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INTERVIEW TRANSCRIPT

Former AMP President/CEO shares insights on development of AMP's generation assets

AMP recently interviewed Marc Gerken, retired AMP president/CEO and AMP Wall of Fame honoree, on AMP's growth in generation assets and membership during his 20-year tenure at the helm of the organization as well as his thoughts on key milestones in the organization's history.

AMP: Before you joined AMP, you worked in Napoleon, and you served on the AMP Board of Trustees at the time. Can you talk about that experience with the organization? What was happening then, and how did you come to be involved in the Belleville project as a Board member?

Gerken: I was probably 37 at the time. I actually had just come over to full-time employment as an engineer at the City of Napoleon, and then they decided that I should be the interim city manager. ... I thought I didn't really want to do that, but they said, "Now you have to go down to Columbus to be on the Board at AMP, because we have a Board seat, so you need to go down to represent us." ... I went down for the first meeting, came back and I told my wife, "Man, that is a fascinating industry, and a really dynamic organization." ... But I also recognized I didn't know a lot about the Board. I will give a lot of credit to the Mike Weadocks, the Bill Lyrens, the Bob Dupees, those type of people, George Pofok. ... If you had a question, you'd ask them, and you'd get filled in on what was going on. I learned pretty quick. ... I always said this to my staff, "If you show up for a meeting in my office, don't be a wallflower. You're there for a reason. Do something, okay. Make comments, make suggestions." It's the same way when you're on a Board. And so, I was active; I was pretty engaged. I wasn't afraid to ask questions after about the third or fourth meeting. ... At the time, Ken Hegemann was CEO. And I was a civil engineer; I knew the construction side, so I kind of evolved into being on the JV5 Construction Oversight Committee. Darryl Stockburger at the time was chairing that, and I was co-chair. Ken got me very involved during the construction at the end in a lot of (the) meetings that they had with the contractors and being the representative for the Board. Ken understood what I could do, and Ken was a dynamic person, very, very educated, very detailed. That helped me forge a good relationship with Ken as well, and so that carried on then. At the time the Board was concerned about Ken retiring in years to come, so they created a position of VP of business and operations. And I applied for it and luckily got the job. ... It was actually fun for me even on the Board to be engaged in the JV5, let alone just the AMP Board. It was a big, huge learning curve for me, even going forward as we built out our other projects.

AMP: While we're on the topic of Belleville, were there things that you learned working on that project that helped you when AMP got to the other hydro projects?

Gerken: Once we went through that, I understood two things. You better have a realistic schedule, and you better know your schedule to make right decisions. And you need to be able to make changes as you go because things are going to come up. When projects last four to five years, something bad may happen, and you have to be

prepared for it. We went into our other ones a little bit more educated, but you always have to understand even (that) some other impacts can happen. And we had some other impacts on our other projects because of the (U.S. Army) Corps of Engineers. You need to remain flexible, but you need to own your schedule, and you have to have a realistic schedule.

AMP: When you first became president and CEO of AMP, what goals did you set for yourself and for the organization. At the time, were those goals related to the development of generation assets and growth in membership?

Gerken: Well, (my) first goal was to not let Ken Hegemann down. Strategic planning needs analysis. We were asset poor, meaning all we owned was really Gorsuch. And the markets were moving, so we needed to make some changes. The other thing that I felt we needed to do is AMP needed to be financially stronger, as well as its members. When I say that, I don't mean that they weren't, currently. But we weren't demonstrating that. We didn't demonstrate to rating agencies and other people, power supply people, that (we) had creditworthiness. ... Bob Trippe was our CFO at the time, and Bob and I put together a plan to do credit scoring for our members, and then also build better relationships up with banks and the credit facilities, because at the time, we really didn't have a very large line of credit. We knew, because we were going from cost-based rates to market-based rates and transmission was changing; we just need(ed) to get financially healthier, and that means demonstrating better credibility, better liquidity, and that type. ... Between the assets, the financial strength, that led to one of the things that I said, (which) was we need to grow. ... But our growth for me was really the megawatts. ... The growth as we went forward was probably one of my number one issues. I thought we would be able to position ourselves better. And it did work out for us when it came down to it. We increased our line. At one time, it was \$750 million; we reduced that about three years before I retired to about \$650 (million) because we didn't need all of it for construction and everything else. But the credit scoring has been good for us from a rating agency perspective. And the other thing I really did say is, "Don't go in and make really big reorganizational changes." I understood my staff; I understood their strengths. I always have said, surround yourself with people that are smarter than you, and you'll be fine. You know, let them do their work, and you'll be fine.

AMP: Can you talk a little bit more about the deployment of the run-of-the-river hydro projects. Why were those projects so critical for AMP at that moment in time? And why did you feel so strongly about pushing for hydroelectric power?

Gerken: Because of the success of Belleville, how well it operated and everything, we really said, "Let's look at the 10 top sites in the Ohio River in our neck of the woods, and have MWH evaluate them." And what we ended up with is the evaluation showed that Meldahl was the number one site, and then Cannelton, Smithland and Willow Island, and Hamilton was working towards the Meldahl project. I think it was the success of JV5, the fact that hydro is 50 to 64 percent available, meaning you're going to get that many hours out of the year. It's usually on peak. It's not up and down. ... We just felt like that was a good portfolio, and it was renewable. And we knew how to run them. We knew about them, and so we had a strong push to get those done. And our membership signed up for them. My push really (was for) a long-term asset. Belleville's debt runs off in eight years plus or minus; I can't remember exactly. But that plant's going to run for another 50 years. It's a long-term asset. If you could spread that debt out 80 years like the plant's going to run, and some plants even run 100 years, you

have a more attractive actual output price. That's why I push for it. I'm a true believer in hydro. These projects will pan out well in the long term, and most people managed a small piece of this in their portfolio.

AMP: **It was a huge undertaking to build all of those at the time. Can you talk a little bit about that effort as well as the effort to market these projects to the members?**

Gerken: I don't think the subscription was that difficult from that perspective, because a lot of them were in JV5. A lot of them saw the value in it, and some of the newer members that came in also saw the value in it, (and they) weren't in JV5. So probably the biggest thing was getting these projects through the Corps. ... It was taxing on AMP and its consultants and everybody else that tried to push this. I was at the Pentagon twice, talking to the Corps and trying to push these things through and it just was like trying to push a boulder up a hill. And we finally got it, but you would think they would have learned after one project, but each project after that took as long. ... It was a big lift that we didn't anticipate because Belleville was finished in 2000. So, we didn't see that permitting side when we started that in '93. So, when you do these projects now, you have to consider worst-case risk, what could happen? ... But all in all, we got them done. We finished them, and they're running well. Their performance as far as output is good. ... We have a good hydro fleet. We have some good people running those fleets. We'll gain a lot going forward from that from productivity.

AMP: **What was that period of time like when AMP was deciding to let in other members from other states, and how did you as the president and CEO work with the Board to guide that along?**

Gerken: At first when we were going out of state with the members ... we decided we needed to go do more analysis and bring to the Board a better analysis with a spreadsheet, or criteria, and so that when a new member was coming in, they understood the credit-scoring program; they understood they needed to target six months of cash reserves for operating, all those types of things, and (they had) the understanding of what AMP does and what they don't do and our understanding of them. That helped the Board a little bit, and we also had to show where we could give that member value and vice versa. ... It was difficult when we moved from AMP-Ohio to AMP. ... And I could understand all that, but we also demonstrated what it was doing for the organization. That growth, that revenue, it made us more sophisticated. We could belong to the TEAs. We could do a better job. We did better risk analysis, all that stuff. The growth of the organization was tremendous. ... The growth was good in the fact that we brought in Michigan South Central Power Agency. We brought in Blue Ridge; DEMEC came in. All those organizations brought quality Board members, that really (were) an asset to AMP and its other Board members. I don't think any of them let anybody down, quite frankly. They were very good acquisition from a Board perspective.

AMP: **Now, as AMP grew beyond the boundaries of Ohio, we developed a new project structure. Can you talk about the significance of that and how it came about, why it was important, and what did it enable AMP to do?**

Gerken: There's two things to this. We started out with Belleville, and that was a joint venture. So, it was 42 members owning the project, not AMP, and that was successful. It was the way to get it started. But we found going forward, and John (Bentine) was pretty instrumental in part of this, (that) it wasn't well received from the investment community

and the rating agencies. ... It was tough to do reporting and stuff like that for 42 members, and so we decided to go away from that and have AMP do project structuring, project structure and ownership and then have contracts out with our members. And those same contracts had take-or-pay and the step-up provisions, which really got us better ratings and lower debt costs, as far as that goes. But also, we started in with out-of-state, so it really made sense doing it that way. It's worked out fairly well. We don't co-mingle those projects. We quickly made those projects; your allocations were percentage. We made decisions. It was based on percentage. We even have a Fremont (AMP Fremont Energy Center or AFEC) gas hedging committee that's separate, that makes those decisions and is a weighted vote for that, from that perspective. So, we learned a lot. The joint JVs were okay, but we found out that that's not the structure that we should really head to in the future, and we felt it benefited us to (move) to AMP controlling the projects with strong contracts behind the members. We went to quarterly meetings, (and) they were very engaged. All these projects were reported out to the Board every month, and then we'd have quarterly meetings for the participants, and then anything major we have, we would bring the participants in and explain it and make decisions if we had issues to determine.

AMP: When you think about AMP's 50-year history, what key milestones do you see as critical to AMP's success?

Gerken: The Gorsuch project is one milestone I am most proud of. That was an old plant that they acquired. It ran well. It was four units, 200 megawatts of 50 MW apiece, but it was old. And when I was there, we quickly put a plan in to say what happens. We had a consent decree issued (from the U.S. Environmental Protection Agency). And we were going to get faced with increasing costs. ... We changed, mixed up power supply coal to try to be competitive, but as we went farther and farther, we knew that plant wasn't going to run forever, and so we quickly put together a plan that we would collect in advance while it was operating the cost to unwind this whole thing. And so, in 2010, we closed that plant. We did a very good; an excellent job in two things: We had collected enough that we were able to deal with all the employees the right way. As part of this consent decree, and this was a pretty important thing, we were studying energy efficiency with VEIC, and we were close to trying to take that program to the members. But to do it, it was going to take \$15 million of commitment from the members. It (was) an interesting dynamic, but we were at the first meeting (with the EPA), and I was sitting next to John Bentine, and the meeting didn't go well. They wanted that plant closed, and we didn't want that plant closed right now, you know; we didn't want to do it. But we knew that at the end of the day, we were going to be faced with penalties. ... We really made lemonade out of lemons, from that perspective. That was a milestone, in my opinion, because we transitioned it properly.

I would say (the) Fremont acquisition, the combined cycle plant (was a milestone). That plant was being built by an independent power producer ... our Board and our members reacted fast, and they got a hell of an asset. We had to finish about 65 percent of it, but we got the thing done. It's been a good project; it's running well. That was a huge milestone for the organization as well.

AMP Transmission, we all said this, we should have done this 10 years ago, but that's a big hurdle. (AMPT) is a big milestone for our members. The Oracle upgrade, they didn't get (it) done while I was there, but we were in the process. But to me, that is a big milestone for us that we really needed badly to really be more cost effective. That's a big thing, and the new leadership at AMP right now is a big milestone.

AMP: Looking back on your 20 years as president and CEO, what accomplishments are you most proud of?

Gerken: AFEC is one (an accomplishment most proud of). If we had not structured ourselves financially and had the wherewithal and our strength with our members and our Board, we would have missed that opportunity. And we bought that thing at a realistic price. We really did, and it's been a very good asset for us from that perspective. The hydro is a big one. Long term, it's going to be a tremendous asset. One of the other things (is) we did a better employee engagement survey and then extended it into action plans. And we took it to a third party. I think our employees were more comfortable making comments, and it's a better tool now for staff and executives to look and say, "We need to change," and then put the committees back together of staff to make those changes and then implement new strategies. ... The Board did a really good job on developing, with myself and Rachel (Gerrick, AMP senior vice president and general counsel of corporate affairs), a good strategic plan for my replacement. We were ahead of that. It was thorough. It was done well by a third party; it gave the Board the tools to make decisions on it. That was a real big milestone, too.

AMP: While you were at the helm of AMP, you built a national reputation as an industry leader, serving on the boards of several different organizations like APPA, The Energy Authority, Hometown Connections, the Large Public Power Council, National Hydro Association. Can you talk about those experiences and what you learned, and how AMP and its members gained from your leadership and participation in those groups?

Gerken: I will always say to AMP, you need to commit the resource, meaning the personnel, as well as the members should, of having that seat on the APPA board ... because you really find out the inner workings of APPA and what they really do for their members. One of the things that we felt strongly (about) even is, we did dues restructuring and we actually took on the payment of the annual fee for each one of our members. But we felt strongly that the value was there, and our members were very receptive of that. They (APPA) do a lot of work behind the scenes, that you don't necessarily see, on the Hill and even on the transmission side, so the value there is tremendous. The Energy Authority ... right now, they're doing a lot of innovation work for all their owners. The whole key was to keep our staff as engaged as possible in some of these things. ... The LPPC, it was always going to be good for the CEO to be part of. What I saw in it was LPPC has a lot of subcommittees, environmental and all the way down, cyber and all that, that I felt like our staff could get a deeper relationship with some of the LPPC members as well as be engaged in that, seeing what's going on. I thought it was good for us, plus, it's good to be able to go to the Hill on commonality with LPPC and talk with all those big utilities. You have a little bit more clout that way, and as well with APPA. The Hydro Association, they have a diverse ownership of generators, manufacturing, engineering, lobbying, and others. So, the Board was kind of mixed, and we really restructured the way the Board operated. They do excellent work on the hydro side for us. And then we went in with some other owners and acquired Hometown Connections. It's going to be good. The Board wanted more national exposure, and so that was something that I got engaged in, and we did a pretty good job of. You can't do that without having good staff to carry the load back home. ... I did a lot of presentations at Wells Fargo and JP Morgan when they would have power summits, but at the same time, they would have investor meetings. I made a purpose of attending as many of those as I could. ... Those are things that really brought our

national awareness. There was a confidence level from that perspective, and overall, that helped us tremendously.

AMP: You spent much of your career dedicated to preserving and protecting public power. Why was that so important to you?

Gerken: Early on, I was a civil engineer at first, and I graduated and right away went into the consulting side of the business. I worked for a fairly large consulting firm. Through my young career, until I even got to a point where I was in Napoleon, I spent a lot of time with municipals on the infrastructure side — water, wastewater, roads, bridges, that type of thing. I guess I got a good education on municipal government, villages, cities. I had a strong appreciation of how they worked. ... When I had the opportunity, the electric side was very fascinating. ... I saw where there was a need for organizations like AMP, and American Public Power Association, the national trade association, and other joint action agencies to help these communities wade through some of these complex issues and kind of protect them from transmission, power supply and those type of things. That's the initial passion I had about government, and then it carried over into the electric side with that cooperative approach. For me, it truly was kind of a passion, and I've been doing that my whole career.

AMP: Why is it important for people to understand this history of the organization and the history of all these hard-fought battles? And 10, 20, 30 years down the road, what do you think will be important for future AMP employees and members to know and understand?

Gerken: Well, history is important. Our membership changes all the time. I don't always say you should repeat history, but you should understand history. What I did is (I) dug into the bylaws and the minutes of all these meetings early on, and you wouldn't believe the battles these guys were doing. And so, it's an appreciation. Now, those battles change to different types of battles ... and you have to understand how you got here and how you're going to go forward. There are probably not a lot of things that are going to be repeated because cost-based rates aren't coming back. It's market-based rates. Transmission's going to change, but you need to understand why the organization is where it's at and how it works a little bit and how the governance works. And, you know, the people that succeed in public power always have this passion. You're out there to enhance members' value by doing all different kinds of services, as well as power supply. You need to understand how we got where we got and why we did it. ... If you looked at the markets in 2006 and 2007, there were reasons why decisions were made. It's always good to go back and understand the organization. Most importantly, you need to understand your members. You need to understand how the government structure works, why AMP's government structure is where it's at. And it'll probably change a little bit as we go forward. But, know the organization and what separates it from the investor-owned side, the cooperative side and the municipal side, the public power side. It's going to be new; it's not going to be what we're doing today, but you have to understand how this organization got there (and) why, and the "why" is to provide value to the members.

AMP: Now, looking into the future, what do you think will be important for AMP and its members to focus on? Is there a specific technology or form of generation or anything where you foresee future growth for the organization?

Gerken: The AMI is one that we'll see more growth. Cyber is going to be here for a long time, and communities that don't think they're going to be a target are going to be a target. And we need to make sure that we protect them and educate them why they need to do it. It's not just "Sign up to do this." Educate whoever it is, why this is benefit(ing them) and how they can implement. There are going to be micro grid influences between batteries and solar. Just the infrastructure, you're going to see more build out on EVs (electric vehicles). That's going to put some pressure on distribution systems as well. Transmission is another one, and with the AMP Transmission, that's a heck of an asset that AMP has. It needs to make sure that as it grows into that, (that) it does it in the right fashion. And staff —COVID and everything has changed the dynamics in HR and in how people are going to work and do things. Working through those hurdles will be very important. ... With our solar behind-the-meter, we're positioned very well if storage, battery storage, becomes a little more cost effective, that we can play into that a little bit. Going forward, our behind-the-meter assets are going to prove significant. I'm a big believer in micro grids. I believe that at some point, you're going to see it even more in the residential build-out, smart communities, that type of thing. EVs eventually will start moving, especially if the automotive people are going to start making all EVs by, you know, 2030. That'll have a huge play. What's critical is that AMP, whether it's through TEA or internally, continues to look at innovation to make sure that their members are getting their bang for the buck going forward and not just jumping into the latest technology. They need to make sure that it's a long-term asset; to feel comfortable that there's enough due diligence done on some of this stuff before they just jump into the newest fad. Having that due diligence is critical going forward, and AMP's tie with TEA will help. Hometown Connections could be part of that as well.

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