
House Bill 15 of the 136th General Assembly
Testimony of Christopher Hollon, AES Ohio
Before the House Energy Committee

February 26, 2025

Chairman Holmes, Vice Chair Klopfenstein, Ranking Member Glassburn, and members of the Energy Committee, thank you for the opportunity to provide opponent testimony on House Bill 15.

My name is Christopher Hollon, and I am Senior Counsel for AES Ohio. I have represented the Company for more than a decade in matters before the Public Utilities Commission of Ohio, including three distribution rate cases.

We at AES Ohio share the goal of Chairman Holmes to ensure that Ohio citizens have reliable, resilient, and affordable energy. Ohio's energy system should support strong economic growth, increase personal well being, and improve quality of life for all Ohioans. We further believe that thoughtful, balanced reforms will support that aim. Although we are concerned with aspects of House Bill 15, we believe that common sense updates to the rate case process could make us supportive. We look forward to working collaboratively with the sponsor and the Committee on this important piece of legislation.

AES Ohio, formally The Dayton Power and Light Company, serves over 530,000 customers in west-central Ohio. Our 2,900 employees and retirees have served as the backbone for reliable and affordable electricity across a 6,000 square mile service territory in 24 counties for over 100 years. Our Dayton roots mean that we are completely invested in the Miami Valley community. AES is a US-based, global power company giving us a unique perspective to develop and deliver energy solutions. We use this global experience to bring innovation and a broad range of solutions to Ohio.

As you know, there are three components of the electric grid: Generation, Transmission, and Distribution. Since deregulation, Generation is provided by unregulated suppliers. AES Ohio and the state's other electric distribution utilities do not generate electricity for retail customers. Instead, we are responsible for delivering that electricity to customers safely and reliably over our Transmission and Distribution systems. We are the critical link between the competitive market and customers.

To provide that essential service, supporting our existing customers and economic development, AES Ohio must regularly make significant investments in our Transmission and Distribution systems. To acquire the funding that is necessary to do so, there must be a fair and efficient process for setting just and reasonable rates – both for utilities and customers. That process should provide predictable, gradual rate changes for customers.

While our Transmission rates are regulated by the Federal Energy Regulatory Commission, our Distribution rates are regulated by the Public Utilities Commission of Ohio. Today, our Distribution rates are set through two primary Commission proceedings: base distribution rate cases based on past investments, and Electric Security Plans, or ESPs, which allow quarterly updates for certain, limited investments.

Although criticized, ESPs have provided significant customer benefits by enabling utilities to make timely, regular investments in their Distribution systems, supported by and consistent with defined state policies. It is no accident that our current ESP is the result of a near-unanimous settlement including 17 parties with varied interests, many of whom are also proponents of this bill.

Despite our concerns about the elimination of ESPs and other aspects of this bill, we believe that including ratemaking modernization provisions would result in a more transparent, efficient, and holistic approach to ratemaking.

Ratemaking Modernization

AES Ohio supports modernization of the ratemaking process. Specifically, we support swifter resolution of rate cases at the PUCO. Rate cases can and should be resolved within 275 days. A “shot clock” on PUCO decisions could help ensure that utilities and customers get predictable and reasonable rates in a timely manner.

AES Ohio also believes that utilities should be allowed to propose three-year, forward-looking test periods that include all costs, including capital investments, with a true-up mechanism. This framework would more closely align a utility’s investments with its rates at the time those rates are charged. Customers would pay only for what utilities actually invest, and they would benefit from the efficiencies gained by those investments in close to real time. Moreover, this framework would provide the PUCO, customers, and interested parties with an annual, transparent review of a utility’s books.

AES Ohio has filed three rate cases at the PUCO in the last ten years; we welcome the PUCO and stakeholder review. However, the current, backwards-looking rate case process, particularly if it were to continue without ESPs, has inherent and significant regulatory lag. We are optimistic that forward-looking test periods can alleviate that concern. Doing so will position AES Ohio and other Ohio electric distribution utilities to deliver safe, reliable, and affordable electricity at the speed of business.

Tangible Personal Property Tax (TPP)

AES Ohio is concerned that the tangible personal property provisions in House Bill 15 would shift the TPP tax burden away from generation providers and onto transmission and distribution customers through regulated rates. There is no guarantee that unregulated generation providers who receive this benefit would pass their tax savings onto customers, resulting in higher utility bills.

The language, as proposed in House Bill 15, would result in a significant increase in AES Ohio’s overall property tax costs. Currently, our assessed value is calculated by multiplying our tax basis in our transmission and distribution assets by 85%. As written today, the bill would increase that 85% to 89%, a 4.7% increase in our assessed value, resulting in an increase of approximately \$6 million in tax. This amount will continue to grow as our rate base grows to meet the needs of customers and economic development.

Legacy Generation Resource

AES Ohio is troubled by and opposes repeal of the Legacy Generation Resource (LGR) provision. The current LGR statute clarifies preexisting authority that the PUCO has long recognized and that the Ohio Supreme Court affirmed for utilities to pass any profit or loss from their interests in the Ohio Valley Electric Corporation (“OVEC”) to customers.

Since Ohio’s electric utilities were required to divest their generation assets as part of deregulation, there has been recognition that OVEC’s unique history and structure makes divestiture extremely difficult. OVEC is jointly owned by twelve companies spanning five different states. AES Ohio does not profit from OVEC in any way; AES Ohio is contractually obligated to cover a certain percentage of OVEC’s costs, which is netted against revenues received from PJM markets, and those net costs or net revenues are passed on to customers.

AES Ohio has repeatedly attempted to divest its ownership interest in OVEC, but to date has been unsuccessful. AES Ohio, nevertheless, believes that OVEC provides important baseload generation for the region as energy needs proliferate, and that the LGR provides a hedge for customers against fluctuating market prices, especially since PJM has identified future potential generation constraints.

Consumer Choice Billing

Finally, AES Ohio urges the Committee to carefully examine the creation of the customer choice billing program. This program could have unintended consequences, including increased costs for customers to support additional utility billing capabilities and duplicate billing systems for both utilities and suppliers.

Under the current proposal, Ohio utilities would continue to have responsibility to provide meter data to suppliers, to connect and disconnect customers, and to stand ready to bill all customers. Therefore, utilities would still need to maintain robust billing systems, in addition to adding enhancements to provide all required data to suppliers who choose to provide customer choice billing. We believe it would be more efficient and less expensive for customers for utilities to continue providing billing services, subject to regulatory oversight by the PUCO.

An alternative proposal would be to require all suppliers to perform billing services for customers, subject to regulatory oversight by the PUCO. Doing so would remove some of the duplicative billing functions while leveling the playing field for all competitive retail electric service suppliers.

Conclusion

In closing, Ohio has announced major economic development wins over the past few years and we believe the state will continue to do so. These wins have been supported by the existing regulatory framework. We urge the Committee to strike a balanced approach for customers, utilities, and market participants. We look forward to working with you on that endeavor. Again, thank you Mr. Chairman. I would be happy to answer any questions.