

Sub. HB 239 Proponent Testimony
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October 3, 2017

Chairman Cupp, Vice Chair Carfagna, Ranking Member Ashford, and members of the House Public Utilities Committee, thank you for the opportunity to present testimony in support of Substitute House Bill 239 (Sub. H.B. 239).

I have represented AEP Ohio on regulatory issues in Ohio for more than a decade and worked with the Ohio Attorney General's office and the Public Utilities Commission of Ohio (Commission) for more than 15 years prior to that.

AEP Ohio controls approximately 20% of the Ohio Valley Electric Corporation (OVEC) output, through a purchase power agreement known as the Inter-Company Power Agreement (ICPA).

I would like to briefly address and support each of the significant amendments made in the "Dash 10" version of Sub. H.B. 239, as compared to the "Dash 6" version.

- (1) R.C. 4928.02(O), line 485: Change the policy statement to "support" utility divestiture of national security generation resources rather than "encourage" such divestiture. This change recognizes that there are significant barriers that may prevent divestiture and avoids any implication that divestiture is expected to occur.
- (2) R.C. 4928.01(A)(42), line 404: Exclude return on investment in common equity from the definition of "prudently incurred costs." This change prevents return on common equity costs that may be embedded within the ICPA from being recovered from ratepayers under the bill, whereas the prior language only excluded return on investment "added" by the utility. This is a significant compromise that will cause AEP Ohio to under-recover its costs under the existing OVEC contract; but AEP Ohio is willing to accept this restriction if it is needed to get this legislation passed.
- (3) R.C. 4928.01(A)(42), line 400: Render the definition of "prudently incurred costs" subject to Section 4928.147. This change explicitly limits recovery of prudently incurred costs to the triennial prudence audit and rate cap provisions in Section 4928.147 of the Revised Code.
- (4) Uncodified Section 4, line 1071: State that the legislation is not intended to render moot any issues raised in an appeal that is not directly related to recovery of national security generation resource net impacts. This change clarifies the legislation intent.
- (5) R.C. 4928.141(B), line 530: Require that the output of national security generation resources be bid into the wholesale market and restrict the output from being used to

serve standard service offer load. This is a significant change that prohibits something authorized under current law; but AEP Ohio is willing to accept this restriction if it is needed to get this legislation passed.

- (6) R.C. 4928.147(A)(1), line 1031: Explicitly exclude national security generation resource net impact costs that the Commission determines are imprudent and unreasonable. This provision clarifies the Commission's existing authority to the benefit of customers.
- (7) R.C. 4928.147(A)(3), line 1052: Clarifies that the December 31, 2030 expiration of cost recovery can only be extended by the General Assembly. This change clarifies the legislation intent.

AEP Ohio submits that this latest round of compromises are reasonable and promote the public interest. Accordingly, the Company encourages this Committee to adopt Sub. H.B. 239. I am happy to respond to any questions you may have.