

November 28, 2016

Comments to General Assembly Committees

Renewable Energy Portfolio Standards

1. Introduction

Mr. Chairman and members of the Committee, my name is Joseph Mark Hennessey. I reside in Pepper Pike, Ohio. I am a retired lawyer, and have recently begun a publication called The Sun Trumpet, which is intended to inform solar power decisions.

I am opposed to Senate Bill 320 because it would render ineffective the renewable energy portfolio standards (RPS), which are an important stimulus for the development of renewable energy in Ohio. An important basis for Senate Bill 320, and a criticism of RPS, is that those standards increase electricity costs. A number of studies have been written on this subject, with apparently contradictory results. In our recent edition of The Sun Trumpet, we attempted to make some sense of four of these studies, and to draw some conclusions. That is the topic of my remarks today.

2. Summary

We conclude that one study (National Renewable Energy Laboratory--Berkeley Labs) provides solid support for continuation of RPS and the Energy Efficiency Resource Standards (EERS). It concludes that RPS can have a net economic benefit. The study does so in part by taking into account the favorable monetary effects of those standards on wholesale electricity prices, natural gas prices, reduced air pollution emissions and climate change damage reductions, as well as their effect on economic development in the fast-growing renewables industries. We find this persuasive.

A second study (Nine Company Report) finds that electricity customers have been saving hundreds of millions of dollars each year on their bills and were on track to save over \$5 billion by 2020. This is primarily because of EERS standards, not RPS standards.

Two other studies (Energy Mandates Study Committee Report and OBRT Report) conclude that RPS and EERS increase electricity prices, which in turn has other adverse economic consequences. It is our conclusion that these other two studies are not persuasive, because of they do not appear to account for the multiple beneficial effects of RPS. We conclude that continuing RPS and EERS should not impose additional net costs on Ohio citizens when all effects are taken into account, and that Senate Bill 320 should not be adopted. Allowing the RPS standards to continue would help Ohio to fully participate in the fast growing renewables industries. To date, it has not done so, since only about 2% of its electricity is generated from renewable sources, which ranks 49th of the 50 states.

The remainder of my remarks today provides just a bit more information about the four studies.

3. Four Studies

As indicated, the four studies considered were by:

- The National Renewable Energy Laboratory and the Lawrence Berkeley Laboratory, dated January 2016 (“NREL – Berkeley Report”).

- The Energy Mandates Study Committee of the Ohio House of Representatives and the Ohio Senate, dated September 30, 2015 (“Energy Mandates Study Committee Report”).
- Ohio Business Roundtable Report, dated September 2016 (“OBRT Report”).
- Statements in October 2016 by nine companies (“Nine Company Report”) employing more than 25,000 people in Ohio.

4. NREL – Berkeley Report

This report indicates that RPS is a net monetary benefit to consumers on a national basis. It does not focus only on Ohio. The total monetary benefits and favorable impacts of RPS range from 8.8¢ to 12.2¢ per kilowatt hour, which exceeds the compliance costs from an earlier report of -0.4¢ to 4.8¢ per kilowatt hour. The report takes into account not only compliance costs, but also the factors mentioned above:

- Wholesale electricity price reductions resulting from RPS increased supply of electricity.
- Natural gas price reductions resulting from RPS-induced reduced demand.
- Reduced air pollution emissions and related human health and environmental benefits,
- Climate change damage reductions resulting from reduced greenhouse emissions,

The report also concludes that renewable generation (in 2013) related to RPS obligations supported nearly 200,000 U.S. based jobs earning average salaries of \$60,000 and drove over \$20 billion in GDP. These are not, however, net numbers. They do not take account of negative consequences in other generation industries.

5. Energy Mandates Study Committee Report

For historical costs, RPS results in additional cost to consumers. For example, for the Cleveland Electric Illuminating Company, additional average monthly charges for each customer class:

- residential - \$1.30,
- commercial - \$501.60,
- industrial - \$9,738.

For RPS and EERC combined, RPS cost as a percentage of a CEI customer total bill:

- 4.75% for a residential customer,
- 2.80% for the average commercial customer, and
- 2.63% for the average industrial customer.

Costs based on price of Renewable Energy Credits (RECs) - no consideration of RPS benefits considered in the NREL-Berkeley Report.

For future costs, used different method unrelated to RECs. Report concludes, based on a Utah State Study, that RPS would increase electricity prices by \$.20 per KWh, or 1.86%, leading to significant adverse effects by 2026:

- A \$1,920,000,000 burden on Ohio ratepayers,

- A \$52,000,000 decrease in investment,
- \$258 million decrease in personal disposable income in 2026
- 10% increase in unemployment rate, which equates to 29,366 jobs

Based primarily on levelized costs of electricity for different types of generation, which include capital costs, fuel costs, operations and maintenance costs, financing costs, and an assumed utilization rate. Again, does not appear to take into account RPS benefits to consumers considered by the NREL-Berkeley Report mentioned above.

The report recommends that the RPS freeze be extended indefinitely because of uncertainty created by the Clean Power Plan and the cost of compliance with the RPS. That conclusion does not seem to be well-founded because RPS provides substantial net benefits to Ohioan when all factors are taken into account.

The report also recommends that Ohio should count all forms of emerging renewable resources, advanced energy, and energy efficiency in determining whether the RPS and EERS have been satisfied. This seems reasonable, but the RPS and EERS percentage benchmarks should be correspondingly increased to accommodate the additional renewable resources to be taken into account. After all, as mentioned above, only about 2% of Ohio electricity is produced from renewable resources, which ranks 49th of the 50 states. Ohio should be a leader in the rapidly growing and widely popular renewable energy industry. Even Michigan has 7%.

6. Ohio Business Roundtable Report

One of several conclusions of this report is that it concludes that Ohio needs to phase-out RPS, because RPS causes retail electricity prices to increase and thus makes it more difficult for Ohio to remain energy competitive.

We believe that the need to phase-out RPS is not well-founded because, again, RPS has benefits and impacts that offset any upward pressure that RPS may exert on electricity prices, and are ignored by the OBRT report, all as considered by the NREL-Berkeley Report. [Entered factors into model, including high and low mandates and prices of natural gas, but not apparent that those factors take into account

7. Nine Corporate Statements Opposing Freeze of RPS and EERS

In October 2016, nine large corporations, having more than 25,000 employees in Ohio, issued statements opposing plans to continue the freeze of RPS and EERS. Those corporations concluded that while RPS and EERS have been in place:

- Electricity customers have been saving hundreds of millions of dollars each year on their bills and were on track to save over \$5 billion by 2020. The conclusion that EERS was on track to reduce electricity costs by \$5 billion by 2020 addresses only the effect of EERS. It does not address the impact of the RPS.

Investments in Ohio's clean energy sector reduced energy costs, created thousands of new jobs and stimulated over \$160 million in annual GDP growth.

8. Conclusion

The four studies that we reviewed do not convincingly establish that RPS are a net cost. On the contrary, one indicates that the renewable energy they encourage can be a net benefit for Ohioans when all of their impacts are considered. Another indicates that the EERS are a net benefit. Two studies show a net cost, but fail to take into account many of the benefits of RPS.

Renewable energy is a fast growing sector of the economy, and Ohio should position itself to fully participate in its growth. To date, Ohio has not done so, ranking 49th of the 50 states in terms of the percentage of its electricity generation coming from renewables.

Public opinion in Ohio is solidly supportive of renewable energy according to a recent poll.

We urge the General Assembly to support renewable energy by not passing Senate Bill 320.