



May 12, 2021

Chair Peterson, Vice Chair Schuring, Ranking Member Williams, and Members of the Senate Energy and Public Utilities Committee:

As providers of clean, reliable, efficient energy powered by Ohio natural gas, the Ohio Independent Power Producers (OIPP), thank you for the opportunity to testify as a proponent of Senate Bill 117. OIPP strongly supports a full repeal of ratepayer subsidies for the Ohio Valley Electric Corporation (OVEC) coal plants, Kyger Creek and Clifty Creek.

OIPP members develop, construct, and operate new 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 unsubsidized investment, not ratepayer guarantees, with project risk on the investors, not captive Ohio ratepayers. The willingness of investors to commit billions of dollars in direct investment to build new power generation facilities in Ohio is predicated on their long-term confidence in the PJM Interconnection regional wholesale electricity markets and Ohio's commitment to competitive markets.

Finding justification for ending subsidization of OVEC is not difficult. The two OVEC coal plants, Kyger Creek located in Cheshire Ohio and Clifty Creek located in Madison Indiana, were both constructed in 1955 and are currently over 65 years old. The advanced age of the coal-fired power plants that comprise OVEC, and that one of the power plants is located in Indiana, provides more than enough reason to repeal OVEC's subsidy. Moreover, OIPP testified multiple times in the 133<sup>rd</sup> and 132<sup>nd</sup> General Assembly regarding OVEC, noting the high debt held by OVEC creating the company's current financial situation and the contract clauses that allow OVEC members to leave the OVEC operating agreement despite statements to the contrary (see section 9.18 of the OVEC Inter-Company Power Agreement). A copy of the OVEC Inter-Company Power Agreement is included as an attachment to this testimony. The case against subsidizing OVEC was strong then and is stronger today.

Put simply, the state of Ohio should not have a policy of providing ratepayer financial support to a private company because that company entered into a contract that the shareholders now find disagreeable. The OVEC subsidies provide no public benefit to Ohio ratepayers, but to the contrary are extending the operational life of uneconomic polluting coal plants that have significant environmental impact for residents of both Indiana and Ohio.

Worse, since H.B. 6 codified the OVEC subsidies, OVEC shareholders have no incentives to improve the power plants' competitiveness in the market. As long the power plants' operations costs are covered, the OVEC facilities never truly face market pressures created by competition and innovation. Instead, Ohioans continue to pay for inefficient, polluting, and old power plants while the demand for unsubsidized, clean and efficient new power plant construction is suppressed.

Eliminating ratepayer subsidies for OVEC levels the playing field – placing OVEC on the same footing as the other generators. Enacting S.B. 117 promotes a market-based approach to

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energy policy in Ohio which has continuously proven to promote private investment in efficient new generation resources in Ohio to the benefit of Ohio's ratepayers and environment.

Thank you for addressing this issue and we stand ready to work with you to advance and strengthen Ohio's competitive markets.