



Office of the Ohio Consumers' Counsel

MINUTES OF THE THREE HUNDRED AND SEVENTY FIFTH MEETING OF THE OHIO CONSUMERS' COUNSEL GOVERNING BOARD May 9, 2017

Members Present: Mr. Gene Krebs, Chair
Mr. Michael Watkins, Vice-Chair
Mr. Fred Cooke
Ms. Sally Hughes
Ms. Kelly Moore
Mr. Roland Taylor
Mr. David Wondolowski
Mr. Fred Yoder
Mr. Stuart Young

CALL TO ORDER BY CHAIRMAN:

Chairman Krebs called the meeting to order at approximately 9:00 A.M.

NEW BOARD MEMBER:

Chairman Krebs welcomed new Board member David Wondolowski. Mr. Wondolowski spoke about his background in public service and thanked the Board for their warm welcome. Each Board member then briefly introduced themselves to Mr. Wondolowski.

APPROVAL OF MINUTES:

Chairman Krebs asked for a motion to approve the minutes from the March 21, 2017 Board meeting. A motion was made by Mr. Cook to approve the March 21, 2017 Board meeting minutes. The motion was seconded by Ms. Moore. Ms. Hunyadi called the roll. The minutes were approved with Mr. Wondolowski abstaining.

PRESENTATION BY CHUCK KEIPER, NOPEC EXECUTIVE DIRECTOR:

Deputy Sauer introduced Mr. Keiper. Prior to joining NOPEC, Mr. Keiper served as the Vice President for the renowned Garfield Institute for Public Leadership at Hiram College and served for nearly 18 years as a Portage County Commissioner.

Mr. Keiper started by thanking the OCC for their partnership. There has been a consistent march toward a free market energy economy in the state of Ohio. Cleveland State University and The Ohio State University prepared a study for NOPEC on the benefits of electricity customer choice in Ohio,

which was released in December 2016. The study assessed savings attributable to customers' electricity purchases from electric marketers and the electric utilities' standard service offers, respectively, identified the trends for standard service offers in Ohio and identified the trends for headroom in Ohio. The study looked at energy price comparisons in neighboring states that are deregulated and at states that are not deregulated.

The study showed that there is a lot of shopping in Ohio. The study examined actual results from 2011-2015, and projected outcomes for 2016 – 2020. Consumers who purchased electricity from marketers saved about \$2.5 billion on the mercantile (big business) side over a five-year period and \$.5 billion on the non-mercantile (smaller business and residential) side. This \$3 billion saved by purchasing from marketers is in addition to about \$12 billion saved by consumer purchases under the utilities' standard service offers.

In Ohio, the utilities' standard service offer prices have been set by competitive auctions. The roughly \$3 billion a year in shopping savings, when added to about \$12 billion in standard offer savings, combine for about \$15 billion saved over the last 5 years (2011 – 2015) and it is projected to do the same for the next 5 years (2016 – 2020). Lower standard service offer prices benefit every consumer. NOPEC believes that the competitive market should be preserved.

Mr. Keiper opened the presentation up for questions. Consumers' Counsel Weston commented that NOPEC is the prime example of the successful implementation of the vision of the General Assembly for markets. NOPEC is a prime example of the success of competitive markets in benefitting consumers. He stated his appreciation for Mr. Keiper's leadership and NOPEC's partnership.

Chairman Krebs stated that the standard service auctions have saved consumers \$12 billion. Chairman Krebs asked where does that money come from and what are the consequences of that money draining from somewhere else into the pockets of Bob and Betty Buckeye? Mr. Keiper stated that the money is Bob and Betty Buckeye's in the first place so it never has to leave their pocket. Chairman Krebs asked who the money comes from? Mr. Keiper stated that it is the retail side of the equation. Consumers' Counsel Weston noted a corollary point when looking at where the money is going and it is going in part to our natural gas so we are getting the synergy of those low prices.

The Chairman called for a brief break.

After the break, Consumers' Counsel Weston informed that Renata Staff is present from the Ohio Attorney General's office. He thanked her for her assistance. Consumers' Counsel Weston asked Monica Hunyadi to recognize the graduating interns. Ms. Hunyadi congratulated Public Affairs interns Travis Filicky and Michael Zaky and praised them for their good work. Deputy Sauer

congratulated legal intern Zachary Woltz on his upcoming graduation from Capital University Law School.

PRESENTATION BY ANDY TINKHAM, OCC OUTREACH AND EDUCATION SPECIALIST:

Consumers' Counsel Weston introduced OCC Outreach and Education staff member Andy Tinkham. Mr. Tinkham noted how attending fairs across the state allows Outreach staff to interact with a large number of consumers. He shared the list of fairs that OCC will be attending in 2017. He explained that OCC will be staffing the entire Ohio State Fair, Farm Science Review, Allen County fair and the Miami County fair. In addition to staffing the entirety of those fairs, OCC will be staffing many county fairs for one day. This gives the staff the opportunity to visit counties they may not have been able to reach in the past. He noted that the list is not comprehensive.

Mr. Tinkham noted that Vice-Chair Watkins kindly supplied the Outreach staff with a Homeland Security map of Ohio in order for the staff to pick counties that are not too close together.

Ms. Hughes asked if there is an average number of people OCC sees a day at the fairs. Mr. Tinkham replied that OCC sees approximately 80-100 people per day at the fairs. Ms. Hunyadi added that the one-day fair option gives OCC the opportunity to partner with other agencies.

Chairman Krebs stated that for the July Governing Board meeting he would like a recap of the budget.

PRESENTATION BY CHRIS HEALEY, OCC ENERGY RESOURCE PLANNING COUNSEL:

Consumers' Counsel Weston introduced OCC attorney Chris Healey. Mr. Healey recently gave a presentation at the PUCO's PowerForward event.

The PUCO is in the midst of its three-part PowerForward initiative. The first phase occurred three weeks prior to the Board meeting. This phase was referred to as a Glimpse of the Future. What do various parties see as the future of the electric grid? Where is it going in terms of how consumers consume and pay for electricity? Many different parties were present at the first phase. OCC was thankful for the opportunity to present at the event. Mr. Healey shared with the Board his presentation at the event.

The core approach from the presentation is that electric service should be safe, reliable and affordable for consumers. OCC advocates for traditional rate-making and urges the PUCO to consider this

option before any other types of rate-making for consumer protection. OCC also noted that markets are better than monopolies for value and pricing whenever possible.

What is grid modernization going to cost in general? About \$800 million has been approved for the collection from Ohio consumers. There are currently about \$350 million in pending cases. OCC's approach is to understand how the grid modernization initiatives can be used to control those costs and to make sure the benefits reach customers.

PRESENTATION BY ASIM HAQUE, PUCO CHAIRMAN:

Consumers' Counsel Weston introduced PUCO Chair Haque as the next presenter. Chair Haque was appointed by Governor Kasich in 2013 and reappointed in 2016. He began his career at a law firm where he represented a broad spectrum of clients in energy and utility matters. He's represented Ohio's interest in energy and utility matters within the state, nationally and internationally. He's testified before the Ohio General Assembly and the Federal Energy Regulatory Commission. He's educated regulators abroad through partnerships with the U.S. Agency for International Development. He is active in the National Association of Regulatory Utility Commissioners. He also serves on the North American Electric Reliability Corporation.

The PUCO Chairman discussed PowerForward, which is the PUCO's review of the latest in technological and regulatory innovation that can serve to enhance the customer's experience. PowerForward is not a formally docketed proceeding. It is about retaining information and engaging individuals who come to the PUCO.

During phase one the PUCO learned that consumers' happiness with their utilities is low as compared to other consumer facing industries. He added that Chris Healey (OCC attorney) presented very effectively on behalf of consumers. Chair Haque mentioned the report by the OCC Board, "Everyone Is Unhappy." He noted that it is not far from the truth based on what was learned in phase one.

Secondly, consumers want more from their utilities, as they are receiving more from other consumer-facing industries. Power delivery has been the same for decades. Consumers are receiving better service and more control from other industries. Chair Krebs stated that utilities have not gotten worse per se; it is that everything else has gotten more choice-driven and more personalized.

Chair Haque noted that Ohio is behind in thinking about the changing consumer sentiments and the advancements in distribution technology because the PUCO has spent the last four years talking about generation. They have not spent time thinking about the consumer on the delivery side and that is where their focus is now.

The PUCO Chairman explained that utilities are going to advance in this space and push their desired outcomes regardless of PowerForward. There is a case pending at the PUCO where a utility is asking for distribution-side opportunities whether it be electric vehicle charging stations or microgrids. The utility has asked the PUCO to approve opportunities for the utility to rate-base this technology. As policymakers, the PUCO wants to get out in front of this. Utilities want to invest in the regulated sides of their businesses. They are not that interested in competitive portions of their businesses anymore. It would be good to have a comprehensive plan prior to this change being launched.

The PUCO plans to put out a document that says what they learned through the initiative in 2018. This will include information about how grid modernization should be paid for.

Chair Krebs thanked Chairman Haque for his presentation. He suggested that the PUCO make sure consumers are only paying for something once. The utility companies make money selling electrons. Grid modernization may reduce the amount of electrons they are selling which will create a new dynamic. Chair Krebs commended Chair Haque for delving into a sticky issue.

Chair Haque stated that phase two will get to the infrastructure that is necessary to advance the modernized grid. He thinks we will learn a lot more about what physically needs to happen and what we've already paid for.

The Chairman called for a brief break.

PRESENTATION BY CONSUMERS' COUNSEL WESTON:

Legislative Updates:

Consumers' Counsel Weston stated that, in House Bill 49 (state budget), the words "flat rate" have been removed from the law describing assistance to low-income telephone consumers. Traditionally OCC wants a flat rate to be available for consumers. OCC joined with four low-income consumer advocates to submit testimony asking the General Assembly to keep the words "flat rate" in the law. Consumers' Counsel Weston acknowledged the help of consumer advocate Mike Smalz who is retiring in June.

Deputy Sauer discussed pending House Bill 178 and Senate Bill 128, introduced for FirstEnergy to be paid subsidies for its nuclear generating plants. An OCC concern is that the General Assembly is picking winners and losers in the market. There are investments in Ohio's natural gas generating plants to the tune of \$3.6 billion. The cost of the nuclear subsidy in the legislation has been estimated to be \$300 million per year or \$4.8 billion over a 16-year term. The subsidy impact for each residential consumer is estimated, on average, to be: \$5.60 a month, \$67.20 a year, or over \$1,000 for

the 16-year term. The subsidy is transferrable to a purchaser of the plants, so FirstEnergy could sell these plants and make FirstEnergy shareholders beneficiaries of the sale. Also, it was just last year that the PUCO awarded FirstEnergy a subsidy of \$200 million a year for 3-5 years, at consumer expense.

Consumers' Counsel Weston read a brief segment from the 1999 law regarding the transition to competition that earlier provided FirstEnergy with \$6.9 billion from consumers. The law required an employee assistance plan for providing severance, retraining, early retirement, retention, out placement and other assistance for the utility employees whose employment is affected by electric restructuring. Utilities were responsible for taking care of their employees 17-18 years ago for the transition to electric competition.

OCC wants Ohio to rely on market solutions, not monopoly solutions. OCC submitted joint testimony with NOPEC to the House regarding this issue.

Consumers' Counsel Weston noted the PUCO Chairman commented that the PUCO has not been able to focus enough on the grid because the PUCO has been working on generation issues for four years. Mr. Weston noted that generation is supposed to be competitive, not regulated, and observed that the utilities are taking up state regulatory resources and time with their repeated requests for consumers' money. That is unfortunately distracting attention from various consumer issues.

Regarding the agency's current budget, it looks like there will be about \$.5 million unused for the fiscal year. One factor was the agency settled 14 cases with AEP around the midpoint of the biennium and some of the significant funds committed to those cases were then not called upon.

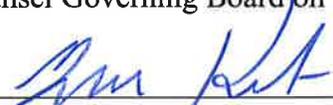
In the House, the agency's budget for the next two years was preserved except for a \$100,000 decrease per the Administration's proposal. Consumers' Counsel Weston, in his February House testimony, asked for one sentence of the law to be changed so that OCC could again assist Ohioans who call with utility service complaints. This request was adopted by the House in its budget bill amendments. Later in May OCC will appear before the Senate Finance Subcommittee where Consumers' Counsel Weston will have the opportunity to explain the budget request to the Members.

Chairman Krebs next indicated that the Board would enter a brief Executive Session, upon a motion. Vice-Chair Watkins moved for the Board to enter Executive Session to consider the employment and compensation of two public employees. Ms. Hughes seconded the motion. Ms. Hunyadi called the roll. The roll-call vote on the motion to enter Executive Session was as follows: Chairman Krebs - yes, Vice-Chair Watkins - yes, Mr. Cooke - yes, Ms. Hughes - yes, Ms. Moore - yes, Mr. Taylor - yes, Mr. Yoder - yes, Mr. Young - yes and Mr. Wondolowski- absent.

After Executive Session a motion was made by Mr. Yoder to adjourn the meeting. The motion was seconded by Mr. Cooke. Ms. Hunyadi called the roll and the motion to adjourn was adopted unanimously.

The meeting adjourned at 12:35 P.M.

I verify that the above meeting minutes have been approved and ratified by the Consumers' Counsel Governing Board on July 18, 2017.



Gene Krebs, Chairman
Ohio Consumers' Counsel Governing Board



Monica Hunyadi, Interim Secretary
Ohio Consumers' Counsel Governing Board