Ohio Environmental Council
[Action Fund]

Energy Generation Subcommittee to the Ohio House Energy & Natural Resources Committee
OPPONENT TESTIMONY
House Bill 6 (Callender, Wilkin)

Co-Chairmen Stein and O'Brien, and members of the Energy Generation Subcommittee; I am Trish Demeter, Chief of Staff for the Ohio Environmental Council Action Fund. Thank you for allowing me to testify today.

Our organization, celebrating its 50th anniversary this year, works to secure healthy air, land and water for all who call Ohio home. The OEC Action Fund is opposed to House Bill 6 because, if enacted, it would increase Ohio's carbon emissions, put more Ohioans' health at risk, and threaten the jobs of Ohioans working in the clean energy sector. Further, HB 6 creates even more confusion about which path Ohio is on in terms of energy policy: Are we moving forward and embracing innovation, or are we choosing to tether ourselves to energy systems of the past?

This bill gets one thing right: it acknowledges that Ohio needs carbon-free energy sources, and that emissions-free resources are something we should be striving to encourage.[1] But, this intent is not matched by what the bill proposes to do, and as such, the redeeming qualities of the bill stop there. The impacts of HB 6, if enacted, are stark:

- **HB 6 would increase Ohio's carbon emissions:** Because the bill proposes to do away with Ohio's RPS and EERS, we would also be forgoing the carbon reductions being achieved by these policies. Ohio's Clean Energy Standards will reduce Ohio's annual carbon pollution by about 10 million tons between 2017 and 2029[2] which is equivalent to avoiding emissions from the annual electricity consumption of 1 million homes[3]. To put a finer point on the importance of the efficiency standard and its impact in reducing reliance on coal-fired power plants, the efficiency programs that have been in place since 2009 avoided over 1.1 million tons of carbon dioxide pollution in 2017 alone[4].
- **HB 6 would increase risks to Ohioans' health:** Due to effective repeal of Ohio's RPS and EERS, the legislation would forgo the projected health benefits that these standards provide - prevention of over 44,000 asthma attacks, 2,400 asthma-related emergency room visits, 4,400 heart attacks and over 2,800 premature deaths attributable to coal-plant pollution (see attached graphic).

[1] Line 219.
[2] See page 5 https://www.nrdc.org/sites/default/files/ohio-clean-energy-standards-benefits-report.pdf (2015)
[3] *Ibid*
[4] Data analysis performed by American Council for an Energy-Efficient Economy (ACEEE), April 2019.

- **HB 6 would likely increase, not decrease, electric bills for Ohioans:** Despite elimination of the riders associated with the renewable and efficiency standard, Ohioans' bills would likely go up as a result of this legislation due to higher utility costs, and glaring loopholes drafted into the legislation that would allow utilities to continue to charge customers through these riders.
- **HB 6 embraces wasteful use of electricity over cost-effective energy efficiency:** Ohio's EERS has delivered over $5.1 billion in energy savings to Ohioans' since 2009 and is delivering $2.65 in bill savings for every $1 invested in efficiency rebate and incentive programs.
- **HB 6 would tax Ohioans millions more each year on top of what they already are paying to one company:** In 2017, due to PUCO-approved riders on customers' bills, FirstEnergy is set to receive $612 million in ratepayer-funded subsidies by the end of 2019 for the purpose of supporting FirstEnergy Corporation's credit rating.
- **HB 6 puts Ohio jobs at risk:** Over 112,000 Ohioans are employed in the clean energy sector. The 80,000 Ohioans employed in the energy efficiency sector stand to be impacted the most.

What follows is commentary on the major components of HB 6: The effective repeal of Ohio's EERS and RPS, and; Creation of a new "Clean Air Program."

Provision #1: Ohio's EERS and RPS

HB 6 would be the lastest blow, and quite possibly the final, to these state policies that have been delivering on what they promised - lower bills, a more diverse energy portfolio, cleaner air, Ohio jobs, and new economic opportunity. Unfortunately, Ohio's RPS and EERS have been the target for anti-clean energy interests virtually since they were enacted almost 11 years ago. We would argue that these critiques are uninformed, and fail to acknowledge the tremendous benefits they yield for Ohioans each year. Thankfully, multiple attempts to repeal these standards permanently have not been successful, and we view House Bill 6 as just the latest attempt.

Ohio's RPS and EERS keep Ohio in the running for a portion of the clean energy economy that is booming. Consider the greater context, as well as Ohio's economic and technical potential for developing clean energy resources that would truly lead to greater carbon reductions, more jobs and tax revenue for Ohio communities:

- **Jobs in solar and wind are are among nation's fastest growing jobs in the nation**, according to the U.S. Labor Department. Solar installers are projected to be the fastest growing job over the next decade, whose median annual pay in 2017 was $39,500. Wind energy maintenance technicians are expected to see the second fastest growth through 2026, with median annual pay of $54,000 in 2017[5]. Ohio also is home to the largest solar workforce in the Midwest, at over 7,000 workers; most of which is due to the presence of First Solar's only U.S. factory located in Northwest Ohio, which had been the largest in the United States. At present, First Solar is building a second factory in Ohio.
- **Other Midwest states have more ambitious clean energy standards and policies.** Ohio's RPS is a modest 12.5% by 2027, but according to the National Council of State Legislatures, Ohio's closest neighbors have larger and more ambitious RPS goals: Michigan (15 percent by 2021 originally, and later increased to 35 percent by 2025); Illinois (25 percent by 2025 - 2026); Pennsylvania (18 percent 2020-2021). Recently, Illinois Governor J.B. Pritzker has pledged he will put the state on a

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5 https://www.energycentral.com/news/wind-turbine-techs-and-solar-installers-among-nations-fastest-growing-jobs-0

path to 100% renewable energy, and there is currently a bill pending in the Illinois legislature to do just that.

- **Ohio has the technical and economic potential to go big on renewables:** Growing Ohio's wind deployment to 3,000 megawatts by 2026 could bring up to $4.2 billion in capital investment in Ohio, and sustain 1,000 jobs directly. Utility scale solar could grow to 1,200 megawatts from the 67 megawatts we have installed today, and small distributed solar could grow from 104 megawatts to 950 megawatts, resulting in a sustained 800 direct jobs, 1,700 indirect and induced jobs each year as well as a $1 billion boost in annual state gross domestic product (GDP)[6].
- **Corporate America is on board with the clean energy era.** Globally, at least 173 major corporations have committed to sourcing 100% renewable energy for their global operations[7].

<u>What changes does HB 6 propose and what is their impact?</u>

- **Elimination of efficiency and renewable energy investments via de-funding:** The legislation effectively defunds the RPS and EERS by exempting all customers from the riders, and only customers requesting to participate in the utility-run programs would pay the riders. This effectively eliminates the utility's ability to recover the cost of their efficiency programs, and utilities would likely cancel all, if not most, energy efficiency rebate programs.
- **Bills could go up:** Despite the elimination of the renewable and efficiency standard riders, utility bills may not decrease. In some cases, utility bills could increase. This is because of several factors:
    - The bill ignores the savings benefits enjoyed by all customers from the EERS, even if the customer does not receive a direct rebate or incentive from their utility. This is commonly referred to as the "wholesale price suppression" benefit which is the effect of a basic supply and demand mechanism. Efficiency lowers demand for electricity to be generated, lower demand means lower prices.
    - The cost of complying with the RPS would not be recoverable by a large swath of utility customers, making the individual customer-charge much higher, potentially, depending on if any customer chooses to opt-in.[8]
    - Without utilities investing in energy efficiency, they will be compelled to purchase more electricity generation to meet the needs of customers, which is inherently more expensive. Overall, utility cost of service could increase.
    - The bill ignores the benefits that energy efficiency provides in lowering demand for electricity across Ohio and our region, which holds prices down for everyone.
- **Dramatic decrease in energy efficiency investments that save people and businesses money:** Without cost recovery, utilities will likely cancel most, if not all, of their energy-saving rebate and incentive programs, leaving a significant amount of cost-effective energy efficiency on the table.
- **Put private sector investment at risk:** Investment in the renewable energy sector has delivered over $1 billion of investment to date. There are currently more than 112,000 clean energy jobs in Ohio. And recent studies demonstrate that over the next decade, renewable energy projects could add an additional 136,000 new jobs in Ohio and at least 6.7 billion to the state's gross domestic product.

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[6] http://www.poweringohio.org/files/2018/05/Powering-Ohio_FINAL-WEB.pdf See pages 21 - 22.
[7] http://there100.org/companies
[8] Lines 401 - 404.

- **Still requires utilities to meet annual % benchmarks, but baseline much lower:** The legislation still retains utilities to meet the annual benchmarks and cumulative targets of the RPS and EERS, but permits them to reduce the baseline calculation to which the annual % calculation is applied. Depending on how many customers choose to opt back into the riders, utilities would adjust their baseline calculations downward. This means, while Ohio would still have an EERS and RPS "on the books," a dramatically smaller amount of efficiency would actually be achieved, and much less demand in the marketplace for new renewable generation like wind, solar and biomass.
- **Ohio Jobs at risk:** Ohio's clean energy sector is already vibrant, thanks in part to Ohio's EERS and RPS. Currently, there are over 112,000 Ohioans working in the clean energy sector. Dismantling these effective policies means we put Ohioans' jobs at risk, particularly the 80,000+ Ohioans employed in the energy efficiency sector. Many of these jobs are within companies that bid, and win, contracts with utilities to implement their energy efficiency projects (for example, HVAC, lighting, sheet metal and ductwork, insulation and motor upgrades, etc.).

Ohio's EERS and RPS are already delivering tremendous benefits to Ohioans, and should be strengthened, not dismantled if we desire to continue cutting carbon emissions from the power sector.

Provision #2: Creation of Ohio "Clean Air" Program

Ohio's electric sector is not immune to the regional and national trends towards cleaner, more efficient generation and away from older coal, nuclear, oil and natural gas peaking plants. HB 6 includes in it substantial subsidies for technologies of the past, and a great cost to Ohio families and businesses. These subsidies appear to greatly benefit one company - FirstEnergy.

FirstEnergy Corporation is one of the largest investor-owned utilities in the country, with subsidiaries and affiliates involved in all aspects of generating electricity, transmitting and distributing it to end-users, as well as other utility-related services. FirstEnergy Solutions, a subsidiary of FirstEnergy Corporation and owner of Ohio's two nuclear plants, has filed for bankruptcy, citing market conditions such as cheap natural gas and renewable energy, environmental obligations at its nuclear and coal plants, and flat electricity demand[9]. The business of generating electricity has been transitioning for years, and as other forms of generation have become cheaper, including natural gas and renewables, most generation companies started to diversify their generation portfolios to ensure rate stability. FES, on the other hand, made several business decisions to double down on coal and nuclear, investing millions in aging, expensive plants that were being beat out by cheaper forms of generation.

Since 2012, FES' parent company, FirstEnergy Corp. and its Ohio electric distribution companies (Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison) have sought customer-funded subsidies and bailouts in various ways and venues in an effort to shore up the operation and maintenance of FES's uneconomic coal and nuclear plants.

FirstEnergy customers are currently on the hook for $612 million to FirstEnergy Corp. (over three years, 2017-2019) because the PUCO approved the company's proposed "distribution modernization rider" that

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[9] https://www.ohio.com/akron/business/firstenergy-solutions-bankruptcy-could-take-years-consumer-impact-review-begins

will go to benefit the company's credit rating. In early 2019, FirstEnergy filed for a two-year extension of these, which is still pending at the PUCO.

What changes does HB 6 Propose and what is the impact?

- **The bill creates a new Clean Air Program** that will provide subsidies to qualifying "Clean Air Resources" and "Reduced Emissions Resources." Ohio's major utilities (FirstEnergy, AEP Ohio, Duke Energy, and DP&L) will charge their customers the monthly surcharge to fund this program, and pass it along to the state to administer. As defined in the bill, all of the new state revenue will go toward Ohio's two nuclear plants, coal plants, or natural gas plants.[10]
- **Excludes renewables from qualifying:** The definition of "clean air resource" must satisfy particular requirements, including exclusive compensation "through the organized wholesale energy market."[11] They also cannot receive tax exemptions.[12] Almost all renewable energy sources in Ohio operate under power purchase agreements or other mechanisms, and participate in "PILOT" (Payment in Lieu of Taxes) programs. Due to these exclusions, essentially all existing or would-be renewable energy projects will not qualify for "clean air programs funds."
- **Politicizes the state agency administering the new funds:** The Ohio Air Quality Development Authority (OAQDA) will manage the Clean Air Program and disperse its funds according to an order of priority that, on its face, purports to support new clean energy sources.[13] However, because the definition of "clean air resource" excludes most renewable energy,[14] in effect, the Authority will only have a few places it can send the funds: Ohio's nuclear plants and potentially even coal or natural gas plants.
- **New charges on all Ohio customers' bills could generate approximately $300M/annually.** The charges issued upon the customers of investor-owned distribution utilities will generate approximately hundreds of millions annually[15]. In the second year of the program, the OAQDA may reduce the caps. Subsidies may be given only if sufficient funding is available, making it unclear how much would go to other resources after nuclear receives its share.

Conclusion

The Ohio Environmental Council Action Fund opposes the new bill because it undermines Ohio's ability to encourage new clean energy investments in Ohio, implement money-saving efficiency programs, create new jobs in the clean energy sector, protect public health, and meaningfully cut carbon emissions from the power sector.

[10] Lines 174 - 181.
[11] Lines 25 - 26.
[12] Line 31.
[13] Lines 214 - 226.
[14] Lines 31 - 37,
[15] Estimated revenue generated is unknown, but news reports put the annual figure between $130 - $300 million.

Ohio's Energy Efficiency and Renewable Energy Standards Save Lives

BY 2029, OUR STANDARDS WILL HELP AVOID:

335,375
LOST WORK DAYS

2,820
PREMATURE DEATHS

2,420
ASTHMA VISITS TO THE ER

44,390
ASTHMA ATTACKS

4,470
HEART ATTACKS

2,060
HOSPITAL VISITS

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