



**Testimony of David Johnson
CEO, Summitville Tiles
Substitute House Bill 6**

**Senate Energy and Public Utilities Committee
The Honorable Steve Wilson, Chair**

June 18, 2019

Chairman Wilson, Vice Chair McColley, Ranking Member Williams, and members of the Senate Energy and Public Utilities Committee, I appreciate the opportunity to present opponent testimony on this legislation before your committee.

My name is David Johnson. I am the CEO of Summitville Tiles in Columbiana County. My company is one the last surviving manufacturers of ceramic tile and flooring brick in the nation. I am also a longtime member of The Ohio Manufacturers' Association, having chaired the organization in the early 2000s. As such, I have firsthand knowledge of Ohio's move to deregulate electric generation in 1999. I speak to you with these perspectives.

First let me say that I closely monitor legislative proposals that may adversely impact Ohio's manufacturing sector, particularly when such proposals directly impact Summitville Tiles. In this context, I am *awestruck* at the significant cost prospects posed for Ohio manufacturer's by Sub. House Bill 6, especially in the As Passed by House version (referred to a HB 6 hereafter).

My colleagues in the manufacturing sector count on affordable and reliable sources of clean energy in order to compete. But this bill is fraught with open-ended and potentially significant new costs that will be passed onto Ohio ratepayers in outlying years. And to what end?

It seems clear that the primary beneficiaries of all of this will be certain hedge funds, utility conglomerates and their shareholders – to the tune of hundreds of millions of dollars per year, subsidized by and on the backs of Ohio ratepayers and companies like Summitville Tiles.

HB 6 is so complex that I cannot begin to dissect all the features that are likely to impact us, if not immediately then within a few short years.

Provisions contained in the bill, for instance, offer *multiple* opportunities for new “riders” and cost add-ons, to be layered upon ratepayers. I have to wonder, frankly, whether or not such complexity in a bill such as this is *intentionally* designed to complicate the matter and make it harder to fight, without a battery of high-priced attorneys?

At its core, HB 6 purports the false notion that existing energy efficiency and renewable energy “riders” are to be “replaced” by a lower-cost “rider”...directed, supposedly, to resuscitate First Energy’s two Ohio nuclear power facilities, as well as two older coal generated power facilities (one of which is in Indiana!).

Yet, in the very language of HB 6, energy efficiency and renewable energy “riders” may be reinstated by electric utilities merely by filing with the PUCO, beginning in 2021.

Finally, I think it is important to recognize that this bill begins to re-regulate Ohio’s electricity generation segment, which was de-regulated twenty years ago, and that has produced upwards of \$3 billion in savings per year for Ohio’s ratepayers. This was the promise that led free-market business advocates to pursue deregulation all those years ago. I was there! Finally, now, the market is working and delivering lower-priced generation and more innovative energy products to customers.

Do we really want to replace free market energy options such as we fought hard to put into place with the veritable hand-picking of new “winners” and “losers” in Ohio’s energy sector based seemingly upon who (which utility conglomerate) has the most political clout with our General Assembly? I would hope not.

How does all of this impact Summitville Tiles? Conservative total cost estimates of HB 6 to Summitville are estimated to be on the order of \$100,000 over the course of the next five years, based upon current electricity consumption

tables. While this is not a dire, make or break cost factor...yet it *is* one more added cost to our electric bill at a time when energy costs should be going down.

Despite cost reductions realized by Ohio's 1999 deregulation of the electric generation component of our electric bill, Summitville has absorbed a 20% increase in its total electricity bill, averaged over the last decade, during a time when we downsized our operations by 40%. The cost variable here, clearly, is in all of the utility company "riders" that kept being added to our electric bill. When our competitors in China are undercutting our prices by 70%, it makes these well-intentioned charges by monopoly distribution utilities just another barrier to our success and vitality as a company. There is nothing in HB 6 to protect customers from runaway distribution costs.

Mr. Chairman and members of the Committee, before I conclude I want to paint a parallel. If a business seeking a cash infusion sought such a proposal in the private sector, the owners would be required to prove their case with credible audited financial statements. I sit on the board of a national chartered bank where lending is, by federal and state code, tied directly to independent audit and examination standards designed to mitigate risk of repayment.

In this case, the power plants are not seeking a loan, but a gift from Ohio ratepayers. I can think of no reason why they should not have to prove to the state exactly what their profitability is before being awarded subsidies on an annualized basis.

I'm sure you are aware of a recent credible study that suggests the nuclear power plants will in fact be profitable to the tune of nearly \$70 million annually once FES exits bankruptcy and sheds much of its debt. The OMA has estimated that even if the plants were losing \$90 million annually (as is estimated by the PJM Independent Market Monitor) then the owners would

pocket \$176 million per year, over \$1 billion over the term of the bill. That level of profit increases to over \$350 million per year if the two nuclear plants are in fact profitable.

If you remain favorable to interfering in the marketplace, then at a minimum I urge you to install safeguards to prevent windfall profiteering. Specifically, you can insert guardrails with the addition of an ironclad and independent profitability analysis and place a reasonable limit on both power plants' profits before the state can dole out Ohioans' moneys. These guardrails should be annual and in the event of windfall profits, then customers should be credited. The OMA staff and retained counsel would be happy to work with Senators to craft such a sensible consumer protection. And under no circumstances should this audit function run any risk that political influence may affect an outcome.

Mr. Chairman, in conclusion, I most respectfully urge you to oppose HB 6. This bill is in so many ways just plain bad for Ohio.

Thank you for the opportunity to visit with you today. Together with my colleagues from Belden Brick and Cooper Tires, and OMA's Energy Counsel, Ms. Kim Bojko, I would be pleased to respond to your questions.