

FILE

4

RECEIVED-DOCKETING DIV

05-376-EL-UNC

2005 AUG -4 AM 9: 53

PUCO

**TESTIMONY BEFORE THE PUBLIC UTILITIES
COMMISSION OF OHIO**

August 3, 2005

By George Armatas

Good evening, and thank you for this opportunity to express my views. My name is George Armatas, and I live at 3844 Timberview NW, Suite 9, North Canton, Oh., 44720. I am an American Electric Power ratepayer.

I wish to state my strong opposition to the AEP cost-recovery plan for a proposed new electric generating plant in Meigs County that is currently before the Commission. In my view, AEP's request to shift the financial burden for this costly construction to its Ohio ratepayers must be rejected by the Commission. The AEP plan is fundamentally flawed on three grounds: it is unlawful, it is unfair, and it is unreasonable.

As to the first, the plan's illegality: Under SB 3, which took effect in January, 2001, electric generation is no longer a regulated service. The purpose of deregulation was to encourage electricity providers to bring new generation into Ohio to compete with the utilities. For their part, the utilities were to compete in the new deregulated marketplace only after corporately separating their public utility functions from their private, deregulated side. The clear intent of the legislation was to encourage competition by placing outside providers and the utilities on an equal footing.

That concept is stood on its head by the AEP plan. The company is proposing to unlawfully shift all the costs to its Ohio ratepayers,

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
Technician Amr Date Processed 8/4/05

while AEP's investors, who by rights should bear the burden of this new construction, are at no risk at all.

There is no provision in SB 3 that would permit AEP to have its new generating plant paid for by its Ohio ratepayers rather than the true beneficiaries: its shareholders.

Given the unambiguous, clear-cut language in SB 3, I believe the Commission lacks the legal authority to grant the AEP request. If the company and its shareholders want to build a new clean coal plant in Ohio and they expect the ratepayers to pick up the check, they should be asking the Legislature to change the law, not asking the PUCO to ignore it.

Secondly, the AEP cost-recovery plan is fundamentally unfair. It is unfair to the ratepayers as noted above, but beyond that, it also gives AEP a grossly unfair competitive advantage that perverts the concept underlying the deregulation of generation. A competitor would have no opportunity to enjoy the enormous advantage AEP is seeking – transferring all the costs for the proposed new construction to the ratepayers.

Development of true competition in Ohio has been disappointing, in no small part because our in-state utilities enjoy advantages that make it difficult, if not impossible, for outside providers to compete. There has been virtually no customer shopping in AEP's Columbus and Southern utility area and none at all in the Ohio Power area.

Other providers have indicated they would like to build new generating plants in Ohio. The Commission's focus should be on removing barriers to competition, not creating new ones. AEP is seeking a deregulated generation monopoly, paid for solely by its regulated utilities' ratepayers. There could be nothing more anti-competitive than this.

Finally, the AEP plan is unreasonable. Never before have Ohio ratepayers been asked to pay in current new charges for new power construction before it was substantially completed, if not fully operational, particularly with no oversight on the project. AEP is proposing that the ratepayers foot every bill, from the first dollar of R&D to the last dollar before the switch is thrown.

This unprecedented request transfers all the financial risk from the AEP shareholders to the ratepayers. This is new and in many ways unproven technology. Cost overruns and other unforeseen setbacks are not only possible but likely. It is unreasonable to ask the ratepayers to assume all the company's risk.

When generation was still regulated, there was in place a statutory framework for recovering construction costs from the ratepayers. That framework no longer exists, and the AEP proposal seeks to take advantage of that fact by asking the PUCO to make a decision that has no statutory underpinnings. In effect, AEP is asking for a blank check from me and all the other AEP ratepayers in Ohio.

This is particularly galling because there is no guarantee the ratepayers will see any benefit from this project. AEP has not demonstrated that the new plant is needed to serve its Ohio load, and there is no commitment from the company that the new generation would be dedicated to serving its Ohio load. At least two other states were considered as locations for the clean coal plant, so clearly this is not an Ohio-centric proposal.

AEP, a multi-state operation, would be free to sell the generation to the highest bidder. Clearly, it is unreasonable to expect the ratepayers to pay for such a venture. AEP ratepayers have already paid for AEP's current lower cost generation and we ought to get the benefit our hard-earned ratepayer dollars bring.

For the above reasons, I request that the Commission reject this anti-ratepayer, anti-competitive and fundamentally unfair proposal and demand AEP come up with a plan B.

Governmental and shareholder funding would be appropriate for such a new-technology project. Ratepayer funding is not.

Thank you.