



H.B. 772 Proponent Testimony

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

Presented by

**Brad Belden
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Chairman Wilson, Vice Chair McColley, Ranking Member Williams and members of the Energy and Public Utilities Committee, thank you for the opportunity to visit with you today.

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 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, as well as a member of the OMA board of directors. The OMA was created in 1910 to advocate for Ohio manufacturers; today it has approximately 1,300 members – large, small and in-between. Our mission is to protect and grow Ohio manufacturing.

Access to reliable, affordable energy is critical to all manufacturers, and especially energy-intensive 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 these savings can be reinvested in our business, our employees, our facilities and product innovations — as well as in the communities in which we live.

There are multiple factors to consider when evaluating the state's energy policy. Certainly, reliability and affordability are two top considerations for today's manufacturers. Both of those measures have markedly improved in Ohio over the past decade. What caused those reliability and affordability gains? The answer is simple: Competition.

I am pleased to speak with you in support of HB 772 as the best means to repeal and reform House Bill 6 to protect customers and Ohio's competitiveness. For the electricity sector, HB 772 would restore Ohio's free-market pathway envisioned by policymakers at the turn of the century. If signed into law, HB 772 would eliminate the above-market riders of HB 6, save customers hundreds of millions of dollars per year, and restore Ohio's competitive advantages.

Harmful provisions of HB 6 include the following:

- A. Clean Air Fund/Subsidies for Nuclear Plants: HB 6's "crown jewel" is a \$150 million-a-year subsidy for the owner of Ohio's two nuclear power plants. This subsidy, financed by Ohio electric consumers, cannot be justified – especially since publicly available financial data and the owner's proposed \$800 million stock buyback have demonstrated the power plants are not financially strapped. An additional \$20 million subsidy for select solar plants brings this subsidy total to \$170 million annually.
- B. Decoupling (Profit Guarantees): The bill's decoupling mechanism will provide the FirstEnergy utilities with 2018 revenue levels (plus an additional \$66 million each year), regardless of the amount of electricity sold. These data and analyses demonstrate how FirstEnergy utilities may collect \$355 million through 2024 – and hundreds of millions more in later years – from Ohio's electric customers. (FirstEnergy CEO told investors this provision would make the company "somewhat recession proof.")
- C. OVEC Subsidies: HB 6 provides additional subsidies for the utility owners of the Ohio Valley Electric Corporation (OVEC) coal plants – subsidies estimated to be worth \$700 million through 2030. One of the two plants is in Indiana.

Specifically, HB 772 would do the following:

1. Repeal the Clean Air Program and rider created by HB 6 to subsidize the nuclear power plants and select renewable energy projects.
2. Repeal the OVEC rider created by HB 6 to subsidize the two old coal plants (including one in Indiana) owned by a consortium of energy companies, and prevent the PUCO from reviving or enacting a new OVEC rider.
3. Require a refund of OVEC charges collected from customers pursuant to HB 6 immediately.
4. Repeal the decoupling mechanism in HB 6 that benefits FirstEnergy by rewarding it with unearned income at the expense of customers. Additionally, terminates all other decoupling mechanisms established and prevents the PUCO from reviving or enacting new decoupling riders.
5. Require FirstEnergy to immediately refund the full amount of decoupling charges to customers.

6. Require the PUCO and the Ohio Air Quality Development Authority to eliminate or rescind any mechanism, charge, rule, or order enacted, authorized, or issued to implement a provision of HB 6.
7. Include an emergency clause, ensuring that HB 772's reforms go into effect immediately upon being signed by the governor.

Unlike other "straight repeal" bills pending in the House and Senate, HB 772 does not reinstate the energy efficiency standards (and rider) or renewable portfolio standards (and rider) that HB 6 repealed and modified. In other words, HB 772 allows the energy efficiency standards and costs to sunset at the end of 2020, and maintains the modifications to the renewable portfolio standards as directed by HB 6. HB 772 also prevents utilities from offering so-called "voluntary" energy efficiency programs that are voluntary for the utility, but mandate customer participation and costs paid for by customers.

Utility administered renewable energy and energy efficiency programs have changed a great deal – in both capabilities and costs – since the adoption of the standards in SB 221. At the same time, these technologies and their customer-driven markets have advanced and evolved. Ohio should take a fresh look at what policies are appropriate to stimulate adoption of these technologies in a market-based economy.

Mr. Chairman, before I conclude, allow me to contrast HB 772 with HB 798 of which you just heard sponsor testimony. HB 772 is superior to HB 798 in protecting Ohio consumers for the following reasons:

- HB 798's omission of OVEC repeal is particularly troubling for manufacturers that pay this unjustified HB 6 tax. I've linked this memo on the [boondoggle that is OVEC](#). Failure to address total OVEC repeal is a gift to OVEC's owners, principally AEP – a gift financed involuntarily and with no benefits by Ohio customers.
- While we appreciate that HB 798 terminates the special HB 6-bestowed decoupling mechanism drafted to benefit FirstEnergy, it leaves intact decoupling mechanisms that other utilities will continue to charge customers as a mechanism to recover lost revenues from energy efficiency mandates long after the mandates cease to exist at the end of 2020.
- Since HB 6 repealed utility-administered energy efficiency programs, all decoupling riders should be repealed, and customer refunds (for the HB 6 decoupling mechanism) should be required. Failure to comprehensively repeal decoupling is a gift to monopoly electric distribution utilities – a gift financed by Ohio families and businesses.

Finally, let me comment on HB 798's deferred treatment of the new Clean Air Fund. Evidence has emerged over past months that demonstrates the nuclear plants are viable without subsidies. This evidence includes Energy Harbor's own financial statements to its investors, and

to the Nuclear Regulatory Commission, both of which assert that the nuclear plants are financially viable without HB 6 subsidies.

Energy Harbor's "[2020-2022 Financial Outlook](#)" projects \$515 million in profit this year, \$585 million next year, and \$645 million in 2022. There has been no evidence presented to the contrary.

There is no need for the subsidy – not now, and not in a year from now. Even if there were a need, the audit requirement contained in HB 798 is poorly defined, lacks direction on what is to be reviewed, lacks a stakeholder process at the OAQDA, and lacks a time frame for OAQDA's actions. Importantly, the proposed audit is retrospective, allowing collection and disbursement of funds prior to need being established and that cannot be returned to customers. **Collectively, this is a gift to Energy Harbor and other energy companies seeking Clean Air Fund subsidies from captive Ohioans.**

Mr. Chairman, I've linked a [detailed analysis](#) of the impacts of HB 798 prepared by the OMA's technical resource teams.

According to this analysis, HB 798 will result in around \$4,000 in above-market charges per year for a small manufacturer, and about \$40,000 per year for a large manufacturer. It will cost other sectors as well – an estimated \$3,000 per year for lodging businesses, \$1,000 per year for restaurants, \$700 for small businesses, and \$30 to \$40 from every home and apartment. All at a time when families are struggling with the effects of the pandemic.

As HB 798 stands today, it continues policies to benefit energy companies and utilities at customers' expense. Moreover, it fails to make Ohio's energy policy more competitive at a time when we need to grow jobs and opportunity to prepare for the post-pandemic era.

We would be happy to work with you to resolve the shortcomings. However, HB 798 – while it has merits – does not go far enough to resolve the injuries of HB 6. Therefore, we urge you to set it aside and instead continue to focus on Representative Romanchuk's HB 772 as the blueprint from which to build to protect customers and protect markets.

I am joined by Kim 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. With the chairman's indulgence, Kim can help me respond to your questions.

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