**Proponent Testimony by Tom Bullock and Karl Rabago on Senate Bill 275**
Executive Director, Citizens Utility Board of Ohio
Principal, Rábago Energy, LLC
Senate Energy and Public Utilities Committee
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Chairman Reineke, Vice-Chair McColley, Ranking Member Smith, and members of the Senate Energy and Public Utilities Committee, thank you for the opportunity to submit proponent testimony on behalf of Senate Bill 275 (SB 275).

SB 275 is an incredible economic development bill that will foster billions, yes billions of dollars of private capital investment into Ohio's brownfields and other distressed property. It will do this by allowing virtual net metering for energy projects that are developed ONLY on these types of sites. This virtual net metering would mirror the structure of Ohio's current commercial net metering program but allow projects to be sited anywhere within the same utility service territory as the off-taker.

My name is Tom Bullock, and I am the Executive Director of the Citizens Utility Board of Ohio (CUB Ohio). With me is Karl Rabago, Principal for Rábago Energy, LLC in Denver. Karl is a former public utility commissioner in Texas, former Deputy Assistant Secretary at the U.S. Department of Energy, former Director of Regulatory Affairs at AES Corporation, and a nationally recognized expert in net metering and distributed energy resources. He has filed testimony in more than 170 proceedings across the U.S.

There are more than 4,000 landfills, lagoons, brownfields and other historic disposal facilities located throughout Ohio. This is a big number, and they are present in all 88 counties. Many have been vacant for decades, failing to contribute to the economy and local tax base for want of a viable business case for their use. I have provided a handout that shows just a portion of these: historic landfills, of which there are over 1,800 statewide. These sites represent thousands of acres of land that can find additional use for siting energy projects.

The second critical feature of SB 275 is that it can add significant high-value generation to Ohio's grid in the near term. These projects would interconnect with the local grid and therefore can be built quickly, within 1 to 3 years, rather than being subject to the 4 to 6 year (or longer) approval timetable for PJM projects connecting to the interstate grid. As Ohio faces the projected growing energy demand from AI, data centers, and projects like Intel, it is essential that Ohio consumers continue to benefit from affordable, reliable, resilient, in-state power.

Further, these new generation sites can be targeted to the places where they will have the greatest value in reducing grid stress, improving resilience and reliability. This can happen because a customer will be able to obtain net metering service without having to install the net metering system at their premises.

Ideally, this law would allow developers to capture a portion of "locational value" of particular sites to ensure power projects "pencil out" in locations where new generation is most needed. That would mean that Ohio utilities could help customers locate new virtual net metered systems in the places where they will have the greatest value in improving resilience and reliability. Short of that, the Public Utilities Commission of Ohio (PUCO) should be directed to order the utilities to

regularly publish grid "heat maps" that show hosting capacity of the wires overlaid with power demand to help developers and customers seek out the best locations for net metering systems, helping the grid and reducing interconnection costs. PUCO should also ensure that robust data is collected and shared by the utility in order to better understand how distributed generation can save on grid investment costs. (To be clear, what I am discussing here is not included in the bill as introduced, but it is something we strongly recommend.)

An additional feature of SB 275 is its stance on types of generation. This bill embraces an "all of the above" approach to generation by allowing natural gas and battery projects to be sited alongside renewable projects. This would allow SB 275 projects to provide 24/7 power to the distribution grid.

The fourth and last feature important to highlight is the financial soundness of virtual net metering as proposed in SB 275: the fact that there is no cost shifting from participants to non-participants in this legislation: virtual net metering customers pay their fair share of fixed grid costs, and, in fact deliver benefits to the grid, making it a net positive for all consumers and the grid.

At this time, I am going to turn it over to Karl.

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Testimony from Mr. Rabago:

I find that SB 275 proposes financially sound, cost effective policies for commercial customers. There is no shifting of costs of service from net metering customers to non-net metering customers under SB 275, just as it does not exist under commercial net metering today.

Indeed, my analysis is that commercial net metering customers under SB 275 would deliver benefits to the grid that are positive for other customers and for utilities. A table illustrating this is included here.

Table 1: Benefits of Energy Generated by NEM Systems

| | Ohio Power Co Commercial - Primary | The Toledo Edison Co Commercial - Primary | Cleveland Electric Illum Co Commercial - Primary | Ohio Edison Co Commercial - Primary | Duke Energy Ohio Inc Commercial - Primary | Dayton Power & Light Co Commercial - Primary | AVG ALL Commercial - Primary |
|---|---|---|---|---|---|---|---|
| Total Benefits per NEM kWh ($/kWh) | $0.125 | $0.113 | $0.113 | $0.113 | $0.123 | $0.112 | $0.117 |
| Total Effective Rate Paid by Customers without NEM ($/kWh) | $0.154 | $0.104 | $0.118 | $0.113 | $0.114 | $0.172 | $0.129 |
| NEM Customer Contribution to Fixed Costs (Customer & Demand Charges) ($/kWh) | $0.074 | $0.038 | $0.054 | $0.049 | $0.089 | $0.026 | $0.047 |
| Effective Offset Value for Net Metering to Net Metering Customers ($/kWh) | $0.080 | $0.065 | $0.064 | $0.063 | $0.074 | $0.146 | $0.082 |
| Net Benefits to All Customers & Utility per Unit of NEM Generation ($/kWh) (1)-(4) | $0.045 | $0.047 | $0.049 | $0.050 | $0.049 | -$0.034 | $0.034 |

"Effective Retail Rate" = charges divided by total kWh consumed

Commercial net metering customers pay their customer costs, their demand charges, and their kW-based distribution and transmission costs from approved rates. They pay these costs both on their net consumption and on any excess energy exported to the grid. On top of this, net metered generation actually reduces both distribution and transmission costs for the grid.

Net metering customers do earn credits for kilowatt-hours they export to the grid, receiving the same wholesale price for generated electricity as other power purchased by the utility for sale to consumers. This is financially neutral to utilities (a “wash”) since, in a deregulated state like Ohio, the utility does not make money from generation: it’s merely a pass-through.

More importantly, not selling electricity does not, by definition, create costs under cost-of-service rate regulation that you use in Ohio today.

More importantly still, this offsetting energy is better quality and higher value than the energy the utility would otherwise purchase and have to distribute since it is delivered locally. And in rational, subsidy-free economics, best buys should go first.

In sum, I find virtual net metering for commercial customers as proposed under SB 275 to be financially sound and cost effective. It does not create unjust cost shifts or unfairly subsidize net metering customers. My colleagues have addressed additional policy benefits that I believe you should also take into account.

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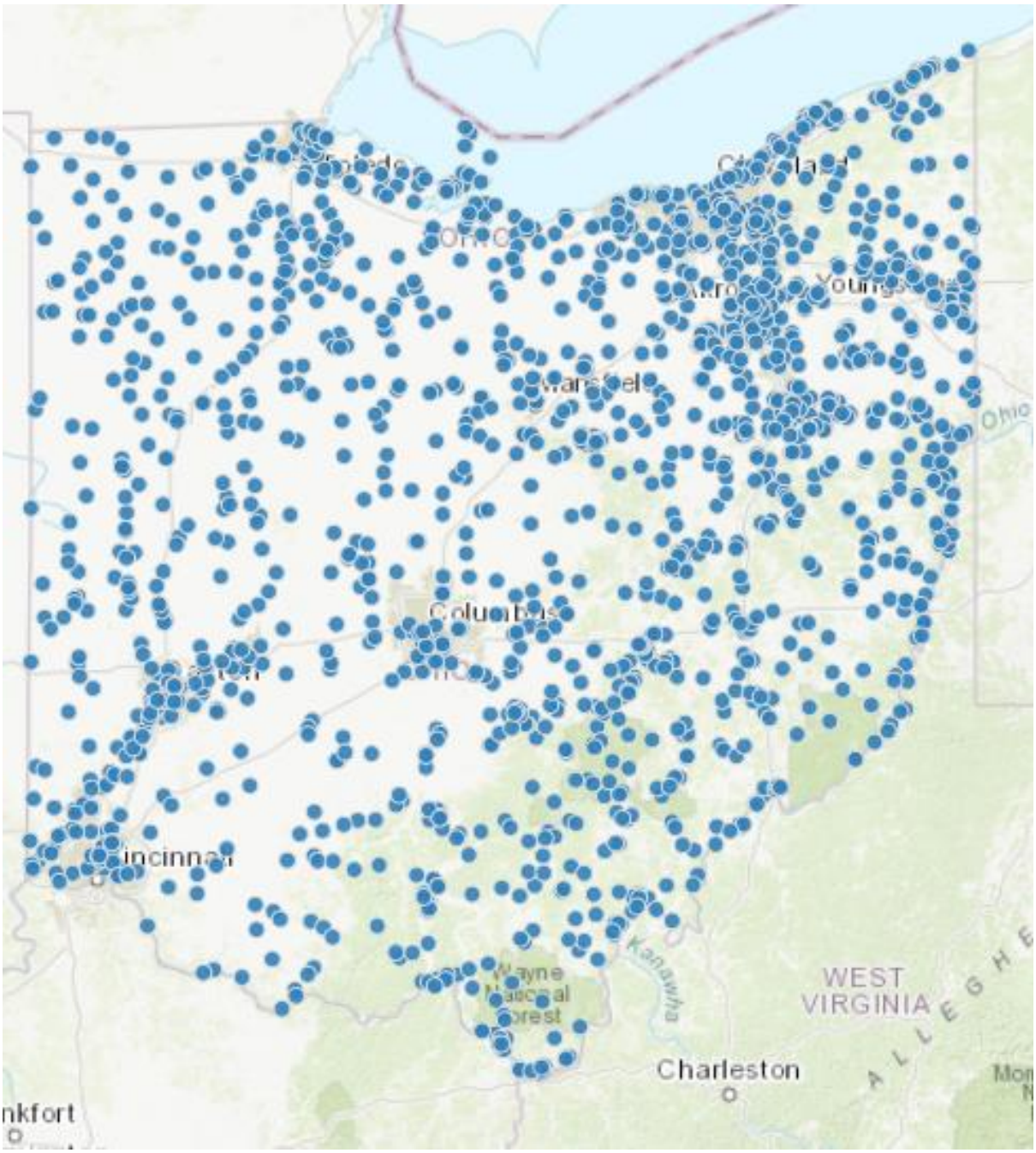
Thank you for the opportunity to provide proponent testimony on behalf of SB 275. We are happy to answer your questions.




Historic Solid Waste Facilities
Ohio EPA
https://data-oepa.opendata.arcgis.com/datasets/oepa::solid-waste-facilities-historic/explore?location=40.160726%2C-81.301946%2C7.25