



MEMORANDUM

Date: July 1, 2019

To: The Ohio Manufacturers' Association

From: John Seryak, PE and Ryan Schuessler (RunnerStone, LLC)

RE: Senate Substitute House Bill 6 and Amendment 0889

Senate Substitute House Bill No. 6 (H.B. 6) recently passed Ohio's House of Representatives, and was introduced in the Ohio Senate's Energy and Public Utilities Committee. The Energy and Public Utilities Committee introduced its own substitute version of the bill, followed by several consequential amendments. Both the Senate substitute bill and the new amendments are intended to add important safeguards for manufacturers. However, the bill still results in net cost increases to manufacturers and Ohio's electricity customers.

This memorandum specifically describes the impact of Amendment 0889 on how the bill affects manufacturers. The Amendment was introduced by the committee chair, Senator Steve Wilson. According to news media, the amendment was intended to address cost concerns of the Ohio Manufacturers' Association¹. We find the amendment has the potential to improve the bill, though issues still remain. We have five key takeaways on the impact of the amendment.

1. The amendment shifts costs from large users to small and mid-sized businesses, including to manufacturers
2. The amendment gives the PUCO rate-making authority on charges to small and medium-sized industrial and commercial customers
3. Most manufacturers still incur cost increases from HB 6
4. The amendment introduces the concept of a revenue requirement, which could lead to increasing costs
5. The amendment allows charges to continue past the generation energy fund end date

Following is discussion on each take-away.

1. The amendment shifts costs from large users to small and mid-sized businesses

The amendment changes the monthly charge to large electricity users from \$2,400 to \$240, which would reduce the amount large users pay from \$28,800 per year to \$2,880 per year. This may have been a typo by the amendment drafters. While this change would reduce some costs to large

¹ See June 29th, 2019 Gongwer article, "Committee Amends Nuclear Subsidy Bill With Sunday Deadline Out Of Reach". "Sen. Wilson offered his own amendment, which enables the PUCO to modify rules to ensure business with multiple meters are not charged for each meter. He said that change was requested by the commission to address concerns raised by the Ohio Manufacturers' Association."



industrial users, it also significantly shifts costs to small and medium-sized manufacturers and commercial businesses.

2. The amendment gives the PUCO rate-making authority on charges to small and medium-sized industrial and commercial customers

The core component of HB 6 is the creation of Clean Air Program or similarly-named fund to subsidize two nuclear power plants in Ohio, and depending on the bill version, sometimes also coal power plants or renewable plants. In all previous versions of the bill, costs to very large users have been capped at \$30,000 per year or slightly less. Also in all versions of the bill, each electricity meter has been prescribed a charge for small and mid-sized manufacturers and commercial customers. For example, in the substitute Senate version of the bill, commercial customers would be charged \$132 /year, while a manufacturer would be charged \$2,880 /year. This charge was not based on any sort of consumption pattern or electric rate class. Some manufacturers were adversely impacted from having multiple electric meters.

Amendment 0889 does away with the commercial and industrial class distinction and the prescriptive per meter charge for these small and mid-sized users. Residential customer meters are still charged \$9.60 /year, and very large electricity users (those using over 45 Million kWh/year) are charged \$2,800 /year. However, all other industrial and commercial meters will receive a PUCO determined rate. The allocation of costs to these customers is not prescribed, but guidelines are given to the PUCO to account for the number of customers (or meters) or the quantity of kWh sales to this class of customers, or a combination of the two, in allocating costs to each utility.

There are a number of ways in which the PUCO could determine these rates. As a result, it is difficult to predict whether this will reduce costs to manufacturers compared to previous versions of the bill.

3. Most manufacturers still incur cost increases from HB 6

HB 6 remains complicated, with several parts of the bill that create new electricity charges, while reducing charges in other areas. We have conducted a cursory cost/benefit analysis of the Senate version of HB 6 with amendments as it impacts a dozen or so actual manufacturers. We found that in most cases, the Senate version of HB 6 with amendments would likely lower manufacturer costs as compared to the House version of the bill. However, most these same manufacturers still incur overall cost increases from the bill compared to if HB 6 were not enacted as law.

4. The amendment introduces the concept of a revenue requirement, which could lead to increasing costs

The amount of funds that HB 6 generates for the energy generation fund was previously limited based on the aggregate changes per customer. Because the fund was limited, it has an order of remittance, such that not all eligible resources would receive payment. For example, the Senate version of HB 6 provides a preference to “prioritizing earlier applicants over later applications” in regards to renewable energy applicants. Renewable energy projects built at later dates thus may not have received payments from the fund at all, even though they would be technically eligible.



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Under the Amendment 0889, however, the PUCO rates are supposed to be reconciled with “the revenue required to make disbursements from the energy generation fund”. This would allow the energy generation fund requirements, which can include an unlimited amount of renewable energy projects, to grow over time. The entirety of this revenue requirement growth would be allocated to the small and mid-sized industrial and commercial user class by the PUCO.

Note that in the substitute Senate version of HB 6, there is a percentage cap on energy generation fund payments to renewable energy. In effect, as renewable energy revenue requirements grow in the energy generation fund, it would automatically increase the amount of funds available to the nuclear plants.

The growth in the revenue requirement would be solely borne by small and mid-sized industrial and commercial users.

5. The amendment allows charges to continue past the generation energy fund end date

The amendment states that “...the charge or charges authorized by the commission may continue beyond December 31, 2026...”. While the amendment limits the continuation of the energy generation fund charges to reconciliation, it is possible that a fair amount of charges from the bill term will carry-over into future years.