***OCC EXHIBIT NO. \_\_\_\_\_\_***

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
| --- | --- | --- |
| In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan. | )  )  ) | Case No. 16-0395-EL-SSO |
| In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs. | )  )  ) | Case No. 16-0396-EL-ATA |
| In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority Pursuant to Ohio Rev Code 4905.13. | )  )  )  ) | Case No. 16-0397-EL-AAM |

**DIRECT TESTIMONY**

**OF**

**MICHAEL P. HAUGH**

**On Behalf, of**

**The Office of the Ohio Consumers' Counsel**

*10 West Broad Street, Suite 1800*

*Columbus, Ohio 43215-3485*

**MArch 29, 2017**

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**ATTACHMENTS**

Attachment MPH-1

# OVERVIEW

Q1. PLEASE STATE YOUR NAME, title, AND BUSINESS ADDRESS.

***A1.*** My name is Michael P. Haugh. I am employed as the Assistant Director of Analytical Services for the Office of the Ohio Consumers' Counsel ("OCC"). My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215.

***Q2. Please briefly summarize your education and professional experience.***

***A2.*** I have a Bachelor of Science in Business Administration from the Ohio State University with a major in Finance. I have also attended the Institute of Public Utilities Advanced Regulatory Studies at Michigan State University. I have over 20 years working in the energy industry with experience in wholesale and retail energy trading, risk management, natural gas purchasing and scheduling, and regulatory affairs. I started with Enron Energy Services in 1995 as an Energy Trader and then moved on to American Electric Power Energy Services in 1998 where I worked in Risk Management and Wholesale Energy Trading. In January 2004 I went to work for MidAmerican Energy Services as a Senior Product Manager. In October of 2004 I began work as a Senior Regulatory Analyst with the OCC. I left the OCC in September 2007 and joined Integrys Energy Services as a Regulatory Affairs Analyst. I joined Just Energy in 2009 and held the position of Manager of Regulatory Affairs before becoming Manager of Market Relations in 2011. I was re-hired at the OCC in June 2014 in my current position.

***Q3. Have you previously submitted testimony in utility cases before regulatory commissions?***

***A3.*** Yes, I have testified before the Public Utilities Commission of Ohio ("PUCO" or "Commission") and the Michigan Public Service Commission. The complete list of cases in which I have testified is attached as Attachment MPH-1.

# PURPOSE OF TESTIMONY

***Q4. What is the purpose of your testimony in this proceeding?***

***A4.*** On January 30, 2017, Dayton Power & Light (“DP&L” or “Company”) filed a Joint Stipulation and Recommendation to settle its third electric security plan, which was originally filed on February 22, 2016. On March 13, 2017, the Company filed an Amended Stipulation and Recommendation (“Settlement”). My testimony will evaluate the Settlement under the PUCO's three-pronged test for settlements. Specifically, my testimony focuses on the Economic Development Rider in Section IV of the proposed Settlement, the Economic Development Grant Fund in Section V of the Settlement, the Transmission Cost Recovery Rider – Non-Bypassable (“TCRR-N”) in Section VI of the proposed Settlement, and the alleged Competitive Retail Market Enhancements in Section IX of the Settlement.

***Q5. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE STIPULATION.***

***A5.*** I recommend that the PUCO reject the Settlement as filed. It does not meet the PUCO's three-pronged test to evaluate settlements.

Q6. What ARE the PUCO's standards of review for evaluating proposed STIPULATIONS?

***A6.*** The PUCO uses these criteria for evaluating the reasonableness of a proposed stipulation:

1. Is the proposed stipulation a product of serious bargaining among capable, knowledgeable parties?
2. Does the proposed stipulation, as a package, benefit customers and the public interest?
3. Does the proposed stipulation violate any important regulatory principle or practice?[[1]](#footnote-3)

In addition to these three criteria, the PUCO also routinely considers whether the parties to the stipulation represent diverse interests.[[2]](#footnote-4)

# Evaluation of the PROPOSED STIPULATION

Q7. who are the signatory parties to the PROPOSED SETTLEMENT?

***A7.*** The Signatory Parties are DP&L, the PUCO Staff (“Staff”), the City of Dayton, Interstate Gas Supply (“IGS”), the Retail Energy Supply Association (“RESA”), Edgemont Neighborhood Coalition, People Working Cooperatively, Ohio Hospital Association, the Ohio Energy Group “(OEG”), Ohio Partners for Affordable Energy (“OPAE”), and the Kroger Company (“Kroger”). In addition, Industrial Energy Users-Ohio (“IEU”), the Ohio Manufacturers’ Association Energy Group (“OMAEG”), Enernoc, Inc., Honda of America, MFG., Inc. (“Honda”) and Mid-Atlantic Renewable Energy Coalition (“MAREC”) agreed not to oppose this Settlement.

Q8. Does the SETTLEMENT, as a package, benefit CUSTOMERs and the public interest?

***A8.*** No. As I describe in more detail later, the TCRR-N and the supplier consolidated billing pilot programs neither benefit customers nor the public interest.

***Q9. Describe the proposed TCRR-N Pilot program.***

***A9*.** The TCRR-N pilot program allows up to 50 primary voltage level customers to opt out of the current TCRR-N rider and obtain transmission and ancillary services either directly from PJM or through a Certified Retail Electric Supplier (“CRES” or “Marketer”). The term coincides with the six-year term of the ESP. The purpose of the program is to “explore whether certain customers could benefit from opting out of DP&L’s TCRR-N.”[[3]](#footnote-5)

***Q10. Does the proposed TCRR-N pilot program benefit customers?***

***A10*.** No, the TCRR-N is not set up the way a traditional pilot program should be. In fact, it is not consistent with another pilot program proposed in the Settlement. A “pilot program” is usually a small-scale, short-term program used to determine how a larger program may work in the future. Although the pilot program included in the Settlement may be small scale given the number of its participants. However, the pilot is not short term, it does not identify any objectives it wishes to achieve, nor does it require a demonstration of the benefits for the program. Specifically, the Settlement does not provide any details as to how the program will be evaluated or who will pay the implementation costs of this program. This pilot program should only be deployed if it provides benefits to participants and does not shift unnecessary costs to non-participants. As I state below, I do not agree with the proposed suppliers consolidated billing program but it does contain aspects expected of a pilot program. The proposed supplier consolidated billing pilot program has a term of two years, states the purpose of the program, outlines costs to be collected from customers, requires a meeting to govern the implementation, and concludes with the suggestion of a report by Staff. At a bare minimum, the TCRR-N pilot program should require DP&L to outline the goals it wishes to achieve, determine the costs required to implement this program, define the anticipated benefits to participants, and calculate any possible cost shifts from participants to non-participants. Additionally, the pilot program should be evaluated after a two-year period to determine if it is benefitting **all** customers, not just “certain” customers. To facilitate this evaluation, DP&L should have to file a report outlining the program’s goals and whether those goals are being achieved.

Q11. What is Supplier CONSOLIDATED billing?

***A11.*** It is when a Marketer bills its customers for both the regulated distribution portion of a customer’s bill along with the deregulated generation portion of the bill. The Marketer is then responsible for collecting all charges from the customer. The Marketer would then remit the distribution revenues to the utility. The proposed pilot program costs will be shared with 50% being paid by DP&L customers and 50% paid by Marketers. DP&L shareholders will pay RESA $150,000 toward the Marketers’ portion of the costs.

Q12. Does Supplier CONSOLIDATED billing benefit customers?

***A12.*** Generally, no**.**  Some customers may desire supplier consolidated billing, but the program primarily benefits the Marketers. Supplier consolidated billing allows a marketer to include its own branding and marketing on the bill and also include line items that may not be allowable on a traditional utility bill. Currently, customers can receive one consolidated bill from the utility that includes the utility charges and the Marketer charges on separate line items. Another option currently available is for the marketers to send out a separate bill for their charges. This option is known as dual billing. I know in the case of residential customers the majority of those customers would prefer to get one bill from the utility -- it is something with which they are familiar. If the supplier desires to bill through the Utility billing system, the Marketer should bear **all** of the costs of those changes to the DP&L billing system. None of these costs should be paid by local distribution customers.

Q13. Is the $150,000 payment to marketers in the public interest?

***A13.*** No, it is not in the public interest for DP&L to pay for a portion of the Marketers costs though a payment to a Marketer trade group. Through this agreement, in my opinion DP&L is demonstrating that it considers Marketers more influential than its customers because it is willing to offer cash to the Marketers to cover their expenses but is not willing to pay for any of the customers’ expenses.

***Q14. DOES THE PROPOSED SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY PRINCIPLES?***

***A14.*** Yes. The Economic Development Rider in Section IV does not follow the traditional rules and PUCO policies and practices for reasonable arrangements, the Economic Development Grant Fund in Section V of the proposed Settlement appears inconsistent with ORC 4905.33, and the alleged Competitive Retail Market Enhancements in Section IX of the Settlement do not follow the proper laws for review of administrative rules.

***Q15. How are reasonable arrangements, specifically economic development ARRANGEMENTS, typically handled before the PUCO?***

***A15.*** Under Ohio law (R.C. 4905.31), a reasonable arrangement must be filed with and approved by the PUCO. The process requires an application that is submitted by a public utility or a mercantile customer.

The PUCO also has extensive rules that govern the process for reasonable arrangements applications. In any type of economic development arrangement, the applicant must file detailed information to allow parties to assess whether the application appears to be just and reasonable. The application must include information on all associated incentives, estimated annual electric billings without incentives, and the annual estimated delta revenues for the term of the incentives. The rules also require the customer to describe its status in the community and how the arrangement furthers the policy of the state. The applicant must also provide verifiable information detailing, how the following criteria are met: the arrangement permits at least 25 new full time jobs to be created or retained for the term of the arrangement, the customer shall demonstrate financial viability; the customer shall identify all existing local, state or federal support; the customer shall identify potential benefits from its project; and the customer agrees to maintain operations at the project site for the term of the incentives The customer also bears the burden of proof that the arrangement is reasonable and is not discriminatory. Parties are able to file comments on the application and can seek an evidentiary hearing if the PUCO determines the arrangement may be unjust and unreasonable. Economic development applications are evaluated on a case-by-case basis and the PUCO weighs all of the positive aspects against the costs to customers.

***Q16. How is the economic development rider proposed in the SETTLEMENT?***

***A16.*** The Economic Development Rider is set up to provide a $0.004/kWh discount to large customers that either sign the Settlement or do not oppose it. There are three different incentives.

The first is an “Economic Improvement Incentive” that is for a single site customer with demand greater than 10 MW and an average load factor of at least 80%. The only qualifying parties for this incentive are: One member of OEG, one member of IEU, and the Miami Valley Hospital.

The second incentive is an “Automaker Incentive” for a single site customer with demand greater than 4 MW. The only qualifying parties for this incentive are: One member of OEG, Honda and one other member of OMAEG.

The third incentive is an “Ohio Business Incentive,” which is available to businesses headquartered in Ohio with aggregated demand of 2 MW or greater. The only qualifying parties for this incentive are: Honda, two other members of OMAEG, Kroger and one member of IEU. It should be noted that although Honda qualifies for two of these incentives, however, it can only take advantage of one.

***Q17. would you consider thESE Provisions to be consistent with traditional economic development arrangement?***

***A17.*** No. This appears to be cash or cash equivalent payments to certain signatory and non-opposing parties to the Settlement paid for by DP&L’s customers that have nothing to do with economic development. The rider circumvents the law and the specific PUCO rules which govern economic development/reasonable arrangements.

There has been no showing of need for the discounted rates, nor how the discounted rates further state policy. There are no commitments by any of the qualifying parties to retain or expand jobs in Ohio in exchange for the discounted rates. There is no identification of other incentives these customers are receiving. Nor have the delta revenues created by the rider been identified. None of the criteria that the PUCO considers for economic development have been met. The rider is unjust and unreasonable for that reason, and conflicts with the law and the PUCO rules.

If any customer in the DP&L service territory is in need of a reasonable arrangement it should file an application for a reasonable arrangement with the PUCO and follow the explicit PUCO rules that govern economic development arrangements. Bill credits for signing or not opposing a Settlement should not be paid for under the guise of "economic development." The “Economic Development Rider” is just a handout for signing onto, or not opposing, the Settlement and should not be considered an economic development program.

***Q18. Describe the Economic Development Grant fund in Section v of the SETTLEMENT.***

***A18.*** Section V.1.c of the Settlement allows for cash payments to IEU in the amount of $145,000 per year, OMAEG in the amount of $18,000 per year, and Kroger in the amount of $160,000 per year to “partially offset the costs of the Settlement and rate design modifications.”[[4]](#footnote-6) Additionally, MAREC filed an agreement with DP&L on March 24, 2017 that allows for a $200,000 payment to MAREC for “advocacy and education efforts regarding wind energy.”[[5]](#footnote-7)

***Q19. Why does the economic development grant fund appear to be inconsistent with R.C. 4905.33?***

***A19.*** Stated generally, R.C. 4905.33 states that a public utility cannot issue rebates to one customer and not for all other like customers. The cash payments in Section V of the Settlement are rebates for both the costs of the Settlement and the costs to be incurred as a result of changes to the rate design. They are rebates. These cash payments are unlawful and should be rejected.[[6]](#footnote-8)

***Q20. HAs the PUCO ruled on direct payments to signatory parties in any prior cases?***

***A20.*** Yes, in case 05-376-EL-UNC a settlement allowed for direct payments to OEG, IEU, OMAEG, and Ohio Partners for Affordable Energy. The Commission stated in its Order on Remand: “However, the Signatory Parties to this Stipulation and parties to future stipulations should be forewarned that such provisions are strongly disfavored by this Commission and are highly likely to be stricken from any future stipulation submitted to the Commission for approval.”[[7]](#footnote-9)

***Q21. describe the competitive retail market enhancements in section IX of the settlement that violate regulatory practices or principals.***

***A21.*** Section IX.1 of the Settlement requires the Staff to request the Commission conduct a rules review to establish parameters for non-commodity billing in all utility service territories and for DP&L to submit an application to establish non-commodity billing parameters within 18 months of a Commission order approving the Settlement.

***Q22. How does the proposed ruleS review violate regulatory practices or principals?***

***A22.*** Rules under the Ohio Administrative Code are reviewed every five years. The rules governing Marketers fall under Ohio Adm. Code 4901:1-21, which have a five-year review date of July 24, 2019.[[8]](#footnote-10) The rules governing electric Marketers should be reviewed in their entirety at the time of the five-year review. A special rule-making process regarding a single matter, like that proposed in the Settlement, is not appropriate. If the PUCO rejects Staff’s rule reviews request it should also reject DP&L’s requirement to file an application to establish non-commodity billing.

# Conclusion

Q23. Please summarize your recommendatIOns.

***A23.*** The proposed Settlement does not pass the PUCO’s three-pronged test. It is does not benefit customers and it does violate regulatory principals. As a result, the proposed Settlement should be rejected by the Commission.

Q24. Does this conclude your testimony?

***A24.*** Yes. But I reserve the right to incorporate new information that may subsequently become available.

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing *Direct Testimony of Michael P. Haugh on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission upon the parties below this 29th day of March 2017.

/s/ *William J. Michael*

William J. Michael

Assistant Consumers’ Counsel

**SERVICE LIST**

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**MPH – ATTACHMENT-1**

**Public Utilities Commission of Ohio**

*Monongahela Power Company*, Case No. 04-1047-EL-ATA

*American Electric Power Company*, Case No. 05-376-EL-UNC

*Dayton Power and Light Company*, Case No. 05-276-EL-AIR

*Dominion East Ohio Company*, Case No. 05-474-EL-ATA

*Dominion East Ohio Company*, Case No. 05-219-GA-GCR

*Columbia Gas of Ohio*, Case No. 05-221-GA-GCR

*Duke Energy Ohio*, Case No. 03-93-EL-ATA

*American Electric Power*, Case No. 07-63-EL-UNC

*Eramet Marietta, Inc.,* Case No. 09-516-EL-AEC

*TimkenSteel Corporation,* Case No. 15-1857-EL-AEC

*American Electric Power Company,* Case No. 14-1693-EL-RDR

*Columbia Gas of Ohio,* Case No. 16-1309-GA-UNC

*American Electric Power,* Case No. 10-2929-EL-UNC

**Michigan Public Service Commission**

*Michigan Consolidated Gas Company*, Case No. U-17131

1. *Consumers' Counsel v. Pub. Util. Comm.,* 64 Ohio St 3d 123, 125(1992), citing *Akron v*. *Pub. Util. Comm.,* 55 Ohio St. 2d 155, 157 (1978). [↑](#footnote-ref-3)
2. See, e.g.*, In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger Is Approved, as a Merged Company (collectively, AEP Ohio) for an Increase in Electric Distribution Rates*, Case No. 11-351-EL-AIR, et al., Opinion and Order (December 14, 2011) at 9; *In re Application of the Dayton Power & Light Co. for Approval to Modify its Competitive Bid True-up Rider*, Case No. 14-563-EL-RDR (Sep. 9, 2015); *In re Application of the Columbus S. Power Co. & Ohio Power Co. for Authority to Recover Costs Associated with the Ultimate Construction and Operation of an Integrated Gasification Combined Cycle Electric Generation Facility*, Case No. 05-376- EL-UNC (Feb. 11, 2015). [↑](#footnote-ref-4)
3. Settlement at page 14. [↑](#footnote-ref-5)
4. Settlement at page 11. [↑](#footnote-ref-6)
5. *The Dayton Power and Light Company’s Notice of Filing its Letter Agreement with Mid-Atlantic Renewable Energy Coalition* at page 2. [↑](#footnote-ref-7)
6. For similar reasons, the rebates may also be inconsistent with ORC 4905.33. That statute prohibits making undue or unreasonable preferences or advantages. [↑](#footnote-ref-8)
7. *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Ultimate Construction and Operation of an Integrated Gasification Combined Cycle Electric Generation Facility* PUCO Case No. 05-376-EL-UNC, Order On Remand at pages 11-12. [↑](#footnote-ref-9)
8. http://codes.ohio.gov/oac/4901%3A1-21. [↑](#footnote-ref-10)