



Office of the Ohio Consumers' Counsel

MINUTES OF THE THREE HUNDRED AND EIGHTIETH MEETING OFFICE OF THE OHIO CONSUMERS' COUNSEL GOVERNING BOARD

September 11, 2018

Members Present: Mr. Michael Watkins, Chair
Mr. Stuart Young, Vice-Chair
Mr. Fred Cooke
Ms. Beverlyn Johns
Mr. Douglas Moormann
Mr. Roland "Butch" Taylor
Ms. Andra Troyer
Mr. David Wondolowski

Members Absent: Ms. Kelly Moore

CALL TO ORDER BY CHAIR:

Chair Watkins called the meeting to order at approximately 10:00 A.M.

MEETING MINUTES:

Chair Watkins asked for a motion to approve the minutes from the July 17, 2018 Board meeting. A motion was made by Ms. Troyer to approve the minutes. The motion was seconded by Mr. Moormann. Ms. Hunyadi called the roll. The July 17, 2018 Board meeting minutes were approved unanimously with Vice-Chair Young, Ms. Johns, and Mr. Wondolowski abstaining.

NEWS:

Consumers' Counsel Bruce Weston shared a news article with the Board in which former board member Fred Yoder was featured. In the article Mr. Yoder explained his thoughts on climate change and the effects on farming.

Mr. Young noted that he recently spent some time with former OCC Board Chair, Gene Krebs, who sent greetings and good wishes to the Board.

EMPLOYEE RECOGNITION:

Mr. Weston recognized Maureen Willis, Senior Counsel, as the Employee of the Quarter for the 1st quarter of 2018. Ms. Willis has served the public interest since making a return to the OCC in 2004 as an Assistant Consumers' Counsel. Ms. Willis began her career as a legal intern with OCC in 1982. Ms. Willis expressed her appreciation and said it is an honor and a privilege to serve Ohioans under the leadership of Consumers' Counsel Weston and Deputy Consumers' Counsel Larry Sauer. She said she is looking forward to many more years of serving Ohioans.

**PRESENTATION BY WILLIAM SIDEREWICZ, PRESIDENT AND FOUNDER,
CLEAN ENERGY FUTURE:**

Mr. Sauer discussed a chart from the legislative analysis of H.B. 247 (Rep. Romanchuk), prepared by the Ohio Legislative Service Commission. The chart compares PJM wholesale generation rates with Ohio retail rates for 2009 through 2016. 2009 was the first year of electric security plans, shortly after the passage of Ohio's 2008 energy law. The chart depicts that competition works in driving down wholesale generation costs. However, retail rates are not following the same downward trend. OCC believes this is due to above market subsidies and other charges coming through the electric security plans.

Mr. Sauer then introduced Bill Siderewicz, president and founder of Clean Energy Future. Mr. Siderewicz has been in the private power development industry for 38 years. Mr. Siderewicz holds a BS in Civil/Environmental Engineering from Merrimack College, an MBA in Finance from Northeastern University, and a MS in Civil/Environmental Engineering from Cornell University.

Mr. Siderewicz became involved in Ohio in 2002 with the development of the Fremont project (power plant) in Sandusky County. Since then the Oregon Clean Energy Center (power plant) near Toledo was developed and is fully operational. The Lordstown power plant, near Youngstown, is nearing completion and is expected to be operating soon. Mr. Siderewicz noted Clean Energy Future has two additional projects underway. A second project in Oregon and another one in the Lordstown area.

Mr. Siderewicz noted that the projects Clean Energy Future has been involved in represent approximately \$4.5 billion dollars in new construction in Ohio. Mr. Siderewicz said it is not unusual for utilities to go to the media using "loss of jobs" or "loss of taxation" as negative economic impacts from the closing of inefficient power plants. But they do not talk about the positive economic impact to communities when new plants are built. The magnitude of what one single power plant brings to the local community, and the region, is about \$26 billion worth of economic benefit over the course of 50 years. Every one of Clean Energy Future's projects create about \$130 - \$140 million of labor for local unions. This equates to approximately 950 union workers on every site, with a construction period of 33 - 34 months. Over the course of the five projects in Ohio by Clean Energy Future, they have provided 12 million hours of union labor. Mr. Siderewicz said his company foresees a total of 15 plants in the state of Ohio.

Clean Energy Future maintains that modern natural gas technology is cheaper than coal or nuclear. Mr. Siderewicz stated that 4 cents per kilowatt hour is the cost for generation using modern gas power. It is now known through filings with the SEC that the cost of running a coal or nuclear plant is well above 8 cents. The cost of natural gas plant construction is typically around \$950 per kilowatt, while construction of a new coal or nuclear plant would be around \$2,000 to \$4,000 per kilowatt.

Mr. Siderewicz said he is at today's meeting "to sound the alarm" regarding President Trump's directive to Energy Secretary Perry to create a bailout mechanism for coal and nuclear energy plants across the country. This would have negative effects on Ohio, Mr. Siderewicz said. When Ohio is looking to attract private investments, a bailout as described could destroy the marketplace.

Mr. Siderewicz questioned what the ramifications to Ohio would be if such a law were to be passed for subsidizing power plants. He said that it is estimated that Ohioans would pay \$5.1 billion more in electric bills, which translates to residential utility bills increasing up to 25% or approximately \$30 - \$35 per month. This would leave \$3.4 billion to be picked up by commercial and farm users. Nationwide this is approximately \$65 billion per year. For added perspective he noted that Ohio collects about \$9.7 billion per year in personal and business income taxes. This equates to a 53% tax increase.

Mr. Siderewicz said he appreciates the OCC support on H.B. 247. Moving forward he sees a focus on customers seeing the immediate benefit of the federal tax reduction. They would also like to see new utility rate cases to adjust the return on equity (ROE) downward which would reduce customers' rates.

Mr. Cooke asked Mr. Siderewicz how the rates of gas production compare to wind turbines and electricity production. Mr. Siderewicz replied that those who are developing wind and solar plants rely on federal tax credits (which expire in 2020) to reduce the cost of their systems. Gas has a cost of 1.8 cents for the energy. Wind is only energy and has a cost of approximately 6.5 to 8 cents or 4.5 times more than gas. Solar cost is approximately double the cost of wind. From an economic standpoint wind and solar do not compare to gas.

Mr. Cooke asked how wind and solar plants will survive. Mr. Siderewicz replied that without tax credits it will be an uphill climb for those plants.

Mr. Taylor expressed appreciation to Mr. Siderewicz for the plant in Lordstown which has been a great project and a big success, ~~including for workers~~. Mr. Siderewicz replied that 2.5 million man-hours went into construction. The talent level is extraordinary in Ohio compared to other parts of the country where some skills are lacking. The types of skills needed for this type of construction are plentiful in Ohio and underutilized.

Mr. Siderewicz said he would stay in touch with OCC staff to share information to help educate consumers.

PRESENTATION BY CONSUMERS' COUNSEL BRUCE WESTON

Mr. Weston shared a Subsidy Map with the board which depicts OCC's efforts in the many different forums to protect consumers from paying power plant subsidies. OCC was one of the

parties to recommend to FERC that it not allow a subsidy in Ohio for the FES power plants. FERC issued a ruling and told the PUCO no to subsidies. FERC determined the matter was its jurisdiction, not the PUCO's. Currently there are a total of five subsidy bills pending in the Ohio House and the Ohio Senate, being three nuclear and two coal power plant bills. OCC is presenting testimony in the Ohio General Assembly to show the benefits of power plant competition and lower rates for consumers. We also are now in bankruptcy court with the FES bankruptcy and in the United States Court of Appeals for the Sixth Circuit to try to protect Ohioans from subsidies that could result from the FES bankruptcy proposals.

PRESENTATION BY DAVID BECK, SPECIAL COUNSEL:

Mr. Beck is a bankruptcy attorney and partner with Carpenter Lipps & Leland, LLP. He was appointed by Attorney General DeWine as Special Counsel to the Ohio Consumers' Counsel.

Mr. Beck provided an update on the FirstEnergy bankruptcy case. FirstEnergy Solutions is selling its retail business which sells power to both retail customers and commercial marketers. This has resulted in a proposal to sell to Constellation New Energy. One notable point of the sale is that the buyer is taking all the existing customer contracts as is, with no change to service and no interruption in service.

The OCC commented to the Court on FES's plan to mail to customers a notice to explain the sale of its retail business. The notice was written in legal bankruptcy language, which would be very difficult for a layperson to understand. OCC worked with FES on the notice. And the notice was then substantially revised so that it was more consumer friendly.

Mr. Beck then discussed the FES request to withdraw from the OVEC contract, which the Bankruptcy Court approved. OCC appealed because the Court excluded FERC from the decision-making process. Mr. Weston noted that this maneuver by FES could mean that Ohioans would ultimately pay for FES's OVEC obligations. The charges to consumers could come from other electric utilities that might have to pay more in the event FES is released from its obligations to pay for OVEC. OCC, OVEC and Duke have appealed this ruling. The Court recommended to the U.S. Court of Appeals for the Sixth District that it hear the appeal.

The last item Mr. Beck discussed was an update that FES has reached a settlement with FirstEnergy Corp. The proposed settlement involved FE providing in excess of \$1.1 billion to FES. Included in the proposal was that FES is to be given a West Virginia coal plant. Mr. Watkins inquired if the same terms for the remaining contracts of consumers will apply to the aggregators as well. Mr. Beck replied that aggregator contracts will be treated the same.

The Board took a 5-minute break at approximately 11:00AM.

PRESENTATION BY DANIEL SHIELDS, DIRECTOR OF ANALYTICAL SERVICES:

Mr. Shields discussed the PowerForward executive summary, shared a video clip from the PUCO featuring Chairman Haque and Commissioner Trombold, and discussed the timeline of next steps.

PRESENTATION BY MONICA HUNYADI, DIRECTOR OF OPERATIONS:

Ms. Hunyadi provided an update on OCC representation at summer fairs. OCC staff interacted with more than 8,000 Ohioans, distributed over 1,400 pieces of information, discussed a wide variety of utility issues, and received feedback from consumers about how much they appreciate the OCC.

PRESENTATION BY DEPUTY CONSUMERS' COUNSEL SAUER:

Mr. Sauer provided an update on the federal tax cuts, effective January 1, 2018, which reduced the corporate income tax rate for Ohio utilities. OCC has been advocating for a prompt and full return of the tax savings benefit to consumers. AEP and Duke both have proposals before the PUCO for ways to pass the tax benefit back to consumers. DP&L has a rate case and agreements have been reached as to how to pass along the tax savings, and other reductions, to consumers.

PRESENTATION BY CONSUMERS' COUNSEL WESTON:

Mr. Weston talked about the "Bad Apples" list OCC created, naming marketers in the Dominion service area in Northern Ohio that are taking advantage of customers. These are customers who had no choice in who their marketer would be and were directly assigned to a marketer through the monthly variable rate program. There are upwards of 5,000 customers who have been randomly assigned to a marketer charging a monthly variable rate. For example, Verde Energy is charging its consumers more than three times the market price (standard offer) for an MCF of natural gas. OCC filed a motion to end the program where consumers are randomly assigned to a monthly variable rate and is waiting on the PUCO to rule on the motion.

Mr. Weston discussed telephone service concerns. The OCC Board adopted a resolution in opposition to H.B. 402, which is a bill that would potentially eliminate any limit on pricing for standard phone service. Mr. Weston talked about the Lifeline program and AT&T's filing to end its offering of Lifeline service in Ohio. There are approximately 7,000 consumers on Lifeline service. OCC has worked with other consumer organizations to oppose the AT&T request. And OCC has asked the PUCO to deny AT&T's request or at least await the outcome of an FCC case where there may be even more concerns about the availability of Lifeline. AT&T says there are other providers but if those other providers no longer provide Lifeline then it is even more important that AT&T maintain its Lifeline service.

Mr. Weston referred to the fiscal report and the \$5.5 million OCC budget proposal for FY2020-2021. OCC is not requesting a budget increase. The budget approval will cross-over the outgoing and incoming administrations. The board discussed the budget and various components of it such as

staffing and salaries. They also talked about more public education to raise awareness of the OCC and the work the agency does.

The next item for Board discussion was the legislative notebook. Mr. Young suggested the board look through the notebook at the November meeting. Mr. Watkins suggested the staff do draft updates to the notebook and the board review those drafts in November. Everyone agreed.

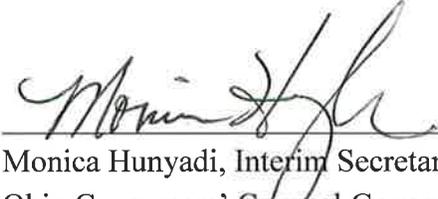
Mr. Cooke made a motion to adjourn the meeting. It was seconded by Mr. Young. The motion was unanimously approved.

The meeting adjourned at approximately 12:15 P.M.

I verify that the above meeting minutes have been approved and ratified by the Consumers' Counsel Governing Board on November 20, 2018.



Michael Watkins, Chair
Ohio Consumers' Counsel Governing Board



Monica Hunyadi, Interim Secretary
Ohio Consumers' Counsel Governing Board