OHIO'S ELECTRIC COOPERATIVES

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BUCKEYE POWER, INC.
OHIO RURAL ELECTRIC COOPERATIVES, INC.

**Senate Bill 2 Interested Party Testimony**
**Craig Grooms, President and CEO**
**Buckeye Power, Inc. and Ohio Rural Electric Cooperatives, Inc.**
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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 provide interested party testimony on Senate Bill 2 (SB 2). My name is Craig Grooms, and I am President and CEO of Buckeye Power, Inc. (Buckeye) and Ohio Rural Electric Cooperatives. Inc. (OREC) collectively d/b/a Ohio's Electric Cooperatives ("OEC").

OREC is the statewide trade association for Ohio's 24 member-owned, not-for-profit electric cooperatives. These 24 electric cooperatives provide electric distribution service to over 400,000 homes and businesses in the State of Ohio, many in rural areas. Each of Ohio's electric cooperatives are owned by the members they serve and, thus, operate for the benefit of their members, not shareholders. Each of Ohio's electric cooperatives are self-regulated through their respective boards, which are elected by their member-consumers.

Buckeye is a generation and transmission cooperative that produces, procures, and provides at wholesale all the electric capacity and energy required by Ohio's 24 electric cooperatives plus the Ohio load of a Michigan-based electric cooperative. Buckeye, throughout its history, has endeavored to meet all of its members' generation needs through assets it owns or is entitled to output. This has helped insulate them from price spikes and uncertainty in the electricity market and to provide them with reliable, environmentally responsible, and affordable power, which is Buckeye's mission.

Buckeye owns or has the right to the output of approximately 2,455 MW of generating capacity, including from coal and natural gas fueled power plants, and some renewables. Buckeye is also entitled to a portion of the output from the coal-fired plants owned and operated by Ohio Valley Electric Corporation (OVEC). Almost all of Buckeye's generation is located in the State of Ohio providing jobs and tax revenues to local Ohio communities and making Buckeye one of the largest generation owners in Ohio.

Because of the relationship between Buckeye and its members and the desire for Ohio electric cooperatives to meet their own generation needs, Ohio electric cooperatives were not subject to the deregulation of the electricity market that occurred in the early 2000s. Deregulation of generation resulted in Ohio investor-owned utilities spinning off their Ohio-based generation into deregulated affiliates, almost all of which, except OVEC, have now been sold to unregulated merchant generation companies or have been retired. This has led to Ohio becoming a net generation importer. We understand that this lack of generation, in addition to large load growth expected primarily from data centers, is the driving force behind SB 2 and other legislation aiming to encourage new generation in Ohio.

Buckeye supports the tangible personal property tax changes in SB 2 that will incentivize new generation to be built in Ohio, including by electric cooperatives. This proposed language is far superior to the tangible personal property tax language proposed in House Bill 15 which acts in part as a cash transfer to existing merchant generators, does not target new generation exclusively, and results in an increase to already sky rocketing transmission rates (which have more than tripled for Buckeye in the last decade).

While Buckeye has no need for additional generation to serve its members at this time, Buckeye is still dependent on the electric grid for reliability and, therefore, supports SB 2's goal of incentivizing new generation in Ohio. However, Buckeye has concerns with the self-generation or behind-the-meter generation (BTMG) provisions in SB 2 and any further expansion of these provisions to include net metering. OEC recognizes true self-generation in its cooperatives' territories where the customer owns or leases generation that is located on its site. SB 2 significantly expands the definition of self-generation to include offsite resources, and resources owned or controlled by third parties, which as drafted, could be read to apply to electric cooperatives and their service territories.

Ohio's electric cooperatives have built or acquired sufficient generation to serve their loads and will continue to do so. However, because of this investment, if retail members reduce their load by contracting with third parties for generation, this can result in stranded generation assets. The costs of these stranded assets are then borne by the other cooperative members. This risk of stranded assets does not apply in the service territory of investor-owned utilities (IOUs), because IOUs no longer own generation to serve load and were compensated for stranded generation costs during the transition to deregulation. For this reason, expanded self-generation, and any future net metering provisions, in SB 2 should not apply in cooperative territory or undermine the ability for electric cooperatives to provide exclusive service to their members. We do not believe that is the intent of the legislation, but certain clarifications are needed to make this clear.

The expanded BTMG terms in SB 2, particularly if coupled with expanded net metering provisions, could enable large loads like data centers to net their utility demand against the output from off-site generation. This could allow these large loads to avoid paying their fair share of utility costs, primarily in the form of transmission. This could also allow large loads to arrange for existing generation to serve their load, taking this generation away from the power market that is used to supply Ohio consumers, which would likely lead to higher costs and reliability concerns. The potential transmission cost shifting and reliability impacts of these expanded BTMG provisions will affect all Ohio consumers, including the members of Ohio's electric cooperatives. The legislature should also consider recent action at the federal level, including orders relating to co-location of large load with generation, to avoid potential conflicts between Ohio legislation and evolving federal rules. While OEC does not oppose expanded BTMG or net metering outside of cooperative territory, OEC cautions the legislature to consider the potential unintended consequences of this legislation on the reliability and affordability of electric service for all Ohio consumers, particularly if expanded BTMG and net metering applies to both existing and new generation instead of just to new generation.

SB 2 will also eliminate the Legacy Generation Rider for IOUs as it pertains to their ownership of the OVEC facilities, so it is important to note that OEC continues to rely on the capacity and energy provided by OVEC as an important hedge against market pricing. OEC expects these assets to provide significant value going forward as the demand for generation capacity, and corresponding market prices, are anticipated to increase significantly. Additionally, it is important to note that OVEC is more than just two coal plants—it also includes a substantial double circuit 345kV system that provides vital transmission service and reliability to Ohio consumers.

OEC supports passage of Senate Bill 2, subject to clarifications to the expanded BTMG provisions to clarify those provisions do not apply to electric cooperatives so as to ensure electric cooperatives are able to continue to provide exclusive generation service to their members without the creation of stranded costs. However, OEC also cautions the legislature to consider the potential cost shifting and reliability impacts to all customers that could be caused by expanding BTMG (and net metering), if not appropriately addressed in the legislation.

Thank you for the opportunity to comment on this important legislation. I would be happy to answer any questions from the committee.