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

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission Review )

of the Capacity Charges of Ohio Power ) Case No. 10-2929-EL-UNC Company and Columbus Southern Power )

Company. )

In the Matter of the Application of ) Columbus Southern Power Company and )

Ohio Power Company for Authority to ) Case No. 11-346-EL-SSO Establish a Standard Service Offer ) Case No. 11-348-EL-SSO Pursuant to §4928.143, Ohio Rev. Code, )

in the Form of an Electric Security Plan. )

In the Matter of the Application of )

Columbus Southern Power Company and ) Case No. 11-349-EL-AAM Ohio Power Company for Approval of ) Case No. 11-350-EL-AAM Certain Accounting Authority.

In the Matter of the Application of )

Ohio Power Company to Adopt a ) Case No. 14-1186-EL-RDR Final Implementation Plan for the )

Retail Stability Rider. )

In the Matter of the Application of Columbus )

Southern Power Company for Approval of a ) Case No. 11-4920-EL-RDR Mechanism to Recover Deferred Fuel Costs )

Ordered Under Ohio Revised Code 4928.144. )

In the Matter of the Application of Ohio )

Power for Approval of a Mechanism to ) Case No. 11-4921-EL-RDR Recover Deferred Fuel Costs Ordered )

Under Ohio Revised Code 4928.144. )

In the Matter of the Fuel Adjustment ) Case No. 09-872-EL-FAC Clauses for Columbus Southern Power ) Case No. 09-873-EL-FAC Company and Ohio Power Company. )

In the Matter of the Application of the )

Fuel Adjustment Clauses for Columbus ) Case No. 11-5906-EL-FAC Southern Power Company and Ohio )

Power Company and Related Matters. )

In the Matter of the Fuel Adjustment )

Clauses for Columbus Southern Power ) Case No. 12-133-EL-FAC

Company and Ohio Power Company. )

In the Matter of the Fuel Adjustment ) Case No. 13-572-EL-FAC

Clause for Ohio Power Company. )

In the Matter of the Fuel Adjustment ) Case No. 13-1286-EL-FAC

Clause for Ohio Power Company. )

In the Matter of the Fuel Adjustment ) Case No. 13-1892-EL-FAC

Clause for Ohio Power Company. )

In the Matter of the Application of Ohio )

Power Company for Administration of the )

Significantly Excessive Earnings Test for ) Case No. 15-1022-EL-UNC 2014

Under Section 4928.143(F), Revised )

Code, and Rule 4901:1-35-10, Ohio )

Administrative Code. )

In the Matter of the Application of Ohio )

Power Company for Administration of the )

Significantly Excessive Earnings Test for ) Case No. 16-1105-EL-UNC 2015

Under Section 4928.143(F), Revised )

Code, and Rule 4901:1-35-10, Ohio )

Administrative Code. )

**DIRECT TESTIMONY**

**OF**

**MICHAEL P. HAUGH**

**On Behalf of the**

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

*10 West Broad Street, Suite 1800*

*Columbus, Ohio 43215-3485*

**January 6, 2017**

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mph – aTTACHMENT 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 (“Consumers’ Counsel” or "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 December 21, 2016 AEP filed a Joint Stipulation and Recommendation (“Settlement) to settle portions or all of the above mentioned cases. My testimony will evaluate the Settlement under the PUCO's three-pronged test for settlements.

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

***A5.*** I recommend that the PUCO adopt the Settlement as filed. The proposed Settlement meets the PUCO's three-pronged test. It is the product of serious bargaining among parties with diverse interests. The Settlement as a package benefits customers and the public interest. And the package does not violate important regulatory principles and practices.

 This settlement provides significant benefits to a diverse group of customers and also settles a large number of cases that are currently pending at the PUCO.

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

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

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties? In this regard, the PUCO sometimes considers whether the signatory parties to the settlement represent a diversity of interests.[[1]](#footnote-3)

2. Does the settlement, as a package, benefit customers and the public interest?

3. Does the settlement package violate any important regulatory principle or practice?[[2]](#footnote-4)

# Evaluation of the PROPOSED Settlement

Q7. who are the signatory parties to the SETTLEMENT?

***A7.*** The Signatory Parties are the Ohio Consumers’ Counsel, the PUCO Staff ("Staff"), AEP Ohio, Ohio Energy Group ("OEG"), Ohio Manufacturers’ Association Energy Group ("OMAEG"), Direct Energy, Interstate Gas Supply, Inc. ("IGS"), Constellation NewEnergy, Inc., The Kroger Company and the Appalachian Peace and Justice Network. In addition, there were a number of entities that were parties to some or all of the above cases and agreed not to oppose this Settlement. These parties include the Industrial Energy Users - Ohio, EnerNOC, Inc., and the Ohio Hospital Association.

Q8. Does the settlement meet the first prong of the PUCO'S standard?

***A8.*** Yes, the Settlement meets the first prong of the test. There were a number of meetings between signatory parties to negotiate this Settlement. These stakeholders represent a diverse group of parties who actively participated in many of the proceedings that are resolved by this Settlement. AEP Ohio reached out to all parties that were active in the cases included in this Settlement and invited them to settlement discussions. I am not aware of any party that is contesting this Settlement. I was actively involved on behalf of the Consumers’ Counsel in the negotiations.

Q9. Does the settlement, as a package, benefit AEP Ohio’s CUSTOMERs and the public interest?

***A9.*** Yes, the Settlement provides benefits to the customers of AEP Ohio. In particular, residential customers will receive refunds for overpayments to AEP to entice customers to shop for electricity, will pay less to AEP Ohio for the Retail Stability Rider (“RSR”), will receive a rate reduction from AEP Ohio for a previous significant excess earnings test (“SEET”) case, will pay a reduced amount to AEP Ohio for the Phase In Recovery Rider (”PIRR”) and will benefit from paying a smaller allocation of AEP’s costs for gridSMART.

Q10. How does the settlement provide a benefit to residential custoMERS?

***A10.*** The benefits to residential customers come from several provisions of the settlement.

* One provision in the Settlement (Settlement ¶D at pages 12-14) requires refunds (a one-time bill credit) to all customers who did not shop from August 2012 through May 2015 (the electric security plan (“ESP”) period). This refund compensates non-shopping customers for certain fuel related costs that were alleged to be double charged to customers and were contested by the OCC and other parties. Residential customers who did not shop for the entire ESP period are expected to receive a bill credit of approximately $64. Pro rata bill credits will also be made to customers who shopped for only a portion of the ESP period.
* Another provision of the Settlement (Settlement ¶A at pages 9-10, ¶C at pages 11-12) reduces, by $4.25 per month, what residential customers pay under the RSR charge. These reductions will be in effect for twenty four months. After that, the RSR will no longer be collected from residential customers. The reduced stability charges come from an Ohio Supreme Court ruling earlier this year that AEP Ohio should not be charging customers for its transition to electric competition. The reduced charge also reflects a $20.3 million refund related to the Utility's 2014 earnings being examined under the Significantly Excessive Earning Review proceeding (Case No. 15-1022-EL-UNC). The residential customer share of the refund is $6.5 million.
* The Settlement also provides for reductions in customers' bills over the next two years related to charges not collected but authorized under AEP Ohio's electric security plan. (Settlement ¶B at page 11). The charges are currently being collected through a charge called the phase in recovery rider. The reduction in the phase in recovery charge will be made for all customers in the Ohio Power rate zone. Residential customers living in the Ohio Power rate zone are expected to receive bills that contain a $2/MWh reduction in the PIRR charge.
* Another benefit to residential customers comes from the reallocation of gridSMART costs. (Settlement ¶ E at pages 14-15). The reallocation will more fairly distribute the costs of this program. Under this provision, during the next seven years residential customers will pay less for AEP Ohio investment in gridSMART than they would have under the proposed settlement previously filed in that case.

***Q11. DOES THE SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY PRINCIPLES?***

***A11.*** No. In fact it is premised upon the principle that costs should be collected from those who caused the costs. A number of the cases settled/or affected by this Settlement (including Case No 10-2929-EL-UNC and Case No. 13-1939-EL-RDR) imposed/or seek in OCC’s view to impose an unreasonable burden on residential customers even though the costs were/will be caused by other customers. This Settlement is structured in a way that ensures a fair resolution of issues where costs are collected from the cost causers.

# Conclusion

Q12. Please summarize your recommendatIOns.

***A12.*** The Settlement resulted from bargaining by a diverse group including broad-based consumer parties. This Settlement passes the PUCO’s three-prong test and should be approved, as is, by the PUCO. The Settlement provides significant benefits to AEP Ohio customers, including residential customers.

Q13. Does this conclude your testimony?

***A13.*** Yes.

**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 6th day of January 2017.

 */s/ Maureen R. Willis*

 Maureen R. Willis

 Senior Regulatory Counsel

**SERVICE LIST**

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09-872-EL-FAC et al:

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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

**Michigan Public Service Commission**

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

1. 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-3)
2. *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-4)