



State Senator Mark Romanchuk
Senate Bill 118 Sponsor Testimony
Senate Energy & Public Utilities Committee
March 31, 2021

Chairman Peterson, Vice Chair Schuring, Ranking Member Williams and members of the committee, thank you for giving me the opportunity to testify on SB 118. SB 118 repeals the \$20 million per year subsidy for a few select solar facilities enacted under HB 6.

Deregulation Background

Let me start with some history. In 1999, the general assembly passed SB 3 (123rd General Assembly) which was historic legislation to deregulate the generation portion of our electric grid and use competitive “markets” for the purpose of lowering utility bills and improving services. Unfortunately, the legislature hasn’t followed the path to achieve full deregulation and competitive markets; solar subsidies are an example of that. All generating sources - 22 years after deregulation - should be competing without ratepayer subsidies in the wholesale electricity market operated by PJM Interconnection, LLC (PJM). When Ohio deregulated and joined PJM, a 13 state (plus DC) regional grid operator, Ohio essentially abdicated the responsibility of “electric generation” to PJM. Therefore, it is irresponsible and unnecessary for this body or the PUCO to be engaged in any policy that affects the generation market.

Deregulation and SB 3 are bearing fruit. Billions of dollars are being saved annually on the “generation” portion of the customer bill. Old, inefficient generating plants are exiting the market and being replaced with newer technology that is cleaner, more reliable, and cheaper to operate. Markets are functioning. Instead of staying the course of SB 3, a subsidy disrupts the principles of markets by unfairly and needlessly subsidizing certain solar generation plants at the expense of other generation resources and Ohio ratepayers.

Why have we lost our way to achieving the goals of SB 3 and full deregulation? It’s because of effective lobbying. Interest groups often turn to the legislature and ask for handouts. The legislature is a “political” body and should only be involved with new, transformative energy policy. The legislature should not be choosing winners and losers within a policy already created. But that is exactly what the solar provisions of HB 6 do. It chooses six solar generating plants as winners by subsidizing them. It also created a rider that *increased* Ohioan’s electric bills. Why would any legislator want to vote for that?

The question you have before you can be boiled down to two questions: 1) should Ohio policy be interfering with a deregulated competitive generation market, and 2) should Ohioans be forced to pay a subsidy when the industry doesn't need it?

HB 6 Solar Subsidies

HB 6 created a subsidy to pay six select solar facilities up to \$20 million per year based on their individual energy output. The following table outlines the six projects:

Project Name	Year Power Siting Board Application Submitted
Hardin Solar Energy Facility	2017
Hardin Solar Energy Facility II	2018
Vinton Solar Energy Facility	2017
Willowbrook Solar I	2018
Hecate Energy Highland Solar Farm	2018
Hillcrest Solar Farm	2017

As can be observed in the table above, all the projects were started before HB 6 was introduced in April 2019. These solar subsidies were added to HB 6 just before being passed by the House. This is important because it strongly suggests the subsidy was not needed for the projects to be built.

The opposition will likely say they need the subsidy because it will help finance the projects. Project owners, however, don't start the long and expensive process of siting a project without having financing details worked out or having a high level of confidence financing will be secured sometime in the future. Therefore, because the projects started years in advance of HB 6, the projects were viable long before the HB 6 subsidies.

Do Solar Projects Need State Subsidies to be Built?

With the passage of SB 221 in 2008, the state mandated that Ohio utilities purchase a certain amount of solar energy – essentially priming the pump for the industry. 13 years later, there is a plethora of data and research that suggest solar does not need state subsidies to be feasible.

Subsidies for solar are ending all over the world. “The training wheels are off,” according to Joe Osha, an equity analysts at JMP Securities, “Prices have declined enough for both solar and wind that there’s a path toward continued deployment in a post-subsidy world.” In fact, the cost of solar power has dropped 85% since 2010 according to BloombergNEF. So the question is; why are we subsidizing an industry that doesn’t need it?

Will the Solar Projects be Subject to the Federal Minimum Offer Pricing Rule (MOPR)?

Experts believe the HB 6 subsidies for these select solar projects will trigger the MOPR and could actually end up costing these solar farms market revenue. Even the owners of Ohio’s nuclear plants came to see that state subsidies created a competitiveness issue for them. The same will exist for any solar farm that elects to receive these state subsidies.

Why Were These Projects Selected When Other Projects Exist?

According to *The Hannah Report* dated February 18, 2021, Ohio now has 35 solar farms in some state of approval or construction. Is it fair that we are subsidizing six solar farms at the expense of the others? This is picking winners and losers and is a classic example of crony capitalism.

Conclusion

Mr. Chairman, the HB 6 solar subsidies are not needed for the projects to be completed, will needlessly increase our constituent’s electric bills, will not make our electric grid more reliable, unfairly subsidize certain projects while ignoring others and were passed under dubious circumstances.

Mr. Chairman, thank you for the opportunity to testify, and I would be happy to answer any questions.