

AEP proposal would cause rates to rise

Friday October 16, 2015 5:00 AM

It isn't often that Dynegy agrees with the Sierra Club. But in the case of American Electric Power's request for an income guarantee for several of its electric-generating plants, Sierra Club has it right in Dan Sawmiller's Oct. 9 op-ed "[Customers would pay more to enrich shareholders.](#)"

The opposing op-ed, "[Shuttered facilities could cause rates to skyrocket](#)" by Pablo Vegas of AEP, claimed that its income guarantee through an expensive power-purchase agreement is an insurance policy to protect its customers from a volatile electric marketplace.

However, AEP's proposal is not an insurance policy, it's a "Heads I win, tails you lose" contract, whereby no matter what happens in the electric markets, customers will pay more while boosting AEP's returns to its investors.

AEP alludes to the lack of investment in new electricity generation in Ohio. Dynegy recently spent \$2.8 billion to acquire Duke's Ohio generating fleet. In addition, Dynegy is now making investments to expand those plants, and doing it all without asking Ohioans or the state for a bailout.

Additionally, with the most recent announcement of another new generating plant in Ohio, there are six gas-fired plants in various stages of construction and development in Ohio with a pricetag of nearly \$5 billion. These plants will produce more than 5,000 megawatts of electricity, which is enough to power more than 4 million homes. These investments are a direct result of Ohio's vast low-cost natural gas resources, and they are being developed without a subsidy or bailout. Future investments are less likely if subsidies are handed out to legacy utilities.

Furthermore, Ohio belongs to a regional power grid that allows Ohio to use electricity safely and securely at the least cost. This allows Ohio's business and residential consumers to invest more in their own communities. Even AEP cited the advantages of belonging to a regional power grid when it first joined: greater access to low-cost generation for consumers.

Dynegy does agree with Vegas and AEP on one point: They cite the mass exodus in manufacturing jobs from the state of California as electric rates have skyrocketed there. The high rates in California are a byproduct of its regulatory policies, many of which closely resemble the scheme that AEP is asking Ohio to adopt. Ohio should take note from California: No one ever regulated their way to prosperity.

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