



Ohio Environmental Council [Action Fund]

February 18, 2025
Interested Party Testimony - Senate Bill 2
Ohio Senate Energy Committee

Chair Chavez, Vice-Chair Landis, Ranking Member Smith and members of the committee, thank you for the opportunity to give written testimony as an interested party on Senate Bill 2 (SB 2). My name is Nolan Rutschilling, I serve as the Managing Director of Energy Policy for the Ohio Environmental Council Action Fund (OEC AF). The OEC Action Fund's mission is to protect the environment and health of all Ohio communities. While SB 2 is a comprehensive, sweeping piece of legislation, our testimony today will focus on only a few components—we plan to engage fully on the legislation and look forward to working with the Committee. The OEC Action Fund recommends clarity on the repeal of the Legacy Generation Resource Rider and the addition of energy efficiency programs. We also recommend changes to the siting reform proposed in SB 2 while supporting clear and strong restrictions around “mini rate cases”.

Immediate Repeal of the Legacy Generation Resource Rider

The OEC Action Fund supports the elimination of the Legacy Generation Resource Rider (LGR), otherwise known as the mechanism funding the Ohio Valley Electric Corporation (OVEC) bailout. We support the intent to eliminate subsidies for specific types of generation, but recommend immediate elimination of the LGR, rather than depending on the patchwork of time periods assigned to various Electric Security Plans (ESPs). This would be consistent with the elimination of the Solar Generation Fund, which would be repealed at the effective date of the legislation. It's crucial this legislation doesn't pick favorites between energy generation types, and that consumers receive relief immediately, especially with looming PJM capacity price increases.

As different utilities have different ESP terms, consistency is also important, so that the customers of AEP Ohio aren't left covering the LGR in 2027 while the AES Ohio customers are off the hook in 2026, as that is when their ESP ends. Ohioans have already paid nearly \$600 million in total subsidies for the OVEC plants, and it is necessary to end those payments as quickly as possible.

Energy Efficiency

In order to address grid reliability and growing demand, new generation should be paired with energy efficiency measures. Voluntary energy efficiency programs, when run with regulatory oversight, result in cost savings and a more efficient grid. By reducing demand, energy efficiency programs will help reduce the need for energy generation capacity, preventing blackouts. We recommend the addition of energy efficiency programs similar to what was

proposed under HB 79 in the 135th General Assembly. These programs can and should include the same consumer protections around notice and opt out as the variable rate billing components in SB 2.

Crucially, these types of programs are most important for residential and small business customers—both for cost savings and grid reliability. Residential and small business energy efficiency and demand response programs are crucial for dispersing available capacity compared to isolated industrial users across service territory. While industrial users often have sophisticated efficiency measures, residential and small business consumers benefit from utility-run programs that make the technology accessible and affordable. To put it simply: without energy efficiency programs, Ohio would be missing the lowest hanging fruit in our joint effort to create a reliable, affordable energy system.

ESP Elimination and Mini Rate Cases

The OEC Action Fund supports the elimination of Electric Security Plans (ESPs) in order to establish a simpler, more transparent ratemaking process at the PUCO, but opposes the creation of “mini rate cases” as described in the current legislation.

Mini rate cases, as currently written, are open ended opportunities for utilities to collect capital expenditures for “economic development” purposes. Without further restrictions, these mini rate cases present an opportunity for utilities to recover costs for a vast array of projects, with no constraint on the costs, limits on the rate of return of capital expenditures, or limits on eligible projects. In effect, this lack of clarity presents the same issues the repeal of ESPs is intended to fix: expensive riders and revenue without the oversight of traditional rate cases. We recommend elimination of mini rate cases to match the language proposed in H.B. 15 regarding the elimination of ESPs. In the alternative, we propose significant constraints on what is eligible for inclusion in a mini rate case, including the following suggestions:

- Allow only one mini rate case per utility between rate cases.
- All expenses approved in a mini rate case should expire at the start of a new approved Rate Case.
- The rate of return applied to capital expenditures approved in a mini rate case should not exceed 5%.

These measures limit the opportunities for utilities to continually apply to collect new expenditures, and provide protections to consumers.

Power Siting Process

SB 2 also significantly changes the energy generation siting process in Ohio. While the need for a more efficient grid with more distributed generation is clear, the timeframes for the Ohio Power Siting Board process are shortened to the point of risking necessary environmental and community reviews. It is crucial that communities and stakeholders have the opportunity to weigh in on major energy projects in their community. We recommend time limits on the OSPB

case process (both in Priority Investment Areas and not) be increased to greater allow community input and intervention in the process.

Thank you again for the opportunity to give written testimony, and I'd be happy to answer any questions that you might have through email or a direct meeting.

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