BEFORE THE
PUBLIC UTILITIES COMMITTEE
OF THE OHIO HOUSE OF REPRESENTATIVES

REP. BILL SEITZ, CHAIRMAN

TESTIMONY
OF
THOMAS LAUSE
VICE PRESIDENT, TREASURER
COOPER TIRE & RUBBER COMPANY

ON
HOUSE BILL 178

MAY 9, 2017

Chairman Seitz . . . members of the House Public Utilities Committee . . . Good afternoon. Thank you for the opportunity to testify today on issues and concerns related to House Bill 178 and its proposed multi-billion-dollar bailout of FirstEnergy's uneconomic, uncompetitive nuclear power plants in Ohio.

My name is Thomas Lause. I am Vice President, Treasurer of Cooper Tire & Rubber Company, which is headquartered in Findlay, Ohio. In addition to its corporate headquarters, Cooper Tire also has one of its three USA-based tire manufacturing plants, its mold manufacturing plant, and its Global Technical Center located in Findlay. In addition, Cooper Tire's Mickey Thompson wholly-owned subsidiary is located in Northeast Ohio. Worldwide we employ 10,600 people, including 2,000 here in Ohio.

I also am a Director, and a member of the Finance Committee, on The Ohio Manufacturers' Association (OMA) Board of Directors.

Cooper Tire's business is primarily focused on passenger car and light vehicle replacement tires in North America. We are the 12th largest tire manufacturer in the world and the 5th largest tire manufacturer in North America.

Over the past 30 years, 14 tire manufacturing plants have closed in the United States. And today, Cooper Tire's Findlay, Ohio plant is the ***only remaining*** light vehicle tire manufacturing plant in the state.

Access to reliable, affordable electricity is a significant competitive issue for our company. We are always looking for ways to reduce our costs – including what we spend on electricity – because that frees up resources that can be used to invest back into our business and create jobs.

In an industry like the global tire industry, manufacturing costs are high and profit margins are tight. Forcing Ohio's manufacturing plants to bear these higher utility costs adds risk to our business in Ohio and impedes our ability to sustain or grow our operations here.

Every day, Cooper Tire competes for business with other American tire manufacturers and with foreign tire manufacturers from lower-cost parts of the world.

Every day, Cooper Tire strives to sustain and improve its cost competiveness through innovation, improved productivity and, in some unfortunate cases, staff reductions – all to stay competitive in the global market.

And every day, Cooper Tire determines, among its global network of manufacturing plants, where to allocate its production and where to invest its resources, with operational costs being a significant consideration.

The imposition of this additional, above-market generation-related charge would not decrease electric volatility or bring any added certainty to electricity pricing. Instead, it would increase companies' manufacturing costs and prohibit companies from taking

advantage of the market rates that are available. House Bill 178 would add non-market-driven costs, which would have significant impacts on the business decisions of many manufacturing companies in the state of Ohio.

An additional charge to electricity prices would create increased costs for manufacturing companies, which would either be borne by customers or cause the companies to sacrifice already thin profit margins as they cannot recover these non-market costs. This could also deter new business investment in the state of Ohio as new companies looking to invest may choose to go elsewhere in light of increased or high electricity prices that are above-market.

We are keenly interested in public policies that will drive lowest-cost energy resources and solutions – rather than policies that will impose billions of dollars of unwarranted, anti-competitive, above-market charges on our businesses.

If enacted as introduced, House Bill 178 would cost FirstEnergy's customers an estimated $300 million a year, for up to 16 years, to subsidize two Ohio nuclear power plants operated by FirstEnergy's subsidiary, FirstEnergy Solutions. That adds up to $4.8 billion.

HB 178 would create new above-market charges that all of FirstEnergy's customers would be forced to pay. They would not be able to "shop around" the charges. And the costs would not be insignificant.

For example, manufacturers in the FirstEnergy territory that use about 1 million kilowatt-hours per year, and now spend about $100,000 per year for electricity, would see an annual incremental cost of $5,700. Over the 16-year term, they would pay an additional $91,000.

Large manufacturers that use 100 million kilowatt-hours per year, and now spend approximately $6 million per year for electricity, would see an annual jump of $567,000. They would pay more than $9 million more over the 16-year life of the proposed term.

These non-bypassable charges are unwarranted.

While manufacturers support nuclear power as part of an "all-of-the-above" energy portfolio, we are strongly opposed to subsidizing certain generation plants and being saddled with billions of dollars of unjustifiable charges over the next 16 years.

The Ohio Manufacturers' Association strongly believes in fair, market-driven competition. The subsidized charges imposed on consumers and manufacturers from HB 178 are simply not consistent with competitive markets and are not good for Ohio – in either the short term or the long term. For these reasons, the Ohio Manufacturers' Association firmly opposes HB 178. It is anti-competitive and anti-consumer, neither of which is good for our state.

Before I conclude and take any questions you may have, I want to introduce two people who are here to help me respond to your questions.

Anthony Smith is Energy Coordinator at Cooper Tire. He serves on the Board of the OMA Energy Group and is our in-house expert on energy policy.

I am pleased also to be joined by Kimberly Bojko of the Carpenter Lipps & Leland law firm. Kim serves as the OMA's chief energy attorney, representing industry positions before the state and federal regulatory commissions.

Mr. Chairman . . . members of the committee . . . this concludes my prepared remarks. Thank you for your kind attention and the opportunity to share our concerns about HB 178. Together with Kim and Anthony, I would be happy to respond to any questions you may have.

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