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Testimony of Lee Davis  
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Senate Energy and Public Utilities Committee  
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Good afternoon Chairman Wilson, Vice Chairman McColley, and Ranking Member Williams. Thank you for the opportunity to submit written testimony on Substitute House Bill 6 (HB 6). My name is Lee Davis and I am the Chief Executive Officer of Lightstone Generation, which owns two large natural gas generation facilities and one coal-fired power generation facility located in Ohio.

As you know from recent prior testimony to this committee, Lightstone Generation is a joint venture of two private investors – The Blackstone Group and Arclight Capital Partners – whose primary investors are pensioners. In January 2017, Lightstone invested \$2.2 billion to purchase three large-scale Ohio power plants and one Indiana power plant from American Electric Power. This investment created the 11<sup>th</sup> largest power generator in PJM and represents 13% of the generation currently operating in Ohio.

Lightstone Generation's **Ohio fleet has an electricity generating capacity of more than 4,000 MW**, and consists of the following plants:

- the 510 MW Darby natural gas peaking plant in Pickaway County;
- the 882 MW Waterford natural gas combined cycle plant in Washington County;
- the 2,700 MW Gavin coal plant in Gallia County;

**Gavin is the largest power plant in Ohio – and one of the largest in the United States.** By way of comparison, Gavin alone is 600 MWs larger than both of the state's nuclear plants combined, in addition to all of the state's wind, solar and hydro generation combined. I would like to highlight a few more statistics that help tell the Lightstone story in Ohio:

- Lightstone employs 225 full-time employees at our Ohio plants, plus more than 100 regularly scheduled contract workers;
- Since its acquisition of the AEP plants in 2017, Lightstone has paid \$27 million in property taxes to local governments in Ohio;
- During that time period, Lightstone spent more than \$415 million in labor, goods, and services at our Ohio facilities;
- Each year we spend hundreds of millions of dollars in purchases of natural gas and coal, a significant portion of which comes from Ohio mines;

These significant investments in Ohio were made with private capital in order to maintain and strengthen our position in the power generation sector. Simply put, our investment in Ohio will be undermined by the sweeping and unfair changes being contemplated in the latest version of HB 6.

Lightstone's initial investment of \$2.2 billion was made in large part because of the state's long-standing support for free market principles and competitive power markets. When we consider such a large investment in a single state, we look not only at the physical facilities, but also at the regulatory structure and energy policy of the state or market where the assets are located. To be clear, Ohio's conservative tradition of free-market economic principles played a definitive role in our choice to make a significant capital investment in this state. As such, we are dismayed at the Legislature's about-face on those principles. Moving the goalpost mid game will do nothing but discourage future investment in this state by companies most able and willing to provide material investment which bolsters local and state-wide economies.

It is my understanding that this bill has been hailed as a "jobs bill." We do not believe it is prudent to preserve jobs in one area of the state at the detriment of jobs in another. Why might Ohio's Legislature consider jobs on Lake Erie more important than those jobs on the Ohio River? Providing selected companies unwarranted subsidies over others and creating an unlevel playing field will severely impede future job creation and investment in the State of Ohio by any able-minded commercial enterprise. If this bill is meant to preserve a select number of current jobs, it is doing so at the expense of Ohio's future.

As investors, we understand that we must compete in the marketplace when prices are up or when the market is down. We constantly strive to improve our cost profile, our purchasing strategies, and our fuel procurement and have found ways to streamline, to save money, and to remain competitive. We have reduced our workforce – all through voluntary means –and with the cooperation of our union, the Utility Workers Union of America (AFL-CIO) Local 296 - in order to right size our labor costs.

In addition, we have taken steps at great expense to ensure compliance with costly and burdensome environmental requirements and are finalizing plans to further reduce our emissions and other waste impacts on the environment. While HB 6 subsidizes clean energy like nuclear power, it also supports two other coal-fired power plants, one of which is located in Indiana, and does not provide any incentives for one of the largest and most efficient coal-fired power plants in the nation – our General James M. Gavin plant in Gallia County. It is unclear to

us why an out-of-state generator, subsidized by Ohio ratepayers and taxpayers, should receive benefits at the expense of the largest in-state generator.

My colleagues and I have testified before and met with members of the relevant House and Senate Committees; we have met with members of House and Senate Leadership; and we have met with all relevant House, Senate, and Governor's Office staff to educate policy-makers on the value of the jobs and investment we have made – and could continue to make - in Ohio. Our past and future investments are important to Ohio and its economy. **Do not discourage future investment from Lightstone and other investors in the Great State of Ohio.**

Lightstone Generation is contemplating a number of future investments at the Gavin Plant. All of these investments enhance the plant's competitiveness in the marketplace and further drive efficiencies to ensure future profitability. Those projects include:

- Beneficial use of byproducts created during the creation of electricity
- Replacing fuel oil start-up fuel with cleaner burning natural gas
- Constructing a pipeline to co-fire locally sourced coal with locally sourced ethane

**We have amendment language drafted pertaining to these three projects and believe it is only fair that they be given due consideration to qualify for the Energy Generation Fund as the plant will be directly disadvantaged in the PJM energy and capacity markets as a result of the subsidies being granted to the state's nuclear plants.**

On behalf of Lightstone Generation and our Ohio colleagues and their families, I urge you to take the time necessary to fully vet the impacts of any proposal that provides a subsidy to generation facilities that seek out-of-market compensation at the expense of other generators. These kinds of subsidies create an uneven playing field and effectively upset a competitive market established with the goal of delivering reliable, low-cost electricity from the most efficient and competitive owners and operators. Furthermore, subsidies have a chilling effect on investors like us and hinder future investment in the state's infrastructure.

Thank you Mr. Chairman and members of the committee for allowing me to submit testimony on this vitally important issue. I remain available to answer any questions you may have.