THE BUCKEYE INSTITUTE

Interested Party Testimony
Before the Ohio Senate Public Utilities Committee
On Senate Bill 128

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Chairman Beagle, Vice Chair LaRose, Ranking Member Williams, and members of the Committee, thank you for the opportunity to testify today regarding the Zero Emissions Nuclear Resource (ZEN) program. My name is Joe Nichols and I am a Policy Analyst at The Buckeye Institute for Public Policy Solutions, a think tank here in Columbus that advocates free market policies for Ohio.

The ZEN program threatens to hinder economic growth and job creation in Ohio, particularly in communities served by FirstEnergy's electric distribution utilities. If adopted, the ZEN program would raise electricity prices for all customers in FirstEnergy's Ohio service territory. Even worse, ZEN credits would be charged to customers through a "non-bypassable" rider, meaning that customers could not escape the charge by switching electricity providers. Although the ZEN credits differ somewhat from Renewable Energy Credits—RECs—both credits force customers to pay more money for the same electricity, and thus both essentially levy a tax on electricity.

Earlier this year, The Buckeye Institute analyzed how Ohio's renewables portfolio standards—the RPS—affected the state's economy.[1] We used REC cost data to estimate the percent increase in electricity prices caused by the RPS, and then ran that price increase through our economic model to assess the RPS's impact on Ohio's employment and gross domestic product (GDP). We found that even relatively small artificial increases in electricity prices will cost Ohio tens of thousands of jobs and several billion dollars in GDP. Again, despite some important differences between the RPS and the ZEN program, both policies function similarly and will have very similar economic effects—lost job opportunities and wasted economic potential.

Artificially inflated electricity prices would hit energy-intensive manufacturers especially hard. The Ohio Manufacturers Association reports that ZEN credits would cost "medium" manufacturers approximately $43,000 per year and "extra-large" manufacturers approximately $5.7 million per year—every year for at least 16 years.[2] FirstEnergy claims that the ZEN program would help it retain 1,420 jobs at the two nuclear plants receiving the ZEN subsidies,[3] but the program's high cost will have the opposite effect on thousands of other Ohio companies, from small businesses to heavy manufacturers, forcing employee layoffs and smaller payrolls.

FirstEnergy recently told this Committee:

> According to a report issued last week by The Brattle Group, over the next ten years, Ohio's nuclear plants will contribute $510 million annually to the state gross domestic product and provide for nearly 4,300 full-time jobs in Ohio. Ohio's nuclear power plants help keep electricity prices low: Ohio consumers would pay $177 million more for

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1 Orphe Divounguy, PhD, Rea S. Hederman Jr., Joe Nichols, and Lukas Spitzwieser, "The Impact of Renewables Portfolio Standards on the Ohio Economy," March 3, 2017, https://www.buckeyeinstitute.org/research/detail/the-impact-of-renewables-portfolio-standards-on-the-ohio-economy.

2 John Seryak and Kim Bojko to OMA Energy Group, memorandum, "Analysis of SB 128/HB178 – Zero-Emissions Nuclear (ZEN) Credit Program," 20 April 2017, http://www.ohiomfg.com/wp-content/uploads/04-28-17_lb_energy_ZEN-Legislation-Summary.pdf.

3 FirstEnergy Corporation, "Benefits of Ohio's Nuclear Assets," January 2017, http://media.cleveland.com/business_impact/other/Benefits%20of%20Ohio's%20Nuclear%20Assets.pdf.

electricity annually, and almost $1.3 billion more in present value over the next 10 years, without these two plants.[4]

FirstEnergy argues for a ZEN program that will directly cost its bill-paying customers approximately $300 million per year in order to subsidize and sustain two failing nuclear plants that it claims will suppress prices by only $177 million per year. FirstEnergy, it seems, would prefer that customers rather than investors be made to support the company's failing nuclear plants—paying $300 for every $177 of value. As our economic analysis has demonstrated, the ZEN program's limited job creation and GDP growth will certainly pale in comparison to the devastating and widespread effects of artificially raised electricity prices. The General Assembly should not force Ohio consumers to make wagers on nuclear plants that First Energy's own investors are wise enough not to make.

Finally, as others have testified, Ohio's electricity grid—operated by PJM and spanning all or part of 13 states—has a healthy reserve margin of extra power plant capacity, including nearby nuclear plants. Thus, it remains unclear that subsidizing two unprofitable nuclear plants will create any reliability or fuel diversity value, let alone $5 billion worth. It is clear, however, that the proposed nuclear subsidies would roil the competitive wholesale market and threaten significant economic harms in Ohio and every other state served by PJM.

Ohio's 127th General Assembly enacted the RPS in 2008, and since then, subsequent Assemblies—including this one—have tried valiantly to eliminate or reform the standards. The 132nd General Assembly should not implement yet another anti-competitive energy policy that future Assemblies will undoubtedly fight to abolish or reform. Ohio simply cannot afford to make the same mistake twice.

Thank you for your time and consideration. I would be happy to answer any questions that the Committee might have.

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4 *Hearings on House Bill 178, Before the House of Representatives Public Utilities Committee*, 132nd Ohio General Assembly (April 25, 2017) (statement of Chuck Jones, President and Chief Executive Officer, FirstEnergy Corporation).