



KILOWATT-HOUR TAX CREDIT CRITICAL TO THE SURVIVAL OF OHIO COMPANIES

Legislation Will Encourage Capital Investment and Growth

The Ohio Steel Council is asking that Ohio legislators educate themselves immediately on important legislation that would provide a kilowatt-hour tax credit to heavy industrial users of electricity.

The Ohio House Finance Committee will be holding hearings on the legislation at 1:30 p.m. Tuesday, Nov. 14, and at 9:30 a.m. Wednesday, Nov. 15.

H.B. 632 – and the companion bill in the Senate, S.B. 335 – would provide up to a 75 percent credit to self-assessors who use in excess of 45 million kilowatts of electricity per year.

One goal of the legislation would be to make more money available to Ohio businesses for capital investment, which would fuel the cycle of economic growth in the state.

Under Ohio Revised Code, a very limited number of companies are currently exempt from the kilowatt-hour tax, but many other similarly situated companies are not.

As a matter of fairness, the proposed legislation would make all major energy users in Ohio – those who use in excess of 45 million kilowatts per year – eligible for a kilowatt-hour tax credit. Eligibility requirements would be the same for all companies, regardless of their industry classification.

As many as 180 Ohio companies would stand to benefit. As the state's largest energy users, these companies are suffering disproportionately from sharply rising energy prices, and, yet, they provide significant benefits to the state by investing in capital projects and providing thousands of jobs.

The proposed legislation would help Ohio's large energy consumers to compete in a global economy.

At the same time, the legislation creates an incentive for investment in Ohio by making the tax credit dependent on capital upgrades. For every \$10 of capital investment, companies would be eligible for \$1 in the tax credit.

Ohio steel producers make up the largest energy-consuming sector in the state of Ohio, and they invest in excess of \$300 million in capital upgrades per year.

There are two reasons that the kilowatt-hour tax credit is critical at this juncture. One, all energy prices in Ohio have increased markedly in recent years. Two, the Rate Stabilization Plans (RSPs) are due to expire in 2008, which will result in even higher energy prices and could create significant market uncertainties for electricity.

More than five years after the passage of S.B. 3, electricity markets in Ohio remain dysfunctional. They are neither free nor competitive, and they have not produced reasonable free-market prices.

In other states where RSPs were allowed to expire and electricity prices skyrocketed as a result, companies were forced to shut their doors. In Maryland, Alcoa closed a smelter employing 600 people. The company is now choosing to locate smelters in Brazil and Trinidad, where energy is more affordable.

"The kilowatt-hour tax credit is one way that state government can immediately address the issue of rising energy prices for large industrial consumers. With RSPs set to expire in 2008, this issue is critical to the survival of Ohio's largest companies," said John Willoughby, vice president of human resources and corporate affairs at **Republic Engineered Products Inc.** and a member of the Ohio Steel Council's policy and issues committee.

"We are all challenged to find ways to make Ohio more competitive in the global economy. This legislation will reduce disproportionate electricity costs for large energy consumers and encourage capital investment and long-term business growth," Willoughby explained.