

June 13, 2017

Honorable Clifford A. Rosenberger
Speaker of the House

Honorable Larry Obhof
Senate President

Honorable William Seitz
Chair, House Public Utilities Committee

Honorable Bill Beagle
Chair, Senate Public Utilities Committee

State Representatives and Senators

RE: Ohio Electric Consumers' Opposition to OVEC Subsidy Legislation
H.B. 239 and S.B. 155

Dear Speaker Rosenberger, President Obhof, Chairmen Seitz and Beagle, and Members of the Ohio General Assembly:

We represent AARP-Ohio, Northeast Ohio Public Energy Council, Ohio Consumers' Counsel and Ohio Manufacturers' Association. Our organizations advocate on behalf of senior citizens, businesses that make products, and families in Ohio that will pay at least \$104 million, and as much as \$256 million (or more), per year in rate increases for decades if this legislation is passed. For the reasons stated below, we respectfully request the members of the General Assembly to table the House and Senate legislation.

1. This legislation that the utilities seek would be bad public policy for Ohio.

It has been Ohio's energy policy since 1999 that risks from deregulated power plants were to be borne by Ohio's electric utilities. Those utilities were paid by consumers about \$9.6 billion from 1999 to 2010 in transition charges to assume those market risks. Importantly, against free market economics, the present bills pick winners and losers in Ohio's electric generation market. These bills favor keeping 65-year old uneconomic power plants in operation for decades to come. At the same time, tens of billions of dollars are being invested in Ohio to build new efficient natural gas plants in the state. Consistent with the 1999 policy, these natural gas plants are privately financed without customer-funded subsidies. The free markets envisioned by the General Assembly are working. But the bills would enable unnecessary governmental interference in those markets.

2. Consumers should not have to write a blank check to Ohio utilities.

The language in the bills permits collection of "all costs" from consumers, including "deferred costs." It is not known how much this will cost consumers. Consumers could pay for OVEC power plants for decades no matter how expensive it becomes to operate the units. The Legislative Service Commission estimates the cost to Ohioans could be as high as \$256 million per year, and this figure does not include deferred costs.

Not only are the Cold War-era OVEC power plants inefficient, but they are saddled with over \$1.4 billion in debt. This legislation incents the OVEC owners to operate the plants well beyond their useful life, and could even include consumer payment of the costs of decommissioning the plants when they close.

3. There should not be a costly Ohio approach to what is a regional or national issue.

The issue of aging baseload coal and nuclear plants in the country is being studied currently by the Department of Energy. There is also the possibility that incentives being considered by FERC might ultimately be implemented in some form by grid operators such as PJM. If the subject of these bills is an issue to be addressed, it is a national issue, and costs are appropriately borne by all customers, not just customers in one state (such as Ohio) where a particular plant is located. This is particularly the case for OVEC, which has two plants (in Ohio and in Indiana) that would receive customer-funded subsidies from only Ohioans under these bills.

In sum, the Legislature should table the discussion of these bills which as introduced can harm Ohio businesses and consumers. If the Legislature wishes to revisit this issue in the future, there is plenty of time to consider this issue. The OVEC operating agreement runs until 2040 and there are no announced plans to shut the plants down or not bid the plants into the PJM regional market.

Thank you for your consideration of our request.

Respectfully submitted,

AARP

Northeast Ohio Public Energy Council

Office of Ohio Consumers' Counsel

Ohio Manufacturers' Association

cc: Hon. John Kasich, Governor