



Chair Vitale and members of the House Energy and Natural Resources Committee. On behalf of the Ohio Independent Power Producers (OIPP), thank you for the opportunity to testify in opposition to Sub. H.B. 6. While a representative of OIPP has appeared multiple times before the Subcommittee on Energy Generation providing both general information on combined cycle natural gas-fired power plants and opposition testimony to H.B. 6, schedules and travel issues prevented a representative of OIPP from being here again today. We look forward to an ongoing dialogue with the House Energy and Natural Resources Committee and the Ohio House of Representatives.

OIPP members develop, construct and operate new combined cycle natural gas-fired power plants, representing billions of dollars of new private investment in Ohio and thousands of megawatts of new, efficient and reliable energy. These projects are entirely driven by private investment, not ratepayer guarantees, with project risk on the investors, not captive ratepayers. As highlighted on the attached map, there are nearly one dozen new, efficient and reliable natural gas combined-cycle power plants in operation, under construction or in development across all corners of Ohio, representing approximately \$11 billion in private investment, 11,137 MW of clean, reliable energy, and more than 14,000 construction and related jobs. The infrastructure improvements brought by these new facilities support the growth of new and diverse industries also locating in Ohio.

Despite amendments to H.B. 6, the members of OIPP remain opposed to directing subsidies to Ohio's two uneconomical nuclear power plants. Fundamentally, the legislation remains an anti-competitive corporate bailout. In addition, the legislation subsidizes uneconomic power plants in perpetuity (the legislation contains no sunset provision), with no independent auditing of program participants and no protections to ensure that qualifying facilities do not receive a windfall on the backs of ratepayers. The legislation contains no controls on how the funds can be utilized, meaning Ohio Clean Air Program funds can potentially be used for out-of-state generation owned by the same company (including coal), paying dividends to stockholders, or myriad other expenses not related to clean power generation for the benefit of Ohio residents and/or businesses.

Injecting this subsidy into the market will distort energy prices, resulting in higher costs to consumers, will create an unfair market advantage for one company, and will discourage future investment in new power plant projects, which ultimately leads to higher costs and more reliance on aging and higher emission power plants. As others such as the Ohio Manufacturer's Association, the Consumers' Counsel, and Dayton Power & Light have testified, despite the monthly pricing controls, Ohio consumers will see cost increases associated with H.B. 6 depending on their customer classification, their location in the state, or a variety of other factors.

Researchers at Cleveland State University found that over a five-year period, Ohioans have saved \$15 billion in energy generation costs. Those savings are jeopardized by enacting H.B. 6. Moreover, RunnerStone, in a report issued on April 19, 2019, estimates that H.B. 6 will trigger new capacity charges of \$80 million per year or more.

PJM testified to this committee on April 9, 2019, “what is clear not only in this State but across the PJM footprint is that efforts to subsidize less competitive plants will result in higher power prices for Ohioans. Such actions have the potential to roll back the progress and stability that the markets have facilitated. **Such actions could prevent the building of more efficient and cost effective plants**, including cleaner technologies like solar and wind. Such actions, according to the independent market monitor who oversees PJM’s market operations, **could result in an increase in costs upwards of \$3.8 billion across the PJM footprint**”¹ (emphasis added).

The legislation also contains technical deficiencies or raises questions that need addressed. First, the amended definition of a “reduced emissions resource” does not clarify how much of a reduction in emissions is needed to qualify. Are natural gas-fired power plants, which already feature lower emissions than coal-fired power plants, held to the same reduction standard? What is the baseline for emissions to determine if a reduction is made or to determine that a “significant contribution towards minimizing emissions” is made?

Additionally, because “clean air resources” are given priority for payment under the Ohio Clean Air Program, there is no guarantee that enough funding exists for every clean air resource, let alone the addition of reduced emissions resources. The unpredictable nature of the availability of funds means that the credits created in H.B. 6 could not be utilized in any fashion for financing of future power plant projects.

Proponents of this legislation focus on positioning Ohio as an “energy exporter.” During PJM’s testimony to this committee on April 9, 2019, PJM testified that nearly 24% of Ohio’s energy was imported. However, PJM noted that this was not due to a lack of capacity in Ohio. Instead, importing energy was a result of lower cost generation servicing Ohioans. This is a feature of PJM, not a problem.

However, Ohio’s current competitive market is working and attracting new private investment in combined cycle natural gas-fired power plants, which are more efficient and generate energy at lower prices. Having more low cost energy produced in Ohio increases Ohio’s potential to export power. H.B. 6 does nothing to further that stated goal.

Ohio’s emissions are already falling. Natural gas-fired power plants are leading the way in reducing emissions in Ohio. Not only do the combined cycle plants in the OIPP fleet emit drastically lower emissions than similar sized coal-fired power plants, they enable the use of more renewable energy sources. The U.S. Energy Information Agency attributes the majority of carbon emission reductions in the electric power sector from 2005 to 2017 to natural gas generation replacing coal power.² The National Bureau of Economic Research found that a 1 percent increase in “fast-reacting fossil generation” (combined cycle natural gas) can be

¹ http://search-prod.lis.state.oh.us/cm_pub_api/api/unwrap/chamber/133rd_ga/ready_for_publication/committee_docs/cmte_h_energy_1/submissions/cmte_h_energy_1_2019-04-09-1100_404/pjm-bresler-testimony-4.9.19.pdf

² <https://www.eia.gov/environment/emissions/carbon/>

associated with a 0.88 percent increase in renewable generation.³ In other words, increasing combined-cycle natural gas generation facilitates and enabling the installation and use of renewable generation results in fewer emissions from energy generation.

According to the Ohio EPA, in comments filed on October 30, 2018 with the U.S. EPA, “Ohio’s generation mix is being positively influenced by shale gas, renewables and energy efficiency which is keeping costs low, as well as reducing emissions.” In those same comments, the Ohio EPA also noted that carbon dioxide emissions from electric generation by 38% since 2005.⁴

Injecting a subsidy, like the one contained in H.B. 6, into Ohio’s competitive market could stifle private investment and slow development of newer, cheaper, and cleaner generation sources.

Where does that leave H.B. 6? If we’ve established that (1) Ohio’s emissions are already falling; (2) Ohio’s energy generation prices are lower; and (3) Ohio is replacing aging, dirty and uneconomic generation with new, cleaner, efficient and cheaper power, then what problem is H.B. 6 actually trying to solve?

Ohio’s competitive market is working. Our state is seeing new private investment in more efficient and cheaper sources of power. Ohio residents and businesses are seeing the benefits of this without a high-priced subsidy for two uneconomic nuclear facilities. H.B. 6 could be a staggering step backwards.

The Ohio Independent Power Producers appreciate the interest that this Committee has shown in Ohio’s various sources of generation and offer an open invitation to tour one of our revolutionary, clean, efficient, and competitive facilities located throughout the state. While several members have already had the opportunity, we welcome any member who is interested to see firsthand this technology at work.

We ask the House Energy and Natural Resources Committee to oppose H.B. 6 and preserve Ohio’s competitive market.

³ “Bridging the Gap: Do Fast Reacting Fossil Technologies Facilitate Renewable Energy Diffusion?” <https://www.nber.org/papers/w22454.pdf>

⁴ Docket ID No. EPA-HQ-OAR-2017-0355; Ohio EPA Comments Proposed CAA Section 111(d)CO2 for EGUs