



Senate Energy Committee

Senate Bill 2 Proponent Testimony

Tim Ling

Corporate Environmental Director

Plaskolite, LLC

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Chairman Chavez, Vice Chair Landis, Ranking Member Smith, and Members of the Senate Energy Committee, thank you for the opportunity to testify today as a proponent of Senate Bill 2.

My name is Tim Ling and I serve as the Corporate Environmental Director for Plaskolite, LLC., a global thermoplastic sheet manufacturer based here in Columbus with over 400 employees throughout Ohio. I stand before you today to testify on behalf of the Ohio Manufacturers' Association, of which my company is a longtime member.

For almost twenty-five years, Ohio has operated a competitive electric generation market, allowing customers to choose their power suppliers. This model has led to lower wholesale electricity prices, the replacement of outdated power plants, and advancements in technology. Ohio should stay the course with competitive markets while instituting common-sense policy reforms to expand competition and free markets.

Access to reliable and affordable electricity is a significant issue for manufacturers, both of which can impact their ability to compete in the industry. Because the cost of electricity is a major expense for energy-intensive manufacturers, manufacturers are keenly interested in public policies that will drive lowest-cost energy resources and solutions. Ohio's transition to a competitive market for electricity has produced many well documented successes that support that objective. For example:

- Between 2011 and 2018, business and residential customers in Ohio have saved approximately \$24 billion, with an expected additional \$3 billion per year in savings going forward.
- Seven new gas-fired power plants have been constructed in Ohio since 2017, while four additional plants are approved for construction by the Ohio Power Siting Board. This represents more than 9,700 megawatts of new, competitive gas-fired power generation in Ohio. And, reserve margins are currently around 22 percent.

In other words, electric competition is working as intended. Increased choices and savings have served customers well.

Nonetheless, with Senate Bill 2, we have an opportunity to produce even better results. Current law contains a number of ratemaking provisions that are anti-competitive, unnecessarily costly for customers, and bad for Ohio's economy. Many of these anti-competitive provisions became law through Senate Bill 221, passed in 2008, and today represent a serious threat to the benefits of competition that we currently enjoy.

For example: Electric Security Plans (ESPs) permitted under Senate Bill 221 in 2008 were to be a temporary mechanism to bridge Ohio's move from the traditional monopoly market to the free market for electricity - which was achieved in May 2015 - after which the Ohio utilities were to operate completely under free electric markets. It's now 10 years beyond when these ESPs were to be in place, yet they still continue, and have made it possible for utilities to secure approval from the Public Utilities Commission of Ohio (PUCO) to charge customers above-market charges through unwarranted non-bypassable riders.

They have truly outlived their stated purpose, and are now simply a costly mechanism to add above-market charges to customers' electric bills, increasing Ohio's electric costs. They are not needed, in any real technical or economic sense, to ensure reliable electric service in Ohio. It's time for ESPs to go away, and to let the free electric markets operate as originally intended with the passage of deregulation

How much money are we talking about with these ESP charges? The Office of the Ohio Consumers' Counsel has documented more than \$15.3 billion in PUCO-approved, above-market electric utility charges since 2000. Those costs have been paid by customers of the four Ohio electric utilities.

This begs the question: Why should manufacturers – or any business for that matter – be forced to pay what amounts to unjustifiable energy “taxes” at a time when competitive electricity markets should be producing lower electric bills?

Senate Bill 2 will help protect electric customers by addressing unfair, anti-consumer provisions embedded in current law that cost customers billions of dollars. By eliminating language in current law that permits utilities to file ESPs, the bill also will eliminate above-market charges that those plans allow.

Senate Bill 2 also includes repeal of the subsidies authorized in 2019 under House Bill 6 that customers are presently forced to pay to provide hundreds of millions of dollars to two 1950s-era coal plants owned by the Ohio Valley Electric Corporation. While the OVEC power plants can run economically, they do not typically make enough profit to cover the costs of their debt payments. Additionally, OVEC chooses to run at times when the plants lose money in the market. As a result, OVEC charges its electric utility sponsors - including AEP Ohio, AES Ohio, and Duke Energy Ohio - for the remaining costs.

OVEC's losses would directly eat into the profits of those electric utilities. But to protect their profits, the Ohio electric utilities have been successful at passing those losses on

to Ohioans. The Ohio utilities were successful in obtaining customer paid subsidies from the PUCO through ESPs, and then as part of the corrupt House Bill 6. Given that the sponsoring companies of OVEC have a signed agreement to operate the plants through 2040 and that OVEC receives payments from PJM to provide power capacity, the plants are planned to stay open even with the repeal of the customer-funded subsidies.

Ohioans have already paid over \$670 million in total subsidies to OVEC's utility owners since 2017. Based on historical and predicted future electricity prices, it is estimated Ohioans could subsidize OVEC's utility owners over \$1.1 billion total by 2030, all of which directly profits utility shareholders. The OMA agrees that the subsidies for OVEC should end, but believes that they should end immediately.

Additionally, while this bill addresses many other key energy policy components, there is more that can be done to protect customers. For example:

1. The OVEC subsidies could be refunded back to customers.
2. The unused solar subsidies (estimated to be approximately \$60 million) could also be refunded to customers.
3. The provision authorizing mini rate cases could be more clearly defined and should include transmission programs that provide important economic development tools to manufacturers to reduce costs and alleviate grid constraints during peak periods.
4. The provisions allowing electric utilities to forecast test years in rate cases and water down important used and useful consumer protections should be eliminated.

Moreover, in Ohio and other states, transmission costs are on the rise, and at a dangerous clip. While all customers benefit from useful upgrades to the grid that make it more resilient, there is good reason to question the efficacy of recent utility transmission spending, most of which emanates from so-called "supplemental" projects, which receive little regulatory oversight. Astoundingly, Ohioans are paying about \$1 billion per year for transmission improvements without proof that it is improving our system reliability or increasing transmission capacity in order to deliver power.

Ohio could lower electricity costs by encouraging new businesses to locate where transmission infrastructure exists. This would spread out the billions of dollars of new transmission costs Ohio businesses have already paid. For example, a heat map of the electric system would allow customers to more timely determine where they can locate on the grid without extensive infrastructure upgrades. It would also allow power

generators to know where system constraints are located that would benefit from co-located generation. Increasingly, competitive power generation is co-located near load, whether connected to the transmission system, the distribution system level, behind-the-meter, or as a microgrid.

These changes and additions presented here will enable Ohio consumers to avoid many unnecessarily high charges, leaving more money in residential consumers' pockets and reducing business operating costs, which protects and creates Ohio jobs. Our suggestions can make our state economy stronger and more competitive with businesses in other parts of the United States -- and the world.

Mr. Chairman and members of the committee, that concludes my testimony. The OMA thanks the bill sponsor for his leadership on Senate Bill 2 and looks forward to working with this committee as this legislation is being considered. I am joined by OMA's Energy Engineer, John Seryak. We will try to answer any questions that you may have.