



AMERICAN PETROLEUM INSTITUTE  
**Ohio**

Ohio House Public Utilities Committee  
The Honorable William Seitz, Chairman

Written Testimony in Opposition of  
House Bill 239

Submitted By:  
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American Petroleum Institute Ohio  
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Chairman Seitz, Vice Chairman Carfagna, Ranking Member Ashford and distinguished members of the committee, thank you for the opportunity to provide written testimony in opposition of House Bill 239 as introduced.

The American Petroleum Institute (API) is the only national trade association representing all facets of the oil and natural gas industry, which supports 9.8 million U.S. jobs and 8 percent of the U.S. economy. The API traces its beginning to World War I, when Congress asked the domestic oil and gas industry to work with the government to ensure that vital petroleum supplies were rapidly and efficiently deployed to the armed forces. Today, the API's more than 625 corporate members include major oil companies to the smallest of independent organizations. They are producers, refiners, suppliers, marketers, pipeline operators, and marine transporters, as well as service and supply companies that support all segments of the industry. They provide most of the nation's energy and are backed by a growing grassroots movement of more than 40 million Americans.

Several factors have compelled the API in Ohio to oppose House Bill 239 in its current form; however, the inability for our member companies to determine the cost this legislation will have on their Ohio-based operations, particularly those in the refining sector which are heavy industrial energy users, is of utmost concern. While we appreciate attempts over the last few days by the bill sponsors to address this issue, we are still unable to ascertain the impact on API Ohio's members given the time constraints.

Guaranteeing cost recovery for Ohio's investor-owned electric distribution utilities (EDUs), or their affiliates, of costs which aren't effectively controlled, would ensure a blank check subsidy for uneconomic power generation plants at the expense and disadvantage of API Ohio member companies competing with similar businesses in other states with lower electricity costs.

Consistent with our position on other current legislative proposals (HB 128, SB 128, & HB 114), API Ohio is opposed to subsidies and mandates of any kind. We believe that markets work best when driven by competition. Government intervention through mandates, riders and subsidies skews markets and discourages investment in newer, more efficient and cost-effective technology. House Bill 239

subsidizes the operation of the OVEC plants regardless of costs, management decisions and even if the electric power is generated in Ohio.

Competitive electricity generation markets are working by driving down costs for consumers, improving technology, and reducing air emissions. As more natural gas-fired power generation comes online, both energy costs and emissions will continue to decrease. The U.S. Energy Information Administration (EIA) reports that by the year 2030, CO2 emissions from U.S. power generation will be 30 percent lower than in 2005, if market forces determine our generation portfolio.<sup>1</sup>

Natural gas-fired power plants are the cheapest form of generation to build and operate. Burdening ratepayers with riders to further subsidize inefficient and uneconomic forms of electric power generation will discourage continued investment in new gas-fired generation throughout our state.

API Ohio recognizes the national circumstances surrounding the formation of OVEC; however, those circumstances ended in 2003 following a notice of termination issued in 2000 by the federal government. As noted in other opponent testimony, Ohio's EDUs voluntarily extended their contract with OVEC twice—in 2004 and again in 2011—the latter well after the shale gas revolution commenced in neighboring Pennsylvania in 2008 and following the issuance of Ohio's first shale gas drilling permit in 2010. The legislature should not be asked to burden ratepayers with additional costs for imprudent business decisions.

API Ohio stands by our position that markets work best without the government picking winners and losers. As introduced House Bill 239, will effectively allow utilities to charge back unspecified costs to ratepayers, while potentially displacing new natural gas-fired power generation and skewing competitive markets. API Ohio believes that House Bill 239 ensures that additional, unquantifiable costs will be passed on to Ohio ratepayers while discouraging efficient operation of the OVEC plants.

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<sup>1</sup> EIA--Table 12.6 Carbon Dioxide Emissions From Energy Consumption: Electric Power Sector  
[https://www.eia.gov/totalenergy/data/monthly/pdf/sec12\\_9.pdf](https://www.eia.gov/totalenergy/data/monthly/pdf/sec12_9.pdf)