

Sub. House Bill 317
Proponent Testimony of Mike Kurtz
On Behalf of the Ohio Energy Group
Before the House Public Utilities Committee

April 6, 2022

Chairman Hoops, Ranking Member Smith, Vice Chair Ray, and fellow distinguished Members of the House Public Utilities Committee, I am here today to give Proponent testimony regarding Sub. H.B. 317.

My name is Mike Kurtz and I am General Counsel for the Ohio Energy Group (OEG). OEG is a trade organization formed in 2003 by large energy-intensive industrial companies with one or more plants in Ohio to promote low-cost, reliable electric power. Our 28 members¹ spend more than \$1 billion annually on gas and electricity and we provide more than 55,000 good paying direct jobs in Ohio.

OEG supports Sub. H.B. 317 because it is a significant improvement for consumers compared to the status quo, and is reasonable to Ohio's investor-owned electric utilities. OEG views Ohio's electric utilities as important suppliers of an essential service. We want and need financially healthy utilities. This legislation is good policy and a productive next step in the evolution of Ohio's electricity market.

¹ Current OEG membership: Air Products and Chemicals, Inc., Amsted Rail Company, Inc., ArcelorMittal, Cargill, Incorporated, Charter Steel, Cleveland-Cliffs Steel Corporation (fka AK Steel Corporation), Cleveland-Cliffs Steel LLC (fka ArcelorMittal USA), Cleveland-Cliffs, Inc. (IronWorks), Ford Motor Company, GE Aviation, General Motors LLC, Greif, Inc., Howmet Aerospace Inc., Johns Manville, JSW Steel USA, Inc., Martin Marietta Magnesia Specialties, LLC, Materion Corporation, Messer LLC, Molson Coors Beverage Company, Nature Fresh Farms USA LLC, North Star BlueScope Steel, LLC, POET Biorefining, Linde Inc. (fka Praxair), PTC Alliance Holding Corporation, Stellantis (fka Fiat Chrysler), Three Rivers Energy LLC, TimkenSteel Corporation and Worthington Industries.

Ohio Energy Group

– Turning Energy Into Jobs –

The current Electric Security Plan (ESP) form of regulation was established in 2008. Most utilities are on ESP “Four” which terminate in 2024/2025. With H.B. 317, the Legislature is in a position to reform and modernize the ESP law before new ESP “Fives” are filed. The ESP law was implemented fourteen years ago to avoid the rate shock that was expected to occur as a result of the undeveloped competitive generation market.² Since 2008, competition for generation supply has fully developed. For example, in 2008 just 3.4% of the energy consumed by Duke’s Ohio customers was provided by competitive CRES providers. By 2021, that CRES energy supply number increased to 80.7%. The shopping statistics for AEP are even more stark. In 2008, 2009 and 2010, not a single AEP customer was shopping for competitive generation. All energy supply was provided by the utility. By 2021, 75.7% of energy consumed in the AEP service territory was provided by CRES providers.³

The 2008 ESP statute authorized a whole host of un-capped distribution riders that are no longer relevant, including: single issue ratemaking, revenue decoupling, lost revenue, shared savings, incentive ratemaking, and energy efficiency programs. The new reality in the utility industry is EV charging infrastructure, cyber security and improving the resiliency of the grid to accommodate customers with sophisticated manufacturing processes that cannot afford even momentary interruptions, like Intel.

A legislative update to accommodate the new realities facing Ohio is appropriate.

² Ohio Legislative Service Commission, “Snapshot History of Electric De-Regulation: Where did MROs and ESPs come from?” Report attached as Attachment A. “No fully competitive market at end of market development period (2005).” “PUCO and utilities developed rate stabilization plans (not statutory) to prevent ‘sticker shock’ of full transition to market based pricing.” “Plans were terminating at the end of 2008, yet still no retail market was in place to provide both reliable and affordable power.”

³ Shopping statistics are provided by the Commission pursuant to RC 4935.01 and OAC 4901:5 and are attached as Attachment B.

Alternative Regulation Plans In HB 317 Are A Major Improvement To The Status Quo

- Competition is 100% retained by HB 317. Consumers who do not shop for competitive generation or are not part of a governmental aggregation program will continue to be served by their utility through PUCO-supervised competitive generation auctions. These PUCO auctions very often produce the lowest and most stable pricing for residential and small business consumers. In addition, all consumers retain the right to shop for competitive generation.
- HB 317 prohibits utility ownership of new power plants. There is no change to OVEC, including the consumer price caps.
- The types of distribution riders that can be approved are more limited than in current law, and importantly are capped. Distribution rider rate increases for EV infrastructure, cyber security, battery storage and reliability upgrades are capped at 3% per year or the CPI rate of inflation (but can be lower if the PUCO authorizes less new investment). Under the current ESP statute, there is no cap on riders. Based on AEP's 2020 financial information (total distribution revenue of approximately \$1 Billion), a 3% cap would have resulted in riders of just over \$120 million per year after four years. By contrast, in 2020 AEP had ESP distribution riders of \$418.9 million.⁴
- All utilities are required to file base rate cases every five years. While long and costly, periodic base rate cases ensure that the utilities are only earning a just and reasonable return on their invested equity capital, and that rates to consumers are correspondingly just and reasonable. Mandatory rate cases at least every five years is a balanced approach since the utilities retain the right to file their own rate cases when needed to maintain a reasonable profit margin.

⁴ The relevant pages from the PUCO Staff Report in AEP's most recent distribution rate case is attached as Attachment C. (Case No. 20-585-EL-AIR). The \$418.9 million in Riders were: Energy Efficiency \$98.1 million, Enhanced Service Reliability \$21.7 million, GridSmart \$35.2 million, Distribution Investment \$244.5 million, Decoupling \$13.6 million and Smart City \$5.8 million. In 2020, AEP also provided consumers with a refund of \$54.9 million through its Tax Savings Credit Rider.

Ohio Energy Group

– Turning Energy Into Jobs –

- The FirstEnergy utilities are required to file distribution rate cases within six months of the effective date of the new legislation. While there is no guarantee (especially with recent increases in inflation and interest rates), mandatory rate cases are expected to result in distribution rate reductions for FirstEnergy’s two million residential and small business customers. For example, in 2021 Ohio Edison earned a 17.26% after-tax return on equity⁵, whereas currently authorized returns are in the 10% range.
- Requires annual “mini” rate cases where utility earnings from the prior year which are 250 basis points or more than the most recently authorized return on equity must be refunded. These annual mini rate cases are a statutory exception to the *Keco* rule against retroactive ratemaking and therefore provide a significant consumer protection. Even under the more lenient Significantly Excessive Earnings Test (SEET) included in current law, the PUCO recently ordered FirstEnergy to provide consumers with a \$306 million SEET refund over four years (2022-2025).
- Transmission costs will continue to be recovered through annually adjusted riders. Transmission costs are set by FERC and PJM and while each state is free to set its own method of cost recovery (base rates or rider), no state has authority to cap those costs under the doctrine of federal preemption and the Supremacy Clause.⁶
- PUCO authority to approve cost-effective economic development and interruptible programs is maintained. The utility earns no profit on these programs and the costs are not subject to the cap of 3% or the CPI rate of inflation. This is an important tool as Ohio competes with other states for attracting and maintaining energy intensive manufacturers.
- Utilities can no longer “veto” PUCO modifications to ESP rate plans. Approval authority for new Alternative Regulation Plans rests with the Commission.

⁵ The relevant 2021 earnings information from S&P Global is attached as Attachment D. The 17.26% ROE for 2021 is on a per-books basis with no ratemaking adjustments.

⁶ See Nantahala Power and Light Co. v. Thornburg, 476 U.S. 953 (1986).

Ohio Energy Group

– Turning Energy Into Jobs –

- By accelerating the pace of Commission and Court review of rate orders, the risk that consumers will be subject to non-refundable unlawful charges under *Keco* is reduced.
- Cash payments and side deals to induce the settlement of electric rate proceedings before the Commission are prohibited. This will further the Commission's important ongoing efforts to enhance public trust in the integrity of the ratemaking process.

Thank you for the opportunity to testify.

ATTACHMENT A

Snapshot History of Electric De-Regulation:

Where did MROs and ESPs come from?



AN OHIO LEGISLATIVE SERVICE COMMISSION PRESENTATION

Looking at Three Epochs

Pre SB 3

Post SB 3 to
Pre SB 221

Post SB 221

Before 2001

From 2001 to 2009

2009 --

SB 3, 123rd GA
Eff. July 6, 1999

SB 221, 127th GA
Eff. July 31, 2008



Pre SB 3

- Investor-owned utilities (IOUs) and electric co-operatives provided 95% of electricity market (91%, IOUs; 4% co-ops)
- Provided all components of retail electric service to customers (generation, transmission, and distribution — **bundled components**)
- IOUs and co-ops have exclusive right (and duty) to provide bundled components in certified territories



Pre SB 3 (cont.)

- PUCO regulated all bundled component rates provided by IOUs through rate cases (PUCO did not, and still does not, regulate co-op rates)
- Competition for retail electric service came from:
 - Self- or co-generation efforts by individual customers
 - Utility service from municipals



Post SB 3/Pre SB 221

- SB 3 restructured Ohio's electric industry laws to increase competition
- **Unbundled** electric utility service components (generation, transmission, and distribution)
- Sought to have **generation** priced by the **market** instead of through **traditional rate making**
(Revenue=Expenses+[Rate Base x Rate of Return])



Post SB 3/Pre SB 221 (cont.)

- Generation markets opened to in-state and out-of-state generation suppliers (co-ops, municipals, independent power producers, brokers, marketers, and governmental aggregators)
- No more exclusive franchises for IOUs regarding electric generation (distribution remained exclusive franchise in certified territories)
- Beginning January 1, 2001—electric consumers could choose their generation supplier



Post SB 3/Pre SB 221 (cont.)

- Generation service is included as “competitive retail electric service” or CRES
- Generation suppliers are CRES providers
- PUCO certifies CRES providers to provide generation to customers who “shop”



Post SB 3/Pre SB 221

SB 3 required:

- Corporate separation between
 - Competitive and noncompetitive retail electric service operations
 - Noncompetitive retail electric service and nonelectric products and services
- Independent operation of transmission facilities



Post SB 3/Pre SB 221 (cont.)

- **Market Development Period (2001-2005)**
 - Enabled transition to competitive market
 - Transition rate required
 - Capped at bundled rate on SB 3 eff. date
 - Included 5% residential rate reduction for generation
 - Included standard service offer (SSO) for generation
 - Transition charges permitted
 - Transition costs
 - Regulatory assets



Post SB 3/Pre SB 221 (cont.)

- Competitive market supposed to develop during market development period
- SSO supposed to convert to **market based SSO** determined through a competitive bidding process (and supposed to continue in regulatory scheme)



Post SB 3/Pre SB 221 (cont.)

- **Rate Stabilization Plans (2005 -2009)**
 - No fully competitive market at end of market development period
 - Extreme volatility/upward movement of gas/coal prices
 - New facilities not matching projected demand
 - PUCO and utilities developed **rate stabilization plans** (not statutory) to prevent “sticker shock” of full transition to market based pricing



Post SB 3/Pre SB 221 (cont.)

- Every electric utility had their own rate stabilization plan
- Plans were terminating at the end of 2008, yet still no retail market was in place to provide both reliable and affordable power



Post SB 221

- **Standard Service Offer (SSO) (2009 – present)**
 - Each electric distribution utility (EDU) required to have an SSO as a permanent vehicle for EDUs to provide service to consumers
 - An SSO provides for “all competitive retail electric services necessary to maintain essential electric service to consumers, including a firm supply of electric generation service”



Post SB 221 (cont.)

- **SSO provided as Market Rate Offer (MRO) or Electric Security Plan (ESP)**
 - **MRO: generation price *based on the market cost of generation***
 - **ESP: generation price *based on the EDU's costs***



Post SB 221 (cont.)

- **MRO characteristics**
 - must have comparable and nondiscriminatory access to the transmission grid
 - market monitoring function must be present
 - published source of pricing information available
 - competitive bidding process (CBP) used
 - MRO selected by PUCO from least-cost bid winner(s)
 - CBP and generation procurement costs included



Post SB 221 (cont.)

- **ESP characteristics**
 - Must include generation supply and pricing provisions
 - May include 9 other categories of costs (examples: construction work in progress (CWIP), distribution service, economic development)
 - Subject to “more favorable in the aggregate than an MRO” (ESP v MRO Test) for approval and review
 - Subject to earnings test (SEET) determination



Post SB 221 (cont.)

- MRO vs. ESP

No EDUs operate under an
MRO—all have ESPs



Also since SB 221

EDU	PUCO case number(s)	Date of PUCO order	ESP termination date
AEP Ohio	<u>16-1852-EL-SSO</u> 16-1853-EL-AAM	April 25, 2018	May 31, 2024
Dayton Power and Light	<u>08-1094-EL-SSO</u>	December 18, 2019	No defined termination date. (In a filed stipulation, <u>18-1875-EL-GRD</u> , Dayton Power and Light committed to file a new ESP by October 1, 2023, but as of May 21, 2021, PUCO has not approved the stipulation.)
Duke Energy Ohio	<u>17-1263-EL-SSO</u> 17-32-EL-AIR	December 19, 2018	May 31, 2025
First Energy <ul style="list-style-type: none"> ▪ Cleveland Electric Illuminating Company ▪ Ohio Edison Company ▪ Toledo Edison 	<u>14-1297-EL-SSO</u>	March 31, 2016	May 31, 2024



Also since SB 221

Count of Customers Purchasing their Supply
from Competitive Retail Electric Service Providers,

CY 2010 and CY 2020

Customer Type	2010	2020
Residential	1,084,368 25.8%	2,284,120 55.6%
Commercial	160,697 29.8%	350,768 69.7%
Industrial	3,819 21.4%	10,237 69.9%

Sources: Electric utility statistics filed with PUCO, FERC, and U.S. EIA



Also since SB 221

Count of Electric Generating Facilities (at least 1 Megawatt capacity) within PJM Region beginning Commercial Operations between August 2008 and December 2019			
Fuel Source	Ohio	Out-of-state	Total PJM
Coal	0 0 MW	3 1,805 MW	3 1,805 MW
Natural Gas	12 4,836 MW	78 25,704 MW	90 30,540 MW
Other Fossil Fuels	12 205 MW	31 363 MW	43 568 MW
Wind	17 711 MW	60 7,267 MW	77 7,978 MW
Solar	29 110 MW	498 3,203 MW	527 3,313 MW
Other Renewables	13 63 MW	63 675 MW	76 738 MW
Total	83 5,925 MW	733 39,017 MW	816 44,942 MW

Note: LSC tabulated statistics from data submitted to U.S. Energy Information Administration on Form EIA-860. Fuel source definitions and nameplate capacity reflect EIA definitions and may differ slightly from Ohio Revised Code or capacities reported to Ohio Power Siting Board.



ATTACHMENT B

Electric Choice Activity

www.puco.ohio.gov

Select Utility Territory

Duke Energy Ohio

Select Year

2022

2021

1. The Electric Choice Activity dashboard is based on data submitted by Ohio's electric distribution utilities pursuant to ORC 4935.01 and OAC 4901.5 (SE-1 or forecasting data).

Questions: MarketMonitoring@puco.ohio.gov

Duke 2008

Electric Choice Average YTD (Customer Count)

SSO

98.4%

Electric Choice YTD (MWh Sales)

SSO

96.6%

Electric Choice % by Month (Customer Count)

Month	CRES	CRES %	SSO	SSO %
Jan.	11,189	2%	679,546	98%
Feb.	11,111	2%	679,213	98%
Mar.	11,017	2%	679,328	98%
Apr.	10,926	2%	679,215	98%
May	10,816	2%	677,871	98%
June	10,747	2%	676,356	98%
July	10,690	2%	676,431	98%
Aug.	10,626	2%	675,615	98%
Sept.	10,563	2%	675,281	98%
Oct.	10,507	2%	675,307	98%

Electric Choice % by Month (MWh Sales)

Month	CRES (MWh)	CRES %	SSO (MWh)	SSO %
Jan.	58,329	3%	1,846,532	97%
Feb.	60,455	3%	1,718,305	97%
Mar.	55,909	3%	1,698,526	97%
Apr.	54,001	3%	1,491,701	97%
May	56,753	4%	1,485,668	96%
June	65,659	4%	1,788,529	96%
July	68,128	3%	1,968,018	97%
Aug.	69,404	3%	1,962,414	97%
Sept.	60,622	4%	1,614,065	96%

Electric Choice Activity

www.puco.ohio.gov

Select Utility Territory ^
 Duke Energy Ohio

Select Year
 2022
 2021

1. The Electric Choice Activity dashboard is based on data submitted by Ohio's electric distribution utilities pursuant to ORC 4935.01 and OAC 4901.5 (SE-1 or forecasting data).

Questions: MarketMonitoring@puco.ohio.gov

Duke 2021

Electric Choice Average YTD (Customer Count)



Electric Choice YTD (MWh Sales)



Electric Choice % by Month (Customer Count)

Month	CRES	CRES %	SSO	SSO %
Jan.	472,630	64%	261,491	36%
Feb.	472,630	64%	261,491	36%
Mar.	463,849	63%	273,930	37%
Apr.	458,735	62%	276,946	38%
May	458,499	62%	277,534	38%
June	458,049	62%	276,795	38%
July	461,361	63%	272,971	37%
Aug.	458,247	62%	276,527	38%
Sept.	453,534	62%	281,642	38%
Oct.	449,618	61%	288,332	39%

Electric Choice % by Month (MWh Sales)

Month	CRES (MWh)	CRES %	SSO (MWh)	SSO %
Jan.	1,427,840	79%	378,411	21%
Feb.	1,349,452	78%	378,066	22%
Mar.	1,248,978	80%	316,491	20%
Apr.	1,172,533	82%	255,806	18%
May	1,135,490	83%	235,272	17%
June	1,341,126	82%	295,311	18%
July	1,535,350	81%	349,569	19%
Aug.	1,523,164	81%	355,901	19%
Sept.	1,503,413	81%	359,684	19%

Electric Choice Activity

www.puco.ohio.gov

Select Utility Territory ^

AEP Ohio

Select Year

2022

2021

1. The Electric Choice Activity dashboard is based on data submitted by Ohio's electric distribution utilities pursuant to [ORC 4935.01](#) and [ORC 4901.5](#) (SE-1 or forecasting data).

Questions: MarketMonitoring@puco.ohio.gov

AEP 2008

Electric Choice Average YTD (Customer Count)

SSO

100.0%

Electric Choice YTD (MWh Sales)

SSO

100.0%

Electric Choice % by Month (Customer Count)

Month	CRES	CRES %	SSO	SSO %
Jan.	0	0%	714,227	100%
Feb.	0	0%	713,341	100%
Mar.	0	0%	713,115	100%
Apr.	0	0%	712,469	100%
May	0	0%	710,911	100%
June	0	0%	710,478	100%
July	0	0%	710,147	100%
Aug.	0	0%	710,216	100%
Sept.	0	0%	709,808	100%
Oct.	0	0%	710,024	100%

Electric Choice % by Month (MWh Sales)

Month	CRES (MWh)	CRES %	SSO (MWh)	SSO %
Jan.	0	0%	2,607,070	100%
Feb.	0	0%	2,480,313	100%
Mar.	0	0%	2,457,345	100%
Apr.	0	0%	2,280,898	100%
May	0	0%	2,120,254	100%
June	0	0%	2,227,445	100%
July	0	0%	2,405,936	100%
Aug.	0	0%	2,348,642	100%
Sept.	0	0%	2,353,897	100%



Electric Choice Activity

www.puco.ohio.gov

Select Utility Territory

AEP Ohio

Select Year

2022

2021

1. The Electric Choice Activity dashboard is based on data submitted by Ohio's electric distribution utilities pursuant to [ORC 4935.01](#) and [OAC 4901.5](#) (SE-1 or forecasting data).

Questions: MarketMonitoring@pucc.ohio.gov

AEP 2009

Electric Choice Average YTD (Customer Count)



Electric Choice YTD (MWh Sales)



Electric Choice % by Month (Customer Count)

Month	CRES	CRES %	SSO	SSO %
Jan.	0	0%	711,210	100%
Feb.	0	0%	712,422	100%
Mar.	0	0%	713,821	100%
Apr.	0	0%	710,872	100%
May	0	0%	709,900	100%
June	0	0%	709,545	100%
July	0	0%	708,986	100%
Aug.	0	0%	708,750	100%
Sept.	0	0%	708,482	100%
Oct.	0	0%	708,534	100%

Electric Choice % by Month (MWh Sales)

Month	CRES (MWh)	CRES %	SSO (MWh)	SSO %
Jan.	0	0%	2,569,883	100%
Feb.	0	0%	2,358,123	100%
Mar.	0	0%	2,170,218	100%
Apr.	0	0%	1,989,077	100%
May	0	0%	1,860,173	100%
June	0	0%	1,893,839	100%
July	0	0%	2,037,352	100%
Aug.	0	0%	2,020,254	100%
Sept.	0	0%	2,134,753	100%



Electric Choice Activity

www.puco.ohio.gov

Select Utility Territory ▼

AEP Ohio

Select Year

2022

2021

1. The Electric Choice Activity dashboard is based on data submitted by Ohio's electric distribution utilities pursuant to ORC 4935.01 and OAC 4901.5 (SE-1 or forecasting data).

Questions: MarketMonitoring@puco.ohio.gov

AEP 2010

Electric Choice Average YTD (Customer Count)



Electric Choice YTD (MWh Sales)



Electric Choice % by Month (Customer Count)

Month	CRES	CRES %	SSO	SSO %
Jan.	0	0%	711,088	100%
Feb.	0	0%	706,961	100%
Mar.	0	0%	714,863	100%
Apr.	0	0%	710,464	100%
May	0	0%	709,630	100%
June	0	0%	709,571	100%
July	1	0%	707,157	100%
Aug.	20	0%	709,869	100%
Sept.	32	0%	703,609	100%
Oct.	33	0%	707,052	100%

Electric Choice % by Month (MWh Sales)

Month	CRES (MWh)	CRES %	SSO (MWh)	SSO %
Jan.	0	0%	2,478,010	100%
Feb.	0	0%	2,310,068	100%
Mar.	0	0%	2,218,585	100%
Apr.	0	0%	1,995,639	100%
May	0	0%	1,917,019	100%
June	0	0%	2,128,115	100%
July	20	0%	2,331,765	100%
Aug.	70	0%	2,370,626	100%
Sept.	183	0%	2,262,121	100%

Electric Choice Activity

www.puco.ohio.gov

Select Utility Territory
 AEP Ohio

Select Year
 2022
 2021

1. The Electric Choice Activity dashboard is based on data submitted by Ohio's electric distribution utilities pursuant to ORC 4935.01 and OAC 4901.5 (SE-1 or forecasting data).

Questions: MarketMonitoring@puco.ohio.gov

AEP 2021

Electric Choice Average YTD (Customer Count)



Electric Choice YTD (MWh Sales)

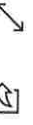


Electric Choice % by Month (Customer Count)

Month	CRES	CRES %	SSO	SSO %
Jan.	576,054	38%	932,300	62%
Feb.	574,980	38%	928,901	62%
Mar.	581,186	38%	934,467	62%
Apr.	593,456	39%	916,545	61%
May	588,405	39%	920,943	61%
June	585,071	39%	925,798	61%
July	775,217	51%	735,868	49%
Aug.	766,857	51%	744,685	49%
Sept.	758,496	50%	754,140	50%
Oct.	747,462	49%	766,191	51%

Electric Choice % by Month (MWh Sales)

Month	CRES (MWh)	CRES %	SSO (MWh)	SSO %
Jan.	2,822,657	70%	1,199,899	30%
Feb.	2,639,592	70%	1,130,997	30%
Mar.	2,626,898	72%	1,017,941	28%
Apr.	2,493,389	76%	781,972	24%
May	2,493,422	78%	720,265	22%
June	2,767,055	76%	873,141	24%
July	3,143,913	78%	868,757	22%
Aug.	3,131,103	78%	884,953	22%
Sept.	3,176,566	78%	897,457	22%



ATTACHMENT C

OHIO POWER COMPANY
Case No. 20-585-EL-AIR
Jurisdictional Adjusted Test Year Net Electric Operating Income (NEOI)
Test Year: Twelve Months Ended November 30, 2020
(\$000)

Work Paper Reference No(s):
Schedule C-2.1, C-3, C-4

Schedule C-2
Page 1 of 2

LINE NO	DESCRIPTION	UNADJUSTED REVENUES & EXPENSES	ADJUSTMENTS	ADJUSTED REVENUES & EXPENSES
(A)	(B)	(C)	(D)	(E)
1	OPERATING REVENUES			
2	Base Revenues	\$ 1,202,601	\$ (585,971)	\$ 616,630
3	Fuel Revenues	0	0	0
4	Other Operating Revenues	48,094	(393)	47,701
5	Total Operating Revenues	<u>1,250,695</u>	<u>(586,364)</u>	<u>664,331</u>
6				
7	OPERATING EXPENSES			
8	Operation and Maintenance Expenses			
9	Production Expenses			
10	Fuel and Purchased Power	0	0	0
11	Other	0	0	0
12	Total Production Expenses	<u>0</u>	<u>0</u>	<u>0</u>
13	Transmission Expense	0	0	0
14	Distribution Expense	183,110	(51,611)	131,499
15	Customer Accounts Expenses	178,753	(105,236)	73,517
16	Customer Service & Information Expense	105,086	(98,154)	6,932
17	Sales Expense	684	(180)	505
18	Administrative & General Expense	76,081	(3,415)	72,666
19	Total Operating and Maintenance Expense	<u>543,715</u>	<u>(258,595)</u>	<u>285,120</u>
20	Depreciation and Amortization Expenses			
21	Depreciation	185,553	(30,131)	155,422
22	Amort. & Depl. of Utility Plant	28,213	(6,670)	21,544
23	Amort. of Utility Plant Acq. Adj.	0	0	0
24	Net Amortization of Regulatory Credits/Debits	(113)	114	0
25	Total Depreciation and Amtz. Expenses	<u>213,653</u>	<u>(36,687)</u>	<u>176,966</u>
26	Taxes Other Than Income Taxes	370,166	(168,847)	201,319
27				
28	TOTAL OPERATING EXPENSE BEFORE INCOME TAXES	<u>1,127,534</u>	<u>(464,129)</u>	<u>663,405</u>

OHIO POWER COMPANY
Case No. 20-585-EL-AIR
Adjusted Test Year Net Electric Operating Income (NEOI)
Test Year: Twelve Months Ended November 30, 2020
(\$000)

Work Paper Reference No(s):

Schedule C-2
Page 2 of 2

LINE NO	DESCRIPTION	UNADJUSTED REVENUES & EXPENSES	ADJUSTMENTS	ADJUSTED REVENUES & EXPENSES
(A)	(B)	(C)	(D)	(E)
29	NEOI BEFORE INCOME TAXES	123,161	(122,235)	926
30				
31	Income Taxes-State and Local			
32	Current	(71)	(1,280)	(1,351)
33	Provision for Deferred Income Taxes	262	554	816
34	Total State & Local Income Taxes	191	(726)	(535)
35	Income Taxes-Federal			
36	Current	(2,293)	(40,151)	(42,444)
37	Provision for Deferred Income Taxes	25,394	(3,727)	21,666
38	Deferred Investment Tax Credit	(3)	0	(3)
39	Total Federal Income Taxes	23,098	(43,878)	(20,780)
40				
41	Total Operating Expenses	1,150,822	(508,733)	642,089
42				
43	Net Electric Operating Income	\$ 99,873	\$ (77,631)	\$ 22,242

OHIO POWER COMPANY
Case No. 20-585-EL-ARR
Summary of Jurisdictional Adjustments to Operating Income
Test Year: Twelve Months Ended November 30, 2020
(\$000)

Work Paper Reference No(s): See Below

Schedule C-3
Page 1 of 4

LINE NO	ELEMENT OF OPERATING INCOME	TITLE OF ADJUSTMENT									
		TOTAL SCHEDULE	UNIVERSAL SERVICE FUND	KWH TAX	ENERGY EFFICIENCY PEAK DEMAND	ECONOMIC DEVELOPMENT COST RECOVERY	ENHANCED SERVICE RELIABILITY	DECREASE TO A TARGET LEVEL OF 1.0	ANNUALIZE LABOR/PAYROLL EXPENSE	ADD ENERGY EFFICIENCY & PEAK DEMAND REDUCTION LABOR	
(A)	(B) Schedule Reference	(C) C-3	(D) C-3.1	(E) C-3.2	(F) C-3.3	(G) C-3.4	(H) C-3.5	(I) C-3.6	(J) C-3.7	(K) C-3.8	
1	OPERATING REVENUES										
2	Base Revenues	\$ (56,971)	\$ (62,497)	\$ (144,527)	\$ (68,142)	\$ 4,371	\$ (21,779)	\$ 0	\$ 0	\$ 0	
3	Fuel Revenues	0,000									
4	Other Operating Revenues	(393)									
5	Total Operating Revenues	<u>(56,971)</u>	<u>(62,497)</u>	<u>(144,527)</u>	<u>(68,142)</u>	<u>4,371</u>	<u>(21,779)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
6	OPERATING EXPENSES										
7	Operation and Maintenance Expenses										
8	Production Expenses										
9	Fuel and Purchased Power	0,000									
10	Other	0,000									
11	Total Production Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
12	Transmission Expense	0,000									
13	Distribution Expense	(51,811)					(6,562)	0	(17,516)		
14	Customer Accounts Expenses	(106,256)	(106,025)		0			0			
15	Customer Service & Information Expense	(98,154)			(97,456)			0		0	
16	Sales Expense	(180)			(180)			0		0	
17	Administrative & General Expense	(3,415)			(296)			0			
18	Total Operating and Maintenance Expense	<u>(258,295)</u>	<u>(106,025)</u>	<u>0</u>	<u>(97,824)</u>	<u>0</u>	<u>(6,562)</u>	<u>0</u>	<u>(17,516)</u>	<u>0</u>	
19	Depreciation and Amortization Expenses										
20	Depreciation	(30,131)									
21	Amort. of Dept. of utility Plant	(6,670)									
22	Amort. of Utility Plant Acq. A-B	0									
23	Net Amortization of Regulatory Credits/Debits	114									
24	Total Depreciation and Amort. Expenses	<u>(36,687)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
25	Taxes Other Than Income Taxes	(106,847)		(145,073)				0	(14,429)		
26	Income Taxes-State and Municipal										
27	Current	(1,250)									
28	Provision for Deferred Income Taxes	554									
29	Provision for Deferred Income Taxes-Credit										
30	Total State & Local Income Taxes	<u>(7,251)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
31	Income Taxes-Federal										
32	Current	(40,151)									
33	Provision for Deferred Income Taxes	(3,727)									
34	Provision for Deferred Income Taxes-Credit	0									
35	Total Federal Income Taxes	<u>(43,878)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
36	Total Operating Expenses	<u>(508,733)</u>	<u>(106,025)</u>	<u>(145,073)</u>	<u>(97,824)</u>	<u>0</u>	<u>(6,562)</u>	<u>0</u>	<u>(18,945)</u>	<u>0</u>	
37	Net Electric Operating Income	<u>\$ (77,831)</u>	<u>\$ 23,528</u>	<u>\$ 544</u>	<u>\$ (216)</u>	<u>\$ 4,371</u>	<u>\$ (15,217)</u>	<u>\$ 0</u>	<u>\$ 13,945</u>	<u>\$ 0</u>	

OHIO POWER COMPANY
Case No. 20-585-EL-AR
Summary of Jurisdictional Adjustments to Operating Income
Test Year: Twelve Months Ended November 30, 2020
(\$000)

Work Paper Reference No(s):

Schedule C-3
Page 2 of 4

LINE NO	ELEMENT OF OPERATING INCOME	TITLE OF ADJUSTMENT									
		ANNUALIZE PENSION EXPENSE	ANNUALIZE OPEB EXPENSE	AMORTIZE RATE CASE EXPENSE	ANNUALIZE DEPRECIATION EXPENSE	DEPRECIATION RATE	INCOME TAXES	SMARTGRID RIDER	DISTRIBUTION INVESTMENT RIDER	PTBAR RIDER	
(A)	(B) Schedule Reference	(C) C-3.9	(D) C-3.10	(E) C-3.11	(F) C-3.12	(G) C-3.13	(H) C-3.14	(I) C-3.15	(J) C-3.16	(K) C-3.17	
1	OPERATING REVENUES										
2	Base Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (35,230)	\$ (244,573)	\$ (13,864)	
3	Fuel Revenues										
4	Other Operating Revenues										
5	Total Operating Revenues	0	0	0	0	0	0	(35,230)	(244,573)	(13,864)	
6	OPERATING EXPENSES										
7	Operation and Maintenance Expenses										
8	Production Expenses										
9	Fuel and Purchased Power										
10	Other										
11	Total Production Expenses	0	0	0	0	0	0	0	0	0	
12	Transmission Expense										
13	Distribution Expense							(11,856)			
14	Customer Account Expenses										
15	Customer Service & Information Expense										
16	Sales Expense										
17	Administrative & General Expense	(135)	(2,927)	65							
18	Total Operating and Maintenance Expense	(135)	(2,927)	65	0	0	0	(11,856)	0	0	
19	Depreciation and Amortization Expenses										
20	Depreciation				(10,569)	(4,512)		(12,820)	(2,231)		
21	Amort. & Depl. of Utility Plant				(8,670)						
22	Amort. of Utility Plant Acq. Adj.										
23	Net Amortization of Regulatory Credits/Debits									(25)	
24	Total Depreciation and Amort. Expenses	0	0	0	(17,238)	(4,512)	0	(12,820)	(2,231)	(25)	
25	Taxes Other Than Income Taxes							(5,953)			
26	Income Taxes-State and Municipal										
27	Current						(1,280)				
28	Provision for Deferred Income Taxes						654				
29	Provision for Deferred Income Taxes-Credit										
30	Total State & Local Income Taxes	0	0	0	0	0	17,261	0	0	0	
31	Income Taxes-Federal										
32	Current						(40,151)				
33	Provision for Deferred Income Taxes						(24,940)				
34	Provision for Deferred Income Taxes-Credit						0				
35	Total Federal Income Taxes	0	0	0	0	0	(64,790)	0	0	0	
36	Total Operating Expenses	(135)	(2,927)	65	(17,238)	(4,512)	(65,516)	(30,430)	(2,231)	(25)	
37	Net Electric Operating Income	135	2,927	(65)	17,238	4,512	65,516	(4,800)	(242,341)	(13,826)	

OHIO POWER COMPANY
Case No. 20-585-EL-AIR
Summary of Jurisdictional Adjustments to Operating Income
Test Year: Twelve Months Ended November 30, 2020
(\$000)

Work Paper Reference No(s):

Schedule C-3
Page 3 of 4

LINE NO	ELEMENT OF OPERATING INCOME	TITLE OF ADJUSTMENT								
		STORM EXPENSE	TAX SAVINGS CREDIT RIDER	SMART CITY RIDER	CREDIT CARD PROCESSING FEES	DSM PROGRAM COSTS	COMMUNICATION PLAN EXPENSE	ADJUST BAD DEBT EXPENSE	PROPERTY TAX	
	Schedule Reference	C-3-18	C-3-19	C-3-20	C-3-21	C-3-22	C-3-23	C-3-24	C-3-25	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	
1	OPERATING REVENUES									
2	Base Revenues	\$ 0	\$ 54,997	\$ (5,344)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
3	Fuel Revenues									
4	Other Operating Revenues									
5	Total Operating Revenues	<u>0</u>	<u>54,997</u>	<u>(5,344)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
6	OPERATING EXPENSES									
7	Operation and Maintenance Expenses									
8	Production Expenses									
9	Fuel and Purchased Power									
10	Other									
11	Total Production Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
12	Transmission Expense									
13	Distribution Expense	(1,779)								
14	Customer Accounts Expenses				0			789	0	
15	Customer Service & Information Expense			(668)		0				
16	Sales Expense					0				
17	Administrative & General Expense						0			
18	Total Operating and Maintenance Expense	<u>(1,779)</u>	<u>0</u>	<u>(668)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>789</u>	<u>0</u>	
19	Depreciation and Amortization Expenses									
20	Depreciation									
21	Amort. & Depr. of Utility Plant									
22	Amort. of Utility Plant Acq. Adj.									
23	Net Amortization of Regulatory Credits/Debits		138							
24	Total Depreciation and Amort. Expenses	<u>0</u>	<u>138</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
25	Taxes Other Than Income Taxes								(18,383)	
26	Income Taxes-State and Municipal									
27	Current									
28	Provision for Deferred Income Taxes									
29	Provision for Deferred Income Taxes-Credit									
30	Total State & Local Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
31	Income Taxes-Federal									
32	Current									
33	Provision for Deferred Income Taxes		20,912							
34	Provision for Deferred Income Taxes-Credit									
35	Total Federal Income Taxes	<u>0</u>	<u>20,912</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
36	Total Operating Expenses	<u>(1,779)</u>	<u>21,050</u>	<u>(668)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>789</u>	<u>(18,383)</u>	
37	Net Electric Operating Income	<u>\$ 1,779</u>	<u>\$ 33,046</u>	<u>\$ (5,156)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (789)</u>	<u>\$ 18,383</u>	

OHIO POWER COMPANY
Case No. 20-585-EL-ARR
Summary of Jurisdictional Adjustments to Operating Income
Test Year: Twelve Months Ended November 30, 2020
(\$'000)

Work Paper Reference No(s):

Schedule C-3
Page 4 of 4

LINE NO	ELEMENT OF OPERATING INCOME	TITLE OF ADJUSTMENT							
		REVENUE ADJUSTMENT	MISCELLANEOUS REVENUES	RESIDENTIAL LATE FEES	OUT OF PERIOD EXPENSES	PROMOTIONAL ADVERTISING	MISCELLANEOUS EXPENSES	POLE ATTACHMENTS	ESRR & DANGER TREE BASELINE
	Schedule Reference	C-3.26	C-3.27	C-3.28	C-3.29	C-3.30	C-3.31	C-3.32	C-3.33
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	OPERATING REVENUES								
2	Base Revenues	\$ 924	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
3	Fuel Revenues								
4	Other Operating Revenues		(3,400)	3,160				(143)	
5	Total Operating Revenues	924	(3,400)	3,160	0	0	0	(143)	0
6	OPERATING EXPENSES								
7	Operation and Maintenance Expenses								
8	Production Expenses								
9	Fuel and Purchased Power								
10	Other								
11	Total Production Expenses	0	0	0	0	0	0	0	0
12	Transmission Expense								
13	Distribution Expense				(4,083)		(14)		(10,000)
14	Customer Accounts Expenses								
15	Customer Service & Information Expense								
16	Sales Expense								
17	Administrative & General Expense					(132)			
18	Total Operating and Maintenance Expense	0	0	0	(4,083)	(132)	(14)	0	(10,000)
19	Depreciation and Amortization Expenses								
20	Depreciation								
21	Amort. & Depl. of Utility Plant								
22	Amort. of Utility Plant Acq. Adj.								
23	Net Amortization of Regulatory Credits/Debits								
24	Total Depreciation and Amort. Expenses	0	0	0	0	0	0	0	0
25	Taxes Other Than Income Taxes								
26	Income Taxes-State and Municipal								0
27	Current								
28	Provision for Deferred Income Taxes								
29	Provision for Deferred Income Taxes-Credit								
30	Total State & Local Income Taxes	0	0	0	0	0	0	0	0
31	Income Taxes-Federal								
32	Current								
33	Provision for Deferred Income Taxes								
34	Provision for Deferred Income Taxes-Credit								
35	Total Federal Income Taxes	0	0	0	0	0	0	0	0
36	Total Operating Expenses	0	0	0	(4,083)	(132)	(14)	0	(10,000)
37	Net Electric Operating Income	\$ 924	\$ (3,400)	\$ 3,160	\$ 4,083	\$ 132	\$ 14	\$ (143)	\$ 10,000

ATTACHMENT D

Ohio Edison Company | Financial Highlights

(MI KEY: 4014480; SPCIQ KEY: 844756)

Source: SNL Financial
Period Category: Custom
Period Type: Custom
Reporting Basis: Custom
Sort Order: Custom
Currency: Reported Currency
Magnitude: Thousands (K)

SNL FINANCIAL	2021 FQ4 LTM Current/Restated
Fiscal Period Ended	12/31/2021
Period Restated?	No
Restatement Date	NA
Accounting Principle	U.S. GAAP
Financials Reported Currency Code	USD

Balance Sheet Highlights (\$000)

Current Assets	373,000
Net PP&E	3,325,000
Total Assets	3,936,000
Non-current Long-term Debt	855,000
Total Equity	1,361,000
Total Capitalization, at Book Value	2,377,000

Income Statement Highlights (\$000)

Energy Operating Revenue	1,671,000
Operating Expense	1,391,000
Recurring EBITDA	521,000
Recurring EBIT	377,000
Net Income before Taxes	310,000
Net Income before Extra	247,000
Net Income	247,000
Reported Net Operating Income	280,000

Cash Flow Statement Highlights (\$000)

Cash Flow from Operating Activities	533,000
Cash Flow from Investing Activities	(330,000)
Cash Flow from Financing Activities	(625,000)
Other Cash Flow	0

SNL FINANCIAL	2021 FQ4 LTM
Net Increase in Cash and Cash Equivalents	(422,000)
Operating Free Cash Flow	259,000

Balance Sheet Ratios/ Capital (%)

Total Equity/ Total Assets	34.58
Working Capital (\$000)	(93,000)
Long-term Debt/ Book Capital	35.97
Debt/ Book Capitalization	42.74
Total Debt/ Total Equity	0.75
Preferred Incl. Mezzanine/ Book-Value Capital	0.00

Income Statement Ratios (%)

Recurring Revenue Growth	10.71
Net Income Growth	0.00
EPS after Extra Growth	NA
Dividend Payout Ratio	NA
Electric Revenue/ Operating Revenue	100.00
Gas Revenue/ Operating Revenue	0.00
Operations & Maintenance/ Operating Expense	42.49
Electric Generation/ Operating Expense	21.57
Gas Cost/ Operating Expense	0.00
Operating D&A/ Operating Expense	20.06

Profitability Ratios (%)

ROAA	6.26
ROAE	17.26
ROACE	17.26

Liquidity Ratios (x)

Pre-tax Interest Coverage Excl. AFUDC	4.18
Pre-tax Interest and Pfd Coverage Excl. AFUDC	4.18
Adjusted Cash Flow Coverage	7.69
Recurring EBITDA/ Adjusted Interest & Preferred	7.78
Rprt'd: Fixed Charge Ratio	NA
Adjusted Operating Cash Flow/ Capital Expenditures (%)	(38.72)

Per Share Information (\$)

SNL FINANCIAL	2021 FQ4 LTM
Common Shares Outstanding (actual)	NA
Avg Diluted Shares (actual)	NA
Basic Book Value per Share	NA
Basic Tangible Book Value per Share	NA
Price/ Operating Cash Flow	NA
Common Dividends Declared per Share	NA
Basic EPS after Extra	NA
Diluted EPS after Extraordinary	NA

S&P Global Market Intelligence uses a variety of sources to retrieve financial information for each company we cover. For Energy companies, S&P Global Market Intelligence mines data from documents filed by the company, surveys, and other sources of public information.

Site content and design Copyright © 2022, S&P Global
Usage of this product is governed by the SNL Master Subscription Agreement or separate S&P Agreement, as applicable.

S&P Global, 55 Water Street, New York, NY 10041

Licensed to mkurtz@bkllawfirm.com