

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)
Dayton Power and Light Company for) Case No. 16-0395-EL-SSO
Approval of Its Electric Security Plan.)

In the Matter of the Application of The)
Dayton Power and Light Company for) Case No. 16-0396-EL-ATA
Approval of Revised Tariffs.)

In the Matter of the Application of The)
Dayton Power and Light Company for) Case No. 16-0397-EL-AAM
Approval of Certain Accounting Authority)
Pursuant to Ohio Rev Code 4905.13.)

**DIRECT TESTIMONY
OF
MICHAEL P. HAUGH**

On Behalf, of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
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MARCH 29, 2017

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ATTACHMENTS

Attachment MPH-1

1 **I. OVERVIEW**

2

3 ***Q1. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.***

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

7

8 ***Q2. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION AND***
9 ***PROFESSIONAL EXPERIENCE.***

10 ***A2.*** I have a Bachelor of Science in Business Administration from the Ohio State
11 University with a major in Finance. I have also attended the Institute of Public
12 Utilities Advanced Regulatory Studies at Michigan State University. I have over
13 20 years working in the energy industry with experience in wholesale and retail
14 energy trading, risk management, natural gas purchasing and scheduling, and
15 regulatory affairs. I started with Enron Energy Services in 1995 as an Energy
16 Trader and then moved on to American Electric Power Energy Services in 1998
17 where I worked in Risk Management and Wholesale Energy Trading. In January
18 2004 I went to work for MidAmerican Energy Services as a Senior Product
19 Manager. In October of 2004 I began work as a Senior Regulatory Analyst with
20 the OCC. I left the OCC in September 2007 and joined Integrys Energy Services
21 as a Regulatory Affairs Analyst. I joined Just Energy in 2009 and held the
22 position of Manager of Regulatory Affairs before becoming Manager of Market
23 Relations in 2011. I was re-hired at the OCC in June 2014 in my current position.

1 ***Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN UTILITY CASES***
2 ***BEFORE REGULATORY COMMISSIONS?***

3 ***A3.*** Yes, I have testified before the Public Utilities Commission of Ohio ("PUCO" or
4 "Commission") and the Michigan Public Service Commission. The complete list
5 of cases in which I have testified is attached as Attachment MPH-1.
6

7 **II. PURPOSE OF TESTIMONY**
8

9 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
10 ***PROCEEDING?***

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

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

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

5
6 **Q6. WHAT ARE THE PUCO'S STANDARDS OF REVIEW FOR EVALUATING**
7 **PROPOSED STIPULATIONS?**

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

- 10 1. Is the proposed stipulation a product of serious bargaining among
11 capable, knowledgeable parties?
- 12 2. Does the proposed stipulation, as a package, benefit customers and
13 the public interest?
- 14 3. Does the proposed stipulation violate any important regulatory
15 principle or practice?¹

16
17 In addition to these three criteria, the PUCO also routinely considers whether the
18 parties to the stipulation represent diverse interests.²

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).

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).

1 **III. EVALUATION OF THE PROPOSED STIPULATION**

2

3 ***Q7. WHO ARE THE SIGNATORY PARTIES TO THE PROPOSED***
4 ***SETTLEMENT?***

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

14

15 ***Q8. DOES THE SETTLEMENT, AS A PACKAGE, BENEFIT CUSTOMERS AND***
16 ***THE PUBLIC INTEREST?***

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

19

20 ***Q9. DESCRIBE THE PROPOSED TCRR-N PILOT PROGRAM.***

21 **A9.** The TCRR-N pilot program allows up to 50 primary voltage level customers to
22 opt out of the current TCRR-N rider and obtain transmission and ancillary
23 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

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

³ Settlement at page 14.

1 minimum, the TCRR-N pilot program should require DP&L to outline the goals it
2 wishes to achieve, determine the costs required to implement this program, define
3 the anticipated benefits to participants, and calculate any possible cost shifts from
4 participants to non-participants. Additionally, the pilot program should be
5 evaluated after a two-year period to determine if it is benefitting **all** customers,
6 not just “certain” customers. To facilitate this evaluation, DP&L should have to
7 file a report outlining the program’s goals and whether those goals are being
8 achieved.

9

10 ***Q11. WHAT IS SUPPLIER CONSOLIDATED BILLING?***

11 ***A11.*** It is when a Marketer bills its customers for both the regulated distribution portion
12 of a customer’s bill along with the deregulated generation portion of the bill. The
13 Marketer is then responsible for collecting all charges from the customer. The
14 Marketer would then remit the distribution revenues to the utility. The proposed
15 pilot program costs will be shared with 50% being paid by DP&L customers and
16 50% paid by Marketers. DP&L shareholders will pay RESA \$150,000 toward the
17 Marketers’ portion of the costs.

18

19 ***Q12. DOES SUPPLIER CONSOLIDATED BILLING BENEFIT CUSTOMERS?***

20 ***A12.*** Generally, no. Some customers may desire supplier consolidated billing, but the
21 program primarily benefits the Marketers. Supplier consolidated billing allows a
22 marketer to include its own branding and marketing on the bill and also include
23 line items that may not be allowable on a traditional utility bill. Currently,

1 customers can receive one consolidated bill from the utility that includes the
2 utility charges and the Marketer charges on separate line items. Another option
3 currently available is for the marketers to send out a separate bill for their charges.
4 This option is known as dual billing. I know in the case of residential customers
5 the majority of those customers would prefer to get one bill from the utility -- it is
6 something with which they are familiar. If the supplier desires to bill through the
7 Utility billing system, the Marketer should bear all of the costs of those changes
8 to the DP&L billing system. None of these costs should be paid by local
9 distribution customers.

10

11 ***Q13. IS THE \$150,000 PAYMENT TO MARKETERS IN THE PUBLIC***
12 ***INTEREST?***

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

18

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

21 ***A14.*** Yes. The Economic Development Rider in Section IV does not follow the
22 traditional rules and PUCO policies and practices for reasonable arrangements,
23 the Economic Development Grant Fund in Section V of the proposed Settlement

1 appears inconsistent with ORC 4905.33, and the alleged Competitive Retail
2 Market Enhancements in Section IX of the Settlement do not follow the proper
3 laws for review of administrative rules.

4
5 ***Q15. HOW ARE REASONABLE ARRANGEMENTS, SPECIFICALLY***
6 ***ECONOMIC DEVELOPMENT ARRANGEMENTS, TYPICALLY HANDLED***
7 ***BEFORE THE PUCO?***

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

11
12 The PUCO also has extensive rules that govern the process for reasonable
13 arrangements applications. In any type of economic development arrangement,
14 the applicant must file detailed information to allow parties to assess whether the
15 application appears to be just and reasonable. The application must include
16 information on all associated incentives, estimated annual electric billings without
17 incentives, and the annual estimated delta revenues for the term of the incentives.
18 The rules also require the customer to describe its status in the community and
19 how the arrangement furthers the policy of the state. The applicant must also
20 provide verifiable information detailing, how the following criteria are met: the
21 arrangement permits at least 25 new full time jobs to be created or retained for the
22 term of the arrangement, the customer shall demonstrate financial viability; the
23 customer shall identify all existing local, state or federal support; the customer

1 shall identify potential benefits from its project; and the customer agrees to
2 maintain operations at the project site for the term of the incentives. The customer
3 also bears the burden of proof that the arrangement is reasonable and is not
4 discriminatory. Parties are able to file comments on the application and can seek
5 an evidentiary hearing if the PUCO determines the arrangement may be unjust
6 and unreasonable. Economic development applications are evaluated on a case-
7 by-case basis and the PUCO weighs all of the positive aspects against the costs to
8 customers.

9

10 ***Q16. HOW IS THE ECONOMIC DEVELOPMENT RIDER PROPOSED IN THE***
11 ***SETTLEMENT?***

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

15

16 The first is an “Economic Improvement Incentive” that is for a single site
17 customer with demand greater than 10 MW and an average load factor of at least
18 80%. The only qualifying parties for this incentive are: One member of OEG,
19 one member of IEU, and the Miami Valley Hospital.

20

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

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

7
8 ***Q17. WOULD YOU CONSIDER THESE PROVISIONS TO BE CONSISTENT***
9 ***WITH TRADITIONAL ECONOMIC DEVELOPMENT ARRANGEMENT?***

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

15
16 There has been no showing of need for the discounted rates, nor how the
17 discounted rates further state policy. There are no commitments by any of the
18 qualifying parties to retain or expand jobs in Ohio in exchange for the discounted
19 rates. There is no identification of other incentives these customers are receiving.
20 Nor have the delta revenues created by the rider been identified. None of the
21 criteria that the PUCO considers for economic development have been met. The
22 rider is unjust and unreasonable for that reason, and conflicts with the law and the
23 PUCO rules.

1 If any customer in the DP&L service territory is in need of a reasonable
2 arrangement it should file an application for a reasonable arrangement with the
3 PUCO and follow the explicit PUCO rules that govern economic development
4 arrangements. Bill credits for signing or not opposing a Settlement should not be
5 paid for under the guise of "economic development." The "Economic
6 Development Rider" is just a handout for signing onto, or not opposing, the
7 Settlement and should not be considered an economic development program.
8

9 ***Q18. DESCRIBE THE ECONOMIC DEVELOPMENT GRANT FUND IN***
10 ***SECTION V OF THE SETTLEMENT.***

11 ***A18.*** Section V.1.c of the Settlement allows for cash payments to IEU in the amount of
12 \$145,000 per year, OMAEG in the amount of \$18,000 per year, and Kroger in the
13 amount of \$160,000 per year to "partially offset the costs of the Settlement and
14 rate design modifications."⁴ Additionally, MAREC filed an agreement with
15 DP&L on March 24, 2017 that allows for a \$200,000 payment to MAREC for
16 "advocacy and education efforts regarding wind energy."⁵
17

18 ***Q19. WHY DOES THE ECONOMIC DEVELOPMENT GRANT FUND APPEAR***
19 ***TO BE INCONSISTENT WITH R.C. 4905.33?***

20 ***A19.*** Stated generally, R.C. 4905.33 states that a public utility cannot issue rebates to
21 one customer and not for all other like customers. The cash payments in Section

⁴ Settlement at page 11.

⁵ *The Dayton Power and Light Company's Notice of Filing its Letter Agreement with Mid-Atlantic Renewable Energy Coalition* at page 2.

1 V of the Settlement are rebates for both the costs of the Settlement and the costs
2 to be incurred as a result of changes to the rate design. They are rebates. These
3 cash payments are unlawful and should be rejected.⁶
4

5 ***Q20. HAS THE PUCO RULED ON DIRECT PAYMENTS TO SIGNATORY***
6 ***PARTIES IN ANY PRIOR CASES?***

7 ***A20.*** Yes, in case 05-376-EL-UNC a settlement allowed for direct payments to OEG,
8 IEU, OMAEG, and Ohio Partners for Affordable Energy. The Commission stated
9 in its Order on Remand: “However, the Signatory Parties to this Stipulation and
10 parties to future stipulations should be forewarned that such provisions are
11 strongly disfavored by this Commission and are highly likely to be stricken from
12 any future stipulation submitted to the Commission for approval.”⁷
13

14 ***Q21. DESCRIBE THE COMPETITIVE RETAIL MARKET ENHANCEMENTS IN***
15 ***SECTION IX OF THE SETTLEMENT THAT VIOLATE REGULATORY***
16 ***PRACTICES OR PRINCIPALS.***

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

⁶ For similar reasons, the rebates may also be inconsistent with ORC 4905.33. That statute prohibits making undue or unreasonable preferences or advantages.

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.

1 commodity billing parameters within 18 months of a Commission order
2 approving the Settlement.

3

4 ***Q22. HOW DOES THE PROPOSED RULES REVIEW VIOLATE REGULATORY***
5 ***PRACTICES OR PRINCIPALS?***

6 ***A22.*** Rules under the Ohio Administrative Code are reviewed every five years. The
7 rules governing Marketers fall under Ohio Adm. Code 4901:1-21, which have a
8 five-year review date of July 24, 2019.⁸ The rules governing electric Marketers
9 should be reviewed in their entirety at the time of the five-year review. A special
10 rule-making process regarding a single matter, like that proposed in the
11 Settlement, is not appropriate. If the PUCO rejects Staff's rule reviews request it
12 should also reject DP&L's requirement to file an application to establish non-
13 commodity billing.

14

15 ***IV. CONCLUSION***

16

17 ***Q23. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.***

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

⁸ <http://codes.ohio.gov/oac/4901%3A1-21>.

1 **Q24. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A24.** Yes. But I reserve the right to incorporate new information that may subsequently
3 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

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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

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Case No(s). 16-0395-EL-SSO, 16-0396-EL-ATA, 16-0397-EL-AAM

Summary: Testimony Direct Testimony of Michael P. Haugh electronically filed by Ms. Jamie Williams on behalf of Michael, William Mr.