2012.

However, after the PUCO approved a significant capacity increase for AEP Ohio, Duke filed a similar proposal to collect capacity costs from customers. Capacity costs generally relate to the fixed cost of power plants that can produce electricity. Duke asked for an additional \$729 million in charges, even though the 2011 agreement had barely taken effect. Shortly afterward OCC and others, including businesses, industrial customers, and the City of Cincinnati, asked the PUCO to reject Duke's request.

Duke's new proposal would have added the \$729 million to the \$330 million it was already charging customers. OCC and others advocated that Duke should not be asking the PUCO for an additional regulatory guarantee at a time when Ohio is transitioning to competitive electricity markets. Ohio consumers were protected when the PUCO said no to Duke.

By Marty Berkowitz

Energy, water reselling charges may add up for consumers

(continued from page 1)

Consumers also might be unaware of the markups and fees that can sometimes be associated with this reselling. The charges can appear as additional line items on bills in the form of a "service charge" and/or "distribution recovery."

Also concerning is the newspaper investigation found that resellers have been known to shut off service and even force eviction of tenants that fail to timely pay their bills for these high charges.

While some states have restricted the reselling of public utility services, the practice is largely unregulated in Ohio except in the natural gas industry. OCC has been working with state lawmakers and other stakeholders to address the concerns associated with the practice of reselling.

The Consumers' Counsel testified (www.occ.ohio.gov/l/services/testimony/2014-04-08.pdf) on April 8 before the Ohio House Finance and Appropriations Committee, regarding House Bill 483 (Mid-Biennium Budget Review). The testimony contained recommendations to protect consumers from the high costs of resold public utility services. Representatives Mike Duffey and Ross McGregor were among officials considering ways to protect consumers, regarding House Bill 483.

Those recommendations include limits on what public utility resellers may charge to consumers for resold utility services. Ultimately, the proposal was removed from the budget bill as legislators wanted more time to look over the issues. But one of the Consumers' Counsel's recommendations would have required any entity that resells public utility services to charge no more than public utility service rates for the same service in that area.

House Bill 422 is also pending in the House Public Utilities Committee. HB 422 proposes limits on charges to customers of resold public utility services. And it would prevent landlords, park operators and others from adding additional fees and charges to residents' bills for utility services. Representatives Mike Foley and Terry Blair were among officials developing consumer protections, regarding House Bill 422.

The Consumers' Counsel will continue to work with legislators and advocate for consumer protections.

By Scott Gerfen



Scan this QR Code with your smartphone or tablet to request a speaker for your organization!

Summer Crisis Program helps low-income families stay connected

The upcoming hot summer months can be dangerous to the health of consumers who cannot afford to pay higher utility bills.

Last year, 281,028 Ohio residential utility customers were disconnected from their electric service for non-payment. Considering that the number of Ohioans below the poverty level is currently 16.3 percent and well above the national average, additional financial resources are available to help customers. Assistance in the form of programs such as the Summer Crisis Program is typically available between July 1 and August 31 to help qualified households pay for summer cooling costs.

The program is administered through the Ohio Development Services Agency using federal Low Income Home Energy Assistance Program (LIHEAP) funding.

This year, households with an annual income at or below 175 percent of the federal poverty guidelines will be eligible for assistance. In the past, additional eligibility criteria included having a member in the home who is at least 60 years of age or a member who has health concerns verified by documentation from a physician. Check with your local agency for specific criteria this year.

2014 Summer Crisis Program Guidelines		
Size of household*	Total Annual Income	Total household income for past three months
1	\$20,107.50	\$5,026.88
2	\$27,142.50	\$6,785.63
3	\$34,177.50	\$8,544.38
4	\$41,212.50	\$10,313.13
5	\$48,247.50	\$12,061.88
6	\$55,282.50	\$13,820.63

*For households with more than six members, add \$7,035 per person for annual income or \$1,758.75 for three months.

The Summer Crisis Program provides a one-time benefit of up to \$175 for customers of investor-owned utilities. For those who receive service from municipal utilities or rural electric cooperatives, the maximum benefit is up to \$250. The assistance is tailored to individual customer needs and can provide some combination of payment assistance, an air conditioner or up to two fans. Air conditioners and fans may only be provided to customers once every three years.

Customers who are enrolled in Percentage of Income Payment Plan Plus (PIPP Plus) and are current on their payments are not eligible

to receive bill payment assistance. However, customers who are enrolling in PIPP Plus for the first time are eligible for bill payment assistance. PIPP customers also may receive an air conditioner or fan if they have not received one in the past three years.

Customers can contact their County Community Action Agency http://development.ohio.gov/is/is_heapsummer_prov.htm to apply for the Summer Crisis Program. For additional information about all available assistance programs, consumers can visit www.occ.ohio.gov.

By Scott Gerfen

AEP customers denied millions in refunds of “unfair” charges



More than three years ago, the Office of the Ohio Consumers' Counsel (OCC) successfully advocated that American Electric Power (AEP) was not entitled to charge customers more than \$400 million for providing service to customers who return to AEP after purchasing their electricity from another supplier. In OCC's appeal to the Ohio Supreme Court, the Court ruled that AEP had not justified charging customers for such costs. The Court then sent the case back to the Public Utilities Commission of Ohio (PUCO) for further proceedings.

And in those proceedings, the PUCO also found that AEP had not justified the \$400 million charges to customers. There was one major drawback, however. The PUCO permitted AEP to keep the money instead of returning it to customers.

In February 2014, the Court upheld the PUCO's decision that customers could not get refunds for the \$400 million of unjustified charges. The Court ruled that such a refund order would have been “retroactive ratemaking” (changing rates after the PUCO's decision had been made). In allowing AEP to keep the money, Justice Lanzinger, writing for the majority, acknowledged that this created a “windfall” for the utility, an outcome the Court recognized was “unfair.”

In a dissenting opinion, Justice Pfeifer wrote that the problem dated back to a 1957 decision which established the rule against retroactive ratemaking. Justice Pfeifer, joined by Justice O'Neil, characterized the ruling as “unconscionable.”

The retroactive ratemaking issue was a factor largely because OCC cannot, as a practical matter, post a bond to cover hundreds of millions of dollars in potential damages. The bond would have kept AEP from collecting the money while the appeal was being heard. If such a stay had been granted, AEP would not have collected millions from its customers to begin with.

In its original decision, the Court suggested that the resolution to this problem could be at the Ohio General Assembly. If a law were passed allowing OCC, during the pending review, to seek to halt utility charges to customers without posting a costly bond, such an outcome may be prevented in the future.

The current system is unfair to consumers because utilities (such as FirstEnergy, which recently posted a bond to delay refunds to customers) have the financial ability to post such a bond. OCC will work with legislators to correct this imbalance so that customers who have been overcharged will have the chance to obtain refunds when either the Court or the PUCO rules in their favor.

Update: As we go to press, the Ohio Supreme Court voted to protect consumers by staying Duke Energy charges that OCC and others are appealing, without requiring the posting of a bond.

By Marty Berkowitz



Office of the Ohio Consumers' Counsel
 10 W. Broad St., Ste. 1800
 Columbus, OH 43215-3485

PRST STD
 US POSTAGE
PAID
 COLUMBUS OH
 PERMIT NO 218

Consumers' Corner

Spring

2014

In This Issue:

- ▶ Energy, water reselling charges may add up for consumers
- ▶ Tips to save you money on utility bills this summer
- ▶ Summer Crisis Program helps low-income families stay connected
- ▶ Consumers should be afforded protections in energy review
- ▶ Duke customers spared \$729 million in rate increases
- ▶ AEP customers denied millions in refunds of "unfair" charges



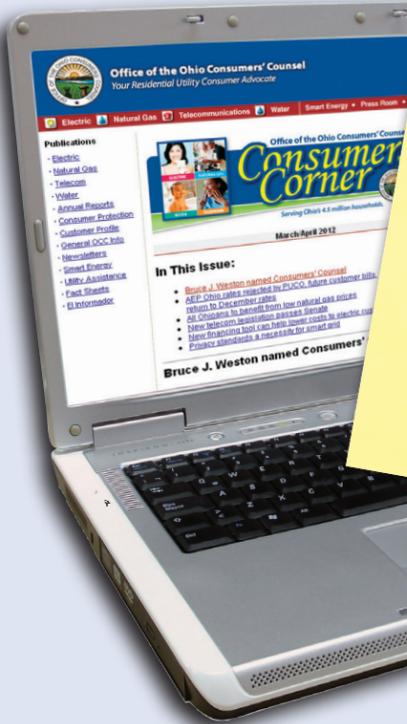
Office of the Ohio Consumers' Counsel
 "Your Residential Utility Consumer Advocate"
 1-877-742-5622 | www.occ.ohio.gov

Consumers' Corner is the newsletter of the Office of the Ohio Consumers' Counsel, the residential utility consumer advocate, serving as a resource for consumers who have questions or would like more information about the services provided by their electric, natural gas, telephone and water utilities.

Bruce J. Weston, Consumers' Counsel

Bill Ferriot, Webmaster / Graphic Designer

© 2014 Office of the Ohio Consumers' Counsel • May be reprinted with permission.



Do you want to receive this newsletter by e-mail?

If you would like to receive **Consumers' Corner** by e-mail, send a message to:
info-subscribe@occ.state.oh.us
 or sign-up at **www.occ.ohio.gov**.

Be sure to include your name and e-mail address in the message.

OCC Speakers Bureau Request Form

Representatives from the OCC can speak to your group about a variety of utility issues, including consumer protections, payment assistance, electric and natural gas choice and more! For a complete list of topics, visit: www.occ.ohio.gov/education/speaker.shtml

Name _____

Email _____

Organization _____

Address _____

City _____ County _____ Zip _____

Phone number _____ Number of participants _____

Topic(s) of interest _____

If you would like a specific date, please indicate and we will confirm your request. _____

Go online to occ.ohio.gov/contact/sbform.php, email us at occspeaker@occ.ohio.gov or Fill out this form and mail it to: Office of the Ohio Consumers' Counsel, 10 W. Broad St., 18th Floor, Columbus, OH 43215-3485