Written Opponent Testimony
Ohio House Bill 178 (DeVitis)
Ohio House Public Utilities Committee
May 9, 2017

Chairman Seitz, Vice Chair Carfagna, and Ranking Member Ashford; I am Trish Demeter, Managing Director of Energy Programs for the Ohio Environmental Council (OEC) Action Fund. Thank you for inviting testimony on Ohio House Bill 178 (DeVitis), which would create a create a Zero Emission Nuclear (ZEN) program for the state of Ohio. The OEC Action Fund is opposed to this legislation, as it would diminish customers' ability to experience the benefits of energy efficiency and distributed energy resources on their monthly electric bill, and would incur costs on customers without yielding any additional environmental benefit for Ohioans.

As we understand this legislation, the Zero Emission Nuclear program created in House Bill 178:

- Assigns a **$17 credit per megawatt-hour** of electricity produced by "qualifying" nuclear reactors within the region, which would be paid for through a surcharge on electric bills of FirstEnergy[1] customers;
- Qualifying resources are defined as such to only apply to Ohio's two nuclear plants - Davis Besse (Ottawa Co.) and Perry (Lake Co.) - and possibly one other FirstEnergy-owned plant in western Pennsylvania - Beaver Valley Power Station (Beaver Co.)[2];
- The funds generated by the credit system would be paid to the owner of the qualifying resources, so if in the case that the Davis Besse, Perry or Beaver Valley plants are sold, the credit would be paid to the new owners.

It is estimated that the impact of this legislation, if enacted, would:

- Allow FirstEnergy to collect approximately **$300 million each year** for **approximately 16 years,** meaning a ratepayer impact of **approximately $4.8 billion** over the term of the program
- It is anticipated that this program would result in a **5% increase for the average family**, and a **5-9% percent increase for business customers**
- Average residential customers within FirstEnergy's territory could pay upwards of **$1,000+ over the 16 years** of the program[3].

The ZEN program proposal is one episode in a longer story around the current and the future economics of these centralized power stations in Ohio, and in our region. Since Ohio fully moved to market-based energy pricing, the competitive market has put increasing pressure on older, more

[1] Customers of FirstEnergy's electric distribution companies Cleveland Electric Illuminating (CEI), Toledo Edison, Ohio Edison.
[2] Section 4928.754 of the proposed bill (lines 119-138) stipulates conditions
[3] Bill impact estimated by ratepayer and consumer stakeholders, via consultations and inquiries made by the OEC Action Fund staff, April 2017

inefficient power plants, such as coal-, oil- and nuclear-fired facilities. Currently, the regional markets are providing an ideal investment environment for new, high-efficiency natural gas plants, and large-scale renewable projects. All these forces at work mean that smaller, older coal, single-unit nuclear stations, are not as profitable, and are under pressure to close, or reduce costs in order to remain profitable.[4]

The claim that consumers must support "baseload" power stations is misleading. The reliability argument is itself, unreliable. The Davis Besse and Perry plants are not needed to keep the lights on in Ohio or the region. This is plenty of existing and soon-to-be-online power supply facilities to ensure no interruption of power supply.

The regional grid operator - PJM Interconnection, Inc. - is responsible for power reliability in a 13 state region, including Ohio. PJM reports that its operating reserves are currently at approximately 22% for the next several years, meaning that the region has the capacity to generate 22% more power than it would require on the hottest, highest-demand, day of the year.

The electric grid of the future is much more distributed and integrated with technologies in customers' homes and businesses. In terms of power supply, the grid will increasingly be supplied by smaller power generating stations scattered throughout the transmission and distribution system. And innovative trends in customer products and financing mechanisms are bringing innovative approaches into the grid on the customer's side of the meter. Moving forward, more and more of customer demand for electricity will likely be met through distributed energy resources, battery storage, energy efficiency, and demand response programs that use system automation and manual control over when users of electricity tap into the grid. Therefore, the need to rely large centralized power stations will continue to diminish.

The proposed bill undercuts customers' ability to experience the bill savings yielded by energy efficiency improvements or installation of a distributed energy system such as rooftop solar, fuel cell, microturbine, combined heat and power, or a small scale wind project. Because the non-bypassable rider would appear on customers' bills on the distribution portion of the bill, any measure the customer took to reduce the amount of electricity that they buy or use would not necessarily translate to bill savings for that customer. Customers who take action to reduce energy usage/consumption should be able to see a lower electric bill coming in each month.

Adding on charges that do not provide any sort of benefit to customers' bills or provide measurable societal benefits is not a prudent charge. In this way, the ZEN proposal is starkly different than the state clean energy standards[5]. The riders that customers pay directly and measurably provides both money savings and societal benefits. It decreases energy costs for all customers via price suppression in the wholesale energy markets regardless of whether they receive a rebate or incentive from the utility. The clean energy standards jointly reduce the need to rely on coal-fired power plants that produce air emissions, and fulfill a goal of diversifying the portfolio.

The ZEN program proposal is one taken out of context of key questions about what goals we're aiming for in crafting Ohio's energy policy. Do we, as a state, want to achieve emissions reductions in seeking greater diversity? Maximize job creation? Attract new private sector investment to the state? Control or stabilize energy costs for consumers? If any of these are the goals, then we must ask whether the ZEN program is the most cost-effective, optimal way to achieve these goals?

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[4] *Resource Investment in Competitive Markets,* PJM Interconnection, May 2016

[5] The energy efficiency resource standard (EERS) renewable portfolio standard (RPS).

The projected $300 million subsidy is a steep cost for consumers that brings about ***no additional jobs, or additional environmental benefits***. If a similar amount of investment were to be made in renewable energy and energy efficiency, the state would undoubtedly see a greater return on jobs and emissions reductions.

In fact, the ZEN program is being proposed in Ohio at the same time the Ohio General Assembly is considering drastic rollbacks of Ohio's clean energy standards. We cannot support stand alone legislation subsidizing nuclear power without a broader discussion of the intended goals of Ohio's path towards a cleaner energy future. Perhaps that future includes Ohio's existing nuclear assets, but without an overarching commitment to, and plan for, reducing emissions and increasing the diversity of Ohio's energy portfolio with cleaner, more efficient resources, this bill is simply a piecemeal approach that leaves investors, businesses, and customers uncertain and uneasy about the future of Ohio's energy landscape.

Thank you for the opportunity to provide this testimony.