



1853 Henn Parkway, Lordstown, Ohio, 44481

**Testimony to Ohio Senate Public Utilities Committee
Senate Bill 155
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1. Introduction

The Lordstown Energy Center (“LEC”) is a 940MW combined cycle, natural gas-fired, electric generating plant. It is currently in construction and located in the Village of Lordstown, in Trumbull County, Ohio. Investment in the project will be \$853 million, of which \$555 million has already been invested. Engineering and procurement for the project is complete with all major equipment installed on site and construction is approximately 40% complete. There are currently 525 workers onsite. Commercial operation is expected in mid-2018. The facility incorporates state of the art technology with high efficiency. Utilizing low cost natural gas assured by the abundant local resources from the Marcellus and Utica reserves, this power plant will be a clean, low cost facility, producing electricity for the majority of hours in a year, i.e. with base load operations.

2. Electricity Generation in Ohio

The competitive PJM Interconnection market ensures safe, reliable, low cost electricity and has enabled participation and new investment by Independent Power Producers, or IPP’s, as well as utilities. The majority of new electricity generation built in Ohio in the last 25 years is natural gas generation, and the majority of that generation has been built by IPP’s. Currently there is approximately 4,000MW of electric generation power plants being built in Ohio representing approximately \$4 billion investment, with additional projects currently under development. IPP companies have developed and invested in all of these new construction plants. Utilities have also divested of assets in open competitive processes, so they could maximize value, and by the end of 2017 over 75% of Ohio generation will be owned by IPP’s. The reason IPP’s have invested is because of the transparent and competitive PJM market which allows appropriate reward for well-run, efficient power plants. IPP investors also take on significant risk if they do not perform competitively. A fundamental assumption, however, is that the PJM market enables the right competitive outcomes.

3. Lordstown Energy Center's Experience in Ohio

LEC has found Ohio a great place to do business. Opportunity to be a low-cost electricity producer initially comes from the availability and competitively priced natural gas resources. It is clear natural gas production has been well supported in Ohio with substantial economic benefits. It makes sense that Ohio would build on this economic success with low cost natural gas power plants, and lower electricity costs are good for manufacturing and the Ohio economy in general.

Ohio agencies, such as the Ohio Power Siting Board and Ohio Environmental Protection Agency are strict, but fair. Local government support and labor support is strong. There is a highly skilled local work force. The Trumbull County community has reacted positively to new investment and we seek to be a great neighbor in our community. LEC has already invested in local infrastructure and the local school district, and business partnerships continue to grow.

4. Market Impact of Credits, Allowing Rate-Base Generation, Etc. in a Competitive Generation Market

Lordstown Energy Center is extremely concerned about the impact of any economic, but non-market, interference in the competitive PJM power market because market clearing outcomes will be modified. PJM has a successful market design that results in appropriate incentives to ensure long term reliability at the lowest possible cost. Participants in the market need a consistent view of how the market is expected to work and PJM's market, along with its Continuous Improvement Process involving consultation with all stakeholders, currently achieves this.

I would like to quote from the PJM 2016 State of the Market Report, Section 1 – Introduction, Page 2, which was published on March 9, 2017 by Monitoring Analytics, LLC, the Independent Market Monitor for PJM.

“The proposed subsidy solutions in all cases ignore the opportunity cost of subsidizing uneconomic units, which is the displacement of resources and technologies that would otherwise be economic. ... Such subsidies suppress energy and capacity market prices and therefore suppress incentives for investments in new, higher efficiency thermal plants.”

“Subsidies are contagious. Competition in the markets could be replaced by competition to receive subsidies.”

Ultimately it is the citizens of Ohio who are the beneficiaries of an efficient electric power market, which Ohio State University showed in a January 2017 study saves Ohioans \$3 billion annually. Ohio rate-payers do not need to pay subsidies to be recipients of safe, reliable

electricity. In fact, in addition to paying subsidies, they face a threat to long term reliability and cost due to disrupting an established, well-functioning, electricity market.

5. Request

We urge you to maintain the status quo with respect to competitive electricity generation markets in Ohio, and reject any form of subsidy to generating units, so that the economic opportunities of the energy sector, including investment in, and production of, low cost electricity, can be realized for the benefit of Ohio.