



Columbus Southern Power and Ohio Power Proposed Power Plant

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, supports Integrated Gasification Combined Cycle (IGCC) technology as an environmentally friendly and potentially lower cost option for a coal-fired plant over the long run. The OCC also supports locating an IGCC plant in Meigs County because of the economic development benefits it will bring to the region. The OCC does not want to slow down the construction of the plant or prevent an IGCC plant from being built in Meigs County. Our primary goal is to ensure that residential customers are not asked to assume all of the financial risk associated with the companies' proposal.

What is Integrated Gasification Combined Cycle (IGCC)?

IGCC is a newer, clean power technology that removes pollutants from coal and natural gas before it is burned to create electricity. This technology reduces harmful emissions like nitrogen oxide, sulfur dioxide, carbon dioxide and mercury.

In March 2005, American Electric Power's two operating companies, Columbus Southern Power and Ohio Power, filed a proposal at the Public Utilities Commission of Ohio (PUCO) to build and recover costs from consumers for an IGCC power plant in Meigs County.

How much will the new power plant cost?

The price of a similar plant proposed by AEP in West Virginia is estimated at \$2.2 billion and will cost billions more to operate once it is completed. The Ohio companies have proposed to collect a large portion of these costs from residential consumers before the power plant is finished.

What will be the impact on my electric bill?

The companies propose multiple cost recovery phases:

- **Phase I (1/1/06 – 12/31/06)** – an estimated \$23.7 million in research and pre-engineering costs (or construction preparation) that would be collected from customers through a generation rate surcharge. Customers who purchase their electricity from a competitive supplier would not have to pay these costs.*

In April 2006, the PUCO approved AEP's proposal to collect its Phase 1 costs from consumers. The charges began in July 2006 and ended in July 2007.

Estimated yearly impact on a customer's bill (based on a customer using 850 kWh per month):

Columbus Southern Power	\$7.82
Ohio Power	\$5.30

- **Phase II (Pending AEP request)** – Carrying charges on construction costs would be collected from customers through a generation rate surcharge. Customers who purchase electricity from a competitive supplier between 2007 and 2010 would not have to pay these costs.*
- **Phase III** (Once construction is completed in mid-2010 and through the life of the plant) - construction plus operation costs that would be charged to all customers through a distribution rate surcharge.
 - ▶ Impact on monthly bills is unknown at this time.
- All of these costs would be **in addition** to automatic generation rate increases that began in 2006. Ohio Power customers will see a 21 percent increase or more than \$6 a month by 2008. Columbus Southern Power customers will see a 9 percent increase totaling an additional \$3 per month by 2008.

**Under the proposal, a customer who chooses an alternative electric supplier can avoid paying costs associated with Phase I and Phase II. However, if the companies undercollect their costs during either of these phases, the balance is rolled into Phase III. Therefore, those customers who select an alternative electric supplier may end up paying some of these costs anyway.*

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Are customers being asked to pay all the costs?

Yes. In a regulated environment, with few exceptions, customers have paid for a power plant only when it began generating electricity and not before. The companies are asking to recover some of the costs from consumers to construct the new power plant before it is completed and before it starts to produce any electricity.

Are there other IGCC power plants?

In the United States there are IGCC plants in Indiana and Florida in addition to several other locations throughout the world. The Columbus Southern Power and Ohio Power proposed IGCC plant will be the first in Ohio and the largest ever built.

The OCC's Position

If the additional phases of the companies' application are approved, the Office of the Ohio Consumers' Counsel requests that the following modifications be made to the companies' proposal to protect residential consumers:

- Require the companies to file additional details about the design, costs, efficiency and reliability of the IGCC plant.
- Cap the construction costs that customers will be asked to pay.
- Create a mechanism to share any profits earned from the sale of IGCC by-products with consumers.
- Move the proposed cost recovery out of distribution rates and into the generation rates, which would allow customers purchasing power from a competitive supplier to avoid these costs.
- Establish performance-based criteria for the plant so that if the plant only operates 80 percent of the time, then customers would pay less.
- Guarantee that the proposed 1,900 construction jobs and 125 permanent jobs will remain in Meigs County.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at www.pickocc.org.

The Office of the Ohio Consumers' Counsel is an equal opportunity employer and provider of services.

For additional information from the Office of the Ohio Consumers' Counsel:

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