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Testimony on House Bill 6
Senate Energy and Public Utilities Committee
June 19, 2019

Chair Wilson, Vice Chair McColley and Ranking Member Williams:

Thank you for allowing us an opportunity to comment on a particular version which is before you of the chronic tension in lawmaking between what some people want and what they actually need. My name is Alan Smith and I am the Midwest Director of the R Street Institute, a public policy institute based in Washington, D.C. founded to develop practical solutions to public policy issues fashioned around free markets and limited government. I'll be giving the testimony of Travis Kavulla today, R Street's Director of Energy and Environmental Policy. He sends his apologies for commitments which took him to the West Coast today.

Many Ohioans may not know it, but our state is widely regarded as a model for electricity policy. Some of you and your predecessors took the courageous step of de-monopolizing the power sector in 2008. Since then, power generators have had to compete with one another for the business of consumers. This competition was meant to replace lobbying for subsidies before legislators and uneven treatment before regulators.

The policy has paid big dividends. Ohio's neighbors in Indiana and Kentucky, where the electric power industry remains monopolized, have seen electricity prices increase about 30 percent in the time since Ohio passed its competition law. Ohio has limited its rate increases to just half of that. Rarely has a policy affecting the cost of a major commodity had such a clear, positive effect.

That all may change if Ohio's Senate passes House Bill 6, a slyly named "Clean Air Program" for which the actual purpose is to direct \$1.2 billion in subsidies to nuclear and coal power plants from 2020 to 2026. Plain and simple, H.B. 6 is a tax on consumers that would erode the economic benefits of competition.

H.B. 6's sponsors claim that if Ohio's nuclear power plants go out of business, power prices would rise. This is a bizarre argument: Subsidize power plants or else consumers will have to pay more. It is true that the market today is oversupplied with power resources, and if some close, prices will tighten. But PJM, responding to the Ohio Consumer Counsel's request, studied the issue and found total consumer

savings of \$1.6 billion if the nuclear plants threatened to close by plant owners do so and are replaced by natural-gas generators.

Additionally, this argument assumes that nuclear plants are unprofitable and will close without the subsidies. It is not clear that is the case. Paul Sotkiewicz, one of the nation's leading energy economists, projects that Ohio's two nuclear generators are expected to be profitable *without subsidies* in each year of the next decade, cumulatively earning more than \$700 million during that time. H.B. 6 would more than double those profits. FirstEnergy disputes Dr. Sotkiewicz's report. Yet the utility refuses to accept an amendment to H.B. 6 that would pay out subsidies only if the plant owners open up their books and prove they are running efficiently, but are nevertheless unprofitable. FirstEnergy's position on this amendment says it all about the credibility of their position.

Next, H.B. 6 boosters seemed to concede the subsidies would cost consumers money but said there would be savings overall because the bill repeals other subsidies to renewables. Here, the math doesn't add up. According to the Ohio PUC, the renewable surcharge is less than the H.B. 6 surcharge would be for five out of the six regulated electric utilities in the state. H.B. 6's supporters suggest this is the not the case. But they have yet to show their math in anything approaching a meaningful way. Simply put, the cost of H.B. 6 is not offset by its purported savings. In any case, if the legislature wants to repeal subsidies, then it should do so. But don't use the savings to fund *other* subsidies. Give it back to customers. R Street supports the complete and total repeal of all subsidies. We don't think much of the principle that you should have to trade off one subsidy for another subsidy.

Now, at last, it is being argued that subsidies for nuclear plants as well as certain coal plants, which were a last-minute addition to the bill to curry additional votes, are needed for vague "national security" reasons. Even if that is true, why should you force senior citizens in Canton to be the national-security piggy bank? The officials responsible for national security, in Washington, D.C., already by law have the ability to order power plants to operate if their closure threatens national security. H.B. 6's supporters, of course, have no answer to this to date.

In short, each and every weak argument for H.B. 6 has been contradicted by a wealth of data and analysis. Each day, H.B. 6 is looking more like what it is: a piece of corporate welfare, pure and simple.