

Senate Public Utilities Committee
Proponent Testimony
Substitute Senate Bill 58

Kevin Murray, Executive Director
Industrial Energy Users-Ohio

Good morning Chairman Seitz and members of the committee and thank you for the opportunity to speak to you today.

My name is Kevin Murray and I am the Executive Director of the Industrial Energy Users-Ohio ("IEU-Ohio"). IEU-Ohio supports common sense reform of Ohio's outdated electricity usage reduction mandate as is reflected in Substitute Senate Bill 58. I would like to introduce you today to an on-line tool we have developed to help Ohio customers better understand how much Ohio's electricity usage reduction mandate and alternative energy resource mandate act as hidden taxes on their electric bills.

Education about issues that affect the price and availability of energy is an important part of IEU-Ohio's mission. During our many meetings with customers and legislators in which we have discussed Ohio's portfolio mandates, we have often heard that most people don't know that the cost of the mandates is being paid by Ohio's electric consumers. While reform legislation may address this lack of transparency, current practices do not make it easy for most customers to identify how much the mandates are impacting their monthly electric bills. Accordingly, we, working with other pro-reform businesses, business organizations and labor organizations that are working under the Ohioans for Sustainable Jobs banner, have created a tool that all Ohio electric consumers can use to reveal the impact of the mandates on their monthly electric bill. I am pleased to report that we launched that on-line tool early yesterday.

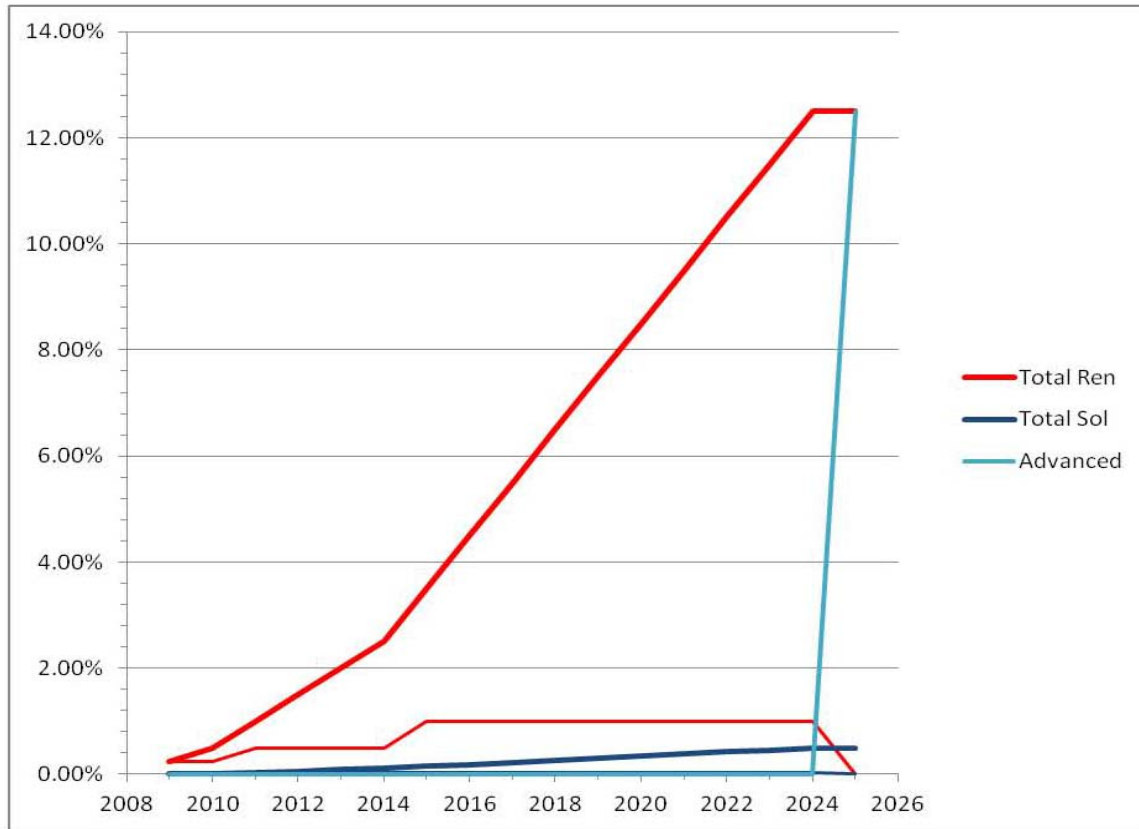
The mandate tax calculator is hosted on the public portion of IEU-Ohio's website and can be accessed at <http://www.ieu-ohio.org/mandate-cost-calculator.aspx>. The website provides fairly simple instructions for how to use the mandate tax calculator. For customers served by any electric distribution utility ("EDU") other than AEP-Ohio, all the customer has to do is enter their monthly usage in kilowatt-hours (which appears on their electric bill), select their EDU, and identify their rate schedule (residential, for example). For commercial and industrial customers served by AEP-Ohio [Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP") rate zones], the customer must also identify their delivery voltage since this affects the rate the customer pays due to Ohio's mandates. The webpage hosting the calculator includes links to information that can assist customers if they are unsure of their delivery voltage level.

Residential customers served by AEP-Ohio or any other EDU do not have to identify their delivery voltage since all residential customers receive service at secondary voltage. In the case of residential customers, they insert their monthly kilowatt-hour usage, select their EDU, select the residential rate schedule option, and then click on the "calculate" button to see the portion of their monthly electric bill payment that is going to pay the mandate tax.

I would like to take a few moments to demonstrate how the mandate calculator works. In the interest of making the demonstration more useful to people who may not be familiar with typical electric usage amounts by customer type, I obtained some statistics from the Energy Information Administration ("EIA") which I will use for purposes of the demonstration. All of my illustrations will use the level of the mandate taxes that are currently in effect. The mandate tax calculator will be updated as these tax levels change

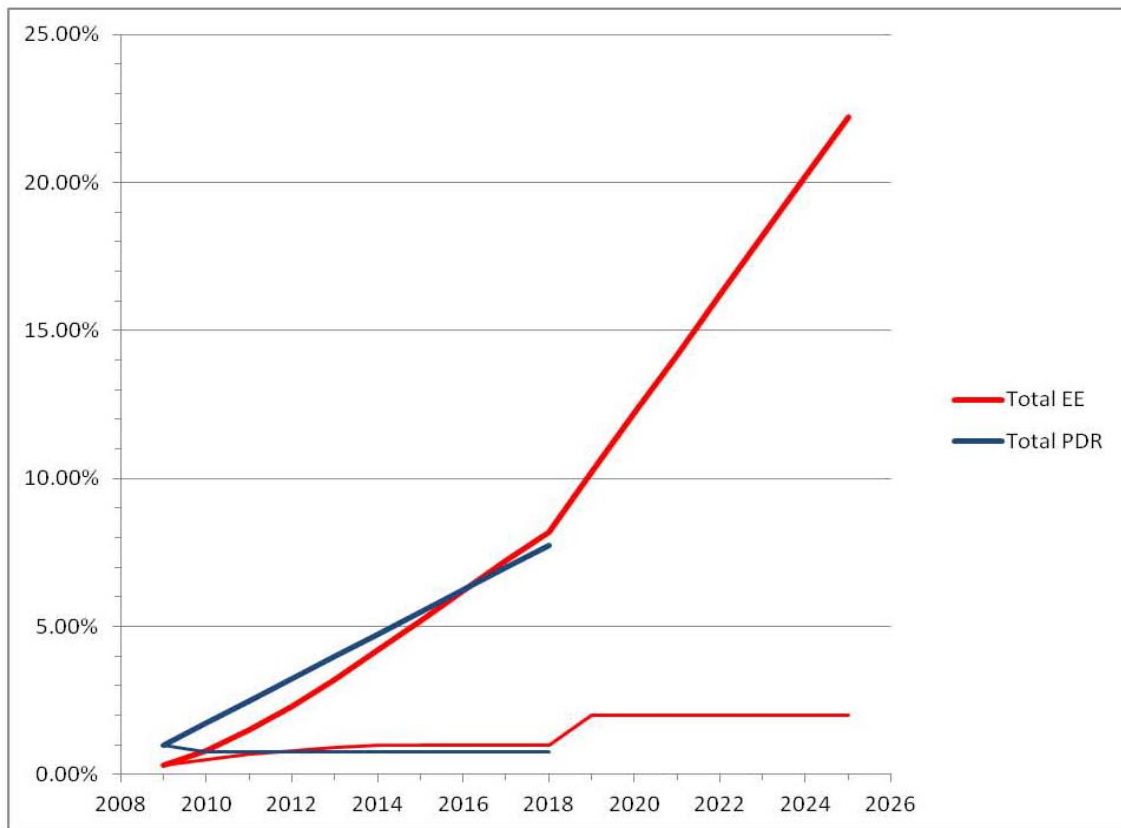
in the future. As you may recall, the current Ohio mandates escalate sharply higher in the future¹ and, accordingly, the level of future mandate taxes will rise sharply as well.

Alternative Energy Resource Requirement (including Renewables)



¹ The two illustrations of the escalation in the portfolio mandate compliance requirements are taken from the PUCO's materials associated with the September 29, 2011 presentation to the House Public Utilities Committee. The materials are available via the Internet at: <http://www.puco.ohio.gov/puco/index.cfm/consumer-information/consumer-topics/legislative-testimony/> (last checked February 10, 2014).

Electricity Usage Reduction Requirement



I am going to use the current tax rates in effect for a residential customer served by The Cleveland Electric Illuminating Company (“CEI”) and an average monthly usage of 750 kilowatt-hours to demonstrate the on-line tool. Entering a monthly usage of 750 kilowatt-hours and selecting the residential rate reveals that a residential customer of CEI incurs a monthly payment of \$3.00 for Ohio’s electricity usage reduction mandate tax and a monthly payment of \$1.55 for Ohio’s alternative energy resource mandate tax (a combined total charge of \$4.55 per month or \$54.60 per year).

I recognize the committee’s time is limited so I am not going to perform a live demonstration of what a residential customer using 750 kilowatt-hours a month served by another EDU pays for Ohio’s electricity usage reduction mandate tax and Ohio’s alternative

energy resource mandate tax. I have attached a table to my testimony that illustrates residential mandate tax payments in the major cities of the state at assumed monthly usage levels of 750 kilowatt-hours and 1,000 kilowatt-hours. You can see the total mandate tax payments based upon these assumptions range from \$2.10 per month or \$25.20 per year for a customer in Cincinnati using 750 kilowatt-hours a month to as much as \$7.31 per month or \$87.72 per year for a customer in Dayton using 1,000 kilowatt-hours per month.

So, you can see the impact of Ohio's mandates on an "average" residential customer varies by almost 300% depending upon the customer's EDU and the currently-approved level of the mandate tax rates for each of the mandates.

Let us look at another example to illustrate how the mandate tax calculator works. A typical² fast food restaurant in Ohio, typically served on a small commercial customer rate schedule, consumes about 47,000 kilowatt-hours per month. For small commercial customers, the Dayton Power & Light Company ("DP&L") currently has the lowest electricity reduction mandate tax rate, while AEP-Ohio (the CSP rate zone) has the highest. With monthly electricity usage of 47,000 kilowatt-hours, a "typical" fast food restaurant supplied by DP&L would pay \$43.32 per month for the electricity usage reduction mandate tax and \$98.85 for the monthly alternative energy resource mandate tax (a combined total of \$142.17 per month or \$1,706.04 per year). A "typical" fast food restaurant in the CSP rate zone would pay \$125.83 per month for the electricity usage reduction mandate tax and \$122.98 per month for Ohio's alternative energy resource mandate tax (a total charge of \$248.81 per month or \$2,985.72 per year).

² Typical may be somewhat of a misnomer as some fast food restaurants now operate seven days a week, twenty-four hours per day, while others have much more limited hours.

I will do one more demonstration to illustrate the effect of the mandate taxes on Ohio's larger manufacturers. The very largest electricity users in Ohio, such as a steel mill operating an electric arc furnace, consume hundreds of millions of kilowatt hours each year. Let's take a look at what a very large manufacturer in Ohio that uses 50,000,000 kilowatt-hours of electricity per month pays due to Ohio's mandates. If this manufacturer was located in CSP's rate zone, the manufacturer would (based upon current mandate tax rates) pay \$19,225 per month for Ohio's electricity usage reduction mandate tax and \$123,780 per month for the alternative energy resource mandate tax (a total charge of \$143,005 per month or \$1,716,060 per year).

If this same manufacturer was served by CEI, the electricity usage reduction mandate tax would be \$87,100 per month and the alternative energy resource mandate tax would be \$97,000 per month (a total charge of \$184,100 per month or \$2,209,200 per year).

Attached to my testimony I have included a few other illustrations of how Ohio's mandates are affecting electric bills.

I hope these illustrations provide a useful guide on how the mandate tax calculator works. I also hope that by more clearly revealing the amount of mandate taxes that are currently being paid in Ohio we may help you to better understand why IEU-Ohio and so many other stakeholders are eager to see the current mandates reformed, particularly since the reasons behind the mandates are obsolete due to changes in circumstances since 2008. Delaying reform allows the current law's escalation in the annual compliance requirements to further increase electric bills in Ohio. As we moved into 2014, the

electricity usage reduction mandate tax moved to 4.2%, increasing over the 2013 mandate by one percent.

Thank you once again for providing me the opportunity to speak to you today to demonstrate how the mandate tax calculator works.

I would be happy to answer any questions you have.

Impacts of Ohio's Electricity Usage Reduction Mandate and Alternative Energy Resource Mandate

Residential Customers

750 kWh per month usage

1,000 kWh per month usage

<u>Location</u>	<u>Electricity Usage Reduction</u>		<u>Alternative Energy Resource</u>		<u>Electricity Usage Reduction</u>		<u>Alternative Energy Resource</u>	
	<u>Mandate</u>	<u>Mandate</u>	<u>Monthly Total</u>	<u>Annual Total</u>	<u>Mandate</u>	<u>Mandate</u>	<u>Monthly Total</u>	<u>Annual Total</u>
Cleveland	\$3.00	\$1.55	\$4.55	\$54.60	\$4.00	\$2.07	\$6.07	\$72.84
Columbus	\$2.17	\$1.96	\$4.13	\$49.56	\$2.89	\$2.62	\$5.51	\$66.12
Toledo	\$3.92	\$0.99	\$4.91	\$58.92	\$5.23	\$1.33	\$6.56	\$78.72
Dayton	\$3.91	\$1.58	\$5.49	\$65.88	\$5.21	\$2.10	\$7.31	\$87.72
Cincinnati	\$1.74	\$0.36	\$2.10	\$25.20	\$2.32	\$0.48	\$2.80	\$33.60
Akron	\$2.81	\$1.32	\$4.13	\$49.56	\$3.74	\$1.76	\$5.50	\$66.00

Reflects mandate tax rates in effect as of February 4, 2014

Impacts of Ohio's Electricity Usage Reduction Mandate and Alternative Energy Resource Mandate

State University

7,000,000 kWh per month usage

<u>Location</u>	<u>Rate</u>	Electricity Usage Reduction <u>Mandate</u>	Alternative Energy Resource <u>Mandate</u>	Monthly <u>Total</u>	Annual <u>Total</u>
Cleveland	GSU	\$7,686	\$13,594	\$21,280	\$255,360
Columbus	GS3-P	\$18,741	\$17,681	\$36,422	\$437,068
Toledo	GSU	\$3,311	\$8,701	\$12,012	\$144,144
Dayton	P-Sub	\$6,453	\$14,722	\$21,174	\$254,092
Cincinnati	DP	\$9,338	\$3,332	\$12,670	\$152,040
Akron	GSU	\$19,544	\$11,578	\$31,122	\$373,464

Reflects mandate tax rates in effect as of February 4, 2014

Impacts of Ohio's Electricity Usage Reduction Mandate and Alternative Energy Resource Mandate

Fast Food Restaurant

47,000 kWh per month usage

<u>Location</u>	<u>Rate</u>	Electricity Usage Reduction <u>Mandate</u>	Alternative Energy Resource <u>Mandate</u>	Monthly <u>Total</u>	Annual <u>Total</u>
Cleveland	GS	\$58.05	\$97.29	\$155.34	\$1,864.08
Columbus	GS1	\$125.83	\$122.98	\$248.81	\$2,985.72
Toledo	GS	\$97.57	\$62.28	\$159.85	\$1,918.20
Dayton	Sec	\$43.32	\$98.85	\$142.17	\$1,706.04
Cincinnati	DS	\$62.70	\$22.37	\$85.07	\$1,020.84
Akron	GS	\$67.12	\$82.86	\$149.98	\$1,799.76

Reflects mandate tax rates in effect as of February 4, 2014

Impacts of Ohio's Electricity Usage Reduction Mandate and Alternative Energy Resource Mandate

Foundry/Forging Manufacturer

100,000 kWh per month usage

2 million kWh per month usage

<u>Location</u>	<u>Rate</u>	<u>100,000 kWh per month usage</u>				<u>2 million kWh per month usage</u>			
		<u>Electricity Usage Reduction Mandate</u>	<u>Alternative Energy Resource Mandate</u>	<u>Monthly Total</u>	<u>Annual Total</u>	<u>Electricity Usage Reduction Mandate</u>	<u>Alternative Energy Resource Mandate</u>	<u>Monthly Total</u>	<u>Annual Total</u>
Cleveland	GP	\$187	\$200	\$386	\$4,637	\$3,732	\$3,996	\$7,728	\$92,736
Columbus	GS3-P	\$268	\$253	\$520	\$6,244	\$5,355	\$5,052	\$10,406	\$124,877
Toledo	GP	\$69	\$128	\$197	\$2,360	\$1,376	\$2,558	\$3,934	\$47,208
Dayton	P	\$92	\$210	\$302	\$3,630	\$1,844	\$4,206	\$6,050	\$72,598
Cincinnati	DP	\$133	\$48	\$181	\$2,172	\$2,668	\$952	\$3,620	\$43,440
Akron	GP	\$174	\$170	\$345	\$4,135	\$3,488	\$3,404	\$6,892	\$82,704

Reflects mandate tax rates in effect as of February 4, 2014

Impacts of Ohio's Electricity Usage Reduction Mandate and Alternative Energy Resource Mandate

Steel Manufacturer

50 million kWh per month usage

<u>Location</u>	<u>Rate</u>	Electricity Usage Reduction <u>Mandate</u>	Alternative Energy Resource <u>Mandate</u>	<u>Monthly Total</u>	<u>Annual Total</u>
Cleveland	GT	\$87,100	\$97,000	\$184,100	\$2,209,200
Columbus	GS4- T	\$19,225	\$123,780	\$143,005	\$1,716,060
Toledo	GT	\$70,850	\$62,100	\$132,950	\$1,595,400
Dayton	HV	\$46,090	\$105,155	\$151,245	\$1,814,940
Cincinnati	TS	\$66,700	\$23,800	\$90,500	\$1,086,000
Akron	GT	\$55,900	\$82,600	\$138,500	\$1,662,000

Reflects mandate tax rates in effect as of February 4, 2014

Impacts of Ohio's Electricity Usage Reduction Mandate and Alternative Energy Resource Mandate

Small Coal Mine

1.8 million kWh per month usage

<u>Location</u>	<u>Rate</u>	Electricity Usage Reduction <u>Mandate</u>	Alternative Energy Resource <u>Mandate</u>	Monthly <u>Total</u>	Annual <u>Total</u>
SE Ohio	GS3-S	\$4,819	\$4,710	\$9,529	\$114,350

Area Transportation Provider

4.8 million kWh per month usage

<u>Location</u>	<u>Rate</u>	Electricity Usage Reduction <u>Mandate</u>	Alternative Energy Resource <u>Mandate</u>	Monthly <u>Total</u>	Annual <u>Total</u>
Northern Ohio	GSU	\$5,270	\$9,322	\$14,592	\$175,104

Reflects mandate tax rates in effect as of February 4, 2014