

**Ohio House of Representatives**  
**House Public Utilities Committee**

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General Counsel/Ohio Municipal Electric Association (OMEA)**

Good afternoon, Co-Chairman Stein, Vice Chair Blasdel, Ranking Member Weinstein and members of the committee. My name is Lisa McAlister. I am a senior vice president and general counsel for American Municipal Power, Inc. (known as AMP) and general counsel to the Ohio Municipal Electric Association (OMEA). I am pleased to have the opportunity to be with you this morning to discuss our role in the electric industry.

Both AMP and OMEA are membership organizations that represent municipal electric utilities. Ohio is home to 89 municipal electric utilities, which serve approximately 400,000 customers and represent approximately 5% of the state's electric load. Municipal electric utilities are locally owned and governed by their communities – their customers are their owners.

AMP is the non-profit wholesale power supplier and services provider for 133 municipal electric utilities in nine states. AMP was founded over 50 years ago to help municipal electric utilities leverage economies of scale to provide more affordable power supply, generation and energy-related services. Currently, AMP member utilities serve more than 650,000 customers across our footprint. AMP has resources and load in both PJM and MISO.

Formed in 1962, the OMEA serves as the legislative liaison for 80 municipal electric communities and for AMP. Ohio municipal electric systems range in size from Cleveland Public Power with 73,000 meters to the City of Toledo with a single customer. The majority of our member communities are villages.



AMP and OMEA are both headquartered in Columbus. AMP's commitment to Ohio remains strong, with 84 Ohio member communities and power generation across the state.

Municipal electric systems are often referred to as "public power" because the utilities are part of the local government elected by the local constituents. As a result, in public power communities, the "shareholders" of the system and the customers are essentially one and the same.

Nationwide, there are more than 2,000 public power systems, which provide about 15 percent of all electric sales. Some of the nation's largest cities – Los Angeles, Orlando, San Antonio and Seattle – operate publicly owned electric utilities; however, most public power systems are small-to-medium sized and serve 3,000 or fewer customers.

As non-profit entities, municipal electric systems exist to provide reliable, affordable electric service to their customer-owners. Ohio's municipal electric systems are locally owned, managed and governed. As a result, municipal electric systems are subject to local government oversight by a council and/or board of public affairs – entities accountable to the citizen-owners. Rates, power supply plans, generation investments, policies and procedures are discussed at community council or board meetings.

Ohio municipal electric communities have had territorial or service restrictions since 1912. Under the Home Rule articles of the Ohio Constitution, no more than one-third of a municipal electric system's sales can be outside city or village limits. This places very specific limits on the growth of municipal systems in the state.

Because municipal electric systems are locally owned, managed and governed, under Ohio's electric restructuring law, municipal systems determine whether, when and how to make any structural changes to their distribution systems and generation resources.

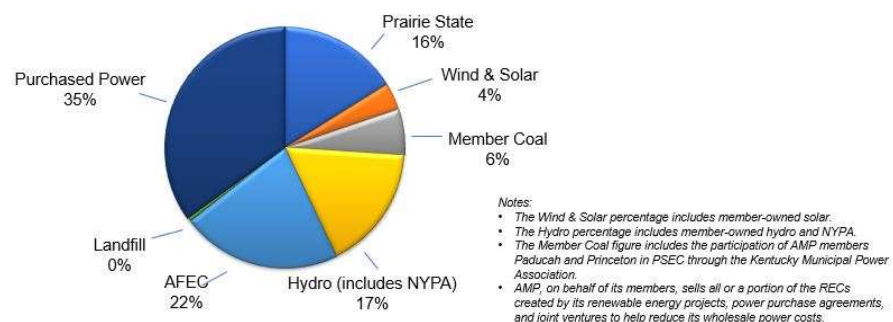
Ohio's municipal electric systems are unique electric suppliers in that, as local government entities, they face public accountability and responsibility standards that other suppliers do not, including the following examples:

- Public purpose requirements (*State ex.rel. Gordon v. Rhodes* 1951, 156 Ohio St. 81)
- Public Records Law (O.R.C. § 149.43)
- Sunshine Law requirements (O.R.C. § 121.22)
- Competitive bidding requirements (O.R.C. § 735.05)
- Conflict of interest standards (O.R.C. § 102.03)

- Intra-fund transfer restrictions (O.R.C. § 5705.14-.16)
- Prevailing Wage Law requirements (O.R.C. § 4115.05)
- Investment restrictions (O.R.C. § 135.14)
- Civil service requirements (O.R.C. § 124.01 et seq.)
- Multiple trade contracting, bidding requirements (O.R.C. § 153.50-.52)
- Local regulation by consumers via referendum and initiative (Ohio Const. Art. XVIII, Section 5; *Middletown v. City Com. of Middletown*, 138 Ohio St. 596 (1941))
- Public hearings on budgets (R.C. 5705.30)
- Public election (or recall) of chief executive officer (R.C. 705.92)
- Public hearing and approval of financing (Ohio Const. Art. XVIII, Section 5)
- Pricing of services must be fair and reasonable and bear a substantial relationship to costs (*Orr Felt Co. v. City of Piqua* (1983), 2 Ohio St. 3d 166, *Amherst Builders Assoc. v. City of Amherst* (1980), 61 Ohio St. 2d 345)
- Prohibition of partnership with a private entity (Article VIII, § 6, Ohio Constitution)

## Power Supply

AMP offers our member municipal electric utilities a diverse portfolio of energy resources, including baseload, intermediate, and peaking generation. AMP's total energy portfolio utilizes coal, natural gas, hydropower, solar, wind, landfill gas and diesel – as well as market purchases. In addition to power supply, AMP offers a variety of services to support our members' efforts to serve their customers, including lineworker and safety training, energy efficiency and sustainability programs. We are also working to ensure our member municipal electric utilities are kept up to date on the new technologies and customer-driven changes impacting the electric utility industry.



In Ohio, AMP has 23 owned or operated generating sites, including the AMP Fremont Energy Center natural gas combined cycle plant, the Greenup hydro plant, diesel engines, natural gas turbines, a wind farm, and utility-scale solar. In addition, we have negotiated power purchase agreements for our member municipal electric utilities for energy from landfill gas, wind and solar resources located in Ohio.

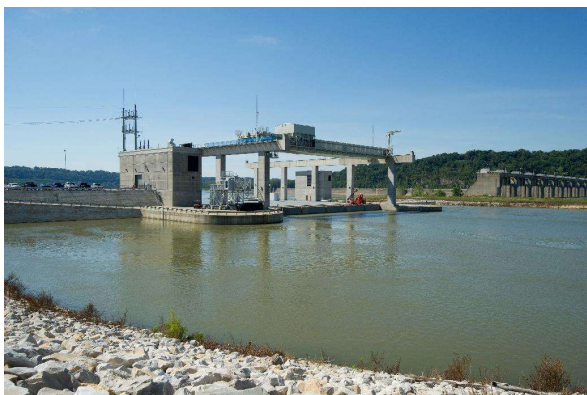
Across the region, we own or operate a number of additional generating facilities. This includes the Prairie State Energy Campus, a 1,600 MW coal fired plant in southern Illinois where AMP is the majority owner, and more than 300 MW of run of the river hydropower at existing locks and dams along the Ohio River and in member communities.



Fremont Energy Center (NGCC), Fremont, OH



Willow Island Hydro, WV



Cannelton Hydro, KY



Diesel Peaking, Napoleon, OH



Prairie State Energy Campus, IL



Solar Phase II, OH

## Key Challenges

As you know, even with the best state-level policies in place, the decisions made by federal lawmakers and regulators have a significant impact on energy markets, and municipal electric systems face many of the same challenges at the federal level as other types of electric utilities.

In addition, because AMP and OMEA member systems are transmission-dependent utilities and rely on the interstate transmission system owned by others to deliver our power to our community distribution systems, we share some concerns with the customer side of the meter on these issues and can find ourselves advocating similar views to industrial customers who operate in the wholesale markets.

To be clear, we support transmission investments that truly benefit consumers and improve reliability. However, the current structure does not provide an appropriate level of transparency and oversight.

AMP members have made transmission one of its top priorities because of the cost increases members are seeing to the transmission component of their bills. In fact, transmission as a percentage of the total bill has nearly doubled over a five-year period beginning in 2015. This was during a period of time when the overall cost of generating power was on the decline.

These increasing transmission costs are having an impact not only on municipal electric systems, but on all consumers in the state. We are concerned about the negative impact these costs will have on all customer classes, as well as on economic development opportunities, as overall energy costs are one of the primary drivers in business decisions. We would be happy to discuss these issues in further detail at a later time.

Thank you again for the opportunity to provide testimony today. I would be happy to respond to any questions.