

[copy/talking points]

Utility Bailouts/Giveaways – Consumer Cost Increases

- FirstEnergy (FE) and American Electric Power (AEP) have negotiated settlements with the Staff of the Public Utilities Commission of Ohio (PUCO) that would create non-bypassable riders – Power Purchase Agreement (PPA) riders - that all customers in each utility's service territory would be required to pay.
- These Power Purchase Agreement (PPA) riders will be used by the utilities to subsidize certain uneconomical (coal-fired and/or nuclear) generating facilities that they, or their unregulated competitive generation affiliates, own, thus eliminating their own cost risk and guaranteeing their profits and cost recovery.
- PUCO staff initially rejected FE's and AEP's PPA proposals due to lack of consumer benefits, but ultimately agreed to amended versions of the PPAs - as well as other costly provisions - after behind-closed-doors negotiations with small groups of stakeholders, many of whose support was contingent on predefined financial benefits.
- If approved by the full PUCO (expected to act in early 2016), these deals will put an unnecessary and anti-competitive layer of costs on consumers, constrain competition, and dampen technological innovation in Ohio.
- 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.
- **Customers will pay higher prices.** The Ohio Consumers' Counsel has estimated that the FE settlement could *cost consumers \$3.9 billion* over the eight-year duration of the PPA, and the AEP settlement could *cost consumers \$2 billion*. Annual rider costs for manufacturers are estimated to range from \$2,843 to \$4,613,562 depending on which utility serves them and how much electricity they use.
- The proposed PPA riders include customer-subsidized **guaranteed utility profits of 10.38% return on equity**.
- Customers will pay a generation surcharge with no new benefits. And they will pay twice for generation service: once for the power they purchase and again for the PPA rider.
- Manufacturers and all businesses will lose access to lowest available market prices, putting them at a disadvantage with competitors in other states.