

February 25, 2016

CONTACT: John Shelk  
(202) 628-8200

## **EVEN MORE OHIO CONSUMERS AND POWER SUPPLIERS STRONGLY SUPPORT FERC REVIEW OF OHIO CONTRACTS**

Yesterday (February 24, 2016), EPSA published a *PowerFact* showing a diverse coalition that has weighed in with the Federal Energy Regulatory Commission (“FERC”) in support of the relief sought by the Complaints EPSA and its members with Ohio assets filed at FERC to remove the outdated waivers that stand in the way of FERC review of the affiliate abuse inherent in the proposed Ohio PPAs. From this second *PowerFact*, it is clear that the diverse chorus opposing the PPAs pending before the Public Utilities Commission of Ohio (“PUCO”) and urging FERC to rescind the waivers so FERC can review the abusive PPAs has reached a loud crescendo!

- **AARP OHIO:** “Results from AARP Ohio’s survey of Ohio voters age 50 and over showed that a wide majority (69 percent) said affordable utilities are a very important issue in determining how they will vote. Affordable utilities are a top-of-mind issue for the vast majority (82 percent). In addition, 64 percent of these voters say their income is falling behind the cost of living and cite rising utility costs as a major contributor to their concerns about their future financial security...The Alliance for Energy Choice, a non-profit organization composed of independent electric power producers, also took the pulse of Ohio voters throughout the state. This poll found that more than 75 percent of voters oppose Ohio allowing AEP and FirstEnergy to charge extra to subsidize their power plants. More than 63 percent believe that the request is an “unnecessary government handout that comes at the expense of higher costs for families and businesses.” Of those surveyed, 55 percent also oppose guaranteed profits from the increase.” *AARP States Press Release: Ohioans Oppose Power Plant Bailouts, January 29, 2016.*
- **ALLIANCE FOR ENERGY CHOICE and AARP OHIO:** “Alliance spokesperson Todd A. Snitchler, a former [Public Utility Commission of Ohio] chairman, said, “AEP reported a \$2 billion profit last year, even as the company claims that their plants are not making enough money. Why should Ohioans be forced to pay the company more?” Both Addison and Snitchler said the strong disapproval is impressive since the polls were conducted before either organization started consumer education campaigns. Their organizations are planning ways to join forces to stop the agreements.” Consumers face a double whammy if the Public Utilities Commission of Ohio grants multi-billion dollar bailouts to FirstEnergy and AEP, as proposed. The settlements not only would cost consumers an added charge every month for the next eight years, but they also would hike the cost of nearly everything they buy. Every business that pays a higher electric bill to FirstEnergy and AEP as a result of this bailout will add that expense to the cost of their goods and services.” *AARP States Press Release: Ohioans Oppose Power Plant Bailouts, January 29, 2016.*
- **ARCELORMITTAL CLEVELAND:** “Ohio's Consumers' Counsel estimated the FirstEnergy proposal could cost consumers \$3.9 billion over eight years, while the AEP proposal could cost consumers \$2 billion. ArcelorMittal would face cost increases of more than \$20 million in that eight year span, with no concomitant benefits...If PUCO approves these proposals, it will not only increase costs to customers, but open the door to other proposals that undermine the very basis of deregulation. Such a decision may result in the following: discourage good management practices; constrain competition; and dampen technological innovation in Ohio...The proposals on the table will harm consumer-friendly efficiency of Ohio’s markets and important energy-intensive manufacturers like ArcelorMittal.” *ArcelorMittal Cleveland, a steel and mining company, sent correspondence to PUCO opposing the AEP and FirstEnergy proposals, February 4, 2016 (also filed in the FERC dockets).*

- **BASF CORPORATION:** “The BASF site in Elyria is among the FirstEnergy customers that would be impacted if the draft settlement is adopted. We do not accept the premise for these proposed rate increases via an eight year power purchase agreement, i.e. to subsidize aging and under-utilized generating plants. This runs counter to Ohio’s status as deregulated energy market that allows customers to choose their energy suppliers and thereby promote competitive rates. Competitive rates in turn have helped to generate business investment in Ohio, especially for the business of chemistry, which is energy-intensive...We once again ask that draft settlement not be approved and instead the commission continue to focus efforts on promoting competitive energy rates in Ohio.” *BASF Corporation, the largest affiliate of BASF SE and the second largest producer and marketer of chemicals and related products in North America, sent correspondence to PUCO opposing the FirstEnergy proposal, February 1, 2016 (also filed in the FERC FirstEnergy complaint docket).*
  
- **SUMMITVILLE:** “These two utility monopolies have already received billions of dollars in so called “stranded cost recovery” from their customers as part of Ohio’s transition to a competitive retail electricity market. This new settlement merely shifts more costs and more risk from utility shareholders to utility customers, which is patently inconsistent with the intent of Ohio’s electric restructuring law... Nobody that I know in business is happy about these “sweet heart” settlements with Ohio’s utility monopolies. It is bad for Ohio’s business climate, it will make Ohio uncompetitive even with neighboring state, and put a dagger in the heart of everything John Kasich has done to make Ohio strong again. I urge that the PUCO kill the Power Purchase Agreement Riders.” *Summitville submitted correspondence to PUCO opposing the AEP and FirstEnergy proposals, January 19, 2016 (also filed in the FERC complaint dockets).*
  
- **WHIRLPOOL CORPORATION:** “Whirlpool is the number one appliance manufacturer in the world, with more than 70,000 employees...Approval of the FirstEnergy and AEP settlements will allow both utilities to collect costs, via non-bypassable riders from all customers, to subsidize uneconomical generation plants. These actions would guarantee the profits and cost recovery of FirstEnergy and AEP, and transfer all cost risk to customers for a period of eight years...Competitive electricity markets in Ohio are working for the benefit of all Ohio electricity customers; these deals would be a major setback. Whirlpool Corporation strongly urges the commission to protect competition and ensure electricity customers are not forced to subsidize uncompetitive generation plants.” *Whirlpool Corporation letter to PUCO opposing the AEP and FirstEnergy proposals, January 25, 2016 (also filed in the FERC complaint dockets).*
  
- **OHIO STATE UNIVERSITY PROFESSOR NED HILL:** “The Public Utilities Commission of Ohio (PUCO) should reject the Affiliate Power Purchase Agreements proposed by American Electric Power and FirstEnergy as bailouts and bad public policy. These proposals are about paying above-free-market rates for about 30 percent of the electricity AEP and FirstEnergy generate in Ohio. And, the proposals will transfer all of the business risk in operating these units from the companies’ stockholders and management to all electricity users in their territories—even if they are not customers of the utility.” *Professor Ned Hill, Ohio State University, The Columbus Dispatch, February 18, 2016.*
  
- **INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS:** “FIRSTENERGY IS ASKING OHIOANS TO LOOK THE OTHER WAY AS ELECTRICITY MARKETS CHANGE and as the new energy economy takes root. At the core of the company’s pitch for its ratepayer-subsidy scheme for the four plants mentioned above are overly optimistic outlooks for natural gas prices and electricity prices across PJM. Our report finds that FirstEnergy’s forecasts on both points are misleading and that its subsidy proposal in all likelihood will cost Ohio ratepayers almost \$4 billion rather than saving them \$561 million as the company suggests. The PUCO should deny the FirstEnergy proposal on its merits, and can use this case to send a broader message. Rather than propping up fading energy policies of the past, Ohio has an opportunity now to embrace the development of modern, cleaner and more efficient resources.” *Sandy Buchanan, Executive Director of Institute for Energy Economics and Financial Analysis (IEEFA), <http://ieefa.org/firstenergys-scheme-to-protect-aging-power-plants-in-ohio-will-cost-ratepayers-4-billion-2/>.*

- **BELDEN:** “If approved by the full PUCO, these deals will put an unnecessary and anti-competitive layer of costs on consumers with no commensurate benefits, constrain competition, and dampen technological innovation in Ohio. In addition, both settlements contain other provisions that will increase costs to consumers. The markets for electricity in Ohio are working to the benefit of consumers. These deals are a massive setback to the consumer-friendly efficiency of those markets. Please protect Ohio manufacturers and all consumers in FirstEnergy and AEP territories, the lion’s share of the state in terms of utilities, from this substantial bailout/giveaway.” *Belden, a brick company, sent letter to PUCO opposing the AEP and FirstEnergy proposals, January 27, 2016 (also filed in the FERC complaint dockets).*
  
- **COOPER TIRE & RUBBER COMPANY:** Every day, Cooper Tire competes for business with other American manufacturers and with foreign manufacturers from lower cost parts of the world. Every day Cooper Tire strives to sustain and improve its cost compete[tiv]itiveness through innovation, improved productivity and in some unfortunate cases, staff reductions...all to stay competitive in the global market. And every day, Cooper determines where to allocate its production and resources among its global network of facilities, with cost being a significant factor. To give First Energy and AEP a blank check with these proposed PPAs is fundamentally wrong and a severely incorrect direction for our great state. *Cooper Tire & Rubber Company sent letter to PUCO opposing the AEP and FirstEnergy proposals, January 13, 2016 (also filed in the FERC complaint dockets).*
  
- **CALPINE CORPORATION:** “Calpine wishes to be clear that, like Complainants, it opposes the AEP and FirstEnergy schemes and would continue to oppose them even if a non-affiliated supplier were substituted for AEP Generation and FirstEnergy Solutions. At the same time, if there were going to be a competitive procurement process here, Calpine would fully anticipate participating in that process and can say with a 100% degree of confidence that, if it did, it could offer something substantially more attractive, from the perspective of retail ratepayers, than the Affiliate PPAs. Of course, given grossly inflated pricing of the Affiliate PPAs, that will not be a particularly difficult thing to do. The bottom line is that the Affiliate PPAs are a textbook example of the kind of “affiliate abuse” that “takes place when the traditional public utility (vertically integrated utility) and its affiliated power marketer transact in ways that result in a transfer of benefits from the traditional public utility (and its captive customers) to the affiliated power marketer (and its shareholders).” *Supporting Comments of Calpine Corporation Filed at FERC, February 23, 2016, pp 4-5.*

\* \* \*

*EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers. For more information, go to [www.epsa.org](http://www.epsa.org).*