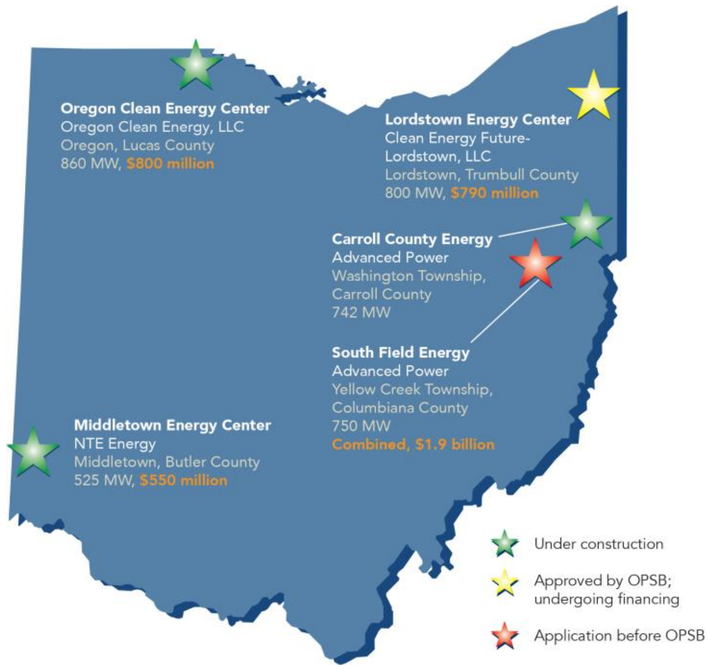
![The Ohio Manufacturers' Association]

Competitive Market is Attracting Substantial New Power Plant Investments in Ohio



In recent cases before the Public Utilities Commission of Ohio (PUCO), utility companies FirstEnergy (FE), American Electric Power (AEP) and Dayton Power & Light (DP&L) sought approval to create non-bypassable riders that would force all customers in each utility's service territory to pay a monthly charge to subsidize the continued operation of certain aging, uneconomic generating facilities owned partially or wholly by the utilities or their unregulated competitive generation affiliates.

Customers would be forced to pay the extra charge even when cheaper power is available and/or customers purchase generation service from an alternative supplier.

In March 2016, the PUCO approved FE's and AEP's proposals that expert witnesses said would cost FE and AEP customers nearly $6 billion over eight years. One month later, the Federal Energy Regulatory Commission (FERC) held that FE and AEP could not transact any power sales under the underlying purchase power agreements without receiving further FERC approval, thereby effectively halting implementation of the proposals. The similar DP&L proposal is pending currently. In the meantime, FE and AEP have submitted new proposals to the PUCO that in varying degrees seek approval to collect from customers above-market charges similar to the previous proposals recently rejected by FERC.

Throughout these cases, the utilities have continued to argue that if Ohio does not act to approve their proposed above-market cost riders, their affiliated generation facilities will shut down, threatening the availability and affordability of electricity for Ohioans. The utilities claim that rejection of such riders would send a clear message to the marketplace discouraging utility investment in new generation assets in Ohio, further compromising our future energy security – and that adequate supplies of generation can be assured only if customers pay certain above-market charges to subsidize continued operation of the utilities' obsolete, unprofitable power plants.

Don't be fooled by the myths that FE and AEP have perpetuated. Look at the facts and judge for yourself.

The utilities continue to try to convince policymakers, regulators and customers that without guaranteed cost-recovery through some form of customer subsidization, investors will not be willing to take on the financial risk of building new generation plants in Ohio.

That assertion is absolutely untrue.

As the map on the preceding page shows, major new power plant investment projects are in various stages of development throughout Ohio. The total economic impact of these new investments can be measured in several ways:

Investment: $4 billion

MW capacity: 3,677

Job creation: 5,807

Contrary to the utilities' assertions, ***markets work*****.** PJM Interconnection LLC's (PJM) energy and capacity markets are sending price signals that ***attract*** investment in new generation.

"Iron in the Ground" Case Study: Oregon Clean Energy Center

The Oregon Clean Energy Center in northwest Ohio will be **a newly built combined cycle gas turbine ("clean") energy plant. Currently under construction,** the plant will provide clean, reliable and competitively priced power for customers.

- The Oregon Clean Energy Center was **developed and financed in direct response to the robust wholesale price signal** provided by PJM's capacity and energy markets.

- PJM **maintains reliability** of the electric power system within its footprint (including Ohio) **through market-based mechanisms.**

- The Oregon Clean Energy Center will contribute **more than $800 million to the economies of the State of Ohio, Lucas County and the City of Oregon** from the facility's construction and during its first 20 years of operations – **without the need for any capital expenditures by government and without any customer subsidy.**

- Construction of the facility will create approximately 500 on-site construction jobs and approximately 450 indirect jobs in Lucas County, as well as approximately 350 additional indirect jobs across Ohio. **In total, the construction will create 1,300 new jobs in Ohio.**

- The **total economic impact of the facility's construction in Lucas County alone is $36 million,** with an additional economic benefit of $50 million across the state.

- **Operating the facility will create approximately 50 permanent jobs**, which will provide an additional $20 million of economic impact in Ohio.

The willingness of Oregon Clean Energy Center investors to commit more than $800 million to this Ohio-based project was predicated on investors' long-term confidence in PJM's competitive energy markets and Ohio's commitment to those markets. **The PUCO and, alternatively, the Ohio legislature must protect the open, competitive markets created by deregulation, which provide reliable, affordable power for Ohioans.**

Bottom line

Policymakers and regulators should reject the efforts by some utilities and their allies to impose non-bypassable, above-market charges on customers as a means of incentivizing new generation. ***It isn't needed.***

Moreover, imposition of such charges by the PUCO would distort the free and competitive marketplace. Further, it would be unfair to companies that are taking investment risks by building new generation in the competitive market.

The fact is, real businesses ***are*** assuming risk and building new generation in Ohio – in spite of the fear-mongering rhetoric of the utilities. FE, AEP and DP&L would have us believe Ohio will not have adequate generation resources unless policymakers act to guarantee profits to the utilities or their unregulated affiliates and to subsidize the continued operation of aging, uneconomic power plants.

PJM has provided a workable competitive market to investors. **Nearly 65 GW of new generation has been built since 2000, and more than 25 GW is committed to be built in the next four years** (some, such as the Oregon Clean Energy Center, already under construction). It appears that investors believe that the PJM energy markets are working, which has led to new merchant investment activity.

As long as PJM continues to provide a level playing field, where all generators compete on equal footing in PJM's energy and capacity markets, investment will continue in the future.

# # #