Proponent Testimony by Tom Bullock on Senate Bill 2
Executive Director, CUB Ohio Advocacy Group
Senate Energy Committee
February 18, 2025

Chairman Chavez, Vice-Chair Landis, Ranking Member Smith, and members of the Senate Energy Committee, thank you for the opportunity to submit proponent testimony on Senate Bill 2 (SB 2), a bill to lower costs for electricity consumers by strengthening market competition in energy generation. My name is Tom Bullock, and I am executive director of the CUB Ohio Advocacy Group.

CUB Ohio Advocacy Group is a project of the Citizens Utility Board of Ohio. We represent customers in Ohio, both residential and small business. We advocate for state and local policies that deliver the benefits of new energy technologies to consumers in the form of less expensive, more sustainable and resilient energy with smart capabilities that give us more control over our monthly bills. We take an all-of-the-above approach to these issues, and our Board of Directors is bipartisan.

I am pleased to deliver proponent testimony on SB 2. Today, I provide a brief overview of our perspective. We look forward to more detailed feedback in one-on-one conversations and future follow-up communication.

Aspects of SB 2 that are Good for Consumers:

In sum, SB 2 would take many positive steps for Ohio consumers. There are also additional changes that could be made to strengthen the bill further. To name some of **SB 2's key features that are positive for Ohio consumers:**

- Increasing market competition is essential. Rather than pass on all costs to consumers, as happens under regulated monopolies, free market risk-reward principles keep down costs: the market chooses the lowest-cost power, and investors bear the appropriate risk. Ohio should strengthen, not weaken, market competition, and it is taking giant strides forward under this proposal.
- An "all of the above" is a sound approach since it allows consumers to get the lowest price while balancing reliability, resiliency, and fuel cost risk. Different fuels sources offer different strengths; a sound "all of the above" policy lets the market balance them. It also allows technology innovation room to improve Ohio's energy mix in the future: a perfect example of this is battery storage with low-cost solar or natural gas with solar. (See the Appendix to this testimony for NextEra's perspective.)
- Reforming the use of Electric Security Plans (ESPs), is long overdue and hugely positive. SB 2 would eliminate the ability of utilities to recoup their costs on the backs of Ohio consumers without a comprehensive review that balances costs and revenues together. By contrast, in ESP cases, a single proposed cost increase is considered in isolation, a process that benefits utilities at the expense of Ohio ratepayers. ESP cases were originally intended as a means to protect customers as Ohio transitioned to a competitive electricity market but have been misused to secure recovery of spending that has little to do with the ESP statute's original purpose. And while ESP cases have ballooned, utility rate cases have become infrequent. SB 2 addresses these problems.
- For customers who shop for their power, the bill would create protections from competitive retail power suppliers by making it more difficult to raise prices on customers. Strengthened standards for competitive retail suppliers are an important first step towards strengthening consumer protections in this program.

Aspects of SB 2 to Strengthen Further:

There are several areas where SB 2 could be strengthened further:

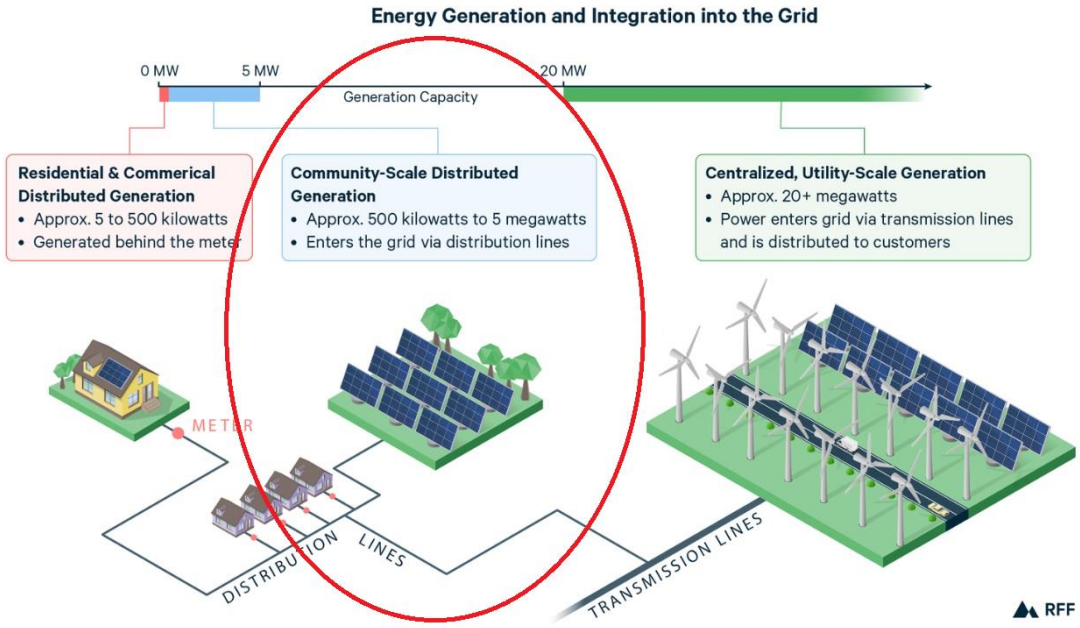
- The provision on **"mini rate case proceedings"** available for distribution utilities to collect capital expenditures for economic development purposes not included in an approved rate case **should be reconsidered and very likely eliminated.**
- Any **fund balance** remaining in the solar subsidy account should **be refunded to the Ohio consumers** who paid the cost.
- **End OVEC subsidies sooner:** The bill includes a repeal of the Ohio Valley Electric Corporation (OVEC) coal subsidies, who have been selling electricity for less than it costs to generate for nearly a decade. This action will save consumers the $445,000 per day they have been paying to bailout out these old, dirty uneconomic plants since 2019, one of which is in Indiana. Unchecked, the subsidy could cost more than $1 billion. Because OVEC has a power agreement and debt through 2040, OVEC owners will likely seek more subsidies in 2030 without a change. First, it is a major step forward that SB 2 would prohibit the utilities from ever seeking or receiving another OVEC bailout. Second, **why end OVEC subsidies right away?**
    - Restore consumer fairness;
    - End perverse incentives for plant operators to run on days they know they will lose money ("uneconomic dispatch");
    - Fix the slanted playing field for energy generation by re-leveling it, so SB 2's core goals of market competition and inviting new investment to add new Ohio-based generation can function as envisioned. Without removing this source of market bias, ***SB 2 would have one foot on the brake while trying to put the other foot on the accelerator.***
- Improve the effectiveness of SB 2's efforts to add generation by **supplementing** it **with improvements at the distribution grid level**: both more electrons saved and more electrons generated.
    - **Energy Efficiency:**
        - For years, energy efficiency has been the cheapest form of power in existence—as low as 2.4 cents per kWh (four times as cheap as new natural gas). Of course, Ohio can't meet all of its power demand this way but we *can* offset growth in demand with efficiency and do it *affordably*, putting much-needed downward pressure on prices.
        - Comprehensive energy legislation such as SB 2 should include voluntary energy efficiency programs, such as those considered in HB 79 during the last General Assembly. These programs result in avoided generation costs, improved reliability, reduced need for investment in the grid, economic development, and air quality gains.
    - **Distributed Generation:**
        - SB 2 should incorporate distributed generation via strategies such as commercial virtual net metering and distributed community energy. Governor DeWine's proposed budget includes a provision for virtual net metering, and SB 2 considers brownfields for accelerated energy development. As introduced, both seem focused on utility scale projects that serve the wholesale market of the largest industrial customers, but those concepts can and should be expanded to the distribution grid level, where quick-to-market solutions could add 1 GW of new Ohio-based power generation in 18 months—the size of a new combined cycle natural gas plant.
        - Comprehensive energy legislation such as SB 2 should include distributed generation proposals such as SB 275 and HB 197 in the last General Assembly.
        - The diagram on the following page helps to illustrate these concepts.
    - Requiring distribution utilities to publish a heat map/hosting capacity map (to improve upon what they're already doing) would facilitate both energy efficiency and distributed generation.

Energy Generation Comes in Three Sizes: Large, Medium & Small

Large / Utility Scale: 50+ MW

Medium / Community Scale: up to 20 MW

Small / Residential & Commercial Net Metering (Behind-the-meter) 6kW to ~5MW



<u>Conclusion:</u>

Thank you for the opportunity to provide proponent testimony on behalf of SB 2. I am happy to answer questions.

Appendix:

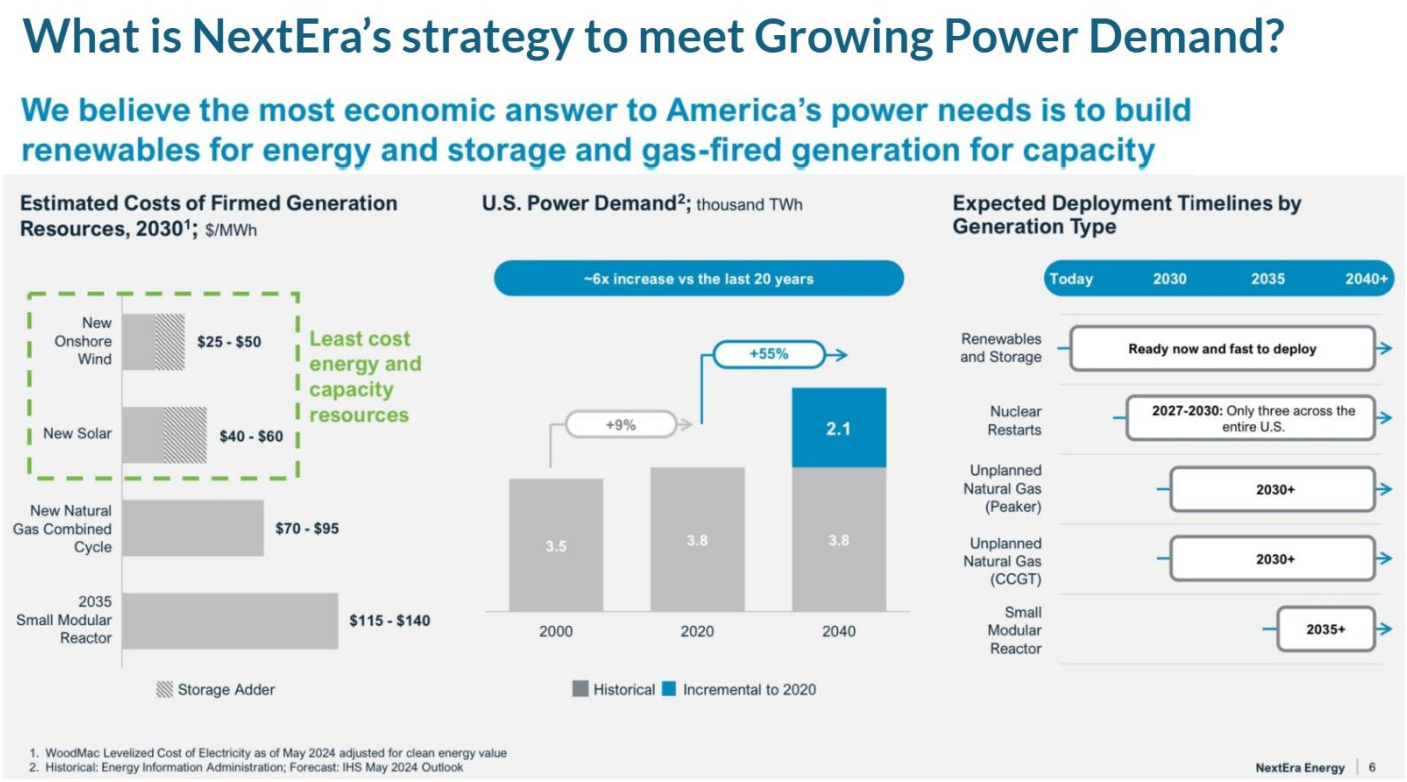
<u>Views on meeting growing energy demand from a major U.S. power producer: NextEra</u>

Excerpts from NextEra earnings call, January 24, 2025

Comments by John W. Ketchum -- Chair, President, and Chief Executive Officer

NextEra will "…jointly develop opportunities that we believe will enable significantly more renewables to meet growing power demand by **pairing low-cost renewables for energy with gas-fired generation for capacity**.

"… NextEra Energy expects to provide customers with **integrated renewable, storage, and gas-fired generation solutions for large loads**, something we can uniquely deliver with our scale, experience, technology, and unmatched development skills."



"… I want to take a moment to make some comments regarding the industry as we look to the years ahead. The need to add to the country's power infrastructure is no longer in doubt. Our industry's mandate is to deliver new generation and capacity solutions **at the lowest cost possible** in order for the U.S. to achieve the new administration's energy dominance agenda.

"As a leading American energy producer, this is an agenda that we support and believe we are well positioned to deliver on. At NextEra Energy, we know **all forms of energy will be required** to meet that mandate. If we don't build new generation to keep up with increasing demand for electricity, power prices are going to go up. Or, perhaps, worse, new technology or manufacturing load won't be able to connect to the grid, which would slow economic growth, and we could miss opportunities to further our leadership in AI.

“**Renewables and storage are ready now to meet that demand and will help lower power prices**. Gas-fired generation is moving forward but won't be available at scale until 2030 and then, only in certain pockets of the U.S. In addition, gas-fired generation is more expensive than it's been, with costs having more than doubled over the last five years due to the limited supply of gas turbines, a constrained supply chain, and much higher EPC costs. Nuclear continues to be a much longer-term option in our opinion due to first-of-a-kind risks and uncertainty, with nearer term opportunities centered on recommissioning and uprate projects.

“… Our mission is to provide our customers with the lowest cost, most reliable energy no matter where they are located. We've been doing it for decades in Florida and across the country and are positioned to keep doing it for years to come. Our scale and experience tells us that all forms of power generation and capacity will be needed as the U.S. tries to keep up with demand.

“And that same scale and experience also tells us that **renewables and storage should continue to be a critical source of new energy and capacity across the country because they are lowest cost and can be deployed now**.”