AMERICAN PETROLEUM INSTITUTE
Ohio

Ohio Senate Public Utilities Committee
The Honorable Bill Beagle, Chairman

Written Testimony in Opposition of
Senate Bill 155

Submitted By:
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Chairman Beagle, Vice Chairman LaRose, Ranking Minority Member Williams and distinguished members of the committee, thank you for the opportunity to provide written testimony in opposition of Senate Bill 155.

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. Our Ohio members have a diverse interest as it relates to this proposal representing leaders in the development, transportation and processing of Ohio's shale gas resources, as well as refineries and retail gas stations which consume a significant amount of energy to operate.

API supports an all-of-the-above generation approach that includes natural gas, nuclear, coal, wind and solar, provided that *markets* are allowed to drive generation rather than government mandates and subsidies. Consistent with our position on other current legislative proposals (HB 114, HB 178, SB 128, & HB 239), API Ohio is opposed to subsidies and mandates of any kind. We believe that markets work best when driven by competition as demonstrated right here in Ohio where competitive electricity generation is driving down costs for consumers, improving technology, and reducing air emissions.

Subsidizing aging power plants drives down demand for natural gas and development of new, highly efficient natural gas-fired power plants. As our Chief Economist noted in her opposition testimony to SB 128[1], there are over 10,000MW of natural gas power plant generation in various stages of development in Ohio – a direct result of the shale gas revolution. These plants are projected to bring significant investment to this state, including thousands of both direct and indirect jobs. For Ohio to compete for these kinds of jobs it cannot make decisions that discourage investment – and SB 155 would do just that. Even PJM, the organization responsible for operating the thirteen-state power grid region, including Ohio, has said that subsidies of this kind would threaten new investment in Ohio. In written testimony to the Ohio House Public Utilities Committee on October 3rd on the House companion bill, they note: *"House Bill 239 would enable Ohio's investor-owned utilities with ownership shares in the Ohio Valley*

[1] Erica Bowman Testimony, Ohio Senate, Public Utilities Committee, June 8, 2017 http://ohiosenate.gov/committee/public-utilities#

Electric Corporation (OVEC) assets to offer bids into the PJM wholesale market that are below their actual costs. ***Such bidding practices would likely have an adverse impact on PJM's markets and on the ability for the markets to effectively attract new generation investment in Ohio"[2].***

As more natural gas-fired power generation comes online, both electricity 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.[3]

API Ohio recognizes the national circumstances surrounding the formation of OVEC in the 1950's; 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[4]. Furthermore, despite assertions otherwise, Ohio's EDUs are able to transfer their OVEC shares as outlined in Section 1.983 of OVEC's contract with plant owners. The inability to find a willing buyer at a price the current owners are willing to sell at is different than being prohibited from making a sale. This is a business risk and not a regulatory risk. The legislature should not be asked to burden ratepayers with additional costs for imprudent business decisions.

Finally, it would seem premature for Ohio to take action which could negatively impact the state's economic development potential when the U.S. Department of Energy, the Federal Energy Regulatory Commission, and the U.S. Environmental Protection Agency, among others, are proactively proposing changes to the energy landscape that could profoundly impact the merchant plants in question in the short term.

In conclusion, API is strongly opposed to Senate Bill 155. It would skew markets by propping up uncompetitive power generation, increase costs for ratepayers and job-creating industries, and discourage investment in Ohio's natural gas resources and all of the economic benefits that come from this activity.

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[2] Kerry Stroup Testimony, Ohio House of Representatives, Public Utilities Committee, October 3, 2017 http://www.ohiohouse.gov/committee/public-utilities

[3] EIA--Table 12.6 Carbon Dioxide Emissions From Energy Consumption: Electric Power Sector https://www.eia.gov/totalenergy/data/monthly/pdf/sec12_9.pdf

[4] Sam Randazzo Testimony, House of Representatives, Public Utilities Committee, June 6, 2017 http://www.ohiohouse.gov/committee/public-utilities