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Testimony of MICHAEL SHAUT

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Opposition Testimony for Ohio Senate Bill 320

NOVEMBER 30, 2016

Chairman Balderson, Vice Chair Jones, Ranking Member Gentile, and Members of the Ohio Senate Energy and Natural Resources Committee, thank you for the opportunity to testify today. My name is Michael Shaut and I am here to testify in opposition to Senate Bill 320.

Carbon Vision is a renewable energy project development company, headquartered in Shaker Heights, Ohio. We have worked on projects domestically and in the Caribbean. The Company was founded in 2008 and grew to a dozen employees, with double that number of contracted employees, working on the installation of solar projects, primarily for colleges and non-profit organizations in Ohio. Carbon Vision invested over \$10 Million in Ohio solar projects and continues to own and operate projects for multiple educational facilities and the Cuyahoga Metropolitan Housing Authority. All of our projects deliver electricity to their host at pricing comparable to the low electricity pricing afforded Ohio customers. The projects were funded in part with bank debt. Their economics were supported in part by federal tax benefits and the long term contracted re-sale of solar renewable energy credits ("SRECs"). Freezing the SREC market had a chilling impact on our Company. Allowing a return to modest growth in SRECS would encourage new growth and jobs in this emerging market sector for Carbon Vision and the Ohio market generally.

The Ohio General Assembly passed renewable energy and energy efficiency standards in 2008 nearly unanimously. Over the next 6 years these standards helped deliver lower electric bills, new jobs in the clean energy sector, and a more efficient and diversified state electricity portfolio. Then in 2014, the General Assembly inexplicably placed a "freeze" on the standards for two years, pledging to study the issue and submit relevant policy recommendations. The freeze is set to expire at the end of this year; lawmakers now have the significant responsibility of determining Ohio's energy future by settling the debate over the state's renewable portfolio standard and energy efficiency resource standard.

Regrettably, the Senate is considering legislation (SB 320) that would serve as a practical extension of the freeze. SB 320 eliminates all compliance requirements associated with the standards for the next three years. In 2020, the standards would theoretically resume at 6% (unless the state legislature again intervenes).

By eliminating compliance obligations for three years, the proposed legislation would functionally extend the freeze by proposing "voluntary" standards and eliminating all



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accountability measures until 2021. This bill is the functional equivalent of a freeze; utilities have always been permitted to build renewable energy systems, but without an actual requirement the RPS will be frozen.

Since the inception of Ohio's energy standards, the competitive market has delivered energy at increasingly lower costs, and federal tax policy now provides tremendous incentives to increase investment in this sector. Renewable energy is among the fastest growing sectors of the global economy. Ohio was a global leader in this sector until two years ago when the freeze brought this growth to a standstill. Unfortunately, SB 320 would inject further instability and negative market signals into the market and make Ohio's business climate far less attractive.

SB 320 puts my employees and my project economics in serious jeopardy and discourages new projects in Ohio. Its passage will decrease the value of Carbon Vision's existing projects as the prospect of future SREC revenue will be put in jeopardy. Current sale negotiations on three projects has already been negatively impacted by the deliberations on a virtual extension of the freeze. Long term holders are looking in neighboring states with higher electricity pricing and more hospitable environments for renewables to make their investments. If Carbon Vision cannot sell its projects and more than cover their debt burden, it will preclude further investment in Ohio projects.

The initial freeze caused Carbon Vision to lay off or lose most of its existing employee base. This experienced cadre of employees, trained and seasoned by Carbon Vision, have left the company for work in other industries where prospects for growth and ongoing career opportunities are more certain. Having completed over 100 projects from 2008-2014, Carbon Vision has completed only one large project in the past two years. Allowing the freeze to expire would allow Carbon Vision and others in Ohio to participate in the growth of this vital emerging new business sector.

The academic arena in Ohio had embraced renewable energy as a demonstration resource for their students. Carbon Vision completed energy projects for the University of Akron, Youngstown State University, the College of Wooster, and Hiram College, as well as for an equal number of K-12 schools. This source of current pedagogy for students has come to an end for other schools in the State as the financing is unworkable as a result of the freeze and its potential extension by SB320.

I appreciate your time and consideration today. I encourage you to postpone deliberations on further changes to the Ohio energy market until the new legislature can devote more time and attention to this serious issue. I welcome any questions the committee may have.