

# **Northwest Ohio** **Aggregation Coalition**



## **Cities**

***Maumee***

***Northwood***

***Oregon***

***Perrysburg***

***Rossford***

***Sylvania***

***Toledo***

***Waterville***

## **Villages**

***Delta***

***Holland***

***Ottawa Hills***

***Walbridge***

## **Townships**

***Lake***

***Perrysburg***

## **Counties**

***Lucas***

**Written Interested Party Testimony**

**March 11,**

**2025**

**Sub. SB 2**

**Thomas R. Hays on behalf of the  
Northwest Ohio Aggregation Coalition (NOAC)**

Chair Chavez, Vice Chair Landis, Ranking Member Smith and Members of the Energy Committee, the Northwest Ohio Aggregation Coalition (NOAC) thanks you for this opportunity to testify.

We must change our support for the original bill to that of an interested party with deep concerns. The changes in Substitute SB 2 version 3 were anti-consumer, anti-competitive, and pro-utility. The new changes in Sub. SB 2 version 4 will still not result in (1) fair electric rates or (2) a fair process for the 125,000 customers in our electric aggregations. NOAC urges a return to fundamental principle. That is the key to lower Ohio's electric bills and improve services. That means a return to original SB 2 as a jumping off point.

### **The Fewest Possible Number of PUCO Proceedings Is Needed**

First, let us deal with a misconception. The utility companies now testify that they wish for fewer and swifter PUCO proceedings and concern for the legal fees. Their

actions show this testimony is false. Utilities love proceedings: customers pay the utilities legal bills. The utility is often represented—at customer expense—at the hearings by a squad of top tier outside counsel, inside counsel, a gaggle of expert witnesses—and a huge behind the scenes operation. Customers who wish to participate pay their own way.

At the proceedings, the companies successfully argue for “periodic customer group meetings” and “true ups” and other ancillary proceedings to be part of the final PUCO order. Expense after expense. This is a hall mark of the utilities’ regulatory capture. Groups like NOAC are frozen out. The ordinary Ohioan is frozen out.

The solution is to take the utilities at their word. They want fewer legal proceedings. The answer is a 3-year base rate case. Period end of story.

Nothing in the utilities actual history of base rate cases suggest the need for anything more. FirstEnergy’s current base rate case is 17 years old. No true ups. Most recent base rate cases are for four-year or five-year terms. The ones before were in place far longer with no true ups. These proposed true ups are *expensive for customers* who pay the costs on both sides of the case—and cannot afford to attend them all.

## **The OVEC Forecast Shows the Danger of Forecasted Rate Making**

The electric utilities' essential function is a *monopoly* wires company. The rates set at the PUCO are cost plus profit for the utility. In business “cost plus” contracts are the least preferred method of contracting. Our experience at the PUCO shows it is difficult to ferret out unnecessary costs or overpriced items. Cost plus contracting is behind the sensational stories of the government spending \$17,000 for a light bulb.

The current substitute bill calls for the use of forecasted numbers to set rates. It is fuel on the fire of cost plus contracting. There is no reason for this change. The utility companies have shown zero harm. There is no proof that would justify this radical change. In fact, the proof runs *contra*. The utility companies forecasted that OVEC would make money for customers. In for profit monopolies—and maybe it is more broadly a natural human tendency—to favor consultants and accountants who are favorable to their own bottom line.

## **Sub. SB 2 Should Be Amended to Limit Utilities to Their Core “Wire Company” Functions**

The rate making process is intended to prevent the utility from monopoly price gouging. At the same time, the company receives the opportunity for a just and fair rate of return. (That rate is about 9%.) Any monopoly seeks to get out of this box so that it can make more. The danger is that monopolies can use their market presence and resources to help these non-monopoly businesses succeed. In our experience, “firewalls” and training like those in the current substitute bill are far, far from fully effective—because these run counter to self-interests.

One certain impact is that it diverts management attention from its core function. Bonuses and corporate compensation are most often set for bringing in additional money—and that would exclude the PUCO rate of return. The essential problem with

ESPs and any non-core business is that it offers an opportunity to bring in more money. This has a profound effect on where management focuses its attention. The side adventures permitted in Sub. SB2(-4) shift management's attention away from its core mission of providing reliable service at the lowest reasonable costs.

There are consequences. For example, in the FirstEnergy territory, customers have funded hugely expensive grid modernization projects. There has been at best marginal improvement in service. Management never stepped in to regroup and protect customer dollars. We believe that this is a statewide problem.

We urge the Committee to: (1) strip out the utility companies' ability to engage in any competitive business, and (2) earn any additional monies beyond the base rate case/core wire company functions. Customers want and need the electric company to stay focused on good service at the lowest reasonable cost.

These principles will lower electric rates and improve service.

Again, thank you for this opportunity to testify.