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BOUNDLESS ENERGY™

October 27, 2021
Before the House Public Utilities Committee
Opponent Testimony on House Bill 351

Chair Hoops, Vice Chair Ray, and Ranking Member Smith, my name is Marc Reitter and I serve as President and Chief Operating Officer for AEP Ohio.

Thank you for allowing me to provide opponent testimony for House Bill 351 (HB 351).

AEP Ohio believes HB 351's provisions related to the Ohio Valley Electric Corporation (OVEC) threaten continued stability and certainty for our customers.

The Legacy Generation Rider extended the ability for AEP Ohio to recover OVEC's costs but enacted monthly caps to the significant benefit of our customers. Since the beginning of collection of the LGR, OVEC has been able to refinance part of its debt at reduced rates, which in turn reduced costs for our customers and avoided the repayment in full of hundreds of millions of dollars in maturing debt. By allowing the LGR to remain in place, OVEC will be able to continue to refinance nearly all its debt at reduced rates and amortize such payments through 2030.

As the committee is aware, OVEC's structure requires unanimity amongst the 13 sponsors seeking to modify its contractual obligations and structure. The money recovered by the LGR is used only to cover OVEC's costs and not to profit the OVEC shareholders.

The LGR provides a clear cost recovery mechanism for the Ohio EDUs that are OVEC owners and that helps reduce OVEC's credit liabilities. This stability provides the owners with significantly more flexibility to discuss the future of OVEC.

Additionally, OVEC's value as a financial hedge against extreme weather events was highlighted during this past winter when over 90 percent of OVEC's units were available at a time of volatile weather and extremely high power prices in regions throughout the country. This winter, the Federal Energy Regulatory Commission and PJM are both expecting energy prices to rise. Current forecasts for PJM show prices may rise in January to double what we experienced in January 2021. We expect OVEC to continue to hedge against these challenging conditions and provide value for Ohioans.

HB 351 would increase uncertainty for AEP's customers, the employees of OVEC and our state's fuel diversity and reliability.

We appreciate the work of the committee and I look forward to answering your questions.