



OEC [Action Fund]

Proponent Testimony
Ohio House Bill 351 (Lanese/Stoltzfus)
Ohio House Public Utilities Committee
September 29, 2021

Good morning Chair Hoops, Vice Chair Ray, Ranking Member Smith; I am Miranda Leppla, Vice President of Energy Policy for the Ohio Environmental Council (OEC) Action Fund. Thank you for allowing me to provide proponent testimony on Ohio House Bill 351 (HB 351).

Our organization, celebrating its 52nd anniversary this year, works to secure healthy air, land and water for all who call Ohio home. The OEC Action Fund continues to call for full repeal of the corrupt House Bill 6 (HB 6), and therefore the OEC Action Fund strongly fully supports House Bill 351. HB 351 repeals and terminates the extended and expanded subsidies passed by HB 6 for the Ohio Valley Electric Corporation (OVEC), which consists of two aging and polluting coal plants, one in Ohio, and one in Indiana. HB 351 also takes a step forward to right the wrongs of HB 6 by requiring the OVEC entities to refund the money collected from Ohioans. Ohio's corrupt HB 6 propped up these two coal plants despite the fact that they no longer make economic or health sense for our state. OEC Action Fund applauds Representative Lanese and Stoltzfus for introducing this bill, because Ohioans deserve a full and complete repeal of HB 6, not only because of the corruption that has been uncovered surrounding its passage, but because it is bad energy policy for Ohio.

What is OVEC? The Ohio Valley Electric Corporation (OVEC) owns two coal-fired power plants built in the 1950s: Kyger Creek Generating Station, a 1.1-GW coal-fired power station located in Cheshire, Ohio, and Clifty Creek Generating Station, a 1.3-GW coal-fired plant located in Madison, Indiana. Every year, Kyger Creek and Clifty Creek produce thousands of tons of coal ash, mercury, smog-forming pollutants and carbon dioxide, as well as other pollutants. Kyger Creek released 5.7 million metric tons of greenhouse gas emissions in 2019 alone,¹ and is estimated to be responsible for 419 asthma attacks and 43 deaths each year.²

These plants are co-owned by a number of entities, including Ohio investor-owned utilities, which are part of the OVEC membership. The plants are losing money each month because they are no longer competitive, but also because of imprudent operating decisions by the OVEC members. In 2011, the OVEC members made the decision to stay together as a competitive generator, signing a binding agreement that would keep them together and operating the coal plants until 2040. Presumably they assessed the market and environmental risk they were taking on, but even in 2011, a decision to continue operations through 2040 was imprudent as Ohio was 2-3 years into the emerging shale gas

¹ <https://ghgdata.epa.gov/ghgp/main.do>

² [https://www.tollfromcoal.org/#/map/\(title:2876//detail:2876//map:2876/OH\)](https://www.tollfromcoal.org/#/map/(title:2876//detail:2876//map:2876/OH))

boom which was stabilizing and keeping electricity prices low, and demand for electricity was also low because we were still recovering from the great recession.

With these types of consistent and continuing monetary losses, the utilities involved in OVEC began seeking subsidies from the Public Utilities Commission of Ohio (PUCO). Prior to House Bill 6, AEP Ohio, Duke Energy, and AES Ohio (formerly Dayton Power & Light) had been receiving subsidies for the two plants after obtaining approval through filings at the PUCO by showing the bailout was needed. The subsidies for the utilities were set to expire between 2023-2025, varying by utility.³ The PUCO's own audit has since recognized that the OVEC coal plants are bad for Ohio consumers. A 2020 independent audit of the OVEC bailout commissioned by the PUCO noted the OVEC bailout has resulted in continued losses for Ohio customers, due in part to the times where cost of operating exceeds the revenue, which has led to further increased costs to customers.

House Bill 6 then expanded and extended the OVEC subsidies. In 2019, House Bill 6 (HB 6) expanded and extended the OVEC subsidies through 2030 for AEP Ohio, Duke Energy, and AES Ohio (formerly Dayton Power & Light), while also requiring FirstEnergy customers to pay for the OVEC plants now as well. Additionally, HB 6 changed the PUCO standard of review necessary for the OVEC bailout to continue through 2030. Instead of having to prove to the PUCO a bailout is *needed*, HB 6 only requires a prudency review, the first of which will be this year. In other words, the utilities are provided a bailout and must just demonstrate the revenue is spent prudently, not that it is needed to continue operations. This is a significantly different standard than what the PUCO had previously determined was necessary for the utilities to prove they should be allowed to charge Ohioans additional money to subsidize the coal plants, and one that should be rejected given the low costs of other forms of energy available for Ohioans.

Ohioans are now on the hook for approximately \$700 million in subsidies through 2030.⁴ HB 6 also contained no plans or preparation for the eventual closure of the nearly 70 year old plants, making it likely that Ohioans will continue to foot the bill through 2040 when the OVEC agreement expires, which could mean Ohioans pay *another* \$700 million in subsidies from 2031-2040.⁵

Passing HB 351 will put Ohio back on track toward a competitive energy marketplace, and a healthier future for Ohioans. It is critical that the legislature continue to repeal the other negative components of HB 6, and HB 351 is another important step toward protecting Ohioans' health and their wallets. Without a repeal of the OVEC subsidies, these two coal plants will continue to have a guaranteed revenue coming out of Ohioans' pockets, and the plants will continue to pose an environmental and public health threat. HB 6 was a step in the wrong direction for Ohio, but HB 351 can help steer us back on course. Repealing the OVEC coal subsidy components of HB 6 is one of the most important components of the bad energy policy passed as part of HB 6 that should be remedied. Otherwise we are continuing to send Ohioans' hard earned dollars to subsidize coal plants, one of which is in Indiana, that hurt our health and our pocketbooks.

³ Original end dates were: May 31 2025 for Duke Energy; May 31, 2024 for AEP Ohio; Nov 1, 2023 for AES Ohio (DP&L).

⁴ Runnerstone, LLC, Memorandum on Ohio's Costly - and Worsening - OVEC Situation, (Nov. 12, 2020) *available at* <https://www.ohiomfg.com/wp-content/uploads/Ohios-Worsening-OVEC-Situation-11.9.2020-Final.pdf>.

⁵ *Id.*

OEC Action Fund urges passage of HB 351. For years we have heard Ohio policymakers state support for an “all of the above” energy policy, and a competitive marketplace to ensure inexpensive, reliable energy sources for Ohioans. Despite repeated claims of support for that strategy, HB 6 clearly picked winners and losers, subsidizing aging nuclear and dirty coal plants, while eliminating cost saving energy efficiency programs for Ohioans, and incentives for renewable energy. Research indicates that competitive markets for the supply of electricity and capacity are encouraging cleaner, more efficient resources to come online faster, but subsidies for fossil fuels alter the market and will artificially prolong the life of these coal plants. In fact, due to the rapid decline in costs for wind and solar, and the expense of fuel and maintenance for coal plants, renewables are becoming cheaper than coal even faster than anticipated.⁶

Passing HB 351 is critical to putting Ohio back on track toward a clean energy future by repealing and blocking subsidies for polluting coal plants that hurt Ohioans’ pocketbooks and our health. OEC Action Fund hopes legislators will work to bring a balanced and level playing field for all forms of generation in Ohio, instead of picking winners and losers based upon the type of energy generation. Thank you again for the opportunity to submit testimony, and our team looks forward to working with you on sound and balanced energy policy for the state.

⁶ [The Coal Cost Crossover 2.0 - Energy Innovation: Policy and Technology](#)