



c/o Kindle Energy
500 Alexander Park Drive
Suite 300
Princeton, NJ 08540
Office: (609) 250-7707
Lee.davis@kindle-energy.com

Testimony of William Lee Davis, CEO of Lightstone Generation
Before the
Ohio House of Representatives
Energy and Natural Resources Committee
April 9, 2019

Good morning Chairman Vitale and members of the Energy and Natural Resources Committee.

My name is Lee Davis and I am the Chief Executive Officer of Lightstone Generation, which owns three large natural gas and coal-fired power generation facilities located in Ohio. Thank you for the opportunity to talk to you today about Lightstone's investments and operations in Ohio. My hope is that we can engage in a robust dialogue about our business and investment ambitions. I look forward to your questions.

I would like to provide an overview of Lightstone and my own background.

I have 28 years of experience in the energy industry, with the predominant experience base coming in three areas:

- Training achieved in a large public utility company
- Leadership in public merchant generation companies
- Leading a privately held generation portfolio company

Prior to my current role, I was Executive Vice President and Regional President of the largest business unit at NRG Energy, a major North



American public merchant energy company. During my time there, I tripled the size of my region's generation portfolio, and led efforts to optimize my portfolio, which resulted in an increase of cashflow of approximately \$300 million per year – all without demanding a nickel from ratepayers or taxpayers.

I hold a Bachelor's Degree in Electrical Engineering from the Georgia Institute of Technology and a Masters in Business Administration from Emory University. My complete background is attached to my testimony.

Lightstone Generation is a joint venture of two private investor companies – The Blackstone Group and Arclight Capital Partners. In January 2017, Lightstone invested \$2.2 billion to purchase three large-scale Ohio power plants and one Indiana power plant from American Electric Power. This investment created the 11th largest power generator in PJM, and represents 13% of the generation currently operating in Ohio.

Lightstone Generation's Ohio fleet has an electricity generating capacity of more than 4,000 MW, and consists of the following plants:

- the 510 MW Darby natural gas peaking plant in Pickaway County
- the 882 MW Waterford natural gas combined cycle plant in Washington County
- and the 2,700 MW Gavin coal plant in Gallia County

Gavin is the largest power plant in Ohio – and one of the largest in the United States. By way of comparison, Gavin alone is larger than the state's two nuclear plants combined.

I'd like to highlight a few more statistics that help tell the Lightstone story in Ohio:

- Lightstone employs 225 people at our Ohio plants, plus more than one hundred regularly scheduled contract workers
- Since its acquisition of the AEP plants in 2017, Lightstone has paid \$27 million in property taxes to local governments in Ohio
- During that time period, Lightstone spent more than \$415 million in labor, goods and services at our Ohio facilities
- Each year we spend hundreds of millions of dollars in purchases of natural gas and coal, a significant portion of which comes from Ohio mines

Lightstone's investment in Ohio has not stopped with the \$2.2 billion purchase of the plants. We are currently investing an additional \$100 million in new capital projects at our Ohio plants to strengthen our competitiveness. This includes investment in a lime-to-limestone project at Gavin, which will employ 165 contractors at its peak and is scheduled to be completed in June.

We continue to make significant investments in our Ohio assets to ensure we maintain and strengthen our competitiveness. We have not received or intend to receive utility ratepayer support or subsidies. Nor are we asking for any.

Lightstone's initial investment of \$2.2 billion was made in large part because of the state's long-standing support for free market principles and competitive power markets. When we consider such a large investment in generating assets, we look not only at the physical facilities, but also at the regulatory structure and energy policy of the state or market where the assets are located.

Ohio's conservative tradition of free-market economic principles played a definitive role in our choice to make a significant capital investment in this state.

We understand – as every investor of a power plant in Ohio understands – whether they own a natural gas, nuclear or coal plant, that we must compete in the marketplace, when prices are up or when the market is down. We constantly strive to improve our cost profile, our purchasing strategies and our fuel procurement and have found ways to streamline, to save money and to remain competitive. We have also reduced our workforce – all through voluntary means and with the cooperation of our union, the Utility Workers Union of America (AFL-CIO) Local 296 - in order to right size our labor costs.

Lightstone urges the committee to reject any form of bill that provides financial aid to generation facilities who seek out-of-market compensation. While efficient operators are able to create value in this current market, those who have a long-storied history of inefficient operations now stand the chance to be rewarded for their inability to compete in the marketplace. Once more, any such subsidy will effectively be a tax on small and large consumers who have the opportunity to vote with their feet. We don't believe providing a subsidy to nuclear generation is a good decision for the state, and it will create a chilling effect on investors like us as well as those who will be forced to pay the subsidy.

Thank you for the opportunity to discuss Lightstone with you all. I would be glad to answer any of your questions.