BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan	**)))**	**Case No. 16-0395-EL-SSO**
In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs	**)))**	**Case No. 16-396-EL-ATA**
In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority Pursuant to Ohio Rev. Code § 4904.13	**)))))**	**Case No. 16-397-EL-AAM**

Direct Testimony of Tyler Comings

Public Version

On Behalf of
Sierra Club

November 21, 2016

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q Please state your name, business address, and position.

A My name is Tyler Comings. I am a Senior Associate with Synapse Energy Economics, Inc. (Synapse), which is located at 485 Massachusetts Avenue, Suite 2, Cambridge, Massachusetts.

Q Please summarize your work experience and educational background.

A I have eleven years of experience in economic research and consulting. At Synapse, I have worked extensively in the energy planning sector, including work on integrated resource plans, costs of regulatory compliance, and economic impact analyses. I have provided consulting services for many clients including: U.S. Department of Justice, District of Columbia Office of the People's Counsel, District of Columbia Government, Hawaii Division of Consumer Advocacy, Maryland Office of the People's Counsel, New Jersey Division of Rate Counsel, West Virginia Consumer Advocate Division, Illinois Attorney General, Nevada State Office of Energy, Sierra Club, Earthjustice, Citizens Action Coalition of Indiana, Consumers Union, Energy Future Coalition, American Association of Retired Persons, and Massachusetts Energy Efficiency Advisory Council.

I have provided testimony on electricity planning issues and economic impacts in the District of Columbia, Hawaii, Indiana, Kentucky, Ohio, Oklahoma, Maryland, and New Jersey.

Prior to joining Synapse, I performed research in consumer finance for Ideas42 and economic analysis of transportation and energy investments at Economic Development Research Group.

I hold a B.A. in Mathematics and Economics from Boston University and an M.A. in Economics from Tufts University.

My full resume is attached as Exhibit TC-1.

Q Please describe Synapse Energy Economics.

A Synapse Energy Economics is a research and consulting firm specializing in energy and environmental issues, including electric generation, transmission and distribution system reliability, ratemaking and rate design, electric industry restructuring and market power, electricity market prices, stranded costs, efficiency, renewable energy, environmental quality, and nuclear power.

Synapse's clients include state consumer advocates, public utilities commission staff, attorneys general, environmental organizations, federal government agencies, and utilities.

Q On whose behalf are you testifying in this case?

A I am testifying on behalf of Sierra Club.

Q Have you testified before the Public Utilities Commission of Ohio previously?

A Yes. I testified on the electric security plan ("ESP") filing made by Ohio Edison Company, Cleveland Electric Illuminating Company, and Toledo Edison Company (Case No. 14-1297-EL-SSO).

Q What is the purpose of your testimony?

A I was retained by Sierra Club to review the application of Dayton Power and Light ("DP&L" or "the Company") for approval of an electric security plan ("ESP").

My testimony focuses on the Company's proposed Distribution Modernization Rider ("DMR") and the value of the Company's coal fleet.

Q Are there any exhibits that accompany your testimony?

A Yes. I am attaching Exhibits TC-1 through TC-8.

Q **Please summarize your testimony.**

A My testimony focuses on the value of and outlook for the Company's coal assets, which include the Conesville, Killen, Miami Fort, Stuart, and Zimmer plants as well as its share in Ohio Valley Electric Corporation ("OVEC"), and the impact of these coal assets on the outlook for the Company. I demonstrate the following key points:

1. Several of the Company's coal assets have been determined to have no value and to be unreliable. Despite clear signals from the other co-owners that some of these plants have no value and recurring reliability issues, the Company continues to plan on investing more than [redacted] in capital investments at these plants over the term of the DMR.

2. Ratepayers should not subsidize the Company's risky investments totaling [redacted] over the next seven years in its mostly low-value coal generation. The Company finds itself in a difficult financial situation in part because of its ownership of these coal units. Despite mostly poor performance in recent years [redacted] it is planning to invest significant capital in these assets.

3. The Company proposes to charge ratepayers—through the DMR—over $1 billion and continue to [redacted] on coal generation in the future. Conesville, Killen, and Stuart plants are expected to [redacted] the Company [redacted] over the seven-year term. Ratepayers should not facilitate a recovery for the Company—or its parent corporations—when the companies have no apparent plan to reduce their reliance on these uneconomic coal units, and instead plan to continue to drain resources and expose themselves to further risk by continuing to invest in these coal plants.

4. The Commission should not approve the Company's request absent a binding commitment to transition away from these coal units, which would improve the Company's and its parent corporations' financial footing.

II. <u>SUMMARY OF THE PROPOSED "DISTRIBUTION MODERNIZATION RIDER"</u>

Q What is the Company proposing in the Distribution Modernization Rider?

A The Company is requesting a seven-year non-bypassable Distribution Modernization Rider ("DMR") that would charge ratepayers $145 million per year—over $1 billion over the term of the rider.[1] It claims that the cash flow from this rider would be used [redacted] to pay down debt for DP&L and DPL, Inc. ("DPL", DP&L's parent company). The stated goal of paying down the debt is to improve the Company's and its parent's capital structure, in order to stabilize or improve their credit ratings. The Company claims that stabilizing or improving these ratings is necessary in order for DP&L to be in a better position to finance investments in transmission and distribution.[2]

Q How much of the Distribution Modernization Rider would go towards transmission and distribution investments?

A A [redacted] portion of the DMR could go towards transmission and distribution. [redacted] of the cash flow from the rider will go to the parent company (DPL) as shown in the breakdown below. After providing debt reduction at DP&L and dividends to DPL, only [redacted] remains for transmission and distribution investments, which under the proposal the Company is not required to do.

[1] Direct Testimony of Craig L. Jackson, filed October 11, 2016, p.12, lines 13-14.
[2] *Id.* p.12, lines 17-18.

[redacted]

[redacted]

"Distribution Modernization Rider" is a misnomer. The Company expects that [redacted] of the funds from the DMR would to go to DPL, while the [redacted] is expected to go towards the Company's own debt payments. By [redacted] is left over for investments in transmission and distribution [redacted] out of the $145 million annual charge to ratepayers.

III. <u>SOME OF THE COMPANY'S COAL PLANTS HAVE BEEN DETERMINED TO HAVE NO VALUE AND ARE UNRELIABLE</u>

Q Does DP&L's coal generation directly serve customers' load?

A No. DP&L co-owns five coal-fired plants that sell energy, capacity, and ancillary services into the PJM wholesale markets. These plants and the Company's share, shown in parentheses, include: Conesville Unit 4 (16.5%), Killen Unit 2 (67%),

[3] Direct Testimony of Craig L. Jackson, filed October 11, 2016, p.16, lines 13-14.

Miami Fort Units 7 and 8 (36%), Stuart Units 1-4 (35%), and Zimmer Unit 1 (28.1%).[4]

The Company also owns a 4.9 percent share in the Ohio Valley Electric Corporation ("OVEC"), which owns two coal plants (Clifty Creek and Kyger Creek). The generation from these plants is also bid into the PJM energy, capacity, and ancillary services markets.

Q Do the Company and its parent company plan on moving most of these assets to a different subsidiary?

A Yes. The Company has recently applied to the Federal Energy Regulatory Commission ("FERC") to transfer ownership of its share in these assets to an unregulated affiliate, AES Ohio Generation.[5] Dynegy co-owns all five coal plants while AEP co-owns Conesville, Stuart, and Zimmer only. The Company's share of OVEC is not included in the proposed transfer to AES Ohio Generation.[6]

Q How are the Company's coal plants related to the DMR proposed in this proceeding?

A The poor performance of its coal fleet (as a whole) has contributed to the situation in which the Company now finds itself. In its review of DP&L and DPL, S&P offered a negative outlook after weighing the "lower-risk regulated [transmission and distribution] T&D business" with "higher-risk merchant generation operations that is subject to increased competition."[7] Part of the designated "higher-risk" was due to "lack of fuel diversity."[8] Mr. Jackson also refers to low capacity and energy prices as key factors contributing to the "negative outlook"

[4] DP&L-SSO 0005984.
[5] DP&L and AES Ohio Generation, Application for Authorization under Section 203 of the Federal Power Act and Request for Waivers, U.S. FERC, filed August 25. 2016.
[6] *Id.* Footnote 10.
[7] S&P Global, August 8, 2016, DPL Inc. And Dayton Power & Light Co. Ratings Affirmed, Off Watch; Outlook Negative. DP&L-SSO 0007685 - DP&L-SSO 0007692. Exhibit TC-2.
[8] *Id.*

for the Company.[9] The revenue produced by the fleet is subject to PJM capacity and energy prices, which have been low in recent years. Energy prices have been low due in large part to low natural gas prices. Capacity prices have been lower than many anticipated in the most recent PJM Base Residual Auction. Thus the plants have produced low amounts of revenue in recent years and are a contributor to DP&L's and DPL's difficult financial situation.

The Company expects these trends to continue but has not fully re-assessed the plants' futures under these conditions. As I will discuss in further detail in the next section, the Company has assumed that continued operation of these plants and further investment of [redacted] of dollars in capital projects (including for environmental compliance) is the path forward. I disagree.

Q Have the co-owners of the coal fleet re-assessed the futures of some of the same coal assets?

A Yes, in part. Co-owners of the Company's coal generation are taking significant write-offs or considering selling their shares in the plants due to the low value and poor reliability of these plants. AEP and Dynegy have a more realistic view of the value of these coal plants, though for Conesville at least the Company agrees with its co-owners that this plant is worth $0.[10]

Q Has AEP recently evaluated its merchant coal fleet—including Conesville, Stuart, and Zimmer?

A Yes. AEP's merchant coal generation includes shares in the Conesville, Stuart, and Zimmer plants (with the Company) as well as shares in the Cardinal and Oklaunion plants.[11] AEP recently ran a cash flow analysis on these five plants (which it refers to as the "Merchant Coal-Fired Generation Assets") using its own

[9] Direct Testimony of Craig L. Jackson, filed October 11, 2016, p.7, line 20 through p.8, line 17.
[10] AES, SEC Form 10-K 2015, p.172. Available at: http://www.annualreports.com/Company/the-aes-corporation
[11] AEP also co-owns Conesville Units 5 and 6, which are not co-owned by DP&L.

forecasts of capacity and energy prices as well as assumptions for future capital investments. AEP's analysis:

> [R]esulted in projected negative cash flows. Based on this result, coupled with the significant capital investments necessary to comply with environmental rules to allow the Merchant Coal-Fired Generation Assets to operate to the end of their currently estimated depreciable lives and the joint-ownership structure of these facilities, management determined **the fair value of these assets was $0.**[12]

AEP had previously valued its merchant coal fleet at $2.14 billion—including its share of Conesville, Stuart, and Zimmer plants. However, when looking at the value it could recover from these plants in the future, it determined that this value was $0. Thus it took a substantial "asset impairment" (i.e., write-off) of the entire value of these plants.

The Company agrees with AEP regarding the value of Conesville. In 2013, it took a $26 million asset impairment after it determined the plant "to have zero fair value using discounted cash flows under the income approach."[13] However, unlike AEP, it has not offered a recent public assessment of Stuart and Zimmer.

Q Has Dynegy recently evaluated its merchant coal fleet—including the Stuart plant?

A Yes. Dynegy owns a share of all five of DP&L's coal plants. Dynegy has determined that the Stuart plant is worth $0, as it described below:

> In the third quarter 2016, we held strategic discussions with our partners, including the operator, concerning changes to our long term views of required maintenance and environmental capital expenditures, as well as discussing the profitability of the facility.

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[12] AEP, SEC Form 10-Q, 2016 Third Quarter, p.150. Emphasis added. Available at: https://www.aep.com/investors/FinancialFilingsAndReports/Filings/docs/AEP10-Q-3rd-2016.pdf
[13] AES, SEC Form 10-K 2015, p.172. Available at: http://www.annualreports.com/Company/the-aes-corporation

> As a result of these discussions, combined with consistently poor reliability and a determination that the facility would experience recurring negative cash flows, we concluded the facility will not recover its book value, thereby failing the recoverability step of an impairment analysis. Due to the recurring nature of the forecasted negative cash flows, **we fair valued the asset at zero**....[14]

Dynegy's conclusion that the Stuart plant was valued at $0 led it to adopt an asset impairment of $55 million. Dynegy has indicated that it is interested in owning the Miami Fort and Zimmer plants outright while giving up its interest in the Conesville, Killen, and Stuart plants.[15]

DP&L recently took an asset impairment on the Killen plant but it maintains a positive fair value of $84 million but has not offered a similar public assessment of Stuart, Miami Fort, or Zimmer.[16]

Q Has Dynegy expressed concerns with the reliability of its Ohio coal fleet?

A Yes. In its analysis of the Stuart plant's value, Dynegy mentioned "consistently poor reliability" as a determinant that the plant had no value. In its quarterly reports to investors, Dynegy provides a breakdown of the percentage of time each plant is: 1) operating (net capacity factor or "Net CF"), 2) on a planned outage (i.e., scheduled maintenance), 3) on a forced outage (i.e., down for unplanned reasons), or 4) not operating for economic reasons (i.e., uneconomic). The latter occurs when the plant is available but not called upon to dispatch because it is too expensive.

[14] Dynegy, SEC Form 10-Q, 2016 Third Quarter, p.20. Emphasis added. Available at: http://www.dynegy.com/investors/sec-filings

[15] S&P Global, "Dynegy stock pummeled after 2017 guidance and deleveraging pitch falls short," Available at: http://marketintelligence.spglobal.com/our-thinking/news/dynegy-stock-pummeled-after-2017-guidance-and-deleveraging-pitch-falls-short. Exhibit TC-3.

[16] AES, SEC Form 10-Q, 2016 Third Quarter, p.19. Available at: http://www.aes.com/investors/financial-reports-summary/default.aspx

In Figure 2, I have summarized Dynegy's quarterly reporting of the performance of the five coal plants it co-owns with DP&L, by year.

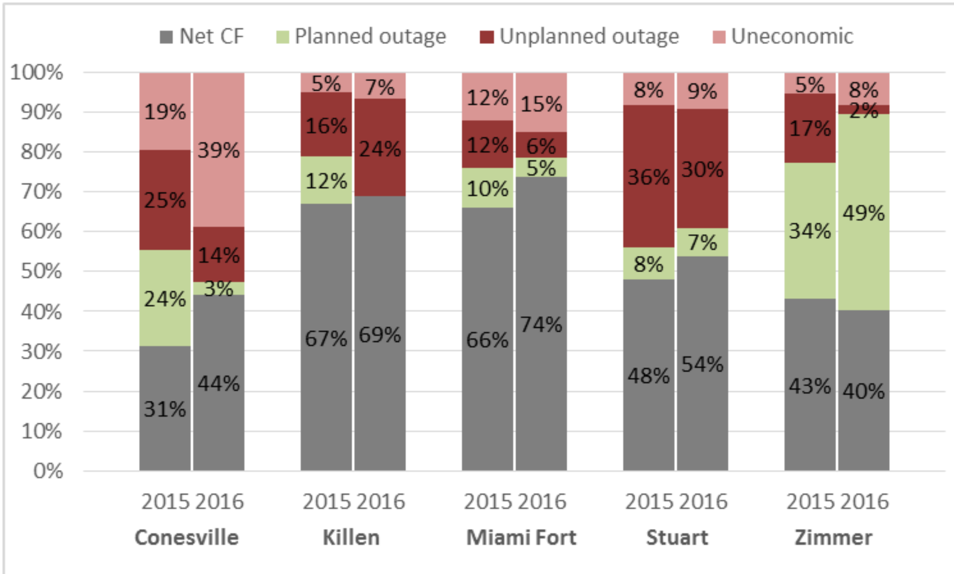

Figure 2: Dynegy Reporting of Coal Plant Performance[17]

It is readily apparent from this data that Conesville, Killen, and Stuart are unreliable assets. In both 2015 and 2016, all three plants were on a forced outage more than 14 percent of the time. The Stuart plant failed to operate due to a forced outage about a third of the time over the past two years. This means that the plant is unavailable for unplanned reasons, such as equipment failures, for one out of every three hours. While the Conesville plant has had fewer unplanned outages than Killen and Stuart this year, the plant was still uneconomic 39 percent of the time in 2016.

Q Are these plants unreliable compared to other generation in PJM?

A Yes. To put the performance of Conesville, Killen, and Stuart in perspective, I have compared the forced outage rates of these plants to all steam generators

[17] Dynegy 2015 Annual review and 2016 Quarterly Reviews. 2016 data is based on Q1 through Q3. Available at: http://www.dynegy.com/investors/presentations-events. Exhibit TC-4.

(mainly coal) and all generators in PJM in 2016. The forced outage rate for steam plants in PJM is approximately 10 percent while it is 6 percent for all generation types. Conesville is forced out about twice as often as the average PJM generator; Killen is forced out about four times that level; and Stuart is forced out at almost five times that level (or three times the level of all steam generators in PJM). Thus it is easy to see why Dynegy is concerned with the Stuart plant in particular and would prefer to cede its share of this plant to DP&L.

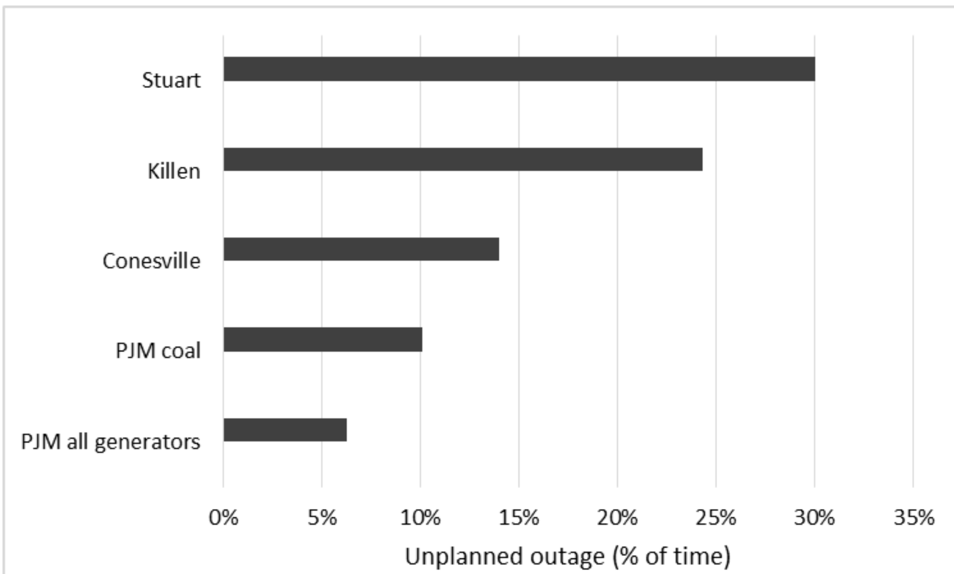

Figure 3: Unplanned Outage Performance in 2016[18]

Q Given the poor reliability and plummeting value of some of the Company's coal assets, has it re-assessed the future of these plants?

A Not in this proceeding. The co-owners of these assets have assessed their value and reliability, and in some cases, discussed giving up their ownership of the plants. The Company has taken write-offs of the Conesville and Killen plants in

[18]Monitoring Analytics, LLC, State of the Market Report for PJM: January through September 2016, Table 5-19, November 10, 2016. Available at: http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2016.shtml. Exhibit TC-5 (excerpt)

recent years but has not re-assessed the future of Miami Fort, Stuart, and Zimmer. Despite this, the Company still plans to invest [redacted] of dollars more in its coal fleet [redacted]. This is especially troubling for these two plants given that both AEP and Dynegy have determined that Stuart has no value; while Dynegy maintains a small valuation of Killen, and has shown both plants to be unreliable.

IV. <u>RATEPAYERS SHOULD NOT SUBSIDIZE THE COMPANY AS IT CONTINUES TO PLAN MORE RISKY INVESTMENTS IN COAL GENERATION</u>

Q Does the Company project that its coal fleet will produce a positive free cash flow over the term of the DMR?

A [redacted]. The Company projects that it will [redacted] in the next seven years in terms of free cash flow[19]—shown below in CONFIDENTIAL Table 1. Of the five plants, only Miami Fort is expected to produce a [redacted] free cash flow. The [redacted] free cash flow (or [redacted] free cash flow in the case of Miami Fort) is driven by two key factors: 1) most of the plants are expected to [redacted] to compete in the wholesale market and 2) the plants require [redacted] capital investments in the short-term in order for them to continue to operate.

CONFIDENTIAL Table 1: DP&L Projection of Free Cash Flow from Coal Generation ($ millions)[20]

[redacted]

[19] "Free cash flow" is the operating cash flow minus the capital investments.
[20] DP&L 00007958

[redacted]

Q Does the Company expect that the plants will become more competitive in the future compared to recent years?

A On the whole, [redacted]. The Company has forecasted [redacted] in energy prices; however, the production costs for the plants also [redacted] Thus the energy revenues and variable costs of the plants are both expected to [redacted]. The result is that, on average, the plants are expected to operate [redacted] than they have in the past five years—as shown in [redacted].

Of course this differs by plant. Killen and Miami Fort are expected to run [redacted]. Conesville, Stuart, and Zimmer are expected to have some [redacted] (In the case of Zimmer, it had an extended planned outage in 2016 which led to a low capacity factor in that year.) The Company expects that the OVEC units will experience a [redacted] despite their poor performance in the past few years and despite the fact that they are among the oldest in the country, having gone into service in the mid-1950s.

[redacted]

Q Do the Company's assumptions about future production costs explain why certain plants are expected to run more or less often?

A Yes. Production costs include fuel and variable operations and maintenance ("O&M") costs. The lower the production costs, the more competitive coal generation becomes and the more often PJM will dispatch those units. The Company has projected shifting production costs (shown below in CONFIDENTIAL Table 2) over the term of the DMR. These shifts—along with the Company's expectation of [redacted] natural gas and energy prices—explain the projected capacity factors shown above in [redacted]. For instance, Conesville production costs are expected to [redacted], which would [redacted] how often PJM would dispatch those units after 2019. (Also note that

[21] Sierra Club 3rd Set RPD-34 - Attachment 2 - HIGHLY CONFIDENTIAL - Outside Counsel's Eyes Only. Exhibit TC-6. Historical capacity factors are from EIA plant level data (available at: http://www.eia.gov/electricity/data/browser/) and unit data from EPA AMPD (available at: https://ampd.epa.gov/ampd/).

these are nominal dollars, i.e., unadjusted for inflation.) Miami Fort's production costs also [redacted]. These unexplained [redacted] are curious at best, especially since the Company is predicting a [redacted] in coal costs (per ton) alone over the same period.[22]

The production costs for Killen, Stuart, and the OVEC units [redacted] over the seven-year period—as one would expect given that most of these costs are related to fuel, which are expected to [redacted] per ton. Collectively, the production costs of the plants tend to [redacted] over that period—with the OVEC units becoming the [redacted]. Given the poor performance of the OVEC units in the recent past, I find it highly [redacted] that they will [redacted] as the Company expects and as these plants continue to age.

CONFIDENTIAL Table 2: Production Costs by Plant ($/MWh)[23]

[redacted]

Q How much net operating cash flow are the plants expected to produce from an operating standpoint over the seven-year period?

A The five plants co-owned by the Company are expected to produce [redacted] over the seven-year period in terms of cash from operating activities—essentially revenues minus operating costs. Unlike "free cash flow," this measure, does not

[22] Direct Testimony of David J. Crusey, p.3, lines 11-12.
[23] The sum of "Direct O&M" and "Fuel costs" from DP&L 00007958 divided by projected generation in IEU 10th Set INT-10-65 Attachment 1 -- HIGHLY CONFIDENTIAL - Outside Counsel's Eyes Only. Exhibit TC-7.

include capital expenditures. Shown in CONFIDENTIAL Table 3, these net operating cash flows are indicative of the Company's expectations of plant performance given its assumptions of production costs, energy, and capacity prices.

CONFIDENTIAL Table 3: Projected Net Operating Cash Flow ($ millions)[24]

[redacted]

Q Does the Company plan on making significant capital investments in its coal fleet over the term of the DMR?

A Yes. The Company has more than [redacted] in capital investments planned at the five plants—shown in CONFIDENTIAL Table 4 below. Note that this only includes the Company's share of ownership. Thus the total capital investments—paid by all owners—at the plants are well over [redacted]. Almost [redacted] of the Company's own capital spending [redacted] is for environmental compliance costs at the Killen and Stuart plants.

CONFIDENTIAL Table 4: Planned Capital Investments ($ millions)[25]

[redacted]

[24] DP&L 00007958. The Company did not produce cash flow for the OVEC units.
[25] *Id.*

[redacted]

Q Does the net operating cash flow of the plants produce enough to cover these investments?

A [redacted]. CONFIDENTIAL Table 5 shows the "free cash flow," which takes the operating cash flow and subtracts the capital investments required at the plants. This is a common metric used in reporting financial health. It is the first metric addressed to shareholders in AES's (the Company's ultimate parent) 2015 annual report.[26] AES states that it believes:

> [T]hat free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditure as defined by our businesses, that may be available for investing or for repaying debt.[27]

Each plant except Miami Fort is expected to have a [redacted] free cash flow over the seven year term of the DMR. In total, there is a [redacted] free cash flow over the DMR-term. The biggest [redacted] come from the Killen and Stuart plants. Together with Conesville, all three plants generate [redacted] in free cash flow. Despite continued lackluster performance and reliability issues with these plants, the Company is planning to invest [redacted] of capital in them and will not make that back anytime soon.

[26] AES 2015 Annual Report, p.3. Available at: http://www.annualreports.com/Company/the-aes-corporation
[27] *Id.* p.8

CONFIDENTIAL Table 5: DP&L Projection of Free Cash Flow from Coal Generation ($ millions)[28]

[redacted]

Q Should ratepayers subsidize DP&L and DPL through the DMR while these companies make these investments?

A No. Ratepayers should not pay to boost or stabilize the Company's, and its parent's, credit rating so that it can invest [redacted] more in plants that are [redacted] and have reliability issues. Indeed, the Company's coal plants are a significant driver of its negative economic condition and outlook. Absent a plan transition away from its valueless generation units, ratepayers should not be forced to subsidize the Company or DPL. Even while it proposes to continue its business as usual, the Company proposes to charge ratepayers—through the DMR—over $1 billion, all while it continues to [redacted] on coal generation. S&P claimed that the Company's transmission and distribution activities were "lower-risk" while its generation fleet was "higher-risk" in part due to "lack of fuel diversity."[29] Going forward, Fitch claims that:

> Rating downgrades at DPL could be triggered by the absence of timely regulatory support in Ohio and/or continued challenging market conditions for its merchant generation business.[30]

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[28] DP&L 00007958.
[29] S&P Global, August 8, 2016, DPL Inc. And Dayton Power & Light Co. Ratings Affirmed, Off Watch; Outlook Negative. DP&L-SSO 0007685 - DP&L-SSO 0007692. Exhibit TC-2.
[30] "Fitch Affirms DPL and DP&L; Outlook Revised to Negative," July 12, 2016. DP&L-SSO 0007672 - DP&L-SSO 0007675. Exhibit TC-8.

This vicious cycle must end. The Company should re-evaluate its plans for the Conesville, Killen, and Stuart plants and determine a different path forward. Otherwise, they will continue to [redacted] the Company's limited resources and pull down the Company and its parent's credit rating. Investment in other energy resource types (such as renewable energy including wind and solar) could alleviate concerns about "fuel diversity" and potentially provide positive free cash flow to the Company.

V. FINDINGS AND RECOMMENDATIONS

Q What are your findings?

A My key findings are the following:

1. Several of the Company's coal assets have been determined to have no value and to be unreliable. Despite clear signals from the other co-owners that some of these plants have no value and recurring reliability issues, the Company continues to plan on investing more than [redacted] in capital investments at these plants over the term of the DMR.

2. Ratepayers should not subsidize the Company's risky investments totaling [redacted] over the next seven years in its mostly low-value coal generation. The Company finds itself in a difficult financial situation in part because of its ownership of these coal units. Despite mostly poor performance in recent years [redacted] it is planning to invest significant capital in these assets.

3. The Company proposes to charge ratepayers—through the DMR—over $1 billion and continue to [redacted] on coal generation in the future. Conesville, Killen, and Stuart plants are expected to [redacted] the Company [redacted] over the seven-year term. Ratepayers should not facilitate a

recovery for the Company—or its parent corporations—when the companies have no apparent plan to reduce their reliance on these [redacted] coal units, and instead plan to continue to drain resources and expose themselves to further risk by continuing to invest in these units.

4. The Commission should not approve the Company's request absent a binding commitment to transition away from these coal units (including Conesville, Killen and Stuart), which would improve the Company's and its parent corporations' financial footing.

Q What are your recommendations?

A For the reasons I have discussed above, I recommend that the Commission deny the DMR. However, if Commission approves the Company's request it should require a binding commitment to transition away from its low-valued and unreliable coal units at Conesville, Killen, and Stuart. This would improve the Company's and its parent corporations' financial footing.

Q Does this conclude your testimony?

A Yes, it does. However, I reserve the right to update or supplement my testimony based on new information that may become available.