

Tentative observations about House Bill 6, as amended on June 26, 2019: Harms competitive electric generating markets, increases electricity prices, and puts Ohio's at an economic development disadvantage

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The findings, conclusions, and recommendations expressed in this testimony are mine alone and do not represent the views of The Ohio State University, the John Glenn College of Public Affairs, or the Ohio Manufacturing Institute

House Bill 6, as amended on June 26, 2019, harms competitive electric generating markets, increases electricity prices, and harms Ohio's economic future

Chairman Wilson, Vice Chair McColley, Ranking Member Williams, and members of the Senate Energy and Public Utilities Committee, my name is Edward Hill, better known as Ned Hill, and I am Professor of Economic Development at The Ohio State University's John Glenn College of Public Affairs and a member of OSU's Ohio Manufacturing Institute. Today's testimony is mine alone and does not represent the views of The Ohio State University, the John Glenn College of Public Affairs, or the Ohio Manufacturing Institute. I appreciate the opportunity to submit written opponent testimony on Substitute House Bill 6 before the Ohio Senate's Energy and Public Utilities Committee. I was neither commissioned nor paid to prepare this testimony, as was the case of my previous testimony before the Legislature and the Public Utilities Commission of Ohio on issues related to electricity regulation. I am out of state and cannot testify in person.

A compromise can be thought of as is something that no one likes, but everyone can live with. This may be the standard that is used to judge the substitute bill. My observations are tentative because of the short time provided to provide testimony to the committee. The revisions to the bill are substantial and complex. To really understand their impact on the state, and electricity customers, will take both time and thought. After reading the bill yesterday and thinking about it overnight, I can honestly say that the substitute bill is less harmful than what the committee considered on Tuesday, but it remains harmful.

My response primarily focuses on the abstract I provided in my previous testimony. The exception to this strategy is my first set of comments.

First, the Legislature should let the bankruptcy process for FirstEnergy Solutions (FES) work itself out before intervening. My concern is that any subsidy that the state and Ohio's energy users provide for the nuclear plants will be considered to be revenue by the bankruptcy court and used to lessen the financial hit experienced by bond and debtholders. I am not a bankruptcy lawyer, and legal professionals should testify on this point. The testimony provided in the House on the financial condition of FES's nuclear plants is offsetting, but the testimony of PJM's independent monitor and of Paul M.

Sotkiewicz for the American Petroleum Institute indicate that the problem with FES's nuclear power plants is debt and finances rather than technical and operational.

Second, the problem of the impact of the subsidies on the capacity markets remains, and it is expensive. PJM Interconnection will undertake rulemaking that does not allow subsidized sources of generation from bidding into the regional capacity markets. This is an important revenue source for Ohio's nuclear plants and the proposed subsidies in the bill for FES and OVEC will shut off that source of revenue. OVEC subsidies should be halted as soon as is legally possible.

Third, the substitute bill is a disincentive for the development of lower cost natural-gas-fired power plants in Ohio. This will have detrimental employment, power cost, and economic development effects.

Fourth, nothing in the bill appears to affect the power cost scenarios developed by PJM Interconnection and presented by Asim Z. Haque.

Fifth, electricity costs will still increase in Ohio, possibly drastically so in Northeast Ohio if FirstEnergy's service territory ends up paying the forgone capacity payments.

Sixth, mandating or allowing Power Purchase Agreements (PPAs) that are higher than free market prices is problematical for both the nuclear plants and for OVEC.

Finally, the Substitute Bill does nothing to address the competitive disadvantage caused by increasing electricity rates in Ohio compared to those in the 7-state competitor region to our south that is serviced by the Tennessee Valley Authority.

The substitute bill remains a costly bailout for Ohio's residents and employers.

Thank you providing me with the opportunity to testify