



Chairman Seitz, Vice Chairman Carfagna, Ranking Member Ashford, and members of the Committee:

Thank you for the opportunity to testify today on House Bill 178 (HB 178). I am Earl Goldhammer. I am testifying as a volunteer with AARP Ohio, which has 1.5 million members in the state. AARP Ohio opposes HB 178 because it would result in unnecessary and unjust charges on the electric bills of First Energy customers.

AARP Ohio asked me to testify because of my utility background. I worked for 10-1/2 years for a large natural gas utility in California, and worked for 19-1/2 years for American Electric Power in Columbus, from which I retired in 2004. I have volunteered with AARP Ohio since 2005 and have included utility issues in my volunteer activities.

As an AEP employee, I was involved in the move to deregulate the generation portion of the electric utility industry in Ohio and other states. In 1999, the Ohio legislature enacted deregulation legislation for two primary reasons: keeping electricity prices as low as possible and encouraging new technology.

Both of these goals have been realized. Electricity generators now compete for customers, thus having an incentive to offer lower prices. Just a few days ago I selected a new electricity supplier from the “Apples to Apples” chart on the PUCO website and will be receiving electricity from this supplier at a reduced rate on June 5, the day my current contract with AEP Energy expires.

Technological advancements in the recovery of natural gas have resulted in gas being an abundant and relatively cheap source of fuel, including fuel for electricity generation. Because electricity generation is

now market driven, this cheaper source of fuel has encouraged the construction of electric generators fueled by natural gas.

HB 178, if enacted, would require First Energy customers to subsidize deregulated generators owned by First Energy even if, like me, the customers have chosen another electricity supplier. This attack on market based electricity costs would increase customers' electricity bills, not decrease them as was the goal of deregulation.

HB 178 is First Energy's second attempt at bailing out their nuclear plants. Last year the Federal Energy Regulatory Commission frustrated the first attempt where the regulated electric distribution company was the conduit of payments by the customer to the business that owned the deregulated generators. Now First Energy has repackaged the same attempt at customer subsidization in a complex legislative scheme that requires regulated distribution companies to purchase “ZEN” credits from the nuclear generators and further requires all the distribution companies' Ohio customers to reimburse the distribution companies.

HB 178 is the ultimate example of “window dressing” to obfuscate the true nature of the proposed transaction—subsidization of First Energy's deregulated nuclear plants by regulated distribution company customers.

The Ohio legislature has wisely decided that the state's electricity generators should sell their electricity at market based rates. Captive utility customers should not be forced to subsidize private businesses. Utility customers should be able to purchase their electricity in a competitive environment just as I have done.

AARP Ohio opposes HB 178 because it unfairly transfers First Energy's financial burdens resulting from its nuclear plants to captive distribution company customers. If First Energy is unable to sell electricity from these plants at market rates, any resulting financial burdens should be borne by its shareholders and creditors who assumed the financial risks of investing in and lending money to First Energy.

Thank you,

Earl Goldhammer  
AARP Ohio Executive Council Member