BEFORE THE SENATE ENERGY AND PUBLIC UTILITIES COMMITTEE
SENATOR BILL REINEKE, CHAIRMAN

TESTIMONY
OF
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Chair Reineke, Vice-Chair McColley, Ranking Member Smith, and members of the Senate Energy and Public Utilities Committee, thank you for the opportunity to provide testimony today on Senate Bill 275 (SB275). My name is John Seryak, and I am the founder of Runnerstone, an energy consultancy providing accurate, unbiased information on energy policy, regulations, and market matters. I am also Managing Partner of its affiliate, Go Sustainable Energy, which provides accurate, unbiased information on energy to our clients. I serve as the energy engineer to both The Ohio Manufacturers' Association (OMA) and the OMA Energy Group, and it is on the OMA's behalf that I testify today.

The OMA represents Ohio's robust manufacturing sector, boasting approximately 1,300 members of all sizes. As you know, affordable and reliable energy is integral to the productivity of these manufacturers. The option to source local energy is increasingly important to manufacturers as it has become economically competitive. Energy is of paramount importance to Ohio's manufacturing competitiveness; therefore, Ohio's energy policy is of great significance to the OMA.

SB275 creates a virtual net-metering mechanism for local generation sited at brownfields and other similarly affected properties. The OMA is supportive of the intent of the bill, however, believes some modification is needed in regard to the benefit-shifting potential of the current language.

First, the bill allows many types of eligible electric generation technologies for virtual net-metering. It's important to create this fair playing field. There are more electric generation and storage technologies available today than ever, and even more being invested in to come to market. However, the bill could be improved with a catch-all definition so that any electric generating technology can be eligible.

Second, the bill highlights land and facility types that can readily host electric generation technologies. Some of these host properties may also have existing electrical infrastructure, a coveted resource today. While any type of land and facility should be eligible for local generation, this is a good starting point.

Most importantly, the bill's virtual net-metering provision is significantly improved as compared to previous virtual net-metering language in other legislative proposals. Importantly, it should not shift costs to other ratepayers. However, it would shift *benefits* of the project to non-participating ratepayers. I'll describe how. A customer's electric bill recovers costs for electric generation, transmission, and distribution. These three parts of getting electricity to your home or business are provided by separate companies. SB275's virtual net-metering provision would do the following:

- For electric generation, costs and revenue would be appropriately allocated. The subscriber to the project would receive the exact financial benefit, with no cost shifting and no benefit shifting.
- For electric distribution, a business customer would still pay all costs under current tariff designs, which is fair. Because of this, there would be little cost-shifting of distribution charges to non-participating customers, and the electric distribution utility would lose no revenue. (This is only true for commercial and industrial customers. If residential customers were eligible to participate in this program, then there would be cost shifting. My understanding is that the bill is not intended for residential customers, though this should be explicitly clarified. Additionally, some non-distribution related riders may be cost-shifted.)
- For electric transmission, significant savings from the project would occur, but would accrue to neither the generating project nor the subscribing customer, but instead to the remainder of the local utility's ratepayer base. As a result, there would be benefit shifting.

The benefit shifting would not be insignificant. For example, a 1-megawatt solar project would save $30,000 in transmission costs for AEP Ohio customers in its territory or $40,000 per year in transmission costs for FirstEnergy customers. Most to all of this should be credited to the project or customer. Under SB275 these system savings would be passed on to all the utilities ratepayers.

There's good reason to modify the bill to prevent benefit shifting. With an accurate reflection of the transmission system savings passing through to the right parties, local distributed energy projects enabled by this bill could become very economical. It's these types of economic local generation projects that manufacturers are interested in.

We shouldn't hesitate to attribute savings to the project and customer whose investment produced these savings. In doing so, it could encourage the proliferation of many local generation projects. These local generation projects would also reduce load and strain on the transmission grid. In this way, it'd be a two-for-one, creating more generation and transmission capacity in Ohio. Each project invested in, while good for the generation owner and the subscribing customer, would create room for even more economic development in the state.

Thank you, Mr. Chairman and members of the committee. I would be happy to answer any questions.