



**House Bill 6, House Energy Generation Subcommittee  
Interested Party Testimony of Matthew White, Chief Legal and Regulatory Officer,  
IGS Energy  
4/24/2019**

Co-chairs Stein and O'Brien, members of the House Energy Generation Subcommittee, thank you for the opportunity to provide interested party testimony on House Bill 6. I am Matt White, Chief Legal & Regulatory Officer for IGS Energy.

IGS Energy is a diverse energy company that is family-owned and privately held. IGS is headquartered in Dublin Ohio and employs more than 700 people in the state. IGS serves over 1,000,000 customers nationwide and we conduct business in over 20 states. Given the reach of our operations we have a unique perspective and understand the energy policies that have worked and not worked throughout the country.

In reviewing HB 6 it is clear that the main intent is to sustain the economic viability of Ohio's existing nuclear plants. While we are not opposed to providing a means to continue the healthy operation of these plants, we have concerns with the way this bill would achieve this objective through non-market based means to subsidize primarily one company. My testimony will offer alternatives that would preserve the nuclear plants while developing a healthier and more robust energy market place.

With that in mind, I am here to give our perspective on the "Good, Bad and Ugly of House Bill 6" and recommend changes to the bill and Ohio's energy policy.

### **The Good**

The repeal of the energy efficiency standards

- Energy efficiency (EE) programs are bloated and bureaucratic and cost customers hundreds of millions of dollars annually
- IGS supports energy efficiency and provides energy efficiency for its customers, but the current programs are inefficient (no pun intended), and should be repealed and replaced with a more efficient program
- Under the current program less than 50% of the money spent on the EE programs funds energy efficiency measures
- Most of money collected from customers is spent on items such as marketing, advertising, utility shared savings payments, and administrative costs
- Also, a lot of the purported "savings" from the energy efficiency programs is manufactured:
  - Utilities rely on inflated forecasted energy prices
  - Energy efficiency measures that would have occurred anyway are counted as energy efficiency

- Inflated assumptions about savings created by certain measures are made without verification
- It is estimated the repeal of the RPS and EE programs would save customers \$4.30 a month; However, \$3.80 of the cost comes from the EE programs alone.
- Simply repealing the energy efficiency programs and doing nothing else would be good for the State of Ohio.

## **The Bad**

The repeal of the renewable portfolio standards

- Often times the energy efficiency standards and the renewable standards get lumped together, but the reality is they are very different programs
- While Ohio's energy efficiency programs are wasteful, the renewable portfolio standards are actually working
- The RPS is a market based solution that provides incentives to all developers that wish to build renewable energy on a competitively neutral basis
- And the fact is, the RPS is not costing customers a lot of money; the costs of the RPS for the average residential customer is approximately 50 cents a month, or \$6 a year which is about 1/8 the cost of the EE programs
- A repeal of the RPS would take funding away from renewable developers that relied on that funding to build in Ohio
- Companies such as IGS have invested millions of dollars to develop existing generation projects based on the modest incentive the RPS provides
- HB 6 would deprive investors in Ohio of the money they counted on and provides little opportunity to replace the funding.

## **The Ugly**

### **Nuclear bailouts**

- HB 6 effectively replaces an RPS that is available to anyone and funnel hundreds of millions of dollars to one company that owns two nuclear plants in Ohio
- There is a carve out that gives the opportunity for funding for renewable projects above 50 MW, but the reality is almost all of the renewable projects in Ohio are below 50 MW, so HB 6 would strip funding away from nearly all existing renewable projects in Ohio
- Effectively HB 6 is repealing a market based approach to incentivize clean generation through a competitively neutral benchmark (the RPS), and replacing it with a government-run fund that is designed to give the majority of money to just one company that owns nuclear generation and leave nothing else for other companies.

- IGS does not believe the government should pick winners and losers (which HB 6 does) and therefore proposes a better market based approach to promote clean air and renewable generation
- Notwithstanding these faults in the plan, currently PJM is attempting to modify its capacity markets so that capacity payments received from generation plants would be reduced by the amount of direct subsidy that a state provides to the generation. Therefore, if PJM's plan goes into effect, any money the nuclear plants would get from Ohio ratepayers, would be diminished by reduced capacity payments from PJM.

## **Solutions**

- IGS supports clean air, clean energy and giving customers the ability to choose their source of electric supply. Unfortunately HB 6 does not promote these policies;
- Rather than implementing HB 6, IGS would propose:
  - Repealing the energy efficiency programs only, which would save customers hundreds of millions of dollars annually;
  - Keeping the RPS benchmark, but allowing nuclear plants to meet the RPS obligations which would provide incentives for nuclear and all other renewable generation equally;
  - In order to prevent a crash in the RPS payments, IGS would also propose increasing the RPS percentage in proportion to the amount of nuclear currently being supplied in the state of Ohio today;
  - For instance if nuclear represented 15% of the power being supplied in Ohio and the requirement for renewable energy was 5%, the RPS requirement should be increased 20% to account for the addition of nuclear generation into the mix.
  - Ohio should also close the borders on the RPS by requiring at least a certain percentage of their generation be built in Ohio. This is consistent with many numerous other states have done including Pennsylvania and New Jersey
  - To the extent some may be worried about certainty of payments going to nuclear plants, Ohio could also set a floor price on payments for renewable energy credits to ensure all renewable energy generators get payments for each year
  - To the extent the RPS is not modified as I describe at a minimum there should be an opportunity for smaller renewable projects to receive any incentive payments the state makes available, and the project size should not arbitrarily be limited to 50 MW or below;
- Also, there appears to be an administrative error in the bill that would exempt the RPS compliance for utility generation service, but not for competitive generation suppliers like IGS. If the RPS is repealed at a minimum it should be repealed for all market participants not just the utility.