



HOUSE BILL 128

PROPONENT, IEU-OHIO

HOUSE PUBLIC UTILITIES COMMITTEE

MARCH 2, 2021

The Honorable Chairman Jim Hoops
77 South High Street
11th Floor
Columbus, OH 43215

Dear Chairman Hoops,

Thank you for the opportunity to submit this letter as a proponent of House Bill 128 (HB 128) on behalf of the Industrial Energy Users-Ohio (IEU-Ohio).

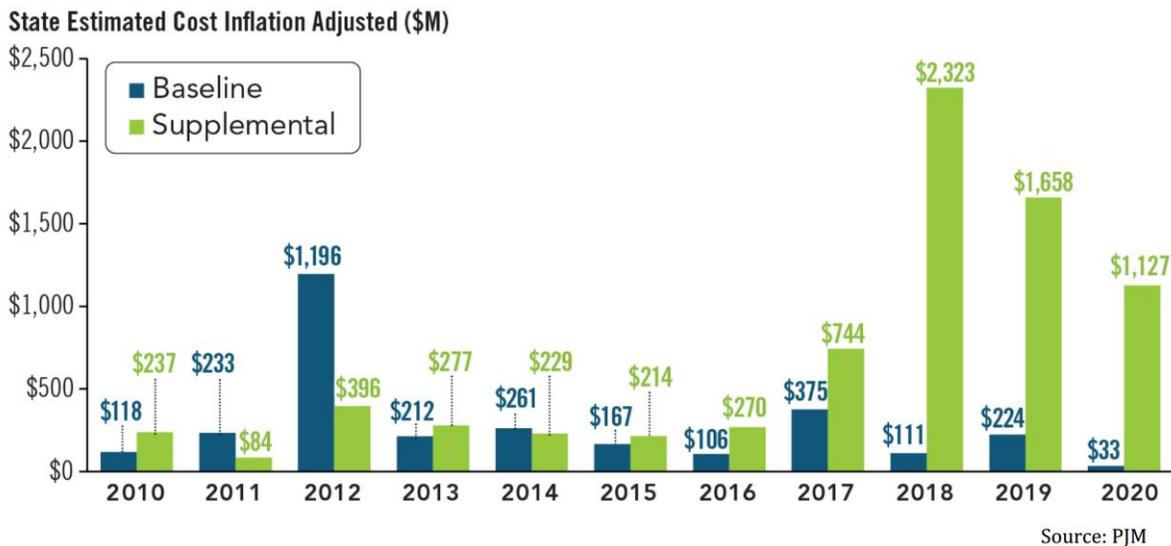
IEU-Ohio is a non-profit trade organization of energy-intensive Ohio industrial and commercial businesses with more than \$3 billion in annual energy expenditures. By combining the skill sets, knowledge, and experience of our members and staff, and for the last quarter century, IEU-Ohio has been proactively addressing state and national issues in legislative and regulatory forums that affect the price and availability of electricity, natural gas, and related energy services before they become a problem. IEU-Ohio's overarching objective is to support market-based solutions that deliver competitive and reasonable prices and options to best position Ohio businesses to act on their individual needs and preferences in the competitive energy marketplace.

HB 128 would revise Ohio law to remove a requirement that electric distribution utilities collect money through their customer' bills to financially support two nuclear generation facilities in Ohio. It is our understanding that this financial support may no longer be necessary to continue operation of these facilities. Eliminating, and not adopting new, unnecessary utility charges on Ohio businesses is especially important as Ohio businesses seek to recover from the current economic conditions.

Additionally, HB 128 directs the Ohio Power Siting Board (OPSB) to study and submit a report to the General Assembly on whether the current requirements for planning electric transmission facility investments in Ohio are cost effective and in the interest of consumers. The report, and perhaps additional oversight by the state is necessary to bring much needed regulatory attention and transparency to an area of utility rates that have seen significant increases in recent years.

Over the last decade, transmission owners have been investing in a category of transmission projects, called "supplemental" projects, that receives little federal regulatory oversight and minimal to no state oversight. In Ohio, approximately 75% of the supplemental transmission projects are not subject to the jurisdiction of the Ohio Power Siting Board (the board's jurisdiction does not cover transmission projects less than 100kV). The following chart shows the staggering level of investment in supplemental transmission projects located in Ohio in recent years.

Ohio – Transmission Infrastructure Cost



The significant investments into the minimally regulated or reviewed supplemental project category has caused the annual transmission revenue requirement in the AEP and FirstEnergy transmission zones to double since 2015.¹ There has been essentially no growth in overall customer demand during this timeframe, and nearly all projections estimate electricity demand growing at less than 1% in the state. The mathematical consequence is that all existing customers are being required to bear the burden of the upgrades. And, over the past 5 years, the math has led to transmission rates more than doubling in the AEP transmission zone and almost doubling in the FirstEnergy transmission zone. The current trend line is not sustainable.

While annual investment by utilities in the transmission grid is a necessity to ensure the adequate and reliable flow of electricity, the customers that bear ultimate responsibility for paying the costs deserve full transparency in how and why the investments are being made, and importantly what is being done to keep costs under control. The federal government, to date, has failed to subject the supplemental project category to the same level of robust review as baseline projects. Transmission owners also continue to push back against more robust review and transparency requirements from the federal government. Ohio, however, has the ability to bring additional transparency to the process even if it lacks the jurisdiction to directly regulate the cost recovery for the supplemental transmission projects. The report from the Ohio Power Siting Board called for in HB 128 can help bring additional transparency and understanding to whether Ohio’s transmission planning processes are transparent and adequately factor costs to customers into the planning criteria.

Thank you in advance for your consideration of this letter as a proponent of HB 128 and we look forward to working with you on this and future energy related legislation that helps support Ohio’s business community.

Kevin Murray
Executive Director, IEU-Ohio

Charles Willoughby
Govt. Relations Advisor, IEU-Ohio

¹ The AEP transmission zone revenue requirement increased from \$1.01 billion/year in 2015 to \$2.06 billion in 2021. Rates in the AEP transmission zone increased from \$41,437/MW-year in 2015 to \$95,597/MW-year in 2021. The FirstEnergy transmission zone revenue requirement increased from \$456 million in 2015 to \$832 million in 2021. Rates in the FirstEnergy transmission zone increased from \$37,014/MW-year in 2015 to \$66,744/MW-year in 2021.