BEFORE THE HOUSE PUBLIC UTILITIES COMMITTEE
REPRESENTATIVE JIM HOOPS, CHAIRMAN

TESTIMONY
OF
KIM BOJKO
OMA ENERGY COUNSEL

MARCH 2, 2022

Chair Hoops, Vice-Chair Ray, Ranking Member Smith, and members of the House Public Utilities Committee, my name is Kim Bojko and I am a partner at the Carpenter, Lipps, and Leland law firm. I specialize in regulatory law and have practiced around the PUCO and energy policy for nearly 20 years. I am here today on behalf of my client, the Ohio Manufacturers' Association. I serve as the chief energy counsel for the OMA.

The Ohio Manufacturers' Association is a mission-driven organization comprised of Ohio's manufacturing leaders, many of which are Ohio's largest energy consumers.

The OMA adopts public policy positions on legislation as a community of manufacturers. Our positions are based on guiding principles, data-driven research and analysis, and member input.

The OMA is opposed to the latest House Bill 317 (HB317) sub-bill. Like previous energy bills, Sub. HB 317 is an electric monopoly's policy wish list. Even worse, the bill is a cloaked attempt at what could be some positive and needed reforms.

First and foremost, the bill does not protect customers from a rate-making process that has been abused.

The Electric Security Plan or ESP process was originally established via legislation in 2008 as a temporary measure to prevent rate shock on generation charges as utilities continued the transition to a mature de-regulated market. Since its creation, however, the ESP process has turned into a mechanism that regulated utilities use to increase costs through numerous above-market charges added to customers' bills.

Unfortunately, the current version of the Sub. HB 317 replaces ESP with a mechanism of a different name that would be neither competitive nor capable of deterring the abuses of the ESP. It would layer costs on customer distribution charges for new charges, including unlimited and undefined transmission costs. The new Competitive Power Plan (CPP) construct would allow unfettered utility investments in products and services that may not be useful to maintaining distribution systems – and that allow the monopoly utilities to undermine competitive markets. Let me build on that problem with some examples.

Electric vehicle (EV) technology is rapidly commercializing, and Ohio is fortunate to have a robust, diverse automotive industry. The conversion to EVs is both a threat and opportunity to Ohio as the number two ranked assembly state for cars and trucks and the number one state for automotive components manufacturing. The OMA supports state policies to aid manufacturers as they adapt to the changing technology. With the ability to store electricity, EVs also promise to play a role in competitive electric markets as a distributed energy resource. To fully unlock EV potential in Ohio, we will need electric tariff reforms and pro-consumer, market-oriented responses to FERC's recent Order 2222 – which allows distributed energy resources such as electric vehicle batteries to participate in wholesale electric markets.

Sub. HB 317 does not provide needed market-based reforms for customers and new technologies like EVs. Instead, it furtively uses EVs as a vehicle for new, unknown, utility costs – a blank check for the monopoly. EVs, with their batteries, can lower utility system costs. Yet Sub. HB 317 only recognizes increases to system costs – and utility revenues.

One of several important lessons from HB 6 is that it is critical to ask the electric monopolies questions – questions such as: "How much will distribution system upgrades cost? Where are upgrades needed? Why weren't the hundreds of millions of dollars in smart grid funds sufficient for these upgrades? If EV batteries can lower electric system costs and improve reliability, shouldn't Sub. HB 317 have provisions for new customer savings, instead of new customer costs?"

While economic development is good for Ohio, new customer charges on electric bills for utility-run, "voluntary" energy efficiency programs, or economic development and job retention programs for undefined and unlimited programs are not. Customers will be left holding the bag for these utility programs that are not related to delivering power. Government-controlled "competitive power plans" – as defined in Sub. HB 317 – is simply too broad and would create more above-market charges for customers, raising rates and hurting Ohio's manufacturing competitiveness. Additionally, existing Ohio law specifically allows for economic development and job retention programs and a defined process exists.

A second reason for manufacturers' opposition to the bill (Sub. HB 317) is that it fails to place Ohio on a path to long-term market-based competition by unnecessarily eliminating the current construct of the Market Rate Offer or MRO.

Eliminating the proposed CPPs and existing ESPs and replacing them with a market-rate offer is sound energy policy. Now that a robust competitive market has fully developed in Ohio, it is time to eliminate the temporary measure and move to a fully competitive market to bring the competitive benefits of free markets to customers.

The third reason for our opposition: This bill does not effectively protect customers by requiring utilities to issue refunds to customers when a utility has been found to have improperly charged captive customers.

The new section is not a true refund provision and fails to correct the caselaw established by the Keco decision.

While Sub. HB 317 appears to partially address the issue, it is really only codifying the current process. The PUCO typically requires charges that are part of a rider – that are later to be deemed unlawful – to be refunded from the date of the issuance of the Supreme Court of Ohio's decision finding the rider to be unlawful.

This provision does not address the issue of a utility collecting unlawful charges for years until the PUCO issues a final appealable decision and the Court issues a decision. The OMA believes the point of a refund provision is to protect customers from the PUCO not issuing decisions for years and then the Court overturning those decisions as unlawful.

When those PUCO decisions are finally overturned, customers are not and have not been able to receive refunds of the money collected that has been deemed unlawful because of Keco. Allowing the PUCO 150 days to rule on the merits of an application for rehearing does not correct this scenario. Remember, PUCO is required under existing law to issue an order granting or denying rehearing within 30 days, but the PUCO simply grants itself more time. Modifying R.C. 4903.10 to eliminate the PUCO's current practice and loophole in the law would be a better approach.

Fourthly, this bill doubles down on HB 6 provisions, codifying subsidies paid by customers to Ohio's electric monopolies for the OVEC power plants, one of which is in Indiana.

The bribery-fueled HB 6 aimed to force customers to pay utilities hundreds of millions of dollars for nothing in return, including unnecessary handouts to nuclear power plant owners, profit padding decoupling charges, and anti-market subsidies for OVEC. The utilities have testified at the General Assembly that OVEC doesn't even receive the handout – they do. And the handout has no impact on whether OVEC stays open or closes. (Earlier in the session, both the House and the Senate wisely acted to repeal two of the three HB 6 subsidies. However, the third major subsidy remains and would be further protected under Sub. HB 317.)

A study commissioned by the OMA found that the subsidies for the OVEC plants had doubled by last summer, costing customers $150M per year. Even when Ohioans were providing $150 million annually, OVEC's utility owners testified that the plants were "economic." Taking the utilities at their word, this means that the OVEC plants struggle to pay their debts even when the plants make money in the market. Recent high electric prices do not yet cover the many hundreds of millions of dollars Ohioans have poured into OVEC and will continue to pay for years to come. And with OVEC's Indiana plant threatened with closure this year, Ohioans could soon be paying even greater costs for a shuttered power plant and possible clean-up costs– in Indiana. A closed power plant makes no money, no matter how high energy prices go. Ohio's utility owners of OVEC should be sophisticated enough to make decisions on their power plant investments, and bear the consequences, without seeking subsidies from customers. Subsidies to protect the OVEC owners should not be included in legislation intended to protect customers.

Remember, customers in FirstEnergy service territories were roped into the bad liability as a provision of HB 6. Why do I bring this up today? Because Sub. HB 317 as it is pending before the committee provides a safe haven for utility owners to continue getting the subsidies from customers.

Repealing the subsidies to OVEC is important as Ohio seeks to position itself as a place that is open for business to innovation and businesses with aggressive sustainability goals. Until OVEC is repealed, the Ohio legislature has decreed that all businesses (and residences) connected to the four investor-owned electric utilities will be required to subsidize these two dirty power plants that contribute unneeded electrons to the grid that supplies our state.

At this time I'd like to address some points made by proponents that fall flat based on our analysis.

Although the sub-bill purports to subject any annual increases to a 3% cost cap, that cost cap is limited to the distribution riders identified in one provision of the sub-bill and applies to the prior year's distribution revenue. Costs collected by these new, undefined riders would be allowed to increase each year without review – by another 3% of distribution revenue. All other distribution and transmission riders are undefined and unlimited and are not subject to a 3% cost cap. Therefore, the protections of the cost cap are understated and, in some cases non-existent.

The OMA supports cost-effective economic development and a strong, competitive Ohio, which can attract businesses, projects, and investments in Ohio. But what role a utility should play and utility-administered economic development programs is a hotly debated subject. These programs are not to be confused with economic development programs administered by state and local governments. The question facing utility economic development programs is what, if anything, is appropriate activity for a utility to redistribute customer dollars in the name of economic development? A secondary question is how much customers should be made to pay and how much measurable benefit should the customer be owed? The issue is compounded by decades of economic development programs harkening back to the era of integrated utilities before deregulations.

Any utility-administered economic development program needs to be reasonable, cost-effective, non-discriminatory, and fair to all customers or potential customers. It also needs to be narrowly tailored as to not be anti-competitive or hurt existing customers who have already invested in the state of Ohio. The economic development program should also be well defined. OMA has some concerns with the vague, undefined language in Sub. HB 317 regarding economic development programs, such as the description of customers with a “distinct energy load profile” – this terminology is meaningless as all customer load profiles are like a fingerprint. Each is distinct.

Additionally, programs that encourage competition, innovation, and create electric system benefits, such as transmission programs and allowing customers to take transmission service directly from their retail electric suppliers, should be expanded, not arbitrarily limited, as Sub. HB 317 appears to do. In other states, such as Pennsylvania, all customers have access to transmission services and billing through competitive suppliers. Ohio already lags behind on this important issue and Sub. HB 317 further narrows and discriminates which customers have access to this competitive transmission pricing. Significant suggested improvements along these lines by OMA were not accommodated in the sub-bill.

Mr. Chairman, we regret that the Committee is seriously considering Sub. HB 317 after all that has transpired in recent years. Industrial customers, like residential customers, have been paying more while utilities and select energy companies have been benefitting.

The latest draft moves even further away from meaningful pro-customer reform. We would be happy to continue to work with the Committee, We believe this bill is a trojan horse that only makes the current environment worse.

If lawmakers are interested in cleaning up the corruption, then the cleansing agent is readily available. Look no farther than HB 247 from the 132nd General Assembly. That bill correctly accomplishes the aspiration expressed by the sponsor to eliminate ESPs and make Ohio more competitive.

Mr. Chairman and members of the committee, that concludes my testimony. I would be happy to elaborate on the specific deficiencies of this legislation or answer any questions. Thank you for considering these perspectives.

As Introduced

132nd General Assembly
Regular Session
2017-2018

H. B. No. 247

Representative Romanchuk

A BILL

To amend sections 4928.01, 4928.04, 4928.05, 4928.06, 4928.14, 4928.141, 4928.142, 4928.144, 4928.17, 4928.18, 4928.20, 4928.23, 4928.231, 4928.232, 4928.31, 4928.34, 4928.35, 4928.542, and 4933.81; to amend, for the purpose of adopting a new section number as indicated in parentheses, section 4928.04 (4928.041); to enact new section 4928.04 and sections 4903.191, 4928.28, 4928.281, 4928.29, and 4928.30; and to repeal section 4928.143 of the Revised Code to require refunds to utility customers who have been improperly charged, to eliminate electric security plans and require all electric standard service offers to be delivered through market-rate offers, and to strengthen corporate separation requirements.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 4928.01, 4928.04, 4928.05, 4928.06, 4928.14, 4928.141, 4928.142, 4928.144, 4928.17, 4928.18, 4928.20, 4928.23, 4928.231, 4928.232, 4928.31, 4928.34, 4928.35, 4928.542, and 4933.81 of the Revised Code be amended;

RUNNERSTONE
INFORMATION IS POWER

MEMORANDUM
September 30, 2021

To: The Ohio Manufacturers' Association
From: John Seryak, PE and Peter Worley

While HB 6's Remaining Provisions Are Debated, Subsidies to Ohio Utilities Double to $150M Annually for Two Aged Coal Plants

Summary

Current law mandates that Ohio's manufacturers and citizens subsidize electric utilities for operating old coal plants, which sells power at nearly twice its market value. About half of the subsidy is to support a coal plant in Indiana. These expensive coal plants provide no corresponding benefit to Ohioans. The subsidy does, however, benefit electric utilities -- AEP Ohio, Duke Energy Ohio, and AES Ohio -- at ratepayer expense, compensating the utilities for their contractual commitments to the plants (i.e., entering a bad contract). These expensive aged coal-fired power plants are partially owned by the utilities via their shared ownership of the Ohio Valley Electric Corporation (OVEC).

The subsidy also benefits FirstEnergy's Toledo Edison and Ohio Edison, which are still shareholders in OVEC,[1] and thus have a material interest in its profitability. FirstEnergy has admitted to bribing the former speaker of the Ohio House and former chairperson of the Public Utilities Commission of Ohio for its financial benefit.[2]

The subsidized power purchases are inseparably joined to the bribery-plagued House Bill 6 (HB 6). The OVEC provision of HB 6 has not been repealed.

Although there has been some interest in reconsidering the subsidy, the subsidy continues to surge, doubling to $150 million per year. At this rate, the law would require Ohio's manufacturers, other businesses, and citizens to pay Ohio's electric utilities an estimated additional $1.4 billion in unearned and unneeded subsidies through 2030. This is on top of about $400 million that Ohio electric customers have already paid.

Key Points

- Annual OVEC coal plant subsidies have surged to $150 million per year.
- At this rate, Ohio's customers could subsidize $1.8 billion in total by 2030. Half of this - nearly a billion dollars - supports a plant in Indiana.
- OVEC plants will not close if the subsidy is repealed, thus there is no jobs or system reliability benefit from the subsidies.
- Utilities charge Ohio customers for above-market costs associated with operating the aged coal plants, and benefit as shareholders.

1 "Ohio Valley Electric Corporation Annual Report - 2020", https://www.ovec.com/FinancialStatements/AnnualReport - 2020 - Signed.pdf, see page 1.

2 Deferred Prosecution Agreement, Case No. 1:21-cr-86, https://www.scribd.com/document/516865597/FirstEnergy-Deferred-Prosecution-Agreement#from_embed

Meanwhile, rationale for the utility subsidy is crumbling due to factors such as the following:

- Proponents of the subsidy profess that it supports Ohio jobs. Yet the OVEC coal plant affirmed the plants will not close if Ohio legislators repeal the subsidies.[3] Thus, the subsidies do not preserve jobs.
- The subsidy was part of a purported "clean air" bill[4]. Yet, the subsidy pays for extra pollution, funneling hundreds of millions of dollars to OVEC, two 1950s-era coal plants with heavy emissions.
- The electric utilities claim the subsidy is a hedge to protect customers from spikes in the electricity market.[5] Yet the subsidy has never yielded a credit to customers.
- The subsidy remains on the law books, purportedly because it was not beneficial to FirstEnergy. Yet, two FirstEnergy subsidiaries are shareholders in OVEC and have a material interest in its profitability.
- Proponents of the subsidy suggest the OVEC plants are needed for reliability. However, the regional electric grid already compensates power plants for reliability, procurring 21% more power for peak times than is needed[6]. If OVEC is needed for reliability, it is already paid by PJM.
- Remarkably, the utilities testified to the legislature in person that the subsidies don't directly benefit the coal plants.[7]

Key Information

- OVEC coal plants are uneconomic.
- OVEC coal plants are not needed for reliability.
- Total subsidies to OVEC are uncapped.

The utilities' testimony demonstrates that the subsidy is designed to cover the losses of the electric utilities' contractual commitments, thus padding their profits, and has strayed from the original proponent arguments of HB 6: to support clean air and Ohio jobs. As a result, manufacturers are paying for two aged coal plants with no corresponding benefits.

The Meter is Running: Ohioans on Target to Subsidize $1.8 Billion by 2030

The OVEC plants are uneconomic. And Ohioans do not need to subsidize OVEC to maintain reliable power supply. Ohio is part of a regional wholesale electric market, PJM. In this market, power generators compete to sell needed electricity to electrical load at any given hour based on price. If a power plant cannot compete on price, then it means there are plentiful electricity generators already meeting the

[3] 6-15-2021 Ohio Senate Energy and Public Utilities Hearing; Time 44:10; https://ohiochannel.org/collections/ohio-senate-energy-and-public-utilities-committee.

[4] The short title of the act is "Creates Ohio Clean Air Program", https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-6

[5] 6-15-2021 Ohio Senate Energy and Public Utilities Hearing; Time 34:50 and 39:03; https://ohiochannel.org/collections/ohio-senate-energy-and-public-utilities-committee.

[6] 2022/2023 RPM Base Residual Auction Results, https://www2.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2022-2023/2022-2023-base-residual-auction-report.ashx

[7] 6-15-2021 Ohio Senate Energy and Public Utilities Hearing; Time 14:10 and 17:40 and 54:20; https://ohiochannel.org/collections/ohio-senate-energy-and-public-utilities-committee.

system needs, at a lower price. Thus, if OVEC cannot compete in markets based on its price alone, it is inherently not needed at those times.

Each year since 2012 OVEC's power prices have been greater than the market value of its power. As owners and sponsors of an inter-company power agreement with OVEC, Ohio's utilities stand to lose billions unless they make different business decisions regarding whether or how to operate OVEC. However, rather than change business practices, Ohio's electric utilities have sought government mandates that require customers to cover their losses. The PUCO first created this mandate in 2017 and granted subsidies until 2023 to 2025, depending on the utility. Rather than protect customers and repeal the PUCO mandates, HB 6 continued and expanded the subsidy through 2030 and reworked its rate design. Also, HB 6 failed to cap total subsidies to OVEC. While some customers' charges were capped, costs were shifted to other customers and any uncollected monies are scheduled to be collected by the utilities after 2030.

Since HB 6 affirmed and expanded the mandate, the cost of the OVEC subsidies has increased, sometimes dramatically, as shown in Figure 1 and Table 1.

Figure 1: Annual OVEC Subsidy Collection

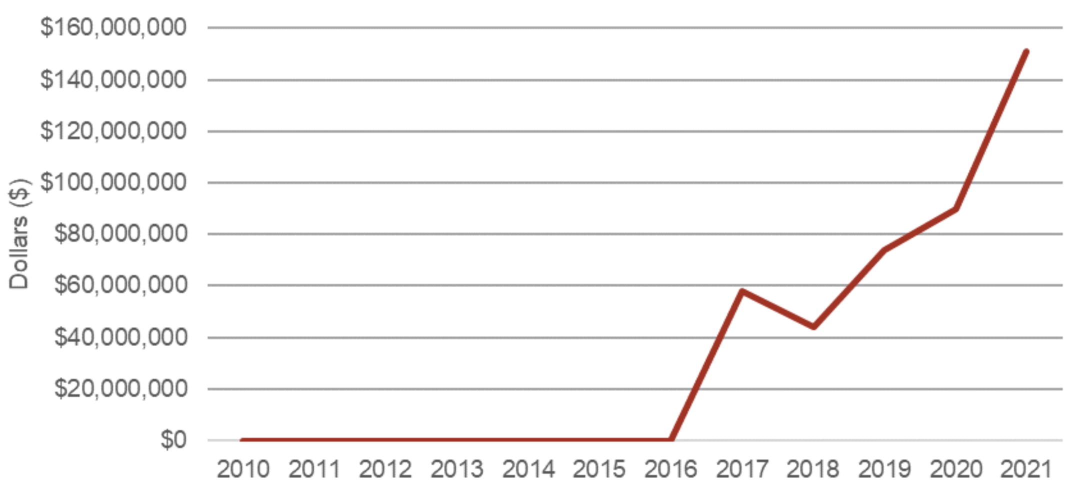


Table 1: Annual OVEC Subsidy Collection

Year	Subsidies to OVEC ($)	Subsidy Granted By
2017	$42,868,858	PUCO
2018	$27,447,386	PUCO
2019	$85,136,721	PUCO
2020	$89,571,982	HB6
2021	$150,705,129	HB6
Total	**$395,730,076**	

Utilities have already collected about $400 million in subsidies for OVEC from 2017 through 2021.[8] Because HB 6 has mandated that Ohioans continue to subsidize OVEC through 2030, at current rates, Ohioans will likely subsidize OVEC an additional $1.4 billion by the end of this period.[9] All together at these rates, the OVEC bill would reach about $1.8 billion.

Prior to 2019, the PUCO authorized AEP Ohio, Duke, and DP&L to add charges to customers' bills to subsidize the OVEC plants.[10] The PUCO authorized DP&L to charge customers through 2023, AEP Ohio through 2024, and Duke through 2025 -- all under different rider names.

HB 6 created a new subsidy that supplanted the previously approved PUCO subsidies. HB 6 continued and expanded the OVEC subsidy by requiring all customers in the state to pay the subsidy and by extending the subsidy to at least 2030. This is known as the "Legacy Generation Rider."

The level of the OVEC subsidy fluctuates yearly based on its operational costs and the wholesale electric market prices. In a study, the Institute for Energy Economics and Financial Analysis (IEEFA) forecasted that OVEC's operational costs would continue to rise, while market prices would remain low, resulting in $110 million per year in subsidies or $1.1 billion over the decade.[11] This estimate was prescient -- OVEC's costs to customers have ballooned to $150 million in 2021.

From 2012 to 2020, OVEC's average weighted price of electricity of approximately $59/MWh[12] was approximately 40% more expensive than the market price of $41/MWh.[13] At these prices, OVEC is a market loser -- to the tune of $1.8 billion. Ohio's electric utilities own about 39% of OVEC and are

[8] 2017-2019 subsidy amounts come from:

AEP Ohio - "Power Purchase Agreement (PPA) Rider" - PUCO Cases 14-1693-EL-RDR, 18-1759-EL-RDR, 18-1004-EL-RDR
2017 - PUCO Case 14-1693-EL-RDR; Entries 6/1/2017, 8/30/2017, 12/1/2017, and 2/28/2018
For example of April 2017 - June 2017 subsidies, see 8/30/2017 Entry, Page 5 of PDF, Column PPA Revenue; Rows 11-13
http://dis.puc.state.oh.us/TiffToPDf/A1001001A17H30B64838A00726.pdf
2018 & 2019 - Cases 14-1693-EL-RDR and 18-1759-EL-RDR; See Figure 16, Column B in London Economic International's audit of the rider.
http://dis.puc.state.oh.us/TiffToPDf/A1001001A20I17B31207C02236.pdf (page 36 of PDF)

DP&L - "Reconciliation Rider" - PUCO Cases 18-1379-EL-RDR, 19-1776-EL-RDR, 20-0165-EL-RDR
November 2017 through 2019 - PUCO Case 19-1776-EL-RDR; Entry 9/16/2019; Page 5 of PDF; Column D
http://dis.puc.state.oh.us/TiffToPDf/A1001001A19I16B63359E02116.pdf

Duke Energy Ohio - "Price Stabilization Rider (Rider PSR)" - PUCO Cases 19-447-EL-RDR and 20-0167-EL-RDR
2019 - PUCO Case 20-0167-EL-RDR; Entry 10/21/2020; Page 27 of PDF; Column I

2020-21 subsidy amounts come from: Correspondence with PUCO Staff

[9] $150 million/year x 9 years = $1,350 million

[10] They were authorized in utility Electric Security Plans (ESP). The corresponding PUCO cases were for AEP Ohio 16-1652-EL-SSO; for DP&L 16-395-EL-SSO; for Duke 17-1263-EL-SSO

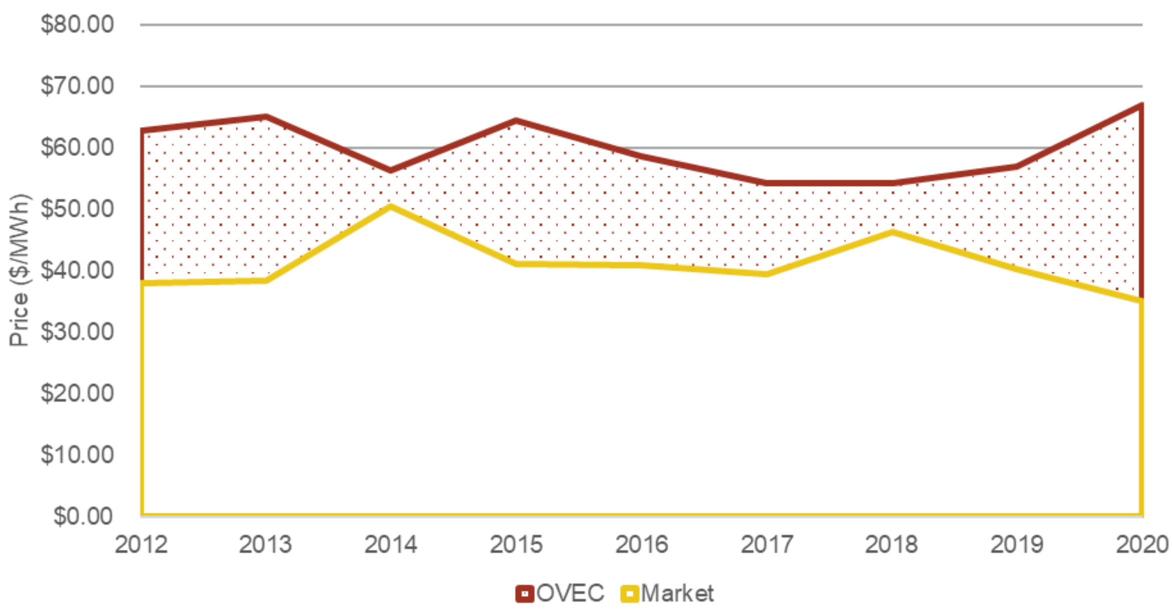
[11] IEEFA 2017 Report
https://ieefa.org/wp-content/uploads/2017/06/Dont-Bail-Out-Retire-OVEC-Coal-Plants.pdf (page 11 of PDF)

[12] Production weighted average. OVEC Annual Report Documents under Section "Power Costs." For example, 2020 Annual Report:
https://www.ovec.com/FinancialStatements/AnnualReport-2020-Signed.pdf

[13] The OVEC and PJM prices include Energy and Capacity. Energy price is the PJM Day-Ahead AEP Zone load-weighted LMP price. Capacity price is the PJM Final Zonal Net Load Capacity Price for the AEP Zone. We assume OVEC had all of its 2,350 MW clear the capacity auction. Prices do not include Ancillary Services because OVEC does not attempt to sell them into PJM currently.

responsible for 34% of the losses.[14] Thus, the utilities' share of those market losses is about $600 million over this period.[15] However, Ohio's electric utilities have successfully asked the PUCO and General Assembly to force Ohioans to cover their losses, rather than make prudent business decisions. As a result, Ohio customers have covered approximately $270 million of those losses through 2020.[16]

Figure 2: OVEC Price Compared to Market



[14] Ownership: Dayton Power and Light Co. (DP&L) owns 4.9%, Duke Energy Ohio (Duke) owns 9%, Toledo Edison owns 4.00%, Ohio Edison owns 0.85%, and Ohio Power Co. (AEP Ohio) owns 19.93%.
Responsible for Losses (a.k.a Sponsoring Companies, a.k.a Power Participation Benefits and Requirements): Dayton Power and Light Co. (DP&L) 4.9%, Duke Energy Ohio (Duke) 9%, Ohio Power Co. (AEP Ohio) owns 19.93%. Note, Energy Harbor is responsible for 4.85% of losses, which is Toledo Edison and Ohio Edison's ownership share. However, Energy Harbor is not a distribution utility and thus its OVEC losses are not directly being recovered through customers.
https://www.ovec.com/FinancialStatements/AnnualReport-2020-Signed.pdf

[15] Each year the difference in OVEC price and market price was multiplied by OVEC's production and by 34%.

[16] $113.8 million through AEP Ohio's Rider PPA from 2017-2019; $16.4 million through DP&L's Reconciliation Rider from 2017-2019; $28.3 million through Duke's Rider PSR.

Table 2: OVEC Price Compared to Market

Year	OVEC Price ($/MWh)	PJM Wholesale Market Price ($/MWh)	OVEC Price Premium ($/MWh)	OVEC Cost Premium ($)	Ohio IOU EDU Share of Cost Premium ($)
2012	$62.87	$37.92	$24.95	$265,000,000	$90,000,000
2013	$65.18	$38.35	$26.83	$288,000,000	$97,000,000
2014	$56.38	$50.45	$5.93	$69,000,000	$23,000,000
2015	$64.40	$41.06	$23.34	$208,000,000	$70,000,000
2016	$58.66	$40.97	$17.69	$176,000,000	$60,000,000
2017	$54.27	$39.44	$14.83	$177,000,000	$60,000,000
2018	$54.29	$46.33	$7.96	$97,000,000	$33,000,000
2019	$57.04	$40.30	$16.74	$188,000,000	$64,000,000
2020	$67.00	$35.12	$31.88	$288,000,000	$97,000,000
9-yr weighted average	**$59.61**	**$41.35**	**$18.26**		
Total				**$1,756,000,000**	**$594,000,000**

The combined production of the two OVEC plants has decreased 38% over the past decade from 14,600,000 MWh in 2010 to 9,000,000 MWh in 2020.[17]

Figure 3: OVEC Electricity Production

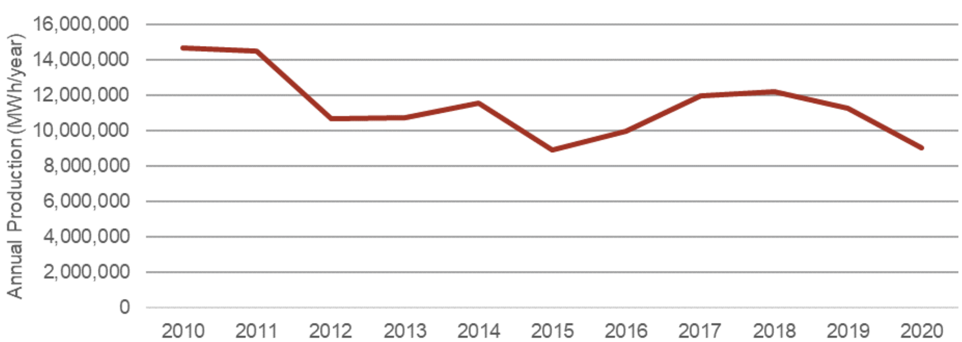


Table 3: OVEC Electricity Production

	Annual Production (MWh/year)		
Year	**Clifty Creek**	**Kyger Creek**	**OVEC Production**
2010	7,898,624	6,740,162	14,638,786
2011	7,948,267	6,514,656	14,462,923
2012	5,945,617	4,688,606	10,634,223
2013	5,610,367	5,129,185	10,739,552
2014	6,062,463	5,493,736	11,556,199
2015	5,225,154	3,681,044	8,906,198
2016	5,030,848	4,934,172	9,965,020
2017	6,037,635	5,899,969	11,937,604
2018	6,369,305	5,801,085	12,170,390
2019	5,722,979	5,515,010	11,237,989
2020	4,375,314	4,651,760	9,027,074

[17] Form EIA-923: https://www.eia.gov/electricity/data/eia923/

Table 4 shows our calculation of OVEC market losses -- and thus the expected subsidy amount -- versus the utilities reported annual OVEC losses, and the amount of subsidy the utilities collected.

Table 4: OVEC Market Losses Compared to Subsidy Amount

Year	OVEC Losses Runnerstone Estimate ($)	OVEC Losses Utilities' Submissions ($)	Subsidies Collected by Ohio Utilities ($)
2017	$36,720,373	$40,323,642	$42,868,858
2018	$32,787,043	$43,052,047	$27,447,386
2019	$63,632,124	$86,385,207	$85,136,721
2020	$97,347,138	$89,571,982	$89,571,982
2017-2020 Total	**$230,486,678**	**$259,332,878**	**$245,024,947**
2021	TBD	TBD	$150,705,129

In some years, the actual subsidy collected is significantly different than our estimate. One possible reason is that utilities under-or over-collect the authorized revenue associated with the subsidy in one year and true up these costs in later years. The utilities must forecast expected losses in advance and then will carry over balances to another year. Another reason for the difference could be due to the utilities incorporating other costs. Unfortunately, the electric utilities determine their own subsidy cost, the calculation of which is confidential, hidden from public view. The utilities collectively requested $150 million in subsidies for 2021.

OVEC's Inter-Company Power Agreement and Outstanding Debt Through 2040 Poses Additional Bailout Risks

HB 6 is silent on OVEC's future after 2030. Still, AEP Ohio, AES Ohio, and Duke Energy Ohio have agreed to contractual commitments to maintain and operate the plants through 2040 via the inter-company power agreement. The agreement has enabled the coal plants to sell energy at a price lower than its costs because the utilities will cover the losses, as highlighted by an audit of the OVEC subsidies performed by London Economic International.[18] If the trend in Ohio policy to cover the costs of OVEC's uncompetitive business continues, and Ohio's electric utilities continue to lose $150 million per year on OVEC in the 2031-2040 timeframe, that is an additional $1.5 billion that Ohio's customers will likely be asked to subsidize. That is $420 million for 2017-2021, $1.4 billion for 2022-2030, and $1.5 billion for 2031-2040.

If Ohio's electric utilities change course and look to cut future losses by closing the OVEC plants, there is still a risk they will seek a subsidy from Ohioans due to outstanding debt.

[18] "[OVEC should] carefully consider when and whether the must-run offer strategy is optimal, as it appears that in some months, it may result in negative energy earnings for the plants."[18] London Economic International's audit of the AEP Ohio PPA Rider., Case No. 18-1759-EL-RDR, Page 53 of PDF.

The PUCO Has Yet To Act on OVEC Audit Findings, Allowing Customers To Be Charged Amidst Clear Signs of Imprudent Costs

In an audit of the AEP Ohio PPA Rider, London Economics International identified several business decisions by OVEC that were questionable and could be deemed imprudent. This intelligence collected from the audit appears to be ineffectual thus far. The PUCO has not reduced payments to AEP Ohio or any other Ohio electric utility for possible imprudent decisions regarding the OVEC operations, has not compelled OVEC to operate differently, and indeed OVEC has not changed important business practices that could lower costs to customers. Amidst clear signs of imprudence by OVEC and its owners, the PUCO has allowed Ohio customers to be charged for their financial losses, nonetheless.

To be clear, OVEC's average price based on its costs to operate is nearly twice that of market rates in 2020. OVEC also creates environmental costs compared to competing generating assets and has no corresponding electric capacity or reliability benefit compared to competing generating assets.

With steep financial losses and no benefit, there is no clear justification for charging Ohio customers to continue to operate the uneconomic OVEC coal plants at a loss; it is not in customers' best interest.