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Testimony from:
Alan Smith, Midwest Director, R Street Institute

In OPPOSITION to HB 6, “AN ACT to create the Ohio Clean Air Program.”

April 24, 2019
Ohio House of Representatives, Subcommittee on Energy Generation

Chairmen Stein and O’Brien and members of the subcommittee:

The R Street Institute appreciates the opportunity to testify before you today. R Street is a policy institute devoted to free-market solutions to public policy issues, and today we would like to voice our concern that HB 6 would be a step backward for the competitiveness of the Ohio energy economy and thus a burden on the state’s energy consumers. I am Alan Smith, Midwest Director of R Street, and a life-long Ohioan. This testimony was prepared with the assistance of our Energy and Environmental Policy Director Travis Kavulla. Mr. Kavulla is a former utility commissioner, twice elected to that office in the State of Montana, and a past president of the National Association of Regulatory Utility Commissioners.

Some have claimed that prices will rise if HB 6 is not adopted.¹ In our experience, requiring customers to subsidize producers does not typically result in lower costs for customers. While HB 6 would relieve customers of the obligation to pay subsidies for certain renewable technologies, the cost of these obligations is typically lower than the price customers would have to pay for nuclear units under HB 6. For example, residential customers of First Energy’s distribution company, Ohio Edison Company, pay an average of \$0.47 per month for renewable subsidies.² Under HB 6, this number would rise to \$2.50 per month, a five-fold increase. In effect, the law would swap one, smaller subsidy obligation for a much larger one.

A related claim often made by those who support nuclear subsidies is that, were nuclear units to retire, the tighter supply-and-demand balance of the region would cause wholesale prices to rise. They contend this price effect would eventually show up in the prices that customers pay to retailers or default suppliers who serve them energy. There is little evidence to support this argument. If true, it

¹ Jim Siegel, “FirstEnergy Solutions Warns of Higher Prices if Nuke Plants Close,” *The Columbus Dispatch*, Apr. 17, 2019. <https://www.dispatch.com/news/20190417/firstenergy-solutions-warns-of-higher-prices-if-nuke-plants-close>

² Public Utilities Commission of Ohio, *Renewable Portfolio Standard/Rate Impacts 2nd Quarter 2019*. <https://www.puco.ohio.gov/industry-information/industry-topics/ohioe28099s-renewable-and-advanced-energy-portfolio-standard/renewable-portfolio-standard-rate-impacts-2nd-quarter-2019/>



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should be backed up by rigorous analysis. The Independent Market Monitor of PJM, the official appointed to conduct analysis independent of any financial participant, has not made any such claim. Indeed, the Market Monitor suggests the opposite. The *2018 State of the Market of PJM* report indicates that the construction and operation of new natural-gas-powered combined-cycle generators is economical at the market's current prices.³

HB 6 would establish a substantial subsidy program. The law is expected to cost approximately \$300 million annually and establish subsidies for 30 million megawatt-hours (MWh) of electricity generation.⁴ In comparison, the total electricity consumed in Ohio in 2019 equaled 11.3 million MWhs.⁵ While renewables do enjoy subsidies in today's marketplace, it is noteworthy that Ohio's utility-scale wind and solar production totaled a mere 244,000 MWhs in January.⁶

Were HB 6 enacted, the quantity of subsidies given out would be so large, on a MWh basis, as to make up a significant portion of the total MWhs that the state uses. Such a result would contradict Ohio's policy decision to promote competition in electricity, which we hope the legislature will protect.

Thank you for your consideration,

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³ Monitoring Analytics, *State of the Market Report for PJM, Volume 2: Detailed Analysis*, March 14, 2019, p. 336.
http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2018.shtml

⁴ Siegel, Apr. 17, 2019.

⁵ Energy Information Administration (EIA), *Ohio Net Electricity Generation by Source*, January 2019.
<https://www.eia.gov/state/rankings/?sid=OH#series/51>.

⁶ EIA, *Ohio State Energy Profile*. <https://www.eia.gov/state/print.php?sid=OH>