ENERGY GUEST BLOG -- MATT BRAKEY

Four questions about the OMA's peculiar position on SB 58

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The Ohio Manufacturers' Association (OMA) recently sent a letter to Sen. Bill Seitz, chairman of the Senate Public Utilities Commission, repeating its opposition to Substitute Senate Bill 58 (SB 58), which Sen. Seitz introduced to reform — not repeal — Ohio's energy portfolio mandates.

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SB 58 imposes reasonable limitations on the amount ratepayer electric bills can increase due to energy portfolio mandates passed in 2008. Customers are paying for this compliance through a sizeable surcharge on their electric bills.

These surcharges have created a $250 million (and growing) slush fund that pays other customers for the completion of energy-efficiency projects. Organizations such as the OMA also have the ability to extract a sizeable bounty from the slush fund by turning in member-efficiency projects.

The day prior to sending the letter, the OMA issued what it calls an Executive Overview of SB 58, in which it characterizes the legislation in a fashion that attempts to justify its opposition. This opposition is in the face of overwhelming industrial and commercial customer support of SB 58.

The OMA opens its Executive Overview by stating, “A fundamental objective of the OMA is to… lower energy costs for Ohio manufacturers….” The OMA then offers a series of misrepresentations of SB 58 before arriving at conclusions diametrically opposed to its members' interests. The OMA's peculiar position on SB 58 gives rise to four questions that its members and the Ohio General Assembly should ask.

What is “vastly broader” than “all”

The OMA misleadingly asserts that SB 58 “would vastly broaden how energy efficiency is defined with respect to what utilities can count toward compliance….” Under current law, the PUCO is obligated to measure portfolio mandate compliance “by including the effects of all [mercantile-sited] demand response programs… and energy efficiency” (RC Section 4928.66, emphasis added).

SB 58 clarifies that when the General Assembly says “all,” it means “all.” The OMA is not only advocating against the clarifying language of SB 58, but also for an unlawfully narrow interpretation of current law that is inconsistent with the law's plain language. To

the OMA, the definition of “all” seems to be “some.” By ignoring actual energy-efficiency gains, mandate compliance becomes increasingly arduous, driving up costs to ratepayers.

It is peculiar that the OMA would take a position that makes mandate compliance for its members significantly more difficult than is statutorily required.

How does limiting costs increase costs?

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SB 58 clarifies the cost limit for renewable energy resource mandates in current law (RC Section 4928.64). It also introduces a cost limit for the energy-efficiency and peak demand reduction mandates.

The OMA's Executive Overview states that these limitations on electric bill increases may “limit[ ] program innovation and growth in future years.” But if renewable and energy-efficiency resources prove to be the lowest-cost solution as proponents suggest, ratepayers' bills will stay well below the proposed cap. Since program innovation and growth will continue unless costs significantly exceed current levels, the type of program growth the OMA favors can only mean significantly higher bills for its members.

It is peculiar that the OMA would fight efforts to limit its members' cost exposure.

Why does the OMA want to limit the discretion of its own members?

Through the electric bill surcharge scheme, a small subsection of customers may be able to extract more money out of the slush fund than they will ultimately pay into it. However, this scheme is a zero-sum game. The money one customer receives is coming out of the pocket of another, with the rent-seekers taking their cut along the way.

However, for the majority of large manufactures that are losing out in this scheme, SB 58 provides a streamlined way to exit the program.

An exit mechanism for mercantile customers already exists under current law. However, the current exit mechanism suffers from two serious problems: (1) it is overly cumbersome, and (2) organizations like the OMA can get paid a bounty out of the slush fund when a customer exits. These two flaws needlessly squander resources, which ratchets up compliance costs.

The OMA's position is that its members should not be free to decide whether they participate in the program. The OMA seems to believe that its members cannot be trusted to make responsible energy-efficiency decisions without regulatory intervention.

It is peculiar that the OMA would object to empowering its members with a streamlined

way to leave the program.

Why is the OMA lobbying against SB 58, and thereby its own members' interests?

In 2007, the OMA argued that while renewable sources of power are an important part of Ohio's electricity generation portfolio, their use should be governed by the market place, not by government mandate. Subsidizing the use of expensive renewable energy sources by forcing all customers to bear the burden will drive up electricity costs for residential, commercial and industrial energy users alike.

It is very peculiar indeed that the OMA now wants to make it difficult for its members to comply with the mandates, expose them to increasing program costs, and prohibit them from exiting the program.

In a mere six years, and on the very same issue, the OMA went from an advocate for market solutions to an advocate for government mandates.

Being able to dip into a slush fund of hundreds of millions of dollars has perverted the OMA's advocacy position. They are not advocates for manufacturers, but for rent-seeking and regulatory capture.

For the sake of Ohio businesses, let us hope OMA members and the Ohio General Assembly see past this false front.