



Co-Chairs Stein and O'Brien, and members of the House Energy and Natural Resources Subcommittee on Energy Generation, thank you for the opportunity to speak with you today regarding House Bill 6. My name is Patrick Baiocco, here on behalf of the Ohio Independent Power Producers (OIPP).

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 investment, not ratepayer guarantees, with project risk on the investors, not captive ratepayers. There are nearly a dozen new, efficient, and reliable natural gas combined-cycle power plants in operation, under construction, or in development across all corners of Ohio, representing approximately \$11 billion in private investment, 11,137 MW of clean, reliable energy, and more than 14,000 construction and other jobs.

All of this investment is made possible because of Ohio's ample resources, skilled workforce, and deregulated, competitive market.

Although H.B. 6 is titled the "Ohio Clean Air Program" (OCAP), make no mistake. If legislation directs ratepayer dollars to fund uneconomic power plant operations, then it's a bailout.

The legislation sends millions of dollars to Ohio's nuclear power plants. During proponent testimony, witness after witness testified that this legislation would keep the two nuclear power plants in operation. In other words, the proponents themselves admit the legislation is a bailout.

H.B. 6 injects hundreds of millions of dollars into the energy market and directs them to two generators, which will have a destabilizing effect. Independently owned and operated power plants, regardless of fuel type are harmed by this legislation. For power plants currently in commercial operation, H.B. 6, like any other subsidy, allows Davis-Besse and Perry to bid into the wholesale market below their actual costs, pushing out cheaper power. This actually raises costs on Ohio consumers, regardless of the monthly charge imposed by the legislation.

In PJM's testimony to the House Energy and Natural Resources Committee on April 9, 2019, PJM made clear the market effect of subsidies saying "While we are neither proponents nor opponents of any bill this Committee evaluates, what is clear not only in this State but across the PJM footprint is that efforts to subsidize less competitive plants will result in higher power prices for Ohioans. Such actions have the potential to roll back the progress and stability that the markets have facilitated. Such actions could prevent the building of more efficient and cost effective plants, including cleaner technologies like solar and wind. Such actions, according to the independent market monitor who oversees PJM's market operations, could result in an increase in costs upwards of \$3.8 billion across the PJM footprint."

For power plants or projects in development, this legislation is devastating. For example, a project currently seeking financing to commence construction faces immense competition to

attract investors. If H.B. 6 passes, investors, who are potentially committing millions of dollars, may view Ohio as closed for business to private development. That means fewer new power plants constructed in Ohio. We've heard a lot from proponents that Ohio needs to be an "energy exporter." PJM testified to the House Energy Committee that Ohio has enough capacity to supply all of its own power, but imports power to receive the cheapest price. If the Ohio General Assembly still places value on potentially exporting energy, then this legislation should be rejected, because it will make future investment in new power plants less likely, keeping Ohio's overall electric generation capacity stagnant.

In addition to distorting the market with government intrusion, H.B. 6 has multiple technical flaws. There are no controls for how or where the OCAP funds can be spent by recipients. If FirstEnergy Solutions receives funds under this program, they can use those dollars to prop up the coal-fired power plants they own and operate or the Beaver Valley Nuclear Power Station in Pennsylvania. Nothing in this legislation prevents that. In fact, as drafted, FirstEnergy Solutions can apply for Beaver Valley and simply argue that based on proximity, the Pennsylvania plant's zero emissions also benefit Ohioans. The language is too broad with too many loopholes.

As part of PJM, energy generated in Ohio is sent across the entire 13 state PJM region. When an OIPP plant generates power, we have no idea if those electrons are headed down the street or all the way to Maryland. Why should Ohioans subsidize Davis-Besse and Perry to send power to other states? How is that fair for ratepayers? How is that anything but an unfair tax imposed just for living in Ohio?

The criteria for reduced emissions resources are also problematic. With a broadly worded definition and lack of controls, it appears that the bar for aging coal-fired power plants to qualify for subsidies is very low. Again this would inject even further subsidies and bailouts into the market, further distorting the competitive, free market, and ultimately raise costs for consumers.

Ohio is currently enjoying cleaner air due to reduced emissions from power generation – notably from new combined cycle natural gas-fired power plants, like the OIPP fleet. According to the Ohio EPA, in comments filed on October 30, 2018 with the U.S. EPA, "Ohio's generation mix is being positively influenced by shale gas, renewables and energy efficiency which is keeping costs low, as well as reducing emissions."¹ In those same comments, the Ohio EPA also noted that carbon dioxide emissions from electric generation by 38% since 2005.

Natural gas-fired power plants emit up to 65% less carbon dioxide, 97% less sulfur dioxide and 90 % less mercury and fine particulate matter than a similarly sized coal-fired facility. The US Energy Information Agency attributes the majority of carbon emission reductions in the electric power sector from 2005 to 2017 to natural gas generation replacing coal power.²

¹ Docket ID No. EPA-HQ-OAR-2017-0355; Ohio EPA Comments Proposed CAA Section 111(d)CO2 for EGUs

² <https://www.eia.gov/environment/emissions/carbon/>

However, if the goal, at least as far as the proposed OCAP program is concerned, is to promote more “carbon free” power generation, then the best course of action is to let the market work and support natural gas power plant development. According to a study published by the National Bureau of Economic Research, a 1% increase in “fast-reacting fossil generation” (combined cycle natural gas) can be associated with a 0.88% increase in renewable generation.³ In other words, increasing combined-cycle natural gas generation facilitates and enables the installation and use of renewable generation.

The \$9.25 per megawatt hour credit, as proposed by H.B. 6, also raises more questions. It is unclear how that price was determined, other than it provides the exact amount FirstEnergy Solutions claims it needs to save both Davis-Besse and Perry. At a price tag of approximately \$150 million per year for Davis-Besse and Perry plants, ostensibly to save 1,400 jobs, that is a subsidy of \$107,000 per year per job “saved.” However, as we detailed above, there is no guarantee funds released on this program will actually benefit the employees of those two facilities.

Finally, nothing in this legislation protects ratepayers, should FirstEnergy Solutions, or any other qualifying project face additional financial straits. If the new company that emerges from the current bankruptcy process should also struggle to compete, even with the subsidies, how will Ohio ratepayers be protected?

In conclusion, this legislation discourages innovation and investment and makes Ohio reliant on legacy assets. It looks backwards, instead of towards Ohio’s bright future as an energy leader in both natural gas and renewable technologies. The OIPP urges a no vote on H.B. 6.

³ “Bridging the Gap: Do Fast Reacting Fossil Technologies Facilitate Renewable Energy Diffusion?” <https://www.nber.org/papers/w22454.pdf>