



**Sub. House Bill 6
Opponent Testimony**

**Before the Energy and Public Utilities Committee
Senator Steve Wilson, Chair**

Presented by

**Brad Belden
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June 18, 2019

Chairman Wilson, Vice Chair McColley, Ranking Member Williams and members of the Energy and Public Utilities Committee, thank you for the opportunity to present opponent testimony today on Substitute House Bill 6 (HB 6).

My name is Brad Belden. I am the President of the Belden Brick Company headquartered in Canton with production facilities in the village of Sugarcreek. Our company is an industry-leader in architectural brick and ceramic building materials.

I am testifying today on behalf of my company but also on behalf of The Ohio Manufacturers' Association (OMA). Our company is an active member of the OMA and I serve as chair of the OMA's Energy Committee. The OMA was created in 1910 to advocate for Ohio manufacturers; today it has approximately 1,400 members – large, small and in-between. Its mission is to protect and grow Ohio manufacturing.

Access to reliable, affordable energy is critical to all manufacturers. For that reason, companies like Belden Brick are always seeking cost-effective energy solutions. We are constantly looking for ways to reduce our electricity costs because money we save by reducing our energy spend is money we can reinvest in our business, in our employees, in our facilities and in product innovations—as well as in the communities in which we live.

Also critical to manufacturers are energy policies that support energy markets, free from market manipulation, that allow consumers to access the cost and innovation benefits of competition.

We have reviewed HB 6 and find the bill still creates multiple new costs, and new forms of costs, for manufacturers. The legislation will cost manufacturers more money in the form of new

riders above what we are paying today. The OMA is skeptical of the bill's intended environmental justification and we believe the bill will foster worse, not better, emissions reductions for Ohio. Worst of all, the bill distorts the function of the marketplace which is delivering cost savings and energy innovation to Ohio energy consumers.

Put plainly HB 6 is a mandated, customer-financed handout to select nuclear and coal power plant owners in the form of 'Clean Air Credits' and direct subsidies. Justifying the new charges under the guise of clean air is perverse and in direct conflict with markets and with the State's environmental programs and goals, financially rewarding older and dirtier technologies.

While manufacturers support nuclear power as part of an 'all-of-the-above' energy portfolio, we are strongly opposed to subsidizing certain generation plants and saddling Ohio consumers with hundreds of millions of dollars in new annual charges. This is especially unfair since Ohio customers have already paid the owners of these plants at least twice!

The cost of the new Ohio Clean Air Program alone adds up to more than \$1 billion in new customer charges. This is a new above-market charge that all customers of Ohio's distribution utilities would be required to pay with limited exceptions.

Before sending the bill to the Senate, the House added language providing for subsidies for the Ohio Valley Electric Corporation (OVEC). The new OVEC subsidy will cost Ohio families and businesses an additional \$405 million through 2030. The OVEC subsidy proposal was part of a controversial legislative debate last session (HB 239 / SB 155) that stalled in the face of considerable opposition. Make no mistake, this OVEC subsidy is not a benign codification of a court-affirmed regulatory order. HB 6 will levy new additional non-bypassable, above-market charges on customers' electric bills after the current, court-affirmed OVEC non-bypassable charge expires.

Additionally, under the current language, it is clear that energy-efficiency programs, and their associated costs, will be modified and recreated under two different funding mechanisms.

The bill creates cost risks in other ways as well. First, it allows and encourages Clean Air Resources – including nuclear plants - to obtain a Purchase Power Agreement (PPA), which could pass additional unspecified charges to all ratepayers, with no caps. The PPA program could create a whole new set of riders and potential costs for utility-owned or operated renewable energy. This is a blank check. Importantly, this language fundamentally creates a mechanism for distribution utilities to re-enter the generation market.

This program would create additional costs for customers that will also distort the market, potentially driving wholesale and retail costs higher in future years. While sponsors have called this a customer benefit to spur customer-sited projects, we find this provision provides no new benefits for customers, who already have ready access to three-year PPAs in the competitive market and who can already request a reasonable arrangement.

Second, HB 6 could likely trigger a “bifurcation” of PJM’s capacity auction, which would increase capacity costs to all Ohioans.

Furthermore, there are multiple, additional concerns that manufacturers have, which include the following:

1. Customers will continue to pay shared savings incentives (i.e., profit) and lost-distribution revenue associated with existing energy efficiency programs to the utilities through a revenue decoupling mechanism for an undefined period, even after the energy efficiency mandates and existing programs are terminated.
2. Customers will be required to pay for costs associated with winding down or discontinuing the existing energy efficiency programs through December 31, 2021. These are new, unknown costs and could include contract termination payments and employee severance pay.
3. HB 6 allows utilities to run energy efficiency programs approved by the PUCO and to receive recovery of costs and incentives for those programs beginning January 1, 2021, while customers are still paying for existing energy efficiency programs. Therefore, in the year 2021, customers could be paying for existing programs, discontinuation costs, and new PUCO-approved programs, which would be in addition to the energy efficiency costs (shared savings incentives revenue and lost distribution revenue) that the customers will pay through the revenue decoupling mechanism.
4. It is unclear whether opted-out customers will now have to pay through the revenue decoupling mechanism shared savings and lost-distribution revenue associated with the energy efficiency programs from which they opted out.
5. For shopping customers on a fixed-price contract with their electric supplier, they will have to continue to pay for the costs associated with the renewable portfolio standards that were built into their fixed-price contract until their contract expires.

So, you can see there are a lot of moving parts in HB 6 and the math is not as simple as some would have us believe. For Belden Brick, we estimate the net direct cost of the Clean Air Program, OVEC subsidies, and increased capacity costs, minus the Renewable Portfolio Standard costs, is about \$40,000 per year, plus a lot of other blank checks that could dwarf the cost increase I just shared with you. This adds up to close to a quarter million dollars over the term of HB 6.

As I said earlier in my remarks, my company is working to make our products and our manufacturing processes more efficient while reducing waste and emissions. Market forces help to achieve those results in manufacturing.

Market forces are also at work in power generation. It would be our suggestion that this committee invite comment from Ohio EPA to learn more about the trends in Ohio’s airshed.

Ohio EPA recently highlighted in its comments to U.S. EPA that Ohio's carbon emissions have dropped by 38% since 2005 due to market forces.

While there are no carbon emissions limitations in effect in the U.S. today, data show that market pressures, from investors and customers, are encouraging cleaner forms of energy for power generation. This would dispute much of the proponents' justification for the bill.

In sum, this bill does not protect customers, but rather it protects select generators and utilities.

For years, the OMA has worked to mitigate the impact of unwarranted above-market charges that put upward pressure on energy costs. According to the Office of the Consumers' Counsel, Ohio utilities have collected more than *\$15 billion* in PUCO-approved, above-market charges from utility customers since 2000. This bill would guarantee more unjustified consumer-financed subsidies, create upward pressure on energy costs, and set Ohio back on its heels as a place for energy innovation and capital-attraction.

In closing, The Ohio Manufacturers' Association strongly believes in fair, market-driven competition. The subsidized charges imposed on consumers under this legislation are simply not consistent with competitive markets and are not good for Ohio – in either the short term or the long term. For these reasons, the OMA firmly opposes HB 6. It is anticompetitive and anti-consumer, and not good for our state.

I am pleased also to be joined by Kimberly Bojko of the Carpenter Lipps & Leland law firm. Kim serves as the OMA's chief energy attorney, representing industry positions before the state and federal regulatory commissions. She is able to help me respond to your questions.

Chairman, members of the committee, this concludes my prepared remarks.