

Before
The Ohio Senate
Transportation, Commerce and Workforce Committee
Testimony on House Bill 26 – Transportation Budget (Natural Gas Consumer Issue)

Presented by Jeff Jacobson
Strategic Insight Group, Ltd.

On Behalf of the Office of the Ohio Consumers' Counsel

March 22, 2017

Hello Chair LaRose, Vice Chair Kunze, Ranking Member Tavares, and Committee Members. I am Jeff Jacobson. I have been asked by Consumers' Counsel Weston to provide the agency's recommendations for protecting natural gas consumers. Thank you for this opportunity to testify. The Office of the Ohio Consumers' Counsel is the representative for several million residential utility consumers served by natural gas public utilities in Ohio. Our recommendation for consumer protection is that you reject what is essentially a proposed tax increase for Ohio families.

Sub. H.B. 26 contains an amendment sought by natural gas utilities that would increase what Ohio consumers pay related to "infrastructure development" in Ohio Revised Code Section 4929.16 and related Sections. Only in the past couple weeks have we become aware of this utility consumer issue involving what is essentially a tax proposal to be implemented through rates controlled by the PUCO.

On behalf of the Ohio Consumers' Counsel in 2014, I appreciated the opportunity to work cooperatively on this same issue with the utilities and customer groups when a compromise statute was enacted. That involved H.B. 319 by Representative Grossman. The key to the negotiations was a compromise by the stakeholders, including the utilities, for a \$2.00 annual limit on what each one of several million Ohio families and businesses could be made to pay to subsidize companies through this program.

At the time, it was said that this infrastructure development relates to economic development that could be arranged through availability of natural gas service where natural gas utilities have not extended gas lines. In this regard, gas utilities look to be paid back by a developer (or someone) when they extend gas lines. The establishment of this fund in the law, at a limit of \$2.00 per

customer, created a subsidy from all customers to pay for gas line extensions for one or more potential customers who might otherwise not want to pay for the cost of the line extension.

In the substitute bill, that allowable fee would be increased 800% – up to a dollar and fifty cents per month, or eighteen dollars a year – from each of several million gas customers. (Lines 16176 – 16180.) As mentioned, the current law limit on charges is the two dollars per customer per year negotiated during the process for H.B. 319.

Here is an example of the proposal's impact, using Columbia Gas and its customers as a reference. The current law provides for 1.4 million Ohio families and businesses to give Columbia Gas up to \$2.8 million a year. But, under the utilities' proposal, those families and businesses could be required to give Columbia Gas up to \$25 million a year. Similar calculations could be made for the customers of each of Ohio's gas utilities. Overall, the utilities' proposal could cost 3.3 million Ohio gas customers up to nearly \$60 million each year, instead of the current law's \$6.6 million.

It would be interesting to hear the gas utilities testify on their proposed amendment as to their reasoning for being able to take from consumers nine times the amount of the current subsidy. That existing subsidy was enacted just a few years ago. And, unfortunately, assurance is lacking in the proposed amendment that adequate standards would be used in cases for assessing the reasonableness of the proposed charges to customers or the efficacy and fairness of the utilities' spending decisions.

In addition to the significant gas bill increase for several million Ohioans, please also be aware that this charge is unusual. It is unusual in that every customer, from the largest business to the smallest consumer, pays the same subsidy charge under ORC 4929.162(C). (Lines 16187 – 16188.) There is no scaling of charges to reflect the much greater usage of some customers. In 2014, the Ohio Consumers' Counsel compromised to not oppose this approach of a uniform charge to all customers, because of the \$2.00 limit per family per year. Note that in electric economic development cases, the charges to customers are not uniform, and larger customers generally pay more than smaller customers.

The concerns I've discussed, including the absence of robust standards and the burden of the subsidy on Ohio families, were part of the original H.B. 319 legislation process. As a compromise during that legislative process, the Ohio Consumers' Counsel changed from opposition to a neutral stance for Ohio consumers. Why? Simply said, we withdrew our opposition because the maximum amount of this tax was capped at \$2 a year. Now the gas utilities are seeking a much more costly subsidy than the result in the interested party negotiations not very long ago.

Our recommendation for consumer protection is that you reject what is essentially an 800% tax increase for Ohio families. Thank you for your time and consideration. This concludes my testimony.