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

OPPOSITION TESTIMONY OF JOE PRICE ON BEHALF OF THE OHIO ENERGY GROUP

December 10, 2024

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 in opposition to Senate Bill 275 (S.B. 275).

My name is Joe Price and I serve as Executive Director for the Ohio Energy Group (OEG). OEG is a trade organization formed in 2003 by large, energy-intensive industrial companies with one or more plants in Ohio to promote low-cost, reliable electric power. Our 28 members[1] spend more than $1 billion annually on natural gas and electricity, and we provide more than 55,000 good paying direct jobs in Ohio. Because energy costs are a major component of each OEG member's cost of production, even small changes to the cost of energy can have very big impacts.

The members of OEG share the concerns of the bill sponsors that there is a need for new dispatchable generation in Ohio. We appreciate the efforts of the bill sponsors to focus on this

[1] Current OEG membership: Air Products and Chemicals, Inc. Amsted Rail Company, Inc., ArcelorMittal Tubular Products Shelby, Cargill, Incorporated, Charter Steel, Cleveland-Cliffs Inc., Ford Motor Company, GE Aviation, General Motors LLC, Greif, Inc., Howmet Aerospace, Inc., Intel Corporation, Johns Manville (a Berkshire Hathaway Company), JSW Steel USA Ohio, Inc., Johns Manville (a Berkshire Hathaway Company), JSW Steel USA Ohio, Inc. Linde Inc., Martin Marietta Magnesia Specialties, LLC, Metallus, Inc. (fka TimkenSteel), Materion Corporation, Messer, LLC, Molson Coors Beverage Company, Nature Fresh Farms USA Inc., North Star BlueScope Steel LLC , One MWHub, POET – Bioprocessing, PTC Alliance Holding Corp., Stellantis, The Worthington Steel Company and Three Rivers Energy LLC.

very important issue. But S.B. 275 is not the most appropriate way to address these concerns because it applies to intermittent (wind and solar) generation and because it will raise electric rates on customers that do not have contracts for virtual (on paper only) power. It is important to note that traditional net metering (i.e. rooftop solar) is significantly different than virtual net metering, because the customer is *actually* consuming less electricity.

S.B. 275 will seek to incentivize the construction of new generation in distressed parts of the state by providing power plant developers a new revenue stream from businesses entering into virtual net metering contracts. That's the good news.

But there is also bad news. That new revenue stream will be funded through higher electric rates on non-participating Residential, Commercial and Industrial customers. The rate increases on non-participants are what AEP, Duke, and AES's testimony referred to as "*cost shifts*".

The primary beneficiaries of S.B. 275 will be: 1) the power plant developers that get a new above-market contractual revenue stream; 2) the virtual net metering customers that get subsidized utility service; and 3) national accounts like Home Depot and McDonalds that can take advantage of aggregation.

The primary losers under S.B. 275 will be: 1) the electric utilities who will have to absorb reduced revenues until their next rate cases; and 2) millions of non-participating customers who will pay higher rates to fund the cost shifts.

The virtual net metering customer will not change how it physically uses power. The utility will incur the same costs delivering power. The bill allows a customer to use less electricity *on paper* – in reality, nothing will change for that customer's usage. But by virtue of these paper transactions, the virtual net metering customer will get a subsidized rate reduction, and the virtual net metering supplier will get a new above-market contractual revenue stream. Everyone else will get a higher electricity bill.

In prior testimony, AEP Ohio's witness presented a quantification of a $236,014 "*cost shift*" in one month for a 10 MW customer that moved from standard transmission and distribution billing to virtual billing. In that example, the customer paid $176,875 for a month of electricity. After the effects of virtual net metering, the customer paid less than nothing (negative $59,139). Those costs don't disappear. Other customers will pay them.

Are there benefits to having additional generation in Ohio, particularly dispatchable generation that can be reliably depended upon? Yes. But encouraging new power plants (including non-dispatchable renewables) by allowing a customer to *pretend* that it physically uses less electricity is not the answer. Adding new generation resources does not necessarily mean that there will be less need for transmission and distribution investment. In fact, it could increase those costs. Analysis of every potential project would differ.

Furthermore, PJM is projecting of a shortage of dispatchable and baseload thermal power plants (natural gas, coal, nuclear, etc.) in the near future. Renewables do not offer dispatchable power and thus will not solve the problem. There are already very generous subsidies paid to renewable power plants via the Inflation Reduction Act, enacted under President Biden. Does Ohio really need to offer more subsidies for renewables, paid for by Ohioans?

If a customer uses the transmission and distribution systems, the customer should pay for its share of the costs to build and maintain those systems. It is not reasonable or fair to force non-participating customers to pay someone else's share of the electric grid.

It is important to recognize that S.B. 275 contains no limit on the size or number of new power plants that can qualify for virtual net metering, nor is there any limit on the level of rate increases for non-participating customers. The risk of unintended consequences is very high.

The legislation should prohibit *any* cost shifting to protect customers from paying for their neighbor's electric bill. OEG has attached a draft amendment for your consideration. Proponents of the legislation have testified that the target customer for this program is the small to medium-sized business, not residential or large customers. The amendment would specify that only small/medium-sized businesses (those served at secondary voltage levels) would be eligible to participate, but also any cost shifting would be contained within that class of customers. This amendment would protect Bob & Betty Buckeye and our energy-intensive manufacturers from inevitable rate increases.

Thank you for the opportunity to testify.

Amendments for Consideration (new language in red)

Lines 15-18 of the bill:

(B) "Virtual net metering customer" means a person, including a hospital as defined in section 3701.01 of the Revised Code, **taking service at secondary voltage** that contracts for or otherwise acquires electricity generated by a virtual net metering system.

This change would specify that the eligible customers for virtual net metering are those served at secondary voltage. Customers served at secondary voltage are small to medium sized businesses, schools, etc. This is consistent with the testimony of the proponents, who specified that small to medium sized businesses are the ideal targets for the program.

Lines 105-110 of the bill:

Sec. 4928.679. (A) An electric utility shall develop a standard **secondary voltage** contract or tariff providing for virtual net metering. The **secondary voltage** contract or tariff shall be identical in rate structure, all retail rate components, and any monthly charges to the contract or tariff to which the same customer would be assigned if that customer was not a virtual net metering customer. **Any electric utility generation, transmission, or distribution costs that are avoided by a virtual net metering customer shall be recovered from other secondary voltage customers, and no such avoided costs shall be recovered from residential customers or customers served at primary voltage or above.**

This change would protect residential customers (smallest customers) and customers served at primary voltage or above (large customers) from any cost-shifting resulting from the bill. Absent this change, there is a real risk that residential and large customers, which are not the intended beneficiaries of the legislation, would see rate increases.