



Ohio House of Representatives
House Public Utilities Committee
H.B. 128

Chairman Hoops, Vice Chair Ray, Ranking Member Smith and members of the House Public Utilities Committee, thank you for the opportunity to provide testimony on House Bill 128 on behalf of AMP, OMEA and Ohio's municipal electric communities. My comments focus primarily on the proposed report on transmission planning and siting included in House Bill 128 as introduced.

Good morning, my name is Lisa McAlister. I am the General Counsel for Regulatory Affairs for American Municipal Power. American Municipal Power (AMP) – headquartered in Columbus – is the wholesale power supplier and services provider to 135 municipal electric systems in nine states. The Ohio Municipal Electric Association (OMEA) serves as the legislative liaison for 80 of Ohio's 89 municipal electric communities and for AMP. Ohio's 89 municipal electric systems account for approximately 5% of the electric sales in Ohio and serve approximately 400,000 residential, commercial and industrial meters. Ohio municipal electric systems range in size from Cleveland Public Power with 73,000 meters to the City of Toledo with one meter. The majority of our member communities are villages. As non-profit entities, municipal electric systems exist to provide reliable, affordable electric service to their customer-owners. Ohio's municipal electric systems are locally owned, managed and governed.

AMP supports the addition of Ohio Revised Code Section 4906.105, which directs the Power Siting Board to submit a report by December 1 on whether the current requirements for planning transmission are cost effective and in the interest of consumers. To be clear, we fully support transmission investments that truly benefit consumers and improve reliability. However, the current structure does not provide appropriate level of transparency and oversight.

AMP members have made transmission one of its top priorities as a result of the cost increases members are seeing to the transmission component of their bills. In fact, transmission as a percentage of the total bill has increased from 15% in 2015 to 29% in 2020, nearly doubling over a five year period.

These increasing transmission costs are having an impact not only on municipal electric systems, but on all consumers in the state. We are concerned about the negative impact

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these costs will have on all customer classes, as well as on economic development opportunities, as overall energy costs are one of the primary drivers in business decisions.

Transmission projects are on the rise across the country and associated costs have increased dramatically in recent years. According to a report by the Brattle Group, U.S. transmission investments by FERC-jurisdictional transmission providers increased from \$2 billion/year in the 1990s to \$20 billion/year over the last five years. The Brattle Group projects \$120-160 billion of investments over the next decade. Primary drivers for this investment include replacing aging infrastructure, system hardening, improvements to meet evolving reliability and security requirements, and now, a stronger emphasis on the integration of renewables.

Additionally, investor-owned utilities in some parts of the country, including Ohio, have indicated their intent to shift capital from competitive wholesale power markets to invest more in regulated transmission assets.

The majority of transmission projects are moving forward with little to no regulatory oversight. While investment in transmission infrastructure is needed, a lack of transparency and regulatory scrutiny means customers are unable to know if the amount of transmission spend is really needed or provides the most effective solution for the future.

While transmission rates and cost recovery are regulated at the federal level, the right and authority to plan, construct new transmission and replace existing transmission is divided between the regional transmission planner, PJM Interconnection LLC (PJM), the state through the Ohio Power Siting Board and municipalities through Home Rule.

In PJM, the lack of transmission planning oversight is a direct result of the current planning rules and the categorization of transmission projects as either “baseline” or “supplemental.” For baseline projects, which are those needed for reliability and planned by PJM, there are well documented rules and data available for stakeholders to fully understand how the proposed baseline project best meets clearly identified needs going forward. The planning process for supplemental transmission projects — those that are not required to satisfy reliability, operational performance or economic criteria — is left up to the Transmission Owners, receives minimal oversight by PJM, and is not approved by PJM or the Federal Energy Regulatory Commission (FERC). In compliance with a recent FERC directive, the PJM Transmission Owners have implemented a process to provide stakeholders a minimum amount of information about the proposed supplemental transmission projects. However, there is not sufficient information to enable stakeholders to replicate or verify the plans. Like baseline project costs, the costs of supplemental transmission projects are passed along to consumers, but without a determination that they are necessary or prudent before they go into service. And, supplemental projects are not subject to competition.

The lack of oversight by PJM would seem to leave the determination of need and cost effectiveness for supplemental projects to the states. However, in Ohio, the Power Siting Board does not have jurisdiction for the majority of transmission projects that are being planned and constructed by Ohio’s Transmission Owners.

Current law defines a major utility facility as an electric transmission line and associated facilities of 100 kilovolts (kV) or more. The vast majority of transmission projects fall below the 100 kV threshold. This means that most of the transmission projects that are being planned and constructed in Ohio do not receive any review or approval from the Power Siting

Board, PJM, FERC or any other regulatory agency. Consequently, there is no verification of need or cost effectiveness of the transmission being built.

The Power Siting Board's 2019 Annual Report identified a total of 91 transmission-related applications filed in 2019 that fall within the Power Siting Board's jurisdiction. Of those, 75 went through an accelerated process, 13 were amendments to existing certificates, and only 3 were full applications.

The reason AMP and OMEA support the inclusion of a studied report in House Bill 128 is that, based on AMP-compiled PJM data from 2005-2019, the total proposed spend on supplemental projects has exceeded that of baseline spend (\$31.2 billion versus \$30.4 billion). This indicates that more transmission projects are planned and constructed by individual transmission owners without a demonstration of need or cost effectiveness than those transmission projects needed for reliability and planned and approved by PJM, the Regional Transmission Organization. In fact, over 90% of all transmission projects, whether they are supplemental projects or baseline projects were based on individual Transmission Owner criteria in 2018 and 2019.

We participated in the PUCO-sponsored transmission summit in 2019 where information about transmission planning was shared. As a result of that summit, the PUCO indicated support for a legislative change to reduce the threshold for Power Siting Board's jurisdiction from 100 kV to 69 kV. However, the report proposed in House Bill 128 would be conducted by the Ohio Power Siting Board in consultation with JobsOhio. Additionally, although the PUCO provides administrative support to the Power Siting Board, the Power Siting Board encompasses additional interests outside of the PUCO, including environmental, economic development and legislative interests. It also provides an opportunity to explore the practical implications of any proposed legislative changes.

Thank you again for the opportunity to appear today. I would be happy to respond to questions.