



Chairman Cupp, Vice Chair Carfagna, Ranking Member Ashford and members of the House Public Utilities Committee:

My name is Dylan Borchers, representing the Ohio Independent Power Producers, a group of independent natural gas-fired power plants either in commercial operation, under construction or in advanced development across the state of Ohio.

It is an exciting time for energy generation in Ohio. Thanks to Ohio's deregulated electric generation sector and an abundant supply of natural gas in the Appalachian Basin, we are seeing new private investments to the tune of approximately \$10 billion, generating nearly 10,000 MW of clean energy and creating more than 14,000 jobs. These new power plants will be located in every corner of the state – from Toledo, to Middletown, to Guernsey County, to Lordstown – and are entirely funded by private investments. These investments are being made with the understanding of a transparent and fair competitive market.

In a 2017 joint study between Cleveland State University and The Ohio State University that has been referenced many times in this committee, we have seen that Ohioans have saved \$15 billion over the past five years on the costs of energy generation. Further, Ohioans are projected to see additional savings of approximately \$15 billion over the next five years if the competitive market is not undermined. This study demonstrates that Ohio consumers have realized significant savings due to the deregulation of electric generation. To illustrate, new natural gas turbine technology and low gas prices have resulted in electrical energy costs 50 percent below the costs of some coal plants. Ohio families and businesses benefit from these low prices.

All of this has been made possible by Ohio's commitment to competition in the electric generation sector. The 1999 Ohio Electric Restructuring Act, more commonly known as Senate Bill 3, authorized the 2001 deregulation of the electric power industry by encouraging the development of a competitive market for electric power generation in Ohio. The state's intent was to deregulate the electricity generation portion of electric service while maintaining regulation on intrastate transmission and distribution. As a result, Ohio consumers have been able to access lower prices through the competitive marketplace for the electric generation component of their bill.

Unfortunately, Ohio has not seen the full benefits of a deregulated market. Too many electric distribution utility (EDU) ratepayers are saddled with nonbypassable riders—additional and unavoidable utility charges to their bills. The previously mentioned study discusses this issue in depth.

In addition to increasing consumers' bills, some riders can also undermine competition in the generation sector. This occurs when riders charged to captive EDU ratepayers are used to provide price supports to generation facilities owned by an EDU's unregulated affiliate. In effect, these riders provide a cross subsidy from the regulated distribution utility to affiliate-owned generation assets.

Independent Power Producers (IPPs) receive no such ratepayer subsidy. Their profitability, whether they are natural gas-fired or coal-fired, hinges entirely on their ability to produce power efficiently at the best price. They are in constant competition, striving for new technologies that will increase efficiency and lower operating costs. Subsidies, on the other hand, undermine competition and can distort the market signals necessary to attract new investment.

HB 247 is a step in the right direction for Ohio to fully realize the benefits of a deregulated electric generation market. While you have already heard from many today about the benefits of eliminating Electric Security Plans and addressing the issue of charges paid by consumers through nonbypassable riders, Ohio's IPPs wish to highlight the benefits of advancing policies that further promote the original intent of Senate Bill 3 – the development of an independent and competitive electric generation sector.

The EDUs have an important role to play in Ohio's transmission and distribution systems. These systems are critical to every aspect of Ohio's economy and, in exchange for managing these systems, the EDUs are authorized to receive guaranteed cost recovery and a rate of return. However, the generation sector, as intended under Senate Bill 3, should be competitive and independent from the regulated distribution utility. For this reason, Ohio's IPPs support efforts by this body to further advance a level playing field for an independent and competitive generation sector.