



Good afternoon,

Co-Chairs Stein and O'Brien and members of the House subcommittee on energy generation, my name is Peter Rigney, Project General Manager the Oregon Clean Energy Center, here on behalf of the Ohio Independent Power Producers (OIPP) as President of the Board. The membership of OIPP develops, constructs and operates natural gas-fired power plants. I have worked in the electric utility and power generation industry for over 38 years. I was an engineer at a large commercial nuclear plant and with Knolls Atomic Power Laboratory working on naval nuclear facilities. I have been a plant manager at conventional power plants using oil, natural gas and coal. I have also been involved with a number of combined cycle power plants and simple cycle power plants in the States of Oregon, California, Mississippi, Michigan and now Ohio.

As the attached map demonstrates, new natural gas power plants, in various stages of development or operation, represent \$11 billion in private, non-ratepayer, investment, more than 11,000 MW of clean, reliable energy, and the creation of approximately 14,000 jobs.

The Oregon Clean Energy Center (OCEC), the first of this current generation of power plants to begin commercial operation in 2017, represents an \$800+ million capital investment, 950 construction jobs with 2.7 million labor hours, and generates approximately 900 MW of electricity.

Because of OCEC's investment in the local infrastructure, the cities of Oregon and Toledo have experienced increased economic activity and attracted new businesses.

This story is playing out across the state with new power plants in commercial operation in Lordstown, Middletown, and Carroll County – with more on the way.

Each of these power plants are combined cycle power plants. This means the power plant utilizes one fuel source, in this case natural gas, to spin a gas turbine to generate electricity. We then utilize the excess heat from that process to create steam, which is used to generate electricity in a steam turbine. This ability to generate more electricity without additional fuel is how a combined cycle natural gas power plant can generate the same amount of electricity as one of Ohio's nuclear plants for a fraction of the price.

In terms of emissions, the OCEC emits 65% less carbon dioxide, 97% less sulfur dioxide and 90% less mercury and fine particulate matter than a similarly-sized coal-fired facility. According to the U.S. Energy Information Agency, natural gas generation replacing coal power is responsible for the majority of carbon emission reductions in the electric power sector from 2005 to 2017.

PJM Interconnection, in a recent study of reliability, determined that the regional grid would still be reliable, even if 86 % of the power generated came from natural gas power plants. Currently,

natural gas generation only makes up about 30% of PJM's generation mix, which is roughly the portion provided by nuclear power. While the ultimate determination on fuel diversity is left to PJM, I mentioned the study to allay any fears members of the subcommittee may have about the grid becoming over-reliant on natural gas.

Through PJM, Ohio ratepayers get power from the lowest priced generation source in real time. For example, if wind and solar are the cheapest sources of generation at a given moment, PJM automatically issues a dispatch order directing other sources that are flexible, such as the OIPP fleet, to power down. If demand surges, or natural gas becomes the cheapest generation source, modern and efficient plants like ours have the capability to ramp back up in a matter of minutes – something nuclear and coal cannot do. The efficiency of current generation natural gas-fired power plants, like the OIPP facilities, mean we are generally always on and clearing the market, but we have the capability to move with market demands. That's true "baseload" power on a smart grid – consumers get the cheapest source of power regardless of generation type.

All of this investment is made possible thanks to Ohio's shale gas resources, its fair regulatory environment, and the state's deregulated electric market, which provides a level playing field for independent producers to participate in a competitive market. Any disruption to the market, such as a subsidy to aging, uneconomic and inflexible generation sources, would impact both day-to-day operations of plants in operation and impact the market for plants currently seeking financing to begin construction.

In PJM, power plants bid into the market a day in advance. PJM sets a price point (a.k.a. Clearing Price) and the expected demand for power. Every power plant that clears the price, up until demand is met, is in the market for that day and generates power into PJM. When determining a bid, plant managers and operators look at fuel pricing, atmospheric conditions, and several other factors. This process is very competitive and our teams at the OIPP facilities are under immense pressure every day to ensure that we are competitively pricing our power.

Allowing a power plant to bid into the market with a subsidy and artificially lower its bid price pushes out the cheaper power source – but customers still pay the higher price through the subsidy.

For a project that is in development, as I mentioned previously each of the OIPP projects are privately financed. The competition to secure funding for new power plant projects is extremely competitive. Potential financiers monitor the market closely. Ohio is an attractive market specifically because it is deregulated and competitive. Injecting a subsidy into the market sends a direct signal to potential investors that Ohio is closed for business and ready to re-regulate the market. Chasing away investment in new natural gas power plants in Ohio will increase costs for consumers, eliminate thousands of construction jobs, increase emissions, and reduce the amount of generation built in Ohio.

One of the benefits of Ohio's move to competitive markets was that risks were shifted from captive ratepayers to private investors. In the old vertically integrated model, before Ohio

deregulated, if a power plant performed poorly, the utilities would simply charge the ratepayers the extra costs. In the move towards a deregulated market, Ohio's electric distribution utilities were paid a Stranded Cost for generation assets. Now, they want it again. Behavior rewarded is repeated. Today, if my power plant performs poorly, that risk and cost is borne by the project's investors – not the ratepayers. A departure from the competitive market will place the burden of poor investments and poor business decisions back on the ratepayer. Cost overruns, delays, and permitting risks are not paid for out of the wallets of the consumer, rather the investors carry that risk.

You've heard a refrain in my testimony today: competition. OIPP member projects are competing every day. We constantly compete with each other and power plants across PJM. Our organization has a very easy ask of the legislature. Let the market work. Competition is driving innovation and efficiency – which is translating into more private investment, fewer emissions, and direct savings for Ohioans.