



Office of the Ohio Consumers' Counsel

MINUTES OF THE THREE HUNDRED AND SEVENTY THIRD MEETING OF THE OHIO CONSUMERS' COUNSEL GOVERNING BOARD January 10, 2017

Members Present: Mr. Gene Krebs, Chair
Mr. Fred Cooke
Ms. Sally Hughes
Mr. Roland Taylor
Mr. Fred Yoder
Mr. Stuart Young

Members Absent: Mr. Michael Watkins, Vice-Chair and Ms. Kelly Moore. Consumers' Counsel Weston was not in attendance due to a family matter.

CALL TO ORDER BY CHAIRMAN:

Chairman Krebs called the meeting to order at approximately 10:05 A.M.

APPROVAL OF MINUTES:

Chairman Krebs asked for a motion to approve the minutes from the November 22, 2016 Board meeting. A motion was made by Mr. Young to approve the November 22, 2016 Board meeting minutes. The motion was seconded by Mr. Cooke. Ms. Hunyadi called the roll. The minutes were approved unanimously.

RECOGNITION OF STAFF:

Dan Shields congratulated Analytical Department staff member Colleen Shutrump on being selected the employee of the third quarter 2016. Colleen started her work with OCC in August 2015. Deputy Sauer recognized the hiring of a new legal intern, Katherine Markijohn. Katie is a second year law student at Capital Law School. Deputy Sauer congratulated staff member Andrew Garver and his family on the birth of their first child. He also shared pictures of his new grandchild. Chair Krebs reminded Board members that the staff photo will be taken at the March 21, 2017 meeting.

ELECTION OF OFFICERS:

A motion was made by Mr. Young for officers to remain the same. The motion was seconded by Mr. Yoder. Ms. Hunyadi called the roll. The motion was approved unanimously.

BOARD PRESENTATION – WILSON GONZALEZ:

In advance of the presentation, Chair Krebs stated that as the General Assembly goes down the path of looking at issues regarding set-asides for various generation structures, the real question is how well can you connect to the grid if you do have an alternative means of generation?

Deputy Sauer introduced Wilson Gonzalez. Wilson is the president of Treehouse Energy Economics Consulting where he provides consulting services on utility cases before public utility commissions. Prior to working at Treehouse, he served as a Senior Energy Policy Advisor for OCC.

Mr. Gonzalez stated that net metering is a big issue across the country, but it has been under the radar in Ohio. Distributed generation is generation behind the meter. That is a big differentiation because when a utility builds a wind farm, they are feeding the energy into the grid. There is no net metering issue there.

Traditionally the path of electricity goes from the utility generation station, along transmission and distribution lines to the end-use customer. When you have generation behind the meter, the consumer is producing. And when the consumer is not consuming all of the power produced, it goes back to the grid. Customers can usually net meter from an existing meter so a special meter is not necessary, but utilities often install net meters so they can see the bidirectional electricity flows.

Net metering generally involves a tariff that allows customers to get a credit for producing more electricity at the end of the month than the utility delivers to them. Net metering regulations vary significantly by state. 42 states have net metering tariffs. Net metering policies involve issues pertaining to the size of net metering systems, if and how long a customer can keep the credits and how much the credits are worth. Utility commissions must balance the interest of distributed generation customers and non-distributed generation customers, ensure the financial integrity of the utility, fairly compensate distributed generation customers, make sure rates are just and reasonable and make sure the system is safe.

Mr. Gonzalez then discussed the Arizona net metering case. One of the major issues for the Arizona Commission was deciding how much should net metering customers be compensated for excess electricity delivered to the grid. In over 90% of the United States, these customers are getting paid the full retail rate. The order in Arizona eliminated the existing net metering rate and replaced it with a reduced compensation mechanism that compensates for generation costs only. The big takeaway from the Arizona order is that rates for net metering customers will be set in specific utility rate cases.

Wilson then discussed net metering in Ohio. Ohio's original net metering law was enacted in 1999 with Senate Bill 3. Shortly after it was passed FirstEnergy challenged the net metering law. The law that was passed in Senate Bill 3 was very similar to the law in Arizona where customers would get

the full retail rate for generation, transmission and distribution services. FirstEnergy argued that customers were not providing any transmission or distribution services. The Supreme Court agreed with them and ordered that customers could get compensated for generation costs only.

Net metering is very small issue in Ohio as only .04 percent of customers are net metering customers. Utilities are not at risk in Ohio as they may be in other states, like Hawaii, where net metering is much more prevalent. There are lost revenue mechanisms to deal with any revenue erosion an Ohio utility may face. There is no retail value for net metering; solar does not have much value here and there are no incentives for alternative energy sources.

He ended his presentation by stating that states are seeking to end lucrative deals for net metering customers. He discussed the future trend of battery technology and smart inverters.

Mr. Yoder said that he was visited by some farmers from Holmes County who were frustrated because they wanted to place solar panels on their buildings to net meter back to their rural electric co-op, but they received no interest. They claim it was because of the regulations of the rural cooperative. Mr. Yoder asked if there was a different set of rules for rural coops. Wilson responded that the rules and regulations he discussed in his presentation are for investor-owned utilities. The cooperatives have to decide their regulations internally.

Mr. Yoder said that if a customer has to purchase kilowatt hours any way, why not provide incentives for the “home grown” kilowatt hour and make net metering work? Maybe that would help Ohio move from 32 on the price of electricity charts by state to a more average number.

Chair Krebs thanked Wilson for his presentation. He stated that he likes to keep the Board ahead of the curve so they can make recommendations to the staff on how best to protect Bob and Betty Buckeye.

Chair Krebs called for a brief break.

CONSUMERS’ COUNSEL PRESENTATION BY LARRY SAUER, DEPUTY CONSUMERS’ COUNSEL:

PUCO Settlements:

Deputy Sauer discussed the AEP Global Settlement. Several parties signed the settlement including OCC, PUCO, the Ohio Manufacturers’ Association, an industrial group, a few marketing groups and a low-income group -- resolving 14 cases. The settlement resulted in a net benefit of \$97.7 million for residential customers. If the settlement is approved, Ohio Power customers will see a \$6.25 per

month reduction in their bills for a two-year period. Columbus Southern customers will see a \$4.25 reduction in their bills. All AEP Ohio customers who did not shop between 2011-2015 will receive a one-time bill credit of \$64. If AEP Ohio customers shopped a portion of that period, they would get a pro-rated credit. The credits will appear on customers' bills some time during 2017. Finally, future grid smart (grid investment) costs will also be reduced, for residential customers, over the next seven years.

There was also a settlement in the AEP energy efficiency portfolio case. OCC decided not to sign the settlement, but agreed not to oppose it because of some of the benefits OCC was able to negotiate. Residential customers will not pay up to \$75 million in charges that AEP proposed be shifted from non-residential customers to residential customers. OCC also negotiated a price cap that will limit the charges to residential customers that can be charged annually for their energy efficiency programs. However, OCC decided not to sign because of the \$31 million in shared savings (profits) that the utility is going to charge customers on the \$79 million in program costs that AEP Ohio will be allowed to collect for their energy efficiency programs.

PUCO Submetering Cases:

Deputy Sauer gave an update on submetering cases. A year ago the PUCO opened a Commission-ordered investigation. The investigation is seeking to determine whether submeterers are a public utility that should be regulated by the PUCO. There is the earlier filed consumer complaint case. And another submetering complaint was filed by Cynthia Wingo against Nationwide Energy Partners (NEP). Ms. Wingo is being threatened with disconnection as NEP claims she owes more than \$4,200 in unpaid utility bills. More than half of her charges consist of late charges and penalties that NEP has assessed. The PUCO regulates penalties and charges of local public utilities, but submeterers are not presently observing such regulations. Ms. Wingo is asking the PUCO to stop the disconnection while the complaint is pending.

Legislative Activity:

Deputy Sauer then spoke about the 2016 post-election ("lame-duck") session. The Consumers' Counsel was very active during this legislative session. On November 22, Consumers' Counsel Weston testified before the Ohio Senate Energy and Natural Resources Committee on Senate Bill 320 (energy mandates). He then testified on November 30 before the Ohio House Public Utilities Committee on House Bill (HB) 554 (energy mandates). On December 8, he submitted testimony on HB 554 before the Senate Energy and Natural Resources Committee. HB 554 was passed by the Ohio House of Representatives on December 6. The Ohio Senate passed the bill on December 8. On December 15, the bill was sent to the Governor for signature. The Consumers' Counsel was among those who recommended to the Governor that he veto the bill. The Governor decided to veto the bill.

OCC Budget:

Deputy Sauer delivered a report on the budget for fiscal years 2018 and 2019. OCC has requested a budget of 5.64 million for both 2018 and 2019. 74% of the budget is allotted to human resources. OCC continues to look for knowledgeable and experienced staff to perform OCC's mission for consumers. OCC will continue to use its judgment for allocating its resources to regulatory cases and legislative initiatives among other projects for consumers. With all of the changes and complexities in the utility industry, educating the state's residential utility consumers will continue to be a priority.

Deputy Sauer thanked the Board for their support and volunteerism, on behalf of himself and Consumers' Counsel Weston.

Chair Krebs asked the Board what they would like to discuss in the coming year. Mr. Yoder said the Board should focus on how to get the Ohio consumers a better deal. Being 32nd is not acceptable. Mr. Yoder shared his appreciation for Wilson's presentation. Mr. Yoder recently learned that wind and solar is cheaper to generate than coal. He is puzzled by the resistance in the Ohio legislature to embrace a cheaper more competitive alternative. Mr. Cooke said he would like to see a presentation dedicated to wind power. Ms. Hughes stated that she worries about consumers outside of the metropolitan areas. Mr. Taylor asked if there was any way to provide support for those in delinquency of their bills. Chair Krebs suggested contacting the Governor's Office of Appalachia and regional Appalachian development agencies. Mr. Yoder stated rural America wants to be part of the energy solution but there are roadblocks. He also stated that he would like more information about the rural cooperatives.

Chair Krebs mentioned a report by John Begala about big city problems hitting small Ohio towns. Chair Krebs stated that people often look at economic issues like soft butter spread on warm toast evenly. In reality, it is like cold butter on Wonder Bread. There are spots of really good economic development and the rest of it has none. Chair Krebs suggested that John Begala come in to speak to the Board.

The meeting adjourned at 12:12 PM.

I verify that the above meeting minutes have been approved and ratified by the Consumers'

Counsel Governing Board on March 21, 2017.



Gene Krebs, Chairman
Ohio Consumers' Counsel Governing Board



Monica Hunyadi, Interim Secretary
Ohio Consumers' Counsel Governing Board