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BOUNDLESS ENERGY™

April 6, 2022

The Honorable Jim Hoops
Chairman
House Public Utilities Committee
77 South High Street
Columbus, Ohio 43215

Chairman Hoops and committee members:

My name is Marc Reitter, President and Chief Operating Officer for AEP Ohio. AEP operates in 11 states, including in Ohio where we have our headquarters in Columbus, 1.5 million customers and 6,500 employees. AEP Ohio applauds efforts to enact a regulatory framework for Ohio electric distribution utilities (EDUs) that provides stability, predictability, and certainty for the company and our customers. While we understand that this is the intent of House Bill 317 (HB 317), the current version of the bill unfortunately falls short of this goal.

HB 317 would make significant changes to the way that EDUs provide access to a standard service offer (SSO) for the state's non shopping customers. Current Ohio law enacted in 2008 provides two pathways to provide an SSO: through the filing of Electric Security Plans (ESPs) or through a Market Rate Offer (MRO). The law requires that in order for an ESP to be approved, there must be a finding that, in the aggregate, it is more favorable than an MRO. Since 2008, AEP Ohio has secured PUCO approval of four ESPs after this finding and our current plan expires in May 2024. While ESPs are not perfect they have generally achieved balanced and reasonable outcomes for AEP Ohio and our customers.

There are several provisions in HB 317 that AEP Ohio finds encouraging. The bill provides a defined timeline for the Public Utilities Commission of Ohio to issue a decision on a rehearing request. Without action, the request would be denied. This change would provide needed predictability in the regulatory arena. The bill takes concrete steps to allow AEP Ohio to prepare for impending federal action on distributed energy resources. HB 317 also recognizes the large role electric utilities will play in the efficient use of federal infrastructure money.

The remainder of the legislation, however, fails to enact the robust regulatory framework that our customers deserve. The substitute bill contains provisions that will arbitrarily raise the price to compare of the SSO, which is a clear example of a legislatively mandated bill increase that will fall disproportionately on residential customers. This impact is ironic given that the supporters of this bill represent clients with the resources to ensure they are not impacted by SSO pricing changes.

HB 317 also imposes unworkable caps on utility distribution investment in areas such as cybersecurity, battery storage, grid modernization, and infrastructure upgrades to accommodate electric vehicle charging. The PUCO as a regulator is the best gatekeeper for determining what investments are prudent and for maintaining just and reasonable rates, and such legislative arbitrary caps can prevent the Company from being timely reimbursed for investments needed to maintain reliable and safe electric service. Moreover, as this committee knows, the current level of inflation is a challenge for the state. Predicting future levels of inflation is impossible. HB 317

attempts to solve this problem by requiring a utility to ask permission every year just to ensure the value of our investments is not eroded by inflation. This is unworkable and any action to counteract inflation should be made by the PUCO based on the most current economic conditions.

There also, unfortunately, significant limits in HB 317 on the ability of utilities to provide the transmission infrastructure upgrades necessary to ensure sites in Ohio remain competitive for development. Companies looking to locate to Ohio demand access to robust infrastructure. The bill allows for utilities to construct infrastructure at sites selected by our economic development partners, but the caps on this spending make it unlikely that these projects will ever be completed.

Despite the extensive comments we have provided as well as several different language proposals, the changes necessary to provide the most benefit to our customers are not reflected in the bill before you and we must oppose it. To be clear, HB 317 in its current form would move Ohio away from ESPs in a way that will both raise rates and result in fewer investments by AEP Ohio. We urge this committee to not move HB 317 until these very serious issues are addressed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Reitter', with a long horizontal stroke extending to the right.

Marc Reitter
President and COO, AEP Ohio