



TRANSFORMING OHIO FOR GROWTH

The Energy to Create Jobs

SB 315: Ohio's Energy Policy

Ohio's leaders must constantly strive to make state government smaller, more efficient and more effective. With these goals in mind, Gov. John R. Kasich worked with the General Assembly in 2011 to enact a budget that cut taxes, streamlined regulations, and reformed government. The result? Ohio went from being almost dead-last in job creation to one of the nation's top job-creators, our unemployment rate has decreased 50 percent faster than the nation's and responsible fiscal management has earned Ohio a "stable" credit outlook from all three rating agencies.

To continue this rapid pace of much-needed progress, Kasich vowed not to wait until the 2014-15 budget process to seek additional needed changes but instead to unveil another major reform package in 2012. True to his word, his Administration conducted a top-to-bottom review of state government operations referred to as the Mid-Biennium Review (MBR). The product of this effort was a 3,500-page package of reforms building on last year's success and furthering efforts to create a jobs-friendly climate in Ohio by, among other things, boosting education and workforce training programs, streamlining and improving management of government agencies and establishing a first-of-its-kind state energy policy.

OHIO'S 21ST CENTURY ENERGY POLICY: Leading the Nation with a Comprehensive Energy Strategy

Ohio's economy—especially our large manufacturing and agriculture sectors—depends on access to reliable, diverse and low-cost energy. Without a federal energy policy on which to rely, and with continued uncertainty in the Middle East, Gov. Kasich and his staff began working with energy stakeholders—from energy producers to environmentalists to energy consumers—to develop a comprehensive energy policy for Ohio that would encourage economic growth. The Governor's 21st Century Energy and Economic Summit was held in September 2011, and out of that summit came ideas and strategies the governor's policy team used to build a comprehensive energy policy that rests on 10 pillars. The pillars were translated into legislation—Senate Bill 315—that supports a diverse mix of reliable, low-cost energy sources that meet Ohio's continuing job-creation needs.

PILLAR 1—SHALE: Modernizing Regulations While Promoting Job Growth

Recent advancements in technology have allowed previously-unattainable natural resources found in shale to now be extracted. Accordingly, health and environmental regulations have been updated to keep pace with these advancements to help ensure safe, environmentally responsible operations, all of which is in the best interest of public health and safety, the environment, oil and gas workers, and the industry. Regulatory updates include:

- **Dept. of Natural Resources (ODNR):** On May 7, 2012, a comprehensive set of well construction rules stemming from the passage of Senate Bill 165 were approved by the Joint Committee on Agency Rule Review (JCARR). Among other important changes, this rules package adds additional safeguards by upgrading procedures for how to properly construct a well including a requirement that well construction materials used must comply with industry standards for the type and depth of well being drilled, and a requirement that ODNR must be notified prior to a well being cemented to protect ground water, and that cementing records must be submitted for agency analysis. These rules will go into effect August 1, 2012.

SB 315 builds on previously-approved upgrades to well-constructions standards.

- All chemical information, including trade secret formulas, must be shared with doctors, and medical professionals may share even proprietary chemical information with the patient and other medical professionals directly involved in treating the patient,
- Well operators are now required to take water samples within 1,500 feet of a proposed horizontal well and disclose the results in their permit applications,
- Well operators must disclose the proposed source of water used in the well drilling and completion process,
- Well operators who violate safety and environmental regulations are subject to mandatory daily fines,

- Rules for disposing of waste water through underground injection are strengthened to ensure protection of health and environment.
- Public Utilities Commission of Ohio (PUCO): The Pipeline Safety Division will update regulations for construction, inspection, and safety of these new lines.
- Ohio EPA:
 - New regulations will encourage wastewater treatment and recycling technologies in order to conserve water resources and reduce Ohio's reliance on underground injection wells for wastewater disposal.
 - The lengthy oil and gas operations permitting process is streamlined from a matter of months to a matter of days by maintaining the same high standards for safety and responsibility while improving internal agency operations to simply operate more efficiently.
- Dept. of Commerce: Multiple construction and occupancy reviews of structures at gas processing facilities that can currently overlap and duplicate one another are consolidated and streamlined.
- Dept. of Transportation (ODOT): A new model road use agreement serves as a template for counties and/or townships and oil and gas companies to determine what roads will be used, what and how these roads will be maintained, and who will pay for road maintenance. To protect the interests of local governments, ODNR will verify such agreements are in place as part of its drilling permit process.

PILLAR 2—GENERATION: Ensuring Ohio's Generation Capacity and Investing in New Technologies

Ensuring Ohio businesses and citizens have the energy they need is key to a strong economy, and this starts with generation of that energy. The PUCO will:

- Update the "Advanced" portion of Ohio's Alternative Energy Portfolio Standard to include appropriate upgrades to coal-fired generation facilities and for conversion to natural gas,
- Work with the PJM Interconnection and other states in PJM to request an expansion of the Reliability Pricing Model to offer greater certainty with regard to electricity pricing.

Additionally, the OEPA will work with the PUCO to:

- Review and pilot new generation and efficiency technologies (ex: Smart Grid),
- Expand customer choice for renewables,
Assess federal EPA impacts on future generation and transmission.

PILLAR 3—ELECTRICITY TRANSMISSION & DISTRIBUTION: Meeting Needs of Industry and Consumers

A major factor in job creation is getting energy where it needs to be so that the job creators that need it can operate efficiently and at a low cost. To ensure Ohio's electricity transmission infrastructure meets these needs, particularly for the development and expansion of the shale activity in eastern Ohio, the PUCO is authorized to:

- Review the electricity transmission infrastructure in Ohio's shale region to ensure transmission and distribution are adequate,
- Assess and recommend changes in the transmission and distribution system that would make the development of renewable energy in Ohio more accessible and cost effective.

PILLAR 4—COGENERATION / WASTE HEAT RECOVERY: Capturing Waste Heat to Make Green Energy

Turning otherwise wasted byproducts into usable energy makes sense if it's cost effective. To encourage efforts to recover waste heat and identify cogeneration as an appropriate technology, changes will:

- Allow waste energy recovery facilities to qualify as a renewable energy source in Ohio,
- Allow all Ohio electric utilities to use cogeneration (waste energy recovery and combined heat and power systems) to meet alternative efficiency standards,
- Revamp the Energy Loan Fund to place more focus on energy efficiency and alternative fuels,
- Require the Ohio Dept. of Administrative Services (DAS) to review cogeneration as part of new construction and major renovations in state facilities.

PILLAR 5—WORKFORCE TRAINING: Aligning Industry Needs with Worker Training

Matching the skills of workers with the demands of the energy industry is a crucial part of Ohio's energy policy. Ohio is engaged in a statewide effort to improve workforce development initiatives because workers with goods strengthen their families and communities with better jobs and are attractive to the job creators that Ohio is seeking to recruit and help expand. SB 315 allows the state to work with its regional workforce development partners to maximize job training opportunities around shale.

PILLAR 6—CNG/ALTERNATIVE FUELS: Promoting the Use of Natural Gas

Alternative fuels have the potential to reduce our reliance on foreign energy sources. In order to encourage examination and adoption of alternatives fuels, the Governor's Office, PUCO and ODOT will:

- Sign an agreement with other states to develop regional Compressed Natural Gas (CNG) refueling infrastructure and promote the usage of CNG vehicles in Ohio (signed on 2/29/2012),
- Assess converting all or part of the state fleet to CNG,
- Develop flexible revolving loan fund for alternative fuels (CNG, biodiesel and ethanol),
- Host a regional CNG conference with states and providers to jump start Ohio's transition to using more CNG in state and private settings.

PILLAR 7—ENERGY EFFICIENCY: Promoting Efficiency to Save Resources

Promoting efficiency and maximizing our energy resources will help offset rising energy prices. DAS and the PUCO will work to:

- Improve state building efficiency,
- Identify new efficiency technologies and programs available to Ohio,
- Determine standards for state fleet vehicle replacement to increase efficiency,
- Review utility green pricing programs and expand customer choice.

PILLAR 8—COAL: New Opportunities for a Critical Resource

Ohio's plentiful coal is an essential resource for our energy needs, and new technologies that reduce coal's impact on the environment and enhances it as an energy source. New efforts will:

- Provide \$30 million to research carbon capture, sequestration, enhanced oil recovery, and other new technologies,
- Exempt coal combustion waste from additional fees and encourage solid waste landfill management.

PILLAR 9—REGULATORY REFORM: Streamline and Expedite Environmental Permits

Smart regulation is necessary but the process by which businesses must comply with these regulations should be simple to understand and navigate. The OEPA will:

- Develop and issue "general permits" for business to minimize lengthy permit review.

PILLAR 10—RENEWABLES: Promoting Renewables for a Balanced Energy Portfolio

Continuing to develop reliable and cost effective renewable energy sources is essential to ensuring that Ohio has access to a diverse and well-rounded collection of energy sources and that we are preparing for the future. To further this goal, the PUCO will:

- Develop a flexible revolving loan fund for alternative fuels,
- Revamp the existing Energy Loan Fund to help finance energy efficiency and renewable energy projects,
- Identify and address interconnection challenges that may be barriers to the development of future renewable energy projects,
- Review utility green pricing programs and expand customer choice.

BOTTOM LINE: In order to ensure economic stability and move toward energy independence, Ohio must develop a comprehensive energy policy that includes a diverse mix of sources available at a low cost. By utilizing partnerships between the government, industry leaders, the education system, and environmental advocates, as well as by using new technologies and applying appropriate regulatory oversight to ensure public safety, Ohio can lead the nation with a complete energy policy while maintaining Ohioans' historical common sense stewardship of the environment.

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