Testimony of Justin Cooper, Vice President,
Chief Operating Officer and Chief Financial Officer of
Ohio Valley Electric Corporation

Chairman Holmes, Vice Chair Klopfenstein, Ranking Member Glassburn, and members of the House Energy Committee, thank you for allowing me the opportunity to provide some history and context with respect to the Ohio Valley Electric Corporation ("OVEC").

My name is Justin Cooper, and I am Vice President, Chief Operating Officer and Chief Financial Officer of OVEC. I have been with OVEC for 18 years and have served as OVEC's Chief Operating Officer for the last 4 years.

I. OVEC's History

OVEC has always been a unique power generation and transmission company, with a storied and unique origin. OVEC has been employing Ohioans, supplying electricity, and operating critical transmission lines for close to 70 years. OVEC was formed in 1952 during the Cold War to serve a vital national interest: helping the United States government enrich uranium in Southern Ohio. The Atomic Energy Commission, the predecessor agency to the United States Department of Energy (DOE), called upon the private sector to meet the significant electric needs of the uranium enrichment facility then under construction in Piketon, Ohio (in Pike County). The public utilities that surrounded this part of the Ohio Valley came together to form OVEC (which built two large electric generating facilities and a long span of high-voltage (345 kV) transmission lines), all to provide the reliable source of power necessary for the enrichment process. The DOE's Piketon Ohio facility—powered by these new and reliable OVEC plants—played a pivotal role in our country's national security and defense throughout the 20th century, helping DOE to produce enriched uranium to support the government's nuclear weapons program as well as the nation's growing fleet of commercial nuclear reactors.

For 50 years, OVEC reliably met the DOE's electricity needs in Piketon. OVEC operated then, like it does today, under an Inter-Company Power Agreement (ICPA) which defines the rights and responsibilities of OVEC's counterparties. During this time, the DOE bought most of OVEC's electricity,

while covering the total operating costs of OVEC. In 2003, after the Cold War ended and the DOE had ceased uranium enrichment at the Piketon Ohio facility, the DOE ended its exclusive arrangement with OVEC, leaving OVEC's baseload generation to be used exclusively by the counterparties to the ICPA on a cost-based basis.

Today, OVEC continues to manage the facilities to produce and sell at cost, safe and reliable energy to its counterparties under the ICPA. The parties to the ICPA include three of Ohio's electric distribution utilities ---AES Ohio, Duke Energy Ohio and AEP Ohio, which together have a 33.83% share of the power and energy from the OVEC-owned generating units under the ICPA.

Another 18% of the ICPA is dedicated to Buckeye Power Generating, which is a subsidiary of Buckeye Power. Buckeye Power is an electric cooperative serving not-for-profit electric cooperatives that in turn use their entitlement to OVEC's power and energy to serve homes and businesses in Ohio, predominantly in rural areas not otherwise served by Ohio's electric distribution utilities.

OVEC's other counterparties under the ICPA are mostly comprised of utilities and another electric cooperative in the surrounding Ohio Valley region – namely, Appalachian Power Company, Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power, Southern Indiana Gas and Electric, and Peninsula Power Cooperative (a subsidiary of Wolverine Power Supply Cooperative).

It is important to note that the ICPA is not a simple power purchase agreement -- it represents a long-term compact among OVEC's utility counterparties to pay all of OVEC's costs and be entitled to utilize the capacity and energy from OVEC. An example of the costs charged by OVEC under the ICPA would be:

- Interest and principal on debt used by OVEC to finance emissions control equipment and other large expenditures, which are repaid and spread out over a long-period of time (as opposed to being charged to the counterparties immediately as incurred, as permitted under the ICPA).

- Commitments to OVEC's current and former employees, many which live and work in Ohio, including the funding of pension and post-retirement benefits obligations.
- Funding for the eventual safe demolition and decommissioning of OVEC's generating facilities at the end of the ICPA.

II. OVEC's Importance to Ohio

OVEC is also an important part of the local community. In 2024, OVEC directly employed 517 employees (with 275 direct employees and approximately 50 full-time local contractors at its Ohio generating station in Gallia County and corporate headquarters in Pike County). The average salary for OVEC employees is approximately $100,000 per year, significantly higher than Ohio's average income. In addition, OVEC supports approximately 267 retired employees and surviving spouses presently receiving a pension and other benefits from OVEC.

Annually, OVEC pays over $6 million in taxes to the state of Ohio and local communities per year. In addition, in 2024, OVEC provided economic benefits to the state of Ohio with over $65 million in payments to Ohio businesses for services and products, including local union tradesmen and local business that support OVEC's operations. OVEC also supports the Ohio coal mines and our state's miners with payments of approximately $100 million for coal purchases in 2024.

OVEC's generating and transmission facilities remain a key part of Ohio's energy resources. Due to their original design for reliability and ongoing maintenance to serve the DOE's needs for its first 50 years, OVEC's facilities remain in excellent operational condition. During the recent winter storms and previous polar vortex events, when some of the nation's power plants were idled, OVEC's facilities remained in operation with an inventory of coal on site.

The importance of OVEC as a baseload resource has recently become evident once again. Recent significant reductions in capacity margin have caused coal units like OVEC to be dispatched by PJM for reliability purposes. That means that OVEC's units are not just dispatching due to price factors, but are also are being dispatched by PJM because OVEC's units are essential to making sure there are no

disruptions for customers. This also shows the importance of having fuel diversity among the baseload sources of generation supply.

OVEC and its employees are continuously looking for opportunities to operate more efficiently and reduce costs. In particular, OVEC's employees found and captured approximately $8 million in cost savings or added generation. During the same time, OVEC has improved reliability by reducing its equivalent forced outage rate (EFOR) from 11%, down to 6.7%. This EFOR figure represents the percentage of time the generating units are forced or taken out of service due to unanticipated operating issues compared to the amount of time the units were available.

In addition to providing electricity to its customers under the ICPA, OVEC's transmission lines provide critical service and support to the reliability of Ohio's energy supply. OVEC owns and maintains 705 circuit-miles of high-voltage 345 kV transmission lines, 414 miles of which are in Ohio. OVEC's transmission system forms part of the bulk electric transmission system that is the backbone of the region's power supply, helping to ensure safe and reliable electricity to the eastern half of the United States. OVEC's transmission system also is an important part of the PJM Interconnection (PJM) regional transmission network that serves all of Ohio, as well as all or parts of 12 other states.

In addition, this long span of transmission provides opportunities for other sources of energy, including renewable energy. For example, there are three (3) potential solar projects in the PJM que to connect to OVEC's transmissions system, an area that continues to receive increased interest.

III. Comments on HB 15.

Pursuant to the terms of the ICPA, OVEC is entitled to recover its costs from the counterparties under the ICPA. Historically, the PUCO approved cost recovery mechanisms under which counterparties' revenues and costs related to the ICPA were netted for the three Ohio electric distribution utilities, and the resulting charge or credit could be passed through to customers. The Legacy Generation Rider or LGR codified the consistent past (and then-current) utility-customer mechanisms.

OVEC's relationship with the counterparties under the ICPA is separate and distinct from any relationship that the Ohio electric distribution utility companies have with their customers. Ohio's codified Legacy Generation Rider does not provide a direct benefit to OVEC. However, the LGR indirectly provides an unintended, positive benefit for OVEC by providing the credit rating agencies with additional certainty that three parties to the ICPA would be able to continue to meet their contractual obligations. This, in turn, bolstered OVEC's credit profile and resulted in OVEC being able to refinance debt obligations at significantly lower costs, which has reduced costs allocated under the ICPA.

PJM capacity market prices for the 2025/2026 Base Residual Auction increased 9 times, which is a signal from the market that the current amount of generation is not enough. Since the LGR is a net of PJM Revenues and OVEC costs, as capacity prices increase, it makes the LGR costs reduce and ultimately become a credit to customers. That means that the LGR actually protects customers from rising PJM capacity auction prices. The Regional Transmission Organization (RTO) needs more generation, but current baseload generation must stay online in order to meet the increased needs. We ask the Committee to continue to facilitate Ohio's existing generation.

OVEC has experienced firsthand the lack of energy in PJM. In 2024, PJM made three requests for OVEC units to move to "conservative" operations. During these times, capacity margins were so narrow and the RTO was so concerned of potential energy shortfalls and blackouts, that it asked generation operators to "be conservative". This means that extra precautions must be taken to preserve grid reliability. The last time this occurred was during winter storm Elliot in 2022, where the potential for rolling backouts were very high and resulted in a capacity performance event, under which PJM penalized generators not online due to the lack of supply. This nearly happened three times in 2024, highlighting that capacity margins are narrow, or in other words, there is barely enough power.

For the aforementioned reasons, OVEC respectfully requests this committee refrain from removing the certainty that the LGR currently provides.

Thank you for the opportunity to provide this overview of the operations of the Ohio Valley Electric Corporation and its economic impact in the state of Ohio.