

# Client-Focused. Clear Objectives. Winning Results.

Below I have summarized and, when necessary, provided an analysis of the major provisions of Senate Bill 128, introduced on April 6, 2017 by Senator's Eklund and LaRose. The overall intent of the legislation is to provide additional revenue to FirstEnergy's nuclear fleet of generating plants both in and outside of Ohio.

The net effect of the legislation would be a 5% increase on customer bills *for decades* to come and distorted market prices due to subsidized generation.

#### **Section 4928.02** (starting on line 27)

<u>Summary</u> - This Section lays out the energy policy of the state. The legislation modifies this section to include language that it is the policy of the state to ensure the diversity of electricity resources, including zero-emissions nuclear resources (ZEN). (Lines 32-34)

The section is further modified to state the policy of the state is to recognize the need for ZENs. (Lines 54-57)

<u>Analysis</u> - These provisions work together in the policy section to support the changes made thereafter in Chapter 4928. The intent being, if it's the policy of the state to support ZENs, then the other provisions are acceptable.

#### Section 4928.75 (starting on line 90)

**Summary** - Definition section defining:

- A. Nuclear Energy Resource Nuclear power plant fueled by nuclear power, whole or in part. Also licensed by nuclear regulatory commission.
- B. PJM Means PJM LLC or its successor.
- C. Zero-emission nuclear credit attributes associated with one megawatt hour of electricity generated by a ZEN.
- D. Zero-emission nuclear resource a nuclear energy resource that meets the criteria laid out in 4928.754 of the legislation.

<u>Analysis</u> - Standard definition section. However, a question to note is, if a nuclear energy resource needs to be funded in part by nuclear energy, doe that imply the other parts are fired by some other fuel source? This other fuel source may be eligible to have its megawatt hours counted as zero-emission nuclear credits.

# Section 4928.751 (starting on line 102)

Summary - This section sets up the zero-emission nuclear resource program (Program).

The section states that if a holding company system has nuke plants, all of the holding company's electric distribution utilities shall participate in the program spreading the costs across the entire holding company's system and to all rate classes. (Lines 110-113)

Analysis: What this section allows is if one subsidiary company owns a nuke plant, then all of the subsidiary companies in Ohio will pay for it.

#### Section 4928.752 (starting on line 114)

Summary - Lays out a 16 year life span for any program's operation starting on the effective date of this legislation. Lifespan is broken up into 2 year periods.

#### **Section 4928.753** (starting on line 119)

Summary - States that an entity wishing to use the Program must provide written notice to the PUCO not later than 90 days after the commencement of the initial program period.

Analysis - This section and the previous section work to ensure FirstEnergy is the only company that can take part in this program. By limiting the window to enter the program to 90 days after the effectiveness of the legislation FirstEnergy limits the program to itself. No other utility in Ohio owns nukes.

#### **Section 4928.754** (starting on line 127)

Summary - The test for what is a zero-emission nuclear resource (ZEN). A power plant is a ZEN if:

- A. It is interconnected within the transmission system of PIM,
- B. PJM has determined the resource is deliverable,
- C. For in-state nukes:
  - a. The resource has benefitted air quality more than the predominant electric generation source. (line 140-143)
  - b. All of the following could occur if the nuke plant shut down and replaced by fossil fuels: (line 144-157)
    - State's ability to meet air quality standards is reduced;
    - CO2 emission intensity is negatively impacted ii.
    - Other emissions are negatively affected including carbon monoxide, iii. ozone, particulate matter, nitrogen oxide, sulfur dioxide, and lead.

Analysis - Ohio ratepayers may pay for the Program costs associated with nuke plants located outside of the state. By allowing any nuke resource connected to PJM to participate, any utility in Ohio that has nuke plants outside of Ohio, but connected to PJM, could get ZEN certification by Ohio's program.

#### **Section 4928.755 - .757** (lines 176 - 222)

Summary - These sections lay out timelines for comments and responses to any utility initiating participation in the program. A party has 20 days from when a utility sent notice of its plans to participate. A utility has 10 days to reply. Not later than 50 days after the initial filing of the utility must the PUCO decide if the units in question are eligible to participate in the program. If nothing is done, the plants are automatically approved.

Analysis - One of the shortest timeframes seen for changes of this magnitude. Automatic approval is never appropriate for the magnitude of costs associated with this program.

#### **Section 4928.7513** (Line 208)

Summary - States that once a resource is a certified ZEN, it shall remain certified so long as it meets the requirements laid out in 4928.754 EXCEPT the in-state requirements as noted by section (C) of that provision. Also states that these rights can be sold, assigned, transferred, or conveyed.

#### **SECTION 4928.7515** (line 223)

Summary - All documents provided to prove that a resource is a ZEN are not public documents.

Analysis - Keeping these documents from parties who only have 20 days to provide comment on a utilities plan to create a ZEN is bad policy. Interests can be protected by sealing documents or only allowing an in camera review.

#### **Section 4928.7520** (line 229)

Summary - Sets the ZENC's initial price at \$17 per MWH and then tied to inflation thereafter.

#### **Section 4928.7521** (Line 239)

Summary - Sets a cap of ½ total usage of the service territory for the amount of ZENC purchases.

#### **Sections 4928.7522 - .7532** (lines 248 - 320)

<u>Summary</u> - Describes the quarterly process for purchasing ZENCs and paying ZENs. The steps are as follows:

- I. ZENs transfer all of its ZENCs to PUCO. (line 248)
- 2. PUCO notifies each participating utility of total amount of ZENCs (line 254)
- 3. Utilities purchase requisite amount of ZENCs from PUCO. (line 259)
- 4. PUCO deposits all funds into the newly created "zero-emission nuclear resources fund" (line 283)
- 5. PUCO pays each ZEN the amount owed for its ZENCs. (line 287)

Further clarifies that these credits can not be transferred, sold, or assigned to any other entity. (line 292)

States that that utilities may pay for the purchase of the ZENCs via a nonbypassable rider and that the rider must be set in a way to keep no customer gets more than a 5% increase on their bills. Should the increase be more than 5%, the amount over 5% shall be deferred as a

regulator asset and collected later.

Analysis - The provisions allowing for the creation of regulatory deferrals ensure that the costs associated with the program will be more than 5% of customer bills and that customers will pay for this program well beyond the 16 year lifespan.

#### **Section 4928.7533** (line 321)

Summary - A utility taking part in the Program must keep its corporate headquarters in the state.

#### **Section 4928.7534** (line 327)

Summary - The PUCO shall review the program the ZENC price to ensure its achieving the public policy goals sought. In no case, shall the Program terminate earlier than than the last day of the second program period (year 4).

#### **Section 4928.7540** (line 342)

Summary - A utility in the Program guarantees that employment levels will remain similar to that of other nuke plants.

### As Introduced

# 132nd General Assembly Regular Session 2017-2018

S. B. No. 128

# Senators Eklund, LaRose

# A BILL

То	amend section 4928.02 and to enact sections	1
	4928.75, 4928.751, 4928.752, 4928.753, 4928.754,	2
	4928.755, 4928.756, 4928.757, 4928.7511,	3
	4928.7513, 4928.7514, 4928.7515, 4928.7520,	4
	4928.7521, 4928.7522, 4928.7523, 4928.7524,	5
	4928.7525, 4928.7526, 4928.7527, 4928.7530,	6
	4928.7532, 4928.7533, 4928.7534, and 4928.7540	7
	of the Revised Code regarding the zero-emissions	8
	nuclear resource program.	9
		10

# BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

<b>Section 1.</b> That section 4928.02 be amended and sections	11
4928.75, 4928.751, 4928.752, 4928.753, 4928.754, 4928.755,	12
4928.756, 4928.757, 4928.7511, 4928.7513, 4928.7514, 4928.7515,	13
4928.7520, 4928.7521, 4928.7522, 4928.7523, 4928.7524,	14
4928.7525, 4928.7526, 4928.7527, 4928.7530, 4928.7532,	15
4928.7533, 4928.7534, and 4928.7540 of the Revised Code be	16
enacted to read as follows:	17
Sec. 4928.02. It is the policy of this state to do the	18
Sec. 4720.02. It is the policy of this state to do the	10
following throughout this state:	19

S. B. No. 128
As Introduced

(A) Ensure the availability to consumers of adequate,	20
reliable, safe, efficient, nondiscriminatory, and reasonably	21
priced retail electric service;	22
(B) Ensure the availability of unbundled and comparable	23
retail electric service that provides consumers with the	24
supplier, price, terms, conditions, and quality options they	25
elect to meet their respective needs;	26
(C) Ensure diversity of electricity the following:	27
(1) Electricity supplies and suppliers, by giving	28
consumers effective choices over the selection of those supplies	29
and suppliers and by encouraging the development of distributed	30
and small generation facilities;	31
(2) Resources, including zero-emissions nuclear resources	32
as defined in section 4928.75 of the Revised Code, that provide	33
fuel diversity and environmental and other benefits.	34
(D) Encourage innovation and market access for cost-	35
effective supply- and demand-side retail electric service	36
including, but not limited to, demand-side management, time-	37
differentiated pricing, waste energy recovery systems, smart	38
grid programs, and implementation of advanced metering	39
infrastructure;	40
(E) Encourage cost-effective and efficient access to	41
information regarding the operation of the transmission and	42
distribution systems of electric utilities in order to promote	43
both effective customer choice of retail electric service and	44
the development of performance standards and targets for service	45
quality for all consumers, including annual achievement reports	46
written in plain language;	47
(F) Ensure that an electric utility's transmission and	48

S. B. No. 128
As Introduced

distribution systems are available to a customer-generator or	49
owner of distributed generation, so that the customer-generator	50
or owner can market and deliver the electricity it produces;	51
(G) Recognize the continuing emergence of competitive	52
electricity markets through the development and implementation	53
of flexible regulatory treatment, while simultaneously	54
recognizing the need for nuclear energy resources, as defined in	55
section 4928.75 of the Revised Code, and resources that provide	56
fuel diversity and environmental and other benefits;	57
(H) Ensure effective competition in the provision of	58
retail electric service by avoiding anticompetitive subsidies	59
flowing from a noncompetitive retail electric service to a	60
competitive retail electric service or to a product or service	61
other than retail electric service, and vice versa, including by	62
prohibiting the recovery of any generation-related costs through	63
distribution or transmission rates;	64
(I) Ensure retail electric service consumers protection	65
against unreasonable sales practices, market deficiencies, and	66
market power;	67
(J) Provide coherent, transparent means of giving	68
appropriate incentives to technologies that can adapt	69
successfully to potential environmental mandates;	70
(K) Encourage implementation of distributed generation	71
across customer classes through regular review and updating of	72
administrative rules governing critical issues such as, but not	73
limited to, interconnection standards, standby charges, and net	74
metering;	75
(L) Protect at-risk populations, including, but not	76
limited to, when considering the implementation of any new	77

advanced energy or renewable energy resource;	78
(M) Encourage the education of small business owners in	79
this state regarding the use of, and encourage the use of,	80
energy efficiency programs and alternative energy resources in	81
their businesses;	82
(N) Facilitate the state's effectiveness in the global	83
economy.	84
In carrying out this policy, the commission shall consider	85
rules as they apply to the costs of electric distribution	86
infrastructure, including, but not limited to, line extensions,	87
for the purpose of development in this state.	88
Sec. 4928.75. As used in sections 4928.75 to 4928.7540 of	89
the Revised Code:	90
(A) "Nuclear energy resource" means an electric generation	91
unit fueled, in whole or in part, by nuclear power and licensed	92
by the nuclear regulatory commission.	93
(B) "PJM" means the PJM Interconnection, L.L.C., or its	94
successor.	95
(C) "Zero-emissions nuclear credit" means the attributes	96
associated with one megawatt hour of electricity generated by a	97
zero-emissions nuclear resource.	98
(D) "Zero-emissions nuclear resource" means a nuclear	99
energy resource that meets the criteria of section 4928.754 of	100
the Revised Code.	101
Sec. 4928.751. There is hereby created a zero-emissions	102
nuclear resource program to enable the state to meet its policy	103
goals and requirements under which zero-emissions nuclear	104
credits are purchased by electric distribution utilities to	105

provide long-term energy security and environmental and other	106
benefits to the region and to retail electric service customers	107
in the state. An electric distribution utility in this state	108
that has a zero-emissions nuclear resource located within its	109
certified territory shall participate in the program. All	110
electric distribution utilities in the same holding company	111
system shall participate jointly and shall allocate costs across	112
all classes of each participating utility's customers.	113
Sec. 4928.752. The zero-emissions nuclear resource program	114
shall operate for successive two-year program periods beginning	115
with the initial program period commencing on the effective date	116
of this section and terminating on the last day of the eighth	117
<pre>program period.</pre>	118
Sec. 4928.753. To provide zero-emissions nuclear credits	119
under the zero-emissions nuclear program, an entity that owns or	120
operates a nuclear energy resource shall file with the public	121
utilities commission a written notice verifying that the	122
resource meets the criteria under section 4928.754 of the	123
Revised Code. The entity shall file the written notice not later	124
than ninety days after the commencement of the initial program	125
period.	126
Sec. 4928.754. A nuclear energy resource that satisfies	127
all of the following criteria is a zero-emissions nuclear	128
resource for purposes of zero-emissions nuclear credits:	129
(A) The resource is interconnected within the transmission	130
system of PJM.	131
(B) PJM has determined the resource is transmission	132
deliverable under the metrics by which PJM calculates	133
deliverability for purposes of capacity planning on a round-the-	134

clock baseload basis into the transmission zone or zones of	135
electric distribution utilities participating in the zero-	136
emissions nuclear resource program under sections 4928.75 to	137
4928.7540 of the Revised Code.	138
(C)(1) For in-state nuclear energy resources:	139
(a) The resource has benefited the air quality profile of	140
the state more than the predominant electric generation source	141
with similar capacity and baseload characteristics as the	142
resource as of the time the resource commenced operation.	143
(b) All of the following could occur if the resource	144
ceased operation and its capacity were replaced at the same	145
location by the then predominant electric generation source with	146
similar capacity and baseload characteristics as the resource:	147
(i) The ability of the state, or region of the state, to	148
maintain or decrease existing intensity of fine particulate	149
matter or to comply with one or more state or federal air	150
pollution control programs, standards, or goals is reduced.	151
(ii) The carbon dioxide emissions intensity of the state	152
is negatively impacted.	153
(iii) The ability of the state to maintain or decrease	154
existing intensity of carbon monoxide, lead, ground-level ozone,	155
particulate matter, nitrogen oxide, or sulfur dioxide is	156
negatively impacted.	157
(2) For all other nuclear energy resources, each such	158
resource is shown to provide no less than the same level of	159
environmental benefits to the state as nuclear energy resources	160
located within the state, pursuant to the requirements in	161
division (C)(1) of this section.	162

(D) The resource, on or after January 1, 2017:	163
(1) Did not receive from another state tax exemptions,	164
deferrals, exclusions, allowances, payments, credits,	165
deductions, or reimbursements calculated in whole or in part	166
using a metric that provides value for emissions not produced by	167
the resource;	168
(2) Is not wholly owned by a municipal or cooperative	169
corporation or a group, association, or consortium of those	170
corporations; or	171
(3) Did not, during a program period described in section	172
4928.752 of the Revised Code, recover some or all of the capital	173
or operating costs of the resource through rates regulated by a	174
state.	175
Sec. 4928.755. With respect to a written notice filed	176
under section 4928.753 of the Revised Code relating to a nuclear	177
energy resource located in this state, any interested person may	178
file comments with the public utilities commission not later	179
than twenty days after the written notice was filed.	180
Sec. 4928.756. An entity that owns or operates a nuclear	181
energy resource may file with the public utilities commission a	182
response to any comment made under section 4928.755 of the	183
Revised Code, not later than ten days after the comment was	184
<u>filed.</u>	185
Sec. 4928.757. Not later than fifty days after the filing	186
of a written notice under section 4928.753 of the Revised Code	187
relating to a nuclear energy resource located in this state, the	188
public utilities commission shall designate a resource that	189
satisfies the criteria in section 4928.754 of the Revised Code	190
as a zero-emissions nuclear resource and issue an order	1 9 1

consistent with that designation. If the commission does not	192
issue an order in the time required by this section, the	193
resource shall be deemed to be a zero-emissions nuclear	194
resource.	195
Sec. 4928.7511. The public utilities commission, under a	196
procedure it adopts, shall determine and issue the appropriate	197
order regarding whether a nuclear energy resource described in	198
division (C)(2) of section 4928.754 of the Revised Code	199
satisfies the criteria in section 4928.754 of the Revised Code	200
as a zero-emissions nuclear resource. The nuclear energy	201
resource shall submit an environmental study showing that the	202
resource meets the criteria under section 4928.754 of the	203
Revised Code. At minimum, the adopted procedure shall provide	204
the opportunity for comment and response similar to the	205
opportunities described under sections 4928.755 and 4928.756 of	206
the Revised Code.	207
Sec. 4928.7513. A nuclear energy resource determined under	208
section 4928.757 or 4928.7511 of the Revised Code to be a zero-	209
emissions nuclear resource shall continue to be considered such	210
a resource for all successive program periods as long as the	211
resource continues to meet the criteria of divisions (A), (B),	212
and (D) of section 4928.754 of the Revised Code. The provisions	213
of sections 4928.75 to 4928.7540 of the Revised Code shall apply	214
to any person to which zero-emissions nuclear resources are	215
sold, assigned, transferred, or conveyed.	216
Sec. 4928.7514. Zero-emission nuclear resources shall	217
provide zero-emissions nuclear credits for the zero-emissions	218
nuclear resource program. Not later than thirty days before a	219
program period commences, each zero-emissions nuclear resource	220
shall confirm with the public utilities commission its intent to	221

continue to commit its credits under the program.	222
Sec. 4928.7515. All financial statements, financial data,	223
and trade secrets submitted to or received by the public	224
utilities commission for purposes of satisfying the criteria as	225
a zero-emissions nuclear resource and any information taken for	226
any purpose from the statements, data, or trade secrets are not	227
public records under section 149.43 of the Revised Code.	228
Sec. 4928.7520. Not later than sixty days after the	229
initial program period commences and not later than thirty days	230
before a subsequent program period commences, the public	231
utilities commission shall set the price for zero-emissions	232
nuclear credits applicable for the period. For the initial	233
program period the price shall be seventeen dollars per credit.	234
For each subsequent program period, that price shall be adjusted	235
for inflation using the gross domestic product implicit price	236
deflator as published by the United States department of	237
commerce, bureau of economic analysis, index numbers 2007=100.	238
Sec. 4928.7521. At the same time the public utilities	239
commission sets the price for zero-emissions nuclear credits,	240
the commission shall determine the maximum number of credits to	241
be purchased by electric distribution utilities during the	242
program period. The amount the commission sets shall equal one-	243
third of the total "Total End User Consumption" in megawatt-	244
hours over the previous two calendar years as shown on PUCO Form	245
D1 of each participating electric distribution utility's most	246
recently filed long-term forecast report.	247
Sec. 4928.7522. Not later than seven days following the	248
close of each quarter of a program period, each zero-emissions	249
nuclear resource shall transfer all of its zero-emissions	250
nuclear credits generated that guarter to the public utilities	251

commission, which shall hold the credits for the sole purpose of	252
administering the program.	253
Sec. 4928.7523. Not later than seven days after the zero-	254
emissions nuclear resource transfers its credits, the public	255
utilities commission shall notify each participating electric	256
distribution utility of the total amount of zero-emissions	257
nuclear credits received from zero-emissions nuclear resources.	258
Sec. 4928.7524. (A) Except as provided in division (B) of	259
this section, all participating electric distribution utilities	260
shall purchase all zero-emissions nuclear credits transferred to	261
the public utilities commission up to the maximum number of	262
credits determined under section 4928.7521 of the Revised Code.	263
The commission shall allocate the amounts to be purchased by	264
each participating utility based on the total "Total End User	265
Consumption" in megawatt-hours over the previous two calendar	266
years as shown on PUCO Form D1 of each participating electric	267
distribution utility's most recently filed long-term forecast	268
report. Each participating electric distribution utility shall	269
pay the credit price for each credit purchased.	270
(B) If the owner, as of December 31, 2016, of a zero-	271
emissions nuclear resource sells or transfers the zero-emissions	272
nuclear resource, the commission shall reduce the number of	273
zero-emissions nuclear credits to be purchased from that	274
resource during the program period and, if necessary, successive	275
program periods, to reflect an adjustment equal to one-half of	276
the dollar amount of any net proceeds available after the	277
payment or provision for the seller's known obligations, but in	278
no instance shall this adjustment apply to a sale or transfer	279
under the United States Bankruptcy Code, including, but not	280
limited to, sections 363 and 1123, 11 U.S.C. sections 363 and	281

<u>1123.</u>	282
Sec. 4928.7525. The public utilities commission shall	283
deposit all payments for credits into the zero-emissions nuclear	284
resources fund created under section 4928.7532 of the Revised	285
Code.	286
Sec. 4928.7526. Not later than seven days after receipt of	287
utility payment, the public utilities commission shall pay to	288
each zero-emissions nuclear resource the amount paid for each of	289
the resource's zero-emissions nuclear credits purchased from the	290
zero-emissions nuclear resources fund.	291
Sec. 4928.7527. Credits purchased by participating	292
electric distribution utilities may not be transferred, sold, or	293
assigned to any other entity.	294
Sec. 4928.7530. Each participating electric distribution	295
utility shall recover any and all direct and indirect costs for	296
the purchase of zero-emissions nuclear credits through a	297
nonbypassable rider charged to all of its retail electric	298
service customers, which rider shall be established not later	299
than sixty days after the effective date of this section. The	300
nonbypassable charge shall be designed such that no retail	301
electric service customer shall have an increase resulting from	302
the nonbypassable rider in the customer's total retail electric	303
service bill of more than five per cent as compared to June	304
2015. The participating electric distribution utility shall	305
defer as a regulatory asset an amount equal to the revenue	306
reduction resulting from the five per cent limit on customer	307
bill increases and recover the deferral plus carrying charges	308
through a nonbypassable charge assessed over a twelve-month	309
period.	310

Sec. 4928.7532. There is hereby created the zero-emissions	311
nuclear resources fund that shall be in the custody of the	312
treasurer of state but shall not be part of the state treasury.	313
The fund shall consist of all money collected by the public	314
utilities commission from purchases of zero-emissions nuclear	315
credits. The amounts deposited into the fund shall be used to	316
pay the credit purchase price to the resources that generated	317
the credits. All investment earnings from the fund shall be	318
transferred by the treasurer to the general revenue fund in the	319
state treasury.	320
Sec. 4928.7533. During each program period in which a	321
zero-emissions nuclear resource receives payment for credits	322
under section 4928.7526 of the Revised Code, an entity that owns	323
or operates that zero-emissions nuclear resource and that has	324
its corporate headquarters located in this state shall continue	325
to maintain its corporate headquarters in this state.	326
Sec. 4928.7534. During the sixth and eleventh years of the	327
zero-emissions nuclear resource program, the public utilities	328
commission shall evaluate the zero-emissions nuclear credit	329
price established under section 4928.7520 of the Revised Code	330
for the purpose of discerning whether the program is achieving	331
the policy goals in section 4928.751 of the Revised Code and	332
whether those policy goals are being met through other federal	333
environmental laws, programs, rules or regulations, or through	334
amendments to the federal tax code. Upon the conclusion of its	335
evaluation, the commission shall report the results of its	336
evaluation to the standing committees of both houses of the	337
general assembly that have primary jurisdiction regarding public	338
utility legislation. In no case shall the zero-emissions nuclear	339
resource program terminate earlier than the last day of the	340
second program period.	341

Sec. 4928.7540. (A) For purposes of this section:	342
(1) "Employment levels" means the number of full-time	343
employees regularly providing services at the location of a	344
zero-emissions nuclear resource.	345
(2) "Full-time employee" means an individual who is	346
employed for consideration for at least thirty-five hours per	347
week, or who renders any other standard of service generally	348
accepted by custom or specified by contract as full-time	349
<pre>employment.</pre>	350
(B) During each program period in which a zero-emissions	351
nuclear resource receives payment for zero-emissions nuclear	352
credits under section 4928.7526 of the Revised Code, the	353
employment levels at that zero-emissions nuclear resource shall	354
continue to be similar to that of nuclear energy resources	355
constructed prior to 1990 in the United States with the same	356
reactor type, similar nameplate capacity, and single-unit	357
location.	358
Section 2. That existing section 4928.02 of the Revised	359
Code is hereby repealed.	360