

BakerHostetler

28th ANNUAL OHIO  
**Energy Savings & Management**  
C O N F E R E N C E

**Tuesday, February 27, 2024**

**2:45 p.m. to 3:45 p.m.**

**6 Interactive & Concurrent Workshops *continued***

**Q. AES Ohio Dayton Power & Light): Significant Developments Impacting Electric Rates and Smart Grid Technology**

Priceless insights into developments affecting electric tariffs and rates in AES Ohio's service territory, including the PUCO's approval of AES Ohio's fourth Electric Security Plan (ESP IV); PUCO's approval of AES Ohio's recent distribution rate case; AES Ohio deployment of Smart Grid investments and technologies; AES Ohio's new customer information system; changes to Standard Service Offers (SSO) load auctions & rates; and changes and updates to AES Ohio's riders.

Chris Hollon, *Senior Counsel*, **AES Ohio**, Dayton; David F. Proaño, *Regulatory Counsel*, **Ohio Energy Leadership Council (OELC)** and *Partner*, **BakerHostetler LLP**, Cleveland; and Katie Emling, *Engineer*, **Brakey Energy**, Chagrin Falls

## Workshop Presenters



**Christopher Hollon**  
Senior Counsel at AES Ohio

# Workshop Presenters



## David Proaño

David Proaño represents clients in the utility and energy industries on regulatory compliance, commission investigations, retail energy contracts, commercial disputes, and business issues, and has years of experience with multiple facets of the retail energy industry. David routinely appears and practices before the Public Utilities Commission of Ohio on regulatory and litigated matters.

# Workshop Presenters

**Katie Emling**

**Energy Analyst**



BakerHostetler



Katie Emling is responsible for reporting and communicating bill analyses and Ohio energy regulations and regulatory issues that affect the quality and cost of energy. She monitors activity at PJM Interconnection, the Public Utilities Commission of Ohio, and the state legislature, and then identifies issues that may impact clients' energy costs. Katie also analyzes customers' usage and billing data to ensure accuracy and identify opportunities to save on Ohio [commercial](#) and [industrial energy costs](#).

Katie joined Brakey Energy in January 2018. Prior to Brakey Energy, Katie spent five years as an Energy Efficiency Engineer in Michigan for DNV GL and Consumers Energy. Her work included managing the Michigan utility's New Construction Energy Efficiency Rebate Program for commercial and industrial customers and assisting in the launch and operation of the utility's commercial and industrial demand response program. Katie is a Certified Energy Manager® through the Association of Energy Engineers. She holds a M.S. in Civil Engineering from Carnegie Mellon University and a B.S. in Engineering Physics from John Carroll University.

# AES Ohio

## Significant Developments

### Impacting Rates



Ohio Energy Savings & Management Conference

February 27, 2024



## AES Ohio at the PUCO



### Electric Security Plan (ESP 4)

- Case No. 22-900-EL-SSO, *et al.*
- Application filed September 26, 2022
- Near unanimous settlement with Staff, 14 Signatory Parties, and 3 Non-Opposing Parties
- Settlement approved by the PUCO on August 9, 2023

# ESP 4 Overview

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## → Standard Service Offer

- Continues biannual auction format and reintroduction of laddered multi-year products

## → Distribution Investment Rider

- Recovers of and on certain distribution capital investment since June 30, 2020 (date certain in 2020 distribution rate case)
- Subject to revenue caps, tied to reliability performance

## → Proactive Reliability Optimization Rider

- Recovery of certain vegetation management expenses approved in distribution rate cases

## → Customer Program Rider

- Weatherization and Bill Payment Assistance Program
- Disadvantaged Communities Energy Initiative
- Residential Off-Peak Incentive Program (Electric Vehicles)

## → Green Energy Alternative Tariff

- Recognizes agreements with customers “for the purpose of constructing a customer sited renewable energy resource . . . that will provide the mercantile customer or group with a material portion of [their] electricity requirements” under R.C. 4928.47

## → Transmission Billing Reform

- AES Ohio will bill all primary voltage and above customers for all TCRR demand charges based on NSPL, beginning June 2025
- Non-residential secondary customers may opt-in (but must stay in for 2 years)

## → Other rate impacts

- Discontinues Retail Stability Charge
- Does not implement proposed Decoupling Rider
- Recovers certain deferred expenses (regulatory assets)

# ESP 4 – Economic Development Incentive

→ AES Ohio will enter into Service Agreement with existing or new non-residential customer with a demand of 500 kW or greater at single site to support new or expanded business or manufacturing facilities

→ Two-year incentive

→ Reduction to monthly billed demand for distribution service, except Primary-Substation and High Voltage service (reduced billed demand for distribution and transmission service)

→ Expansion must commence during 3-year ESP term

→ Funded through Economic Development Rider

- Capped at \$1.50 per year per residential customer, \$10.00 per year per secondary customer, and \$750 per year per customer served at primary and above

→ Incentive levels

- >\$20 million of investment or load growth of >500 kW → 50% reduction
- >\$30 million of investment or load growth of >7500 kW → 55% reduction
- >\$40 million of investment or load growth of >1,000 kW → 60% reduction
- >\$50 million of investment or load growth of >1,250 kW → 65% reduction
- >\$60 million of investment or load growth of >1,500 kW → 70% reduction



## AES Ohio at the PUCO



## 2020 Distribution Rate Case

- Case No. 20-1651-EL-AIR, *et al.*
- Filed November 30, 2020
  - Date Certain: June 30, 2020
  - Test Year: June, 1, 2020 – May 31, 2021
- Staff and 19 other parties participated
- Fully litigated hearing in January 2022
- Order issued in December 2022
  - Approved \$75.6 million increase in annual revenue requirement
  - Approved rate of return of 7.43% (ROE of 9.999%)
    - Without increase, AES Ohio's rate of return was 0%
  - Allows for increased vegetation management recovery
- Rates implemented September 2023 with ESP4

## AES Ohio at the PUCO



### Smart Grid Plan – Phase 1

- Case No. 18-1875-EL-GRD, *et al.*
- Approved Stipulation on June 16, 2021
- Four-year Phase 1
  - Capex and O&M capped at \$267,600,000
  - Plan for Phase 2 to be filed by June 2024
- Quarterly collaborative meetings for Smart Grid deployment and Smart Thermostats

# Smart Grid – Phase 1 Overview

OPERATIONAL	CUSTOMER FACING
Advanced Metering Infrastructure: 495,000 Meters (95%)	EV Charger Rebates: \$5.1 Million over 4 Years
Distribution Automation: 88 Circuits (20%)	Smart Thermostats: \$337,500 Annually for Rebates
Substation Automation: 30 Substations (20%)	Water Heater Demand Response Pilot: 200 Dayton PIPP Customers
Volt/VAR Optimization, Conservation Voltage Reduction: 132 Circuits (30%)	Dayton Solar: Interconnection Assistance
Foundational: Advanced Distribution Management System (ADMS)	IGS Solar: Funding solar initiative
Foundational: Telecommunications & Cyber Security	Wright-Patterson Air Force Base: Resiliency Grant
Foundational: GIS Mapping	CIS Investment: Beginning within 6 Months (not recovered through IIR)

# Advanced Metering Infrastructure

## Background Information

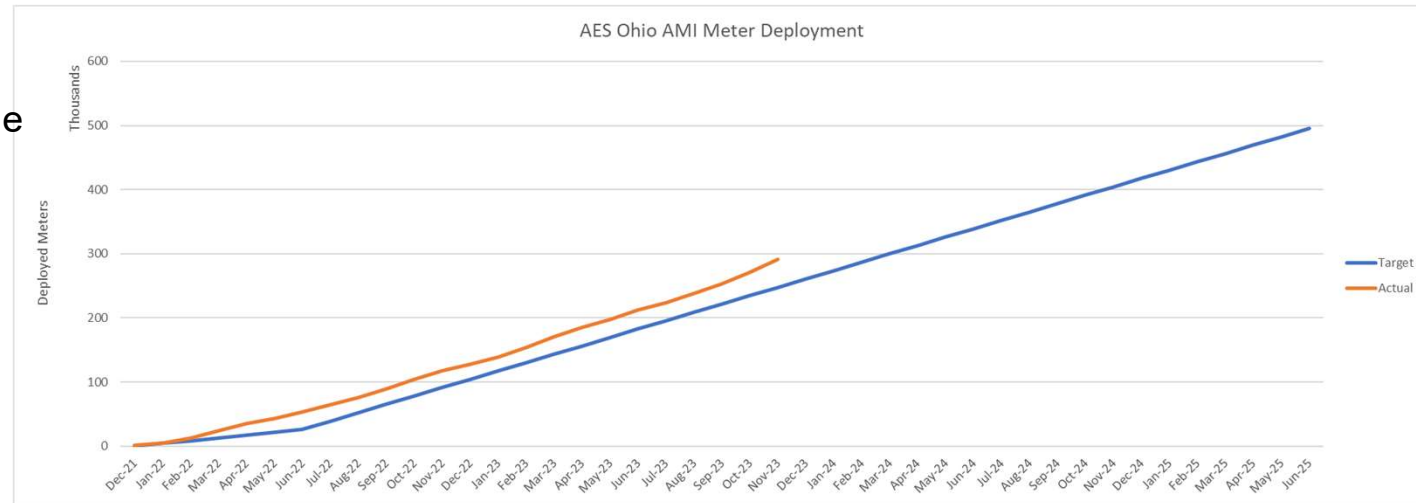
→ 495,000 Meters (95%) by June 2025

## Key Accomplishments

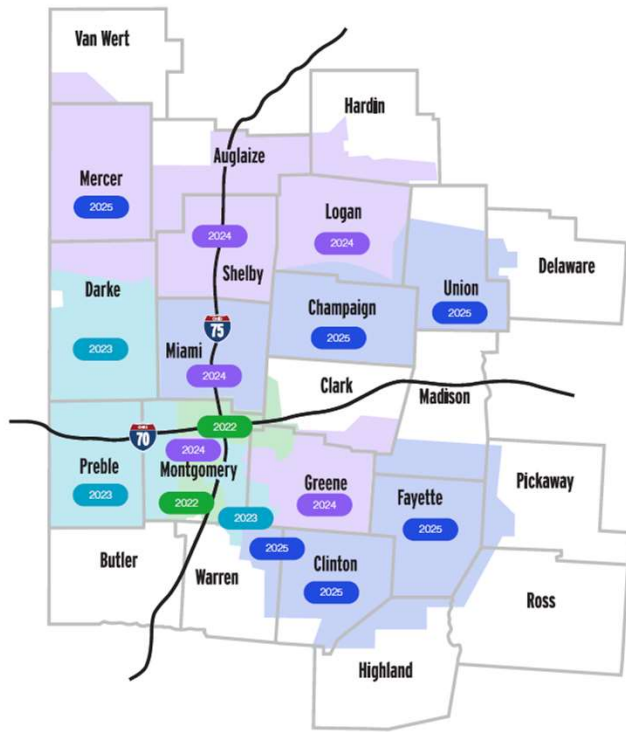
→ 291,507 meters installed through November

## Key Planned Activities

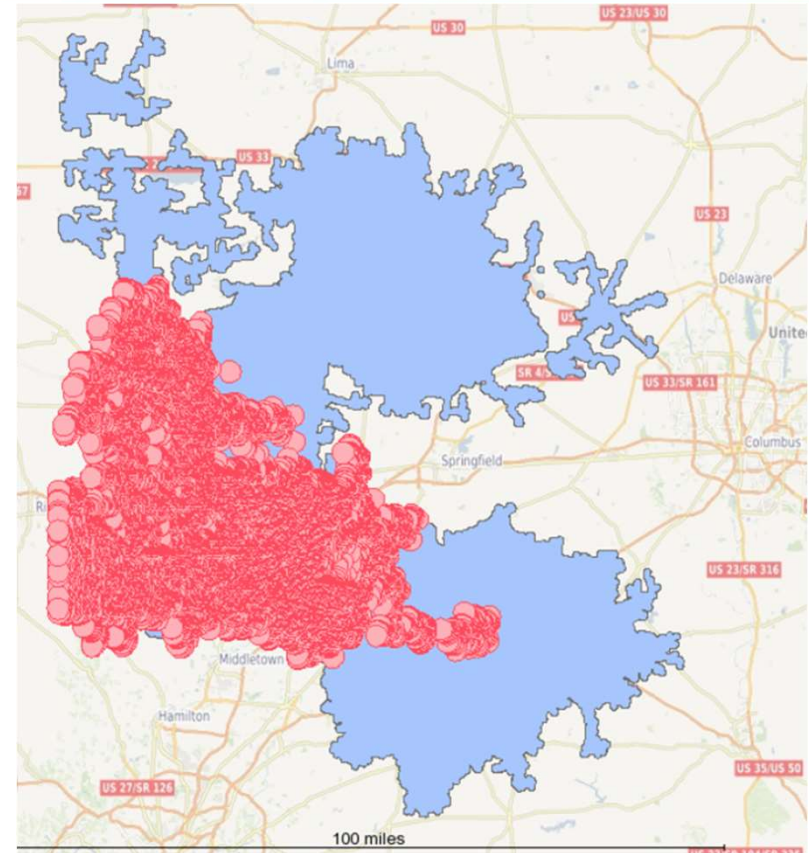
→ ACE Integrations



# Advanced Metering Infrastructure



Year displayed indicates anticipated completion time but is subject to change.



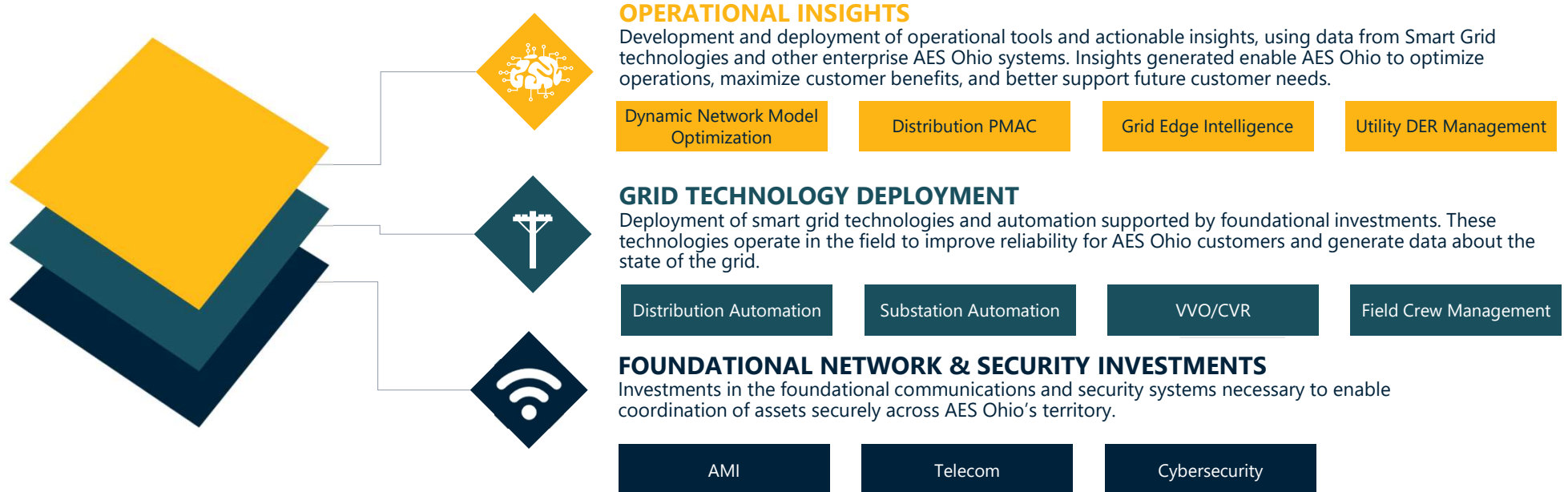
## AES Ohio at the PUCO



### Smart Grid Plan – Phase 2

- Case No. 24-0112-EL-GRD, *et al.*
- Application filed February 8, 2024
- 10-Year Plan focused on operational insights, grid technology deployment, and foundational network and security investments
- Positive benefit-cost ratio that delivers benefits as to avoiding/deferring capital, delivering O&M savings, energy/demand savings, and enhanced reliability, as well as indirect benefits of economic development and reduced GHG

The AES Ohio Smart Grid Platform comprises field-deployed technologies and foundational investments that support business level insights to optimize AES Ohio's operations and strategy





# AES Ohio Distribution





# AES Ohio Charges

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- AES Ohio bills contain 2 primary line-item charges:
  - Customer Charge
  - Other Delivery Charges
    - Base distribution service
    - Distribution riders
    - Transmission cost recovery
- For customers that do not competitively source generation service, monthly bills will also include Supply Charges.

# AES Ohio's Demand Ratchet

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- For non-residential customers, AES Ohio defines billed demand as the greatest of either:
  - 1. Off-Peak: 75% of the highest 30-minute kilowatt (kW) demand which occurs off-peak during the billing month (off-peak is defined as 8:00 P.M. to 8:00 A.M. M-F, weekends, and holidays),
  - 2. On-Peak: 100% of the highest 30-minute kW demand which occurs on-peak (8:00 AM – 8:00 PM, non-holiday weekdays) during the billing month, or
  - 3. 75% of the highest billing demand set during the months of June, July, August, December, January, and February during the 11 months prior.

# Current Base Distribution Charges

Rate Schedule	Customer Charge (Flat Fee per Month)		% Change
	Previous Rate	September 1, 2023 Rate	
Secondary, Single Phase	\$16.73	\$16.68	-0.3%
Secondary, Three Phase	\$25.77	\$28.49	10.6%
Primary	\$242.12	\$275.72	13.9%
Primary - Substation	\$463.47	\$138.58	-70.1%
High Voltage	\$1,124.11	\$433.57	-61.4%

Rate Schedule	Demand Charge (per kW)		% Change
	Previous Rate	September 1, 2023 Rate	
Secondary, Single Phase	\$3.6569905	\$4.8722371	33.2%
Secondary, Three Phase	\$3.6569905	\$4.8722371	33.2%
Primary	\$2.0325100	\$3.3431973	64.5%
Primary - Substation	\$0.6144982	\$0.7736641	25.9%

- Reactive demand charge for Primary tariff increased to \$0.8380948/ kVAR.
- Reactive demand charge for Primary-Substation tariff decreased to \$0.1707299/ kVAR.

# Impact of ESP IV on Distribution Riders

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- The Retail Stabilization Charge (RSC) was eliminated.
- Ohio Revised Code riders not impacted: USF, SGF, LGR, and Excise Tax
- Storm Cost Recovery Rider (SCRR) continued with modification.
- AES Ohio riders continued without modifications:
  - Tax Savings Credit Rider
  - Infrastructure Investment Rider
  - Economic Development Rider
  - Transmission Cost Recovery Rider – Nonbypassable (TCRR-N)
- New riders:
  - Distribution Investment Rider (DIR)
  - Regulatory Compliance Rider (RCR)
  - Proactive Reliability Optimization Rider (PRO)
  - Customer Programs Rider (CPR) – Residential Only

# New PRO, DIR, and RCR Rates

- **PRO**

- Effective September 1, 2023
- Annual rate updates

Customer Class	Monthly PRO Customer Charge
Secondary	\$1.10
Primary	\$70.88

- **DIR**

- Effective October 1, 2023 at 6.7986% of base distribution charges.
- Quarterly rate updates (Next update scheduled April 1, 2024)
- January 1, 2024 rate is 8.6903% of base distribution charges.

- **RCR**

- Effective on  
September 1, 2023
- Annual rate updates

Customer Class	Monthly RCR Customer Charge
Secondary - unmetered	\$2.47
Secondary Single-Phase	\$3.66
Secondary Three-Phase	\$19.85
Primary	\$288.55
Primary-Substation	\$626.28
High Voltage	\$610.26

# January 1, 2024 USF Rates

- AES Ohio's Universal Service Fund (USF) rider rate decreased significantly on January 1, 2024.
  - The USF provides funding for the state's Percentage of Income Payment Plan (PIPP) program and low-income customer energy efficiency programs.
  - Established under Section 4928.51 of the Ohio Revised Code.

<u>Previous USF Rates ¢/kWh</u>		<u>2024 USF Rates ¢/kWh</u>		<b>% CHANGE IN TIER 1 RATES</b>
<b>FIRST 833,000 KWH</b>	<b>ALL KWH OVER 833,000</b>	<b>FIRST 833,000 KWH</b>	<b>ALL KWH OVER 833,000</b>	
0.3511	0.057	0.1474	0.057	-58%

# January 1, 2024 LGR and SGF Rates

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- Legacy Generation Rider (LGR) and Solar Generation Fund (SGF) rider were updated on January 1, 2024
- LGR is updated semi-annually.
  - Ohio Revised Code Section 4928.148 (House Bill 6)

<i>Legacy Generation Rider</i>		
<b>Previous</b>	<b>January 1, 2024</b>	<b>Change</b>
\$ 0.0003680	\$ 0.0019180	421%

- SGF is updated annually.
  - Ohio Revised Code Section 4928.148 (House Bill 6)
  - Ohio Revised Code Section 3706.46 (House Bill 128)

<i>Solar Generation Fund Rider</i>		
<b>Previous</b>	<b>January 1, 2024</b>	<b>Change</b>
\$ 0.0002850	\$ 0.0002905	2%



# AES Ohio Transmission





# Transmission Service

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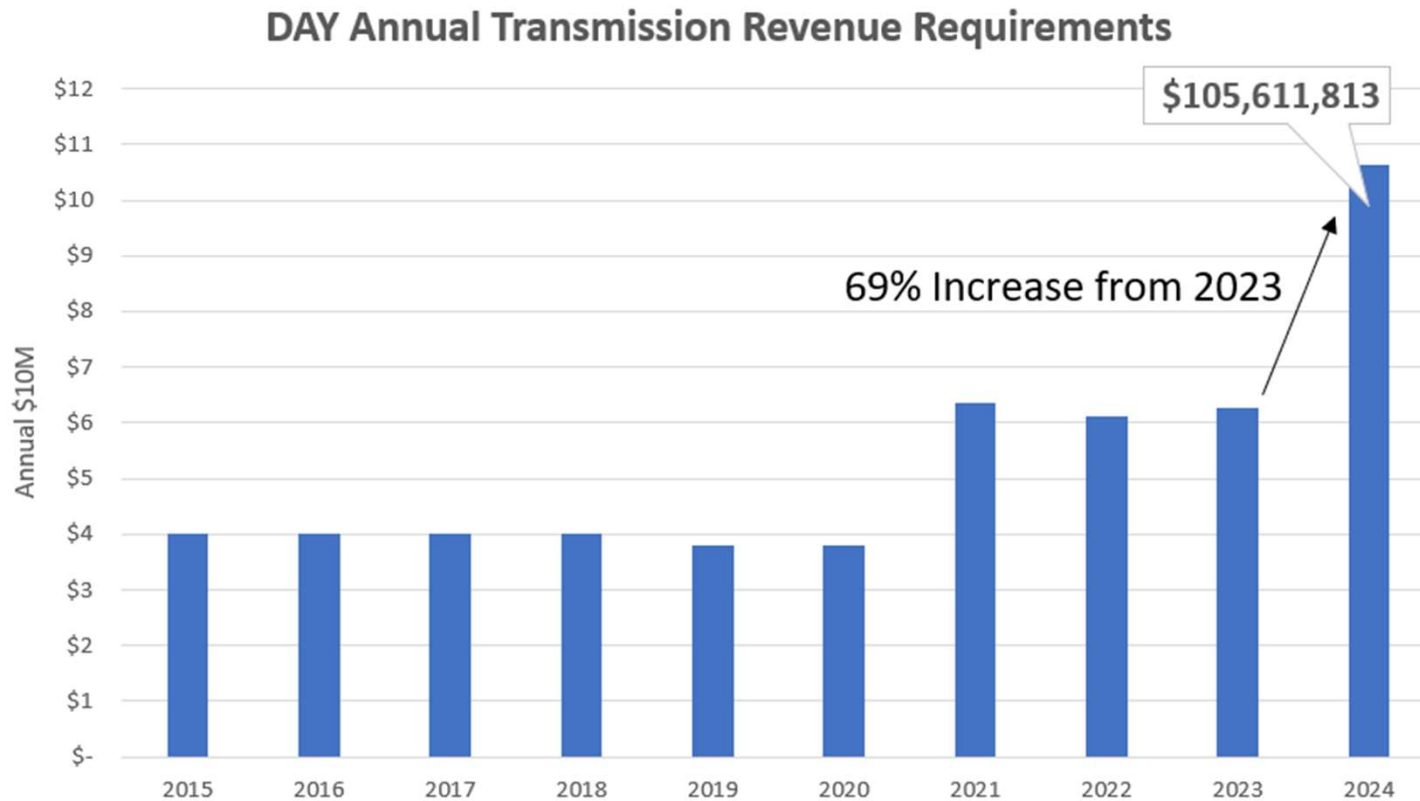
- Transmission is:
  - The service for moving electricity across high voltage lines;
  - Included as a charge in your monthly electric bill; and
  - Regulated by the Federal Energy Regulatory Commission (FERC).
- PJM oversees operation of transmission systems in Ohio.
  - PJM bills Load Serving Entities (LSEs), such as investor-owned utilities and retail suppliers, for transmission.
  - LSEs pass transmission costs on to customers.
- PJM establishes Annual Transmission Revenue Requirements (ATRR) for each transmission zone.

## 2024 ATRR and NITS Rates for Ohio EDUs

- PJM released 2024 ATRR projections in January.
- Network Integration Transmission Service (NITS) charge is the largest component of transmission cost recovery.

Zone	2023		2024 Projected		% Change in NITS Rates
	Revenue Requirement	NITS Rate \$/MW-Yr	Revenue Requirement	NITS Rate \$/MW-Yr	
<b>AEP</b>	\$ 2,729,168,055	\$ 125,669.06	\$ 2,863,850,257	\$ 125,466.60	-0.2%
<b>ATSI</b>	\$ 849,013,862	\$ 66,479.30	\$ 1,048,034,708	\$ 87,624.38	31.8%
<b>DAY</b>	\$ 62,816,282	\$ 18,687.35	\$ 106,244,982	\$ 32,781.54	75.4%
<b>DEOK</b>	\$ 200,020,318	\$ 37,718.00	\$ 210,262,707	\$ 40,717.00	8.0%

# Historical Dayton (DAY) Zone ATRR



# AES Ohio's Transmission Investments

## Transmission Operating Property Additions in 2023 and 2024 (Actual and Projected) Exceeding \$5 Million

Project Name	Investment	Construction Start	In-Service
Sugarcreek to Normandy Line	\$11.9 M	June 2021	April 2023
Greene Substation Expansion	\$15.3 M	November 2021	June 2024
Urbana to St. Paris Line	\$18.0 M	January 2023	June 2024
Fayette Substation	\$31.6 M	June 2022	August 2024
Madison-Fayette 345 kV Line	\$51.8 M	June 2022	August 2024
New Madison Substation 345 kV	\$22.1 M	June 2021	December 2024
New Madison to S. Charleston 69 kV line	\$10.8 M	June 2021	December 2024
Sidney to Franklin Line	\$9.1 M	June 2022	December 2024
New Honda Substation and 69 kV Line	\$7.1 M	March 2023	December 2024

**Source:** The Dayton Power and Light Company d/b/a AES Ohio 224 ATRR Documents.  
<https://www.pjm.com/markets-and-operations/billing-settlements-and-credit/formula-rates.aspx>

# Transmission Cost Recovery

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- AES Ohio recovers transmission costs from customers via the Transmission Cost Recovery Rider-Nonbypassable (TCRR-N).
- AES Ohio's current electric security plan (ESP IV) includes a small-scale TCRR-N Opt-Out Pilot program that will continue through May 2025.
- As stipulated in ESP IV, beginning in June 2025:
  - all non-residential customers served at primary voltage & above, &
  - any non-residential customers taking service at secondary voltage that opt-inwill be billed TCRR demand charges on the basis of their Network Service Peak Load (NSPL).
- Secondary customers who opt-in to TCRR charges billed on the basis of their NSPL may not opt-out within three years of opting-in.
- A customer's 2024 NSPL was determined by load during the hour ending 6:00 PM on August 23, 2023.

# Current AES-Ohio TCRR-N Rates

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- Current TCRR-N rates went into effect on September 1, 2023
- Rates updated annually on June 1
- AES Ohio's proposed TCRR-N rate updates should be filed on or before March 15, 2024.

RATE SCHEDULE	TCRR-N	
	¢/KWH	\$/KW
Secondary	0.06934¢	\$1.8984988
Primary	0.06934¢	\$1.7093825
Primary- Substation	0.06934¢	\$1.7395592
High Voltage	0.06934¢	\$1.8725019



# AES Ohio Generation



# Generation Service

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- Cost associated with generating the electrons that consumers use to power lights and equipment.
- Customers served by AES Ohio have the option to competitively source electric generation service.
- Investor-owned EDUs are required to provide default generation service to customers that do not contract for generation through an alternative supplier.
  - This default service is referred to as the Standard Service Offer (SSO) or Standard Offer Rate (SOR)



# Standard Offer Rate

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- The Standard Offer Rate (SOR) rate is the default rate charged by AES Ohio for generation service to customers that do not contract with an alternative supplier.
- SOR rates update every June 1 based on the results of the SSO auctions.
- Current SOR rates shown below:

Customer Class	SOR Rate per kWh
Secondary	10.80709¢
Primary	10.53015¢
Substation	10.42098¢
High Voltage	10.42098¢

# Recent SSO Auction Results

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- One tranche equals 1% of the overall SSO load for the Delivery Year (DY).
- Next and final auction for the 2024/2025 DY will take place in April 2024.

## AES Ohio SSO Auctions for 2024/2025 DY

Auction Date	Term (Months)	Tranches	Price (\$/kWh)
4/4/23	24	40	\$0.09014
10/3/23	12	40	\$0.07468
4/2/24	12	20	<b>TBD</b>
<b>Current Weighted Average Price for the 24/25 DY</b>			\$0.08241

# OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- O.R.C. 4928.148 (HB 6), effective on October 22, 2019, required that the PUCO establish a nonbypassable rate mechanism for the retail recovery of prudently incurred costs related to a legacy generation resource (LGR) (“OVEC”) for the period from January 1, 2020 to December 31, 2030.
- OVEC owns two coal-fired power plants – Kyger Creek Power Plant at Cheshire, Ohio, and IKEC’s Clifty Creek Power Plant at Madison, Indiana, with a nameplate generating capacity of 1,086.3 MW and 1,303.56 MW respectively.
- Ohio Electric Distribution Utilities (EDUs) have the following OVEC ownership:
  - Ohio Power Company (AEP Ohio): 19.93%
  - Duke: 9.00%
  - Dayton Power & Light (AES Ohio): 4.90%

# OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- PUCO is required to determine the prudence and reasonableness of the actions of EDUs with LGR ownership interests during years 2021, 2024, 2027, and 2030.
- May 5, 2021, PUCO ordered an audit of OVEC for the period from January 1, 2020, through December 31, 2020.
- On July 14, 2021, the Commission selected London Economics International LLC (LEI) as the third-party auditor to assist with the prudency and reasonableness audit.
- On December 17, 2021, PUCO Staff filed the audits of the LGR for each of the EDUs – the LEI audit for AES Ohio concluded:
  - Between 2019 and 2020, OVEC’s net generation declined by 19.69% from 11,238,298 MWh to 9,025,018 MWh. During the same period, the total power cost declined by 5.54% from \$640.80 million to \$605.27 million. As a result, the average power cost (total power cost divided by net generation) increased by 17.54% from \$57.04/MWh to \$67.00/MWh.

# OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- The LEI audit conclusions (continued...)
  - “Overall, LEI found that the processes, procedures, and oversight were mostly adequate and consistent with good utility practice... [and] “LEI’s analysis shows that at this time the OVEC plants cost customers more than the cost of energy and capacity that could be bought on the PJM wholesale markets.”
  - “[S]ome of the time during the audit period, the PJM energy price did not cover fuel and variable costs. LEI believes the temporary permission given by the OVEC Operating Committee ... to allow the OVEC plants to be committed either as must-run or based on economic commitment ... was prudent[.]
  - “Ideally, the units would be committed based on economics all or most of the time, but in the case of coal plants this can cause difficulties in managing staffing and fuel deliveries, and repeated start-up of coal plants can damage equipment.”

# **OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR**

- Multiple parties intervened, and evidentiary hearing held over five days from October 31, 2023 – November 6, 2023.
- Post-hearing briefing ongoing.
- One of the key arguments relates to how whether the OVEC plants were operated prudently, as summarized by OCC here in its post-hearing brief:
  - “One key operating decision was whether to keep the plants running every day (despite incurring \$105 million in losses during 2020) or to only run the plants on the few days during the year when they might earn a profit.”
- Other arguments focus on larger policy issues relating to supporting OVEC coal plants.
- Decision expected later 2024.

# CONCLUSION OF AES OHIO WORKSHOP

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