Ohio Environmental Council
[Action Fund]

Ohio Senate Energy & Public Utilities Committee
Opponent Testimony
Substitute House Bill 6 (Callender, Wilkin)
June 27, 2019

Chairman Wilson, Vice Chair McColley, Ranking Member Williams, and members of the Energy and Natural Resources Committee; I am Trish Demeter, Chief of Staff for the Ohio Environmental Council Action Fund. Thank you for allowing me to submit testimony on the latest version of Substitute House Bill 6.

While the new bill maintains a minimum, required RPS and EERS, the new version of House Bill 6 is essentially a distinction without a difference. The new version would drive a similar conclusion as did the previous version if enacted - higher bills, dirtier air, and Ohio jobs at risk. This new version of HB 6 falls far short of shepherding Ohio into a cleaner, more efficient energy future, and instead will set Ohio back.

While on paper the renewable portfolio standard (RPS) and energy efficiency resource standard (EERS) are maintained, albeit at lower targets than current law, in practice these standards will effectively fade away. This is due to dramatic changes proposed in the bill on how these policies are implemented, and the likelihood that utilities would no longer continue energy efficiency rebate programs.

Renewable Energy: The reduction in the total cumulative % target coupled with both the industrial opt-out provision and the cessation of the RPS after 2026 effectively dismantles the RPS.

- The Renewable Portfolio Standard (RPS) is maintained but reduced to 8.5% by 2026 (current law is 12.5% by 2027). Solar carve out reduced to 0.34% by 2026 (current law is 0.5% by 2027).
- Automatically opts-out large industrial customers (eligibility threshold set at 45M MWh or more per year) of the renewable energy rider under the RPS. This aggregate size of the total load of this customer class would be subtracted from the baseline calculation to which the annual RPS benchmark requirement is applied.
- Eliminates duty of utilities and competitive retailers to maintain renewable energy procurement at 8.5% beyond 2025, which would mean Ohio's demand for renewable energy essentially falls off a cliff after the end compliance year. Current law states that the final RPS benchmark must continue "and every year thereafter." This language is important to financing long-term contracts and its removal means that Ohio's demand for new renewable projects would fall off a cliff after the final compliance year.
- Creates new subsidy fund for in-state renewable energy projects in the form of "supplemental" renewable energy credits set at $3 per MWh produced by qualifying renewable resources. We

think that the intent of this provision is a sound one: how might we attract new projects, and all the environmental and economic benefits, to Ohio? This new fund may help, but to my knowledge, this concept has not been evaluated for its effectiveness at incentivizing projects get built here in Ohio. Also, when compared to a simple in-state requirement, we question whether or not this provision would stack up. An in-state requirement would be based on a percentage of the overall megawatt-hour demand captured in the annual RPS benchmarks as opposed to what this bill does, which is create a relatively static amount of money that would be awarded to in-state projects.

- The sub-bill could go much further for in-state development by looking at the in-state requirement that Ohio had for several years before being repealed in 2014. Also, the obvious choice for driving in-state development would be to fix Ohio's draconian wind siting requirements.

Energy Efficiency: Allowing the use of "banked savings" toward compliance in future years coupled with both a reduction in total cumulative target and the elimination of shared savings incentives for utilities means that efficiency rebate and incentive programs will likely cease within a year or two of the bill's effective date.

- Beginning in 2021, allows utilities to count previously-achieved efficiency savings ("banked savings") toward their future years' compliance, which reduces or eliminates (depending on the utility) required efficiency savings achievements in the 2021 - 2029 timeframe.
- Energy Efficiency Resource Standard (EERS) is maintained in some form for each utility, but the formula by which they establish their individual annual requirement is unclear, particularly after banked savings are applied.
    - FirstEnergy and AEP would essentially have met the total cumulative standard given the amount of banked savings they currently have, and Duke and DP&L would have an extremely low cumulative target to reach in the 2021 - 2029 timeframe (likely less than 1% total).
- Beginning in 2021, eliminates shared savings incentives so that utilities are no longer motivated to achieve efficiency savings above and beyond the minimum annual benchmark. While this provision is likely intended to "get the profits that utilities earn on efficiency in check," the impact is either that utilities won't continue efficiency programs even voluntarily, or they won't run any meaningful efficiency programs.
- The language around efficiency in this version of the bill is very confusing and I am not entirely sure what the intent is in some aspects of it. There are several common-sense reforms that could be made to Ohio's efficiency standard such as constraining - but not eliminating - shared savings incentives, capping administrative costs, fixing some counting and compliance provisions that were enacted in 2014, and providing for more PUCO oversight to ensure these programs are delivering the most value to customers. If these are the issues that this panel is intending to address, there are better ways to approach it.

Nuclear Bailout: The bill retains subsidies for nuclear plants administered by OAQDA, although reduced in monthly charge and total revenue generated.

- Program runs from March 2020 through December 2026.
- Renames the "clean air resource" definition regarding nuclear plants to "qualifying nuclear resource," and renames "clean air fund" to "energy generation fund."

- Annual audits required on the use of the funds supporting "qualifying nuclear resources"
- Qualifying criteria stipulate that the nuclear plants' owner must maintain "both a principal place of business in this state and a substantial presence in this state with regard to its regular corporate operations, offices, and transactions."
- OAQDA shall decertify the plants' for eligibility for funds if they close prior to 2026, or if OAQDA finds other conditions are not being met.
- "Per account" charge set but can be adjusted by PUCO:
    - Residential: $0.80/month
    - Commercial: $11/month average determined by PUCO
    - Industrial: $240/month average determined PUCO
    - Large industrial exceeding 45 million kwh/year: $2,400/month average determined by PUCO

Coal Bailout: The new Sub HB 6 version no longer automatically extends the subsidies for old, jointly owned by Ohio Valley Electric Corporation (OVEC) coal plants through 2030, but instead, the bill creates permissive language.

- Allows the PUCO to renew previously-approved coal subsidies through December 31, 2030, if the utility meets certain criteria, which the commission shall establish.
- Allows prudently incurred costs to be recovered from customers "for a period of time beyond December 31, 2030," subject to PUCO.
- Non-bypassable rider caps reduced:
    - Residential: $1.50/month
    - Commercial and industrial: $1,500/month

The Ohio Environmental Council Action Fund commends the Ohio Senate Energy and Public Utilities committee for working to improve House Bill 6. Namely, the poison pill provision that would allow for local referendum on wind farms has been removed, and the six year extension of coal subsidies appears to be permissive now, rather than automatic.

This process has been rushed from the very start, and instead of implementing a policy with many unknowns, we encourage this committee to take more time to thoroughly evaluate each policy change and make substantial changes to Sub. HB 6 before considering passage. We stand ready to work with you to improve this bill and I'd be happy to answer any questions.