Ohio HB 6: Government Take-Over of Energy Sector

- RPS Repeal: The bill repeals a Renewable Portfolio Standard which sets out competitive, market-based procurements whereby the state sets a target and allows the flourishing clean energy private sector to select least cost projects.

- Government Take-Over: HB 6 imposes a dramatic government take-over of energy generation. In place of the cost-driven RPS, HB 6 transfers energy procurement to an obscure state agency to pick winners and losers. This represents a radical expansion of the power of state government and its role in the lives of Ohioans.

- Marijuana Analogy: Under HB 6, the state essentially awards energy contracts like it awarded medical marijuana licenses- handing control to a state agency. But unlike one-time marijuana licenses, the awards from OAQDA would be *cash payments made every single year*. And with the addition of legislators to the Board, the process will be unavoidably politicized.

- Lack of Criteria: HB 6 is stunning in its lack of guidance to OAQDA. How is the Board to distinguish among an existing coal plant on the Ohio River, a biomass plant in Wooster, or a planned large solar field in Southwest Ohio? All may qualify for funds, but after nuclear plants are paid the dwindling resources will certainly be oversubscribed. How is OAQDA to decide?

- Chilling Effect on Investment: Under HB 6, the private sector will not spend capital to develop new energy generation because the government could always step in at anytime (including after construction) with a $300 million subsidy for a competitor. The resulting economic and political uncertainty will have a chilling effect on the marketplace.

- Conclusion: The differences between HB 6 and the RPS / EERS are stark, with HB 6 abandoning a private sector-based competitive framework for a government take-over of the energy sector.

Renewable / Energy Efficiency Standards v. Ohio House Bill 6

	RPS / EERS	HB 6
Procurement	Private sector, apolitical, market-based	Government bureaucrats, political appointees, politicians
Litigation	Private companies make individual business decisions	All OAQDA cash awards subject to legal review ("arbitrary and capricious") that will tie up projects in court for years
Cost	REC price set by supply and demand and pricing is transparent	Government fixes credit price at $9.25 regardless of market trends and technology advances; OAQDA award process unclear
Bill Impact	Customers benefit as REC prices fall; some pas as little as *10 cents/month*	If market prices rise, fixed $9.25 credit (derived from $2.50 fixed charge) delivers windfall profits to nuclear plants that no longer need same level of support
Results	Renewables procured annually providing market certainty	Certain renewables eligible "if sufficient funds available," presumably after nuclear, coal, etc. Tremendous uncertainty
	EE programs delivered verified customer savings from 2009 to 2017 of $5,101,642,597	None. Ignores all EE savings ($5.1 billion to date per PUCO) as if EE delivers zero return. Fundamentally misrepresents EE as every $1 spent returns average of $2.60 in savings
Jobs	Creates new jobs and new investment (Renewable generation employs 9,841 Ohioans; full RPS implementation would add 10,000 more per economic model)	Designed to bail out two existing plants with 1,400 jobs. No new investment or new jobs
	Fosters EE – currently employing 81,676 Ohioans	Excludes EE
Projects	Companies within the sector compete on price – least cost wins	Designed to help one company – cost does not factor in at all
Cost Cap	RPS: 3% statutory cost cap EERS: Law requires PUCO to verify that savings exceed costs	None. Customer charge can be increased by CPI annually *in perpetuity* in addition to existing utility EE and RPS contract costs
Distributed Generation	REC market can accommodate projects of all sizes	Excludes solar of 50 MW or less (all existing OH projects)
In-State Generation	GA froze RPS for 2 years, repealed 50% in-state requirement, passed prohibitive wind setbacks, changed eligibility rules. Policy instability has made in-state development challenging, if not impossible.	Unclear if generation must be sited in Ohio and if new generation qualifies

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Ohio Senate Bill 221/Senate Bill 315 /SB 310
Alternative Energy Portfolio Standard

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renewable

ORC 4928.01(A)(35)

- Solar – Photovoltaic
- Solar – Thermal
- Wind
- Hydropower
- Certain Solid Waste
- Biomass
- Bio-Methane Gas
- Fuel Cells
- Wind Turbines – Lake Erie
- Off Peak Storage Facilities Utilizing Renewables
- Distributed Generation Facilities Utilizing Renewables
- Waste Energy Recovery Systems
- Certain University CHP

Advanced

ORC 4928.01(A)(34)

- Clean Coal
- Advanced Nuclear
- Energy Efficiency
- Fuel Cells
- Co-gen
- Certain Solid Waste
- Retrofitted or Refueled Generating Facilities
- Updated Capacity from Advanced Technology

Mercantile Sited

ORC 4928.01 (A)(1)

- Real/Reactive Power
- Waste Heat Efficiency
- Demand/Load storage
- Advanced/Renewable

Renewable and Solar Benchmarks: 12.5% +
ORC 4928.64(B)(2)

Y	R	S
2009:	.25%	.004%
2010:	.50%	.010%
2011:	1.0%	.030%
2012:	1.5%	.060%
2013:	2.0%	.090%
2014:	2.5%	.120%
~~2015:~~	~~[illegible]~~	~~[illegible]~~
~~2016:~~	~~[illegible]~~	~~[illegible]~~
2017:	5.5%	.220%
2018:	6.5%	.260%
2019:	7.5%	.300%
2020:	8.5%	.340%
2021:	9.5%	.380%
2022:	10.5%	.420%
2023:	11.5%	.460%
2024:	12.5%	.500%
2025		
2026		

Advanced Energy Requirement: 12.5% ORC 4928.64(B)(1)

At least ½ of renewable energy resources to be implemented by the utilities shall be met through facilities located in Ohio.

The remainder shall be met with resources that can be shown to have been delivered into the state.
ORC 4928.64(B)(3)

Utilities may use R.E.C.s in any of the 5 calendar years following acquisition to comply with both the renewable and solar energy resource requirements.

1 R.E.C. shall equal 1 Mw Hour of electricity from renewable resources. ORC 4928.65

1) **Annual PUCO Review**
ORC 4928.64(C)(1)

2) **If Not in Compliance:**
ORC 4928.64(C)(2)

A) Solar Benchmark
$ per Mw hour :
2009: $450
2010: $400
2012: $350
2014: $300
2016: $250
2018: $200
2020: $150
2022: $100
2024: $50

B) Renewable Benchmark
2009: $45
Adjusted annually per CPI

Key A.E.P.S. Cost Containment Mechanisms

3% Cost Cap	Force Majeure Provision
Utilities not required to comply with benchmark to the extent compliance will result in 3+% increase in electricity production or acquisition costs. ORC 4928.64(C)(3)	Utility may request PUCO to determine whether renewable resources are sufficiently available to enforce R.P.S. benchmark requirement. If utility shows good faith effort to comply with renewable benchmarks but cannot, PUCO may reduce obligation. Modification does not automatically reduce future benchmarks. ORC 4928.64(C)(4)