Ohio Senate Energy & Public Utilities Committee
Testimony of Judith Lagano
Senior Vice President, Asset Management, NRG Energy Inc.
Substitute House Bill 6
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Chairman Wilson, Vice Chairman McColley, Ranking Member Williams and members of the Senate Energy & Public Utilities Committee, thank you for the opportunity to submit written testimony in opposition to Substitute House Bill 6 ("Sub HB 6"). My name is Judith Lagano, I am Senior Vice President for Asset Management at NRG Energy, Inc. ("NRG") and have more than 20 years of experience overseeing power generation assets. NRG is a leading integrated power company built on diverse generation assets and dynamic retail businesses. A Fortune 500 company, NRG has 23,000 MW of electric power generation including nuclear, coal, gas, oil and solar facilities. Our retail brands serve more than three million customers across nineteen states and provinces including Ohio.

NRG thanks the Senate for this opportunity to reiterate concerns NRG previously raised in our testimony. It is imperative to eliminate the provisions of Sub HB 6 that will erase the gains made in advancing competitive markets in Ohio. Although this new version reflects a reduction in the retail rate caps for both the Energy Generation Fund subsidies and Legacy Generation from the prior version of the bill, make no mistake the effect is still the same; higher electric bills for all customers.

This bill has gone through yet another revision, but the version now under consideration by this committee remains fatally flawed as it would move Ohio farther away from low-cost, competitive electricity markets and sets Ohio on the path toward a fully re-regulated power supply that will eliminate choice for Ohio customers.

Ohio has a long history of supporting open and competitive electricity markets, starting with its adoption in 1999 of energy competition (SB3, 123rd G.A.). The Ohio General Assembly adopted a promarket policy to, among other things, ensure diversity of electricity supplies and suppliers, by giving customers choices over the selection of those supplies and suppliers. The General Assembly also rightly saw the value of competition to encourage innovation and market access for cost-effective supply and demand retail electric service. The General Assembly aimed to ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies.

I testified two years ago (June 2017) before a similar Ohio Senate committee in opposition to what was SB 128 (132nd G.A.). I was encouraged by what I experienced. I saw Ohio as a leader in fostering competitive markets and allowing those markets to work without meddlesome intervention. At the time, NRG owned the Avon Lake plant in the Cleveland area and invested in plant improvements based on the strength of the competitive market and the state's unwillingness to allow the market to be distorted by subsidies. NRG feels strongly that the wise choices Ohio has made in previous legislative sessions should not be reversed and that Ohio's bold actions to stand up to incumbents can set an example for other states that operate in the same regional electric market.

NRG opposes the current bill as it contains at least two flaws that fatally undermine the competitive market. First, regardless of whether some plants are profitable or not, NRG urges the Committee to refrain from requiring Ohio consumers to subsidize privately held power plants. The success of Ohio's standing policy has resulted in a competitive market that has driven generation prices down for Ohio consumers and attracted private investment in the state – which is exactly what the 1999 Act (SB3, 123rd G.A.) envisioned.

Second, the new language added to Sec. 4928.47 appearing on lines 1316 – 1322 of the bill further erases all the gains made in advancing competition by enabling the regulated utilities to construct, renewable generation resources, for mercantile customers.

More specifically, the proposals outlined in Sub HB 6 harm the competitive market and Ohio customers because they:

- Are expensive – at a minimum, they will increase the cost of electricity supplied to Ohio customers through 2026 through fees to fund 1) the Ohio Energy Generation Fund allowing nuclear owners to receive payments for nuclear resource credits, and 2) a supplemental renewable energy fund that would allow qualifying renewable energy resources to receive "a supplemental renewable energy credit payment.
- Transfer investment risk from generation owners and investors to consumers, who already paid more than $6.8 billion in stranded costs, some attributable to First Energy's Ohio nuclear plants, when the market transitioned to competition, and who will be burdened with the new/additional investment risk from new resources developed by the regulated utilities;
- Unnecessarily and inefficiently allow regulated monopoly utilities to invest in new generating plants. The utilities would then be free to market renewable supply offers directly to mercantile consumers – undermining and creating an unfair playing field for competitive retail suppliers and generators who are taking on investment risk and who are already providing choices for Ohio consumers;
- Are at odds with existing wholesale electricity markets, which rely on supply and demand fundamentals to set prices, send signals for new investment and encourage innovation, ensuring deployment of the most economically efficient resources;
- Inefficiently prop up yesterday's technologies and reduce any incentive for the owners of those technologies to become cost competitive;
- Stifle innovation from competitors eager to bring new, lower cost solutions to the market;

- Encourage government dependence by perpetuating the use of a crutch with no goal or end in sight (i.e., when do the ratepayer guarantees end?); and
- Allow cost recovery through 2030 for two 1950s-era coal plants owned by the Ohio Valley Electric Corporation (OVEC). The OVEC rate recovery would be disruptive to the competitive energy market where plant efficiency provides value to consumers in the form of low-cost energy. Instead, this bill would ask Ohio consumers to prop up plants, including one in Indiana, that are economically challenged in large part due to the financial decisions made by its owners following the termination of its fifty-year contract with the uranium enrichment facility in 2003.

To be clear, NRG supports allowing nuclear generation to compete fairly. As a part owner of a nuclear facility in Texas, that nuclear facility operates in a competitive wholesale electric market to provide carbon free, safe, reliable energy. It competes based on un-subsidized costs and is an important part of a fuel-diverse and competitive generation fleet serving the south Texas region. Today, Ohio consumers enjoy low and stable prices and high levels of reliability thanks to the Legislature's adoption of a competitive energy marketplace that provides a fair and level field for a diverse range of energy generators.

According to the US Energy Information Administration, carbon dioxide emissions in Ohio's energy sector fell by 50 million metric tons between 2005 and 2015. Competition has driven efficiencies and corresponding reductions in carbon emissions. A truly competitive market in Ohio is the best option for securing even more emission reductions in the future. Sub HB 6 reverses course and moves Ohio away from a competitive marketplace for clean energy options that have produced private investment in more efficient technology, lower prices, and greater energy reliability for Ohio businesses and consumers.

NRG appreciates the opportunity to provide this testimony about this very important issue that impacts on ratepayers, manufacturers and energy producers throughout Ohio and across the region. We urge you to reject the proliferation of out-of-market subsidies that will increase costs to ratepayers and harm the competitive retail markets and instead preserve the integrity of the wholesale and retail markets that have attracted billions of dollars of investment in Ohio.