



Testimony of the Ohio Manufacturers' Association

Substitute House Bill 6

Senate Energy & Public Utilities Committee

June 27, 2019

Chairman Wilson and members of the Senate Energy and Public Utilities Committee thank you for your work to improve energy legislation in Substitute House Bill 6 (version I_133_1512-1).

The OMA has reviewed the legislation and we find many aspects of the bill have been improved for customers.

Specifically, we appreciate Senate revisions that will curtail the imposition of new customer charges stemming from the decoupling mechanism that would have resulted in a new rider and higher customer charges to compensate utilities for costs associated with energy efficiency programs.

We also recognize the improvements to the bill from eliminating certain provisions related to renewable power purchase agreements (PPA) and customer mandated cost recoveries. While the OMA is supportive of renewable energy development, the state should not pick winners and losers in this new competitive space. Moreover, absent the Senate's revisions, electric distribution utilities would have had a greater opportunity to re-enter power generation, which begins to undo deregulation. The benefits of deregulated generation have been documented and are providing meaningful benefit to Ohio businesses and families alike.

Unfortunately, the bill still contains handouts to the owners of nuclear and select coal and renewable power plants. As such, the bill places new costs on the backs of customers. As you know the OMA takes a dim view of subsidies for specific power generators. The state providing preferable treatment to one form of generation will be at the expense of competitive generators and cost customers. This is unfair and imprudent for our economy. Market distortion is a real threat to Ohio's manufacturers who rely on competition and who will see increased costs from breaking the rules of the market.

Mr. Chairman, we commend your work to install some guardrails on the amount of subsidies customers are required to finance. In testimony last week, we urged the Senate to install safeguards to require power plants to annually prove to the state what their profitability is before being awarded subsidies.

The language now contained in Sub. H.B. 6 appears to respond to this concern. We are still considering the effects of the Senate language, but we recommend that these guardrails be strengthened to afford stakeholder review and intervention in the power plant financial audits. This would be no different from routine cases before the PUCO that provide transparency while protecting confidentiality.

Under the sub bill, OVEC customer charges may be continued by the PUCO after the current riders expire but will be spread to the customers of all investor owned utilities in the state. The customer caps and prudency reviews on OVEC subsidies are also positive revisions. However, the bill still allows for a reconciliation to occur in 2030 and collected through 2031 that could impose significant new costs on customers.

In conclusion, the Senate-improved legislation still creates costs and new forms of costs for manufacturers while distorting the market. We urge you to further enhance financial audit and prudency reviews of the subsidy funds as a sensible safeguard to minimize costs passed onto customers.

Thank you for consideration of these perspectives.