

Testimony on House Bill 312

Given to the Ohio House of Representatives Public Utilities Committee

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Testimony given by:

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Chairman Stautberg, Vice Chair Roegner, Ranking Member Williams and distinguished members of this Public Utilities Committee. My name is John Schultes and I am the Chairman & CEO of New Steel International, Inc. (“NSI”), an Ohio based professional consulting, engineering, and construction management firm focused on ferrous and non-ferrous materials, energy and sustainability technology sectors. I am accompanied here today by my colleagues Rick Keleman, our Controller and Daniel Schultes, who handles multiple tasks in the business development, finance and insurance parts of our work.

I am here to support HB 312 which was introduced by Representative Johnson to you on Dec 4. The project he referred to was developed under our leadership by globally leading companies, R&D institutes and individuals in many countries.

Our project is located in Scioto County on the Ohio River. It is commonly known as the “New Steel” plant. We brought it to Ohio in late 2006 after an extensive site search. Our partner was a large Russian steelmaker. Through our close work with multiple government agencies and our suppliers, all environmental and construction permits for the project were secured for the construction of the first integrated steel production plant in the U.S. in almost 50 years without a single appeal. This was early testimony to the exceptional environmental performance of our design. Having access to many decades of worldwide technology developments and combining them into a single project is the key to this and other projects.

Our strategic partner was forced to withdraw from the project due to geopolitical events and the 2008 financial crisis, both of which were outside of our control. Since the loss of this strategic partner, NSI has managed to keep the project alive while adding substantial improvements.

Iron Making Combined Cycle “IMCC” - Cogeneration and Combined Heat & Power

The IMCC process is based on the combination of two highly energy intensive processes: iron making and electricity generation. By utilizing the hot off gas from the iron making process in combination with supplemental firing in a super critical heat recovery steam generation boiler, each IMCC unit is designed to produce 500 Megawatts gross (“MWe_g”) of electricity in addition to more than one million tonnes per year of iron in the form of either direct reduced iron (“DRI”) or granulated pig iron (“GPI”), both highly valuable products needed for high grade steel making.

The cogenerated electricity produced by the IMCC facility qualifies as both Renewable and Advanced Energy per Ohio law as stated in SB 221 and again in SB 315.

The raw materials used for the IMCC process include domestically sourced iron ore, iron ore tailings and waste rock, waste coal, and petroleum coke from the Midwest. Additional provisions in the IMCC design allow for the utilization of biomass which can be produced regionally and would enhance the renewable and sustainability profile of the facility.

IMCC Environmental Performance

The IMCC process is based on proven technologies used in multiple locations around the world, while the entire process has been independently vetted by a well known consultant in Canada. The key benefits are:

- Meets all U.S. EPA regulations
- Meets proposed CO₂ emissions standard of 1,100 lbs/MWh without need for carbon capture while using coal from our region as primary fuel and petroleum coke as the main reagent for the iron production
- 50% lower heat rate compared to traditional coal-based power generation
- 50% lower CO₂ emissions compared to traditional coal-based power generation

Additionally, it has been recognized by environmental agencies that the IMCC package represents an ideal alternative to replace coal-fired capacity that is closing as a result of U.S. EPA standards. NSI has already identified several other sites which would be ideal candidates for such facilities.

Further, when the IMCC products are used in combination with an advanced steel making and finishing operation, as is the intent at the Scioto County site, the fully integrated process (NSI’s proprietary Iron + Power + Steel “IPS” package) is able to produce next generation flat rolled steel products with much lower CO₂ emissions compared to traditional steel making processes, again based entirely on existing technologies.

Relevance of HB 312

Because of the IMCC process effectively being a utility scale Cogeneration and Combined Heat & Power (“CHP”) station, a project of this nature can be financed on the back of a long term Power Purchase Agreement (“PPA”).

This issue was addressed in earlier testimony to this Committee made by State Representative Terry Johnson on December 4, 2013. The changes proposed to HB 312 would not guarantee completion of this project but it would provide a template which would significantly enhance the chances of large scale projects such as this moving forward in Ohio.

The question of the risk to taxpayers in Ohio is an important consideration. To be clear, NSI is not asking for taxpayer money nor is it necessary for this project to succeed. Instead, NSI is seeking a mechanism to provide an effective floor and the necessary security to entice an investor owned utility to enter into a long term PPA while hedging price risk. The long term electricity rates that NSI is seeking, which this legislation would effectively guarantee, are comfortably below all projected electricity rates starting at the commercial operating date (“COD”) for the IMCC facility later this decade. Additionally, the business plan that has been developed by NSI includes the construction of an adjacent steel making operation which will consume virtually 100% of the electricity produced. This results in no commercial exposure for the utility partner, while consumers and electric utilities are unaffected by this added generation capacity.

An additional consideration for the Committee is the long term implications of the current market situation in regards to attracting substantial out-of-state investment in heavy industry. The price and supply uncertainty that exists in Ohio provides a significant detractor for companies considering Ohio as a viable location. This issue however could also be addressed by the passing of this legislation.

Job Creation

The full scope of the planned and permitted NSI projects in Scioto County will create well over 2,000 permanent, high paying jobs while over 18M man-hours of construction and construction related work will be needed over 6-7 years. These numbers do not reflect additional secondary manufacturing jobs in high value-added industries that are anticipated to be located in close proximity to the site and across the region. Overall, it is anticipated that the realization of these projects will cause the creation of over 60,000 regional jobs in Ohio and the Tri-State region.

A key equipment and technology supplier to the project is Ohio based. This will create a very large number of additional Ohio based jobs plus state-of-the-art technology expertise, leading to long term opportunities for additional projects in the U.S. and overseas.

Conclusion

The State of Ohio prides itself on its strong industrial and agricultural heritage, and it will need these segments to continue to be strong to allow the State to flourish. However, as the regulatory environment stands at this point in time, these pillars of the Ohio economy are at risk unless legislation such as HB 312 are enacted to support large scale economic development opportunities that are desperately needed with minimal risk to taxpayers and the Ohio rate base.

Thank you for your time and consideration. My colleagues and I would be happy to answer any questions that you may have. Thank you, Mr. Chairman, for the opportunity to address the Committee.