



STEELMAKERS EXPRESS CONCERN OVER COSTS AND PENALTIES IN HB 487

Ohio steelmakers are asking members of the Ohio House of Representatives to take a very close look at HB 487 because it contains certain measures that could inhibit business growth, discourage capital investment, and subject all ratepayers to very high energy costs and penalties.

"We have a significant concern that HB 487, in its current form, could put the lid on our economy for years to come by discouraging business investment and overburdening state government," said Roger Lindgren, co-chair of the Ohio Steel Council and president and chief executive officer of V&M STAR.

While respecting Ohio House Speaker Jon Husted for his commitment to advanced and renewable energy technologies, Ohio steel companies believe that some of the provisions in HB 487 need to be re-examined.

Ohio steel producers strongly support SB 221, which provides a balanced, viable solution to the rate question while addressing renewables. In its current form, the bill is consistent with the Ohio Steel Council's electricity resolutions passed in 2007.

Ohio steel producers constitute the largest industrial-sector energy user in the state, spending \$1.6 billion per year.

The Ohio Steel Council remains concerned that the Ohio House is not addressing the pressing issue of how rates will be determined after most Rate Stabilization Plans (RSPs) expire at the end of 2008.

Here is a summary of specific points of concern with HB 487.

Cost of Energy Credits Passed on to Ratepayers

HB 487 mandates that 25 percent of Ohio's total energy must come from advanced and renewable energy sources by 2025. There are significant monetary penalties for any utility that fails to comply. These penalties cannot be passed on to the ratepayers.

However, if a utility wants to avoid the penalty, it may purchase renewable energy credits. The cost for these **may be passed on to ratepayers**. With this provision, there is no good reason why a utility would incur a noncompliance penalty. Instead, the ratepayer will pay the price for the energy credits.

In fact, the quotas for renewables in the first five years after the bill's passage will be nearly impossible to meet because demand for renewables will outpace supply. Ratepayers, not the utilities, will have to pay the price when Ohio cannot meet the quotas in HB 487.

No Cost Protection for Ratepayers

SB 221 protects ratepayers from the runaway costs of renewables and advanced energy. According to the bill, rates would not increase more than 3 percent over the otherwise applicable rates in 2025. The utilities would have an incentive to control costs.

Unfortunately, HB 487 does not protect ratepayers from the high costs of renewables and advanced energy. It contains no incentives for utilities to control costs.

Ohio steelmakers believe that cost caps are needed to protect ratepayers from unripe and expensive technologies.

Usage Goals Contrary to Business Growth

HB 487 requires distribution utilities (not marketers) to reduce Ohio's total energy usage by 22 percent through 2025, an incredibly ambitious goal that is contrary to economic development and growth.

Even if Ohio adds new manufacturing plants – resulting in more jobs – the state must still meet the same goal of reduced energy. The 22 percent reduction is a flat target, not responsive to the state's business growth, number of jobs, or population growth.

With Decoupling, Utilities Can Charge the Same for Less

Even as Ohio ratepayers reduce energy consumption, there is no limit on the amount Ohio utilities can charge. So, conceivably, a ratepayer's bill might be the same in 2025 as it is now, even though his or her consumption has decreased by 22 percent.

There are a few points of concern here. One, the ratepayer receives no reward for reducing consumption. Two, the utility gets the same amount of money for less energy. And three, the utility may sell the excess energy out of state, effectively getting paid twice. Such double dipping is not in the public interest.

State to Take on Liability for Carbon Sequestration

HB 487 allows utilities to store carbon emissions underground in Ohio with state government oversight. After 10 years, the underground storage facilities would be transferred to the state government, while the utilities and storage site operators would be released from all liability.

Ohio steelmakers do not understand why utilities are being given this dispensation when all other manufacturers must manage, pay for, and assume responsibility for their own waste streams. Ohio steelmakers are also concerned that utilities could sequester their carbon in Ohio and yet sell the power elsewhere in the country.

Fund Recipients Not Held Accountable

HB 487 creates a new layer of bureaucracy by establishing the Ohio Renewable Energy Authority to provide financial assistance to the renewable energy business. The bill is written so as to guarantee that at least \$10 million from Ohio taxpayers is provided each year to a renewable energy fund. This money may be awarded to any business associated with the development of renewable energy.

A critical concern is that there is no "look back" provision or requirement. If the wind and solar companies do **not** meet their target investments or do **not** generate the promised number of jobs, there is no requirement that they return monies given to them by the state.

Ohio steel companies believe that renewable companies should be subject to the same "claw back" provisions that apply to other Ohio companies that seek tax credits or financial assistance from the state.

NOTE: The Ohio Steel Council provides information and advice to government officials about questions and matters affecting the steel industry. This newsletter does not purport to represent the official position or opinion of any agency or official of the State of Ohio.

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