

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In The Matter Of The Application Seeking)
Approval of Ohio Power Company's Proposal)
to Enter into an Affiliate Power Purchase) Case No. 14-1693-EL-RDR
Agreement for Inclusion in the Power)
Purchase Agreement Rider)

In The Matter Of The Application of Ohio)
Power Company for Approval of Certain) Case No. 14-1694-EL-AAM
Accounting Authority)

(PUBLIC VERSION)

**DIRECT TESTIMONY
OF
ROBERT B. FORTNEY**

**On Behalf of the
The Office of the Ohio Consumers' Counsel**
*10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485*

DECEMBER 28, 2015

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Direct Testimony of Robert B. Fortney
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case Nos. 14-1693-EL-RDR, et al.

1 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

2 ***A1.*** My name is Robert B. Fortney. My business address is 10 West Broad Street,
3 Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the
4 Ohio Consumers' Counsel (OCC) as a Rate Design and Cost of Service Analyst.

5

6 ***Q2 WHAT ARE YOUR RESPONSIBILITIES IN THAT ROLE?***

7 ***A2.*** I am responsible for investigating utility applications regarding rate and tariff
8 activities related to tariff language, cost of service studies, revenue distribution
9 and rate design that impact the residential consumers of Ohio. My primary focus
10 is to make recommendations to protect consumers from unnecessary utility rate
11 increases and unfair regulatory practices.

12

13 ***Q3. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL***
14 ***BACKGROUND?***

15 ***A3.*** I earned a Bachelor of Science degree in Business Administration from Ball State
16 University in Muncie, Indiana in 1971. I earned a Master of Business
17 Administration degree from the University of Dayton in 1979.

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1 ***Q4. WOULD YOU PLEASE SUMMARIZE YOUR PROFESSIONAL***
2 ***BACKGROUND AS IT RELATES TO UTILITY REGULATION?***

3 ***A4.*** From July, 1985 to August, 2012, I was employed by the Public Utilities
4 Commission of Ohio (“PUCO” or “Commission”). During that time I held a
5 number of positions (Rate Analyst, Rate Analyst Supervisor, Public Utilities
6 Administrator) in various Divisions and Departments that focused on utility
7 applications regarding rates and tariff issues. In August 2012 I retired from the
8 Commission as a Public Utilities Administrator 2, Chief of the Rates and Tariffs
9 Division, which focused on utility rates and tariff matters. The role of that
10 Division was to investigate and analyze the rate- and tariff-related filings and
11 applications of the electric, gas, and water utilities regulated by the PUCO and to
12 make staff recommendations to the Commission regarding those filings.

13
14 ***Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***
15 ***PUCO?***

16 ***A5.*** Yes. I have testified on numerous occasions to advocate to the Commission the
17 positions of the PUCO Staff.

18
19 ***Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
20 ***PROCEEDING?***

21 ***A6.*** On December 14, 2015, a Joint Stipulation and Recommendation (Stipulation) in
22 this proceeding was filed by the signatory parties in order to resolve all of the

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1 issues raised regarding the Amended Application filed by the Ohio Power
2 Company ("AEP Ohio") on May 15, 2015. In an Entry filed on December 15,
3 2015, the Attorney Examiner established a procedural schedule to assist the
4 Commission in its review of the Stipulation. The Entry established that testimony
5 in opposition to the Stipulation be filed by December 28, 2015. OCC was not a
6 signatory party to the Stipulation and is submitting testimony in opposition. The
7 purpose of my testimony is to bring to the Commission's attention rate-related
8 issues resulting from the provisions of the Stipulation that negatively impact AEP
9 Ohio's residential customers.

10
11 ***Q7. WHAT ARE THOSE ISSUES THAT YOU HAVE IDENTIFIED WHICH***
12 ***NEGATIVELY IMPACT RESIDENTIAL CUSTOMERS?***

13 ***A7.*** Section III.D.4 of the Stipulation provides that 50% of the Energy Efficiency and
14 Peak Demand Reduction Cost Recovery ("EE/PDR") Rider costs for transmission
15 and sub-transmission voltage customers will be transferred to the Economic
16 Development Cost Recovery ("EDR") Rider through May 31, 2024. Section
17 III.D.5 of the Stipulation provides that 50% of the Interruptible Power (IRP)
18 credits from the EE/PDR Rider will be transferred to the EDR Rider. The transfer
19 of 50% of EE/PDR Rider Costs to EDR causes harm to the residential customer
20 class because the allocations of EE/PDR and EDR were originally based upon
21 principles of cost causation. Those principles are then abandoned by the arbitrary
22 transfer of 50% of the cost recovery from the EE/PDR to the EDR. In other

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1 words, costs that are not caused by residential consumers are being added to the
2 EDR to be recovered from all customers, including residential customers, on a
3 kWh basis.

4
5 **Q8. HOW DO THOSE PROVISIONS IMPACT RESIDENTIAL CUSTOMERS?**

6 **A8.** According to the testimony (p. 14) of company witness William A. Allen, AEP
7 Ohio has estimated that the stipulation will result in an increase in residential
8 customer rates of approximately \$0.62 per month for a typical customer using
9 1,000 kWh per month. This represents an increase in the total bill for that
10 customer of approximately 0.5%. The rates for all other customer classes are
11 estimated to either decline or increase by less than 1%.

12
13 **Q9. WHAT'S YOUR POINT?**

14 **A9.** It is my understanding that OCC opposes the concept of a Power Purchase
15 Agreement Rider that AEP Ohio proposed. OCC's initial opposition arose from
16 the application in Case No. 13-2385-EL-SSO on December 20, 2013 and
17 continued through the renewed application in Case No. 14-1693-EL-RDR on
18 October 3, 2014, as amended on May 15, 2015. It is also my understanding that
19 OCC participated in settlement discussions in this proceeding, but chose not to be
20 a signatory party to the Stipulation and, in fact, opposes it. The Stipulation
21 modifies the application and the amended application. These modifications cause
22 financial harm to the residential customers of AEP Ohio by shifting additional

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1 costs into the EDR Rider to be paid, at least in part, by residential customers.

2 Those provisions violate the fundamental rate-making principle that the customers
3 who cause the costs should be the customers to pay for those costs.

4
5 ***Q10. ARE THERE ANY OTHER STIPULATION PROVISIONS THAT HAVE***
6 ***POTENTIAL NEGATIVE IMPACTS ON THE RESIDENTIAL***
7 ***CUSTOMERS?***

8 ***A10.*** Yes. Section III.A.4 of the Stipulation provides that “PPA Rider credits and
9 charges will be allocated to rate classes/voltage levels (Residential; GS Non-
10 Demand; Secondary; Primary; Sub/Tran; and Lighting) schedules based upon
11 their PJM five monthly coincident peak demands for the prior year.”

12
13 It is my understanding that each of the generation-related items – capacity,
14 energy, and ancillary services – will be offered into the PJM markets by AEP
15 Ohio. All of the revenues that the company obtains from the sale of those
16 generation products will be used to offset the deregulated generation costs billed
17 to the company resulting from the Affiliated PPA and OVEC PPA agreements. It
18 is my opinion that the charges and credits being applied to the PPA Rider should
19 not be allocated based on the PJM five monthly peak demands. A straight
20 allocation by demand of the PPA costs and revenues unfairly and arbitrarily
21 assigns a disproportionate share of those costs to the Residential class. Under a
22 straight demand allocation, █% of the costs are assigned to the residential class;

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1 however, under a straight energy allocation, only ■% of the costs are assigned to
2 the residential class.¹ The proper allocation should be based on the combination
3 of demand and energy, netting the difference between the costs and the sales of all
4 three of the generation products. Such determination should be part of the
5 forecasted values and subject to the quarterly true-ups.

6

7 ***Q11. DOES THAT CONCLUDE YOUR TESTIMONY?***

8 ***A11.*** Yes, it does.

¹ See Confidential Attachment A.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Direct Testimony of Robert B. Fortney, PUBLIC VERSION, on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission upon the parties below this 28th day of December 2015.

/s/ Jodi Bair

Jodi Bair

Assistant Consumers' Counsel

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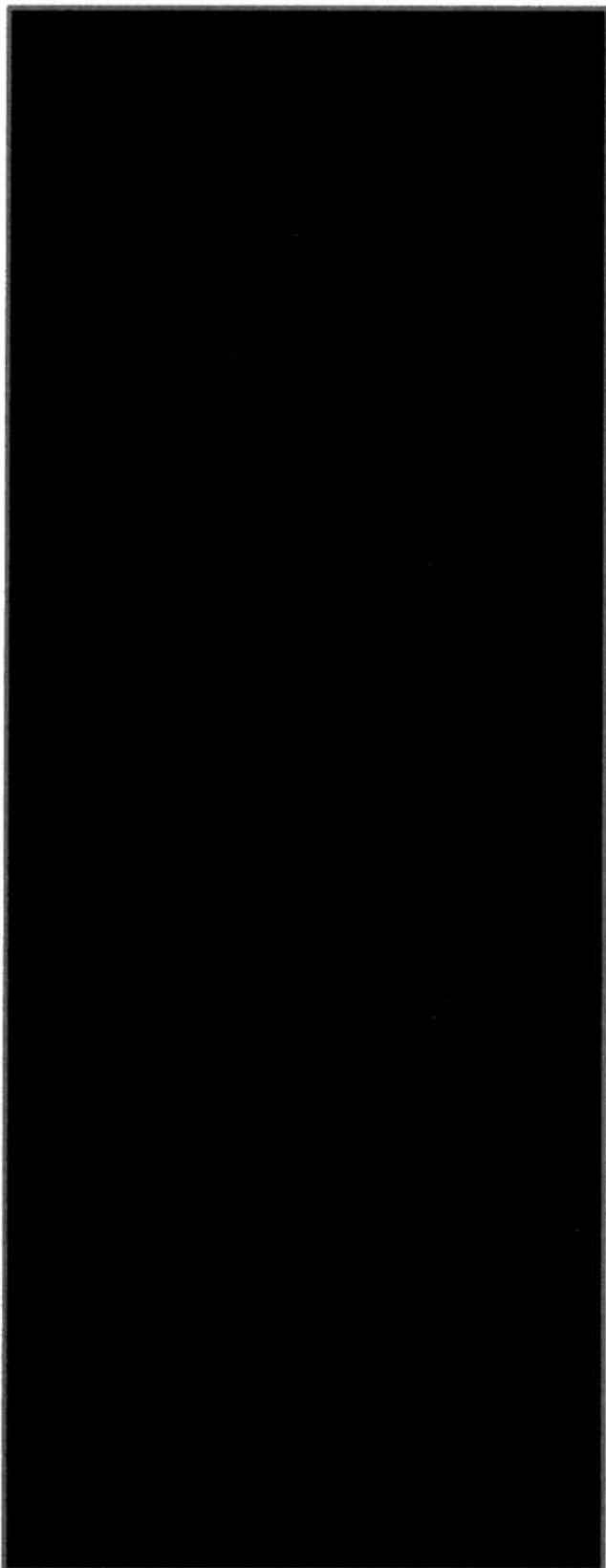
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Attachment RBF-A



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in

Case No(s). 14-1693-EL-RDR, 14-1694-EL-AAM

Summary: Testimony Direct Testimony Public Version of Robert B. Forney on behalf of the Office of the Ohio Consumers' Counsel. electronically filed by Ms. Gina L Brigner on behalf of Bair, Jodi Ms.