

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
Ohio Power Company for Authority to	)	Case No. 16-1852-EL-SSO
Establish a Standard Service Offer	)	
Pursuant to § 4928.143, Ohio Rev. Code,	)	
in the Form of an Electric Security Plan	)	
	)	
In the Matter of the Application of	)	
Ohio Power Company for Approval of	)	Case No. 16-1853-EL-AAM
Certain Accounting Authority	)	

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**DIRECT TESTIMONY OF  
DIANE MUNNS  
ON BEHALF OF  
OHIO ENVIRONMENTAL COUNCIL AND  
ENVIRONMENTAL DEFENSE FUND**

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Diane Munns. My business address is 257 Park Avenue South, 17th  
4 Floor, New York, NY 10010.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed as Senior Director of External Affairs, Clean Energy Program by the  
7 Environmental Defense Fund (“EDF”).

8 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING TESTIMONY?**

9 A. I am testifying on behalf of Ohio Environmental Council (“OEC”) and EDF.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. My testimony is intended to oppose the revenue-neutral residential rate design  
12 changes proposed by Ohio Power Company (“AEP”) witnesses Mr. David Gill and  
13 Ms. Andrea Moore. In particular, I oppose their proposal to increase the residential  
14 customer charge from the current amount of \$8.40 per month to \$13.40 per month,  
15 plus an additional \$5.00 monthly increase in 2018. The proposed increase in the  
16 fixed monthly customer charge would be offset by a decrease in the distribution  
17 energy charge to make the rate design change revenue neutral. This proposal is based  
18 on a cost of service study from Case No. 11-351-EL-AIR, which purportedly  
19 supported a fixed monthly customer charge of \$27.24.  
20 My testimony offers the Commission reasons why it should not adopt AEP’s proposal  
21 in this docket, but rather use the Commission’s new PowerForward<sup>1</sup> initiative to  
22 discuss rate design changes and issues raised by increasing distributed energy

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<sup>1</sup> Pub. Util. Comm. of Ohio, PowerForward, information available at <https://www.puco.ohio.gov/industry-information/industry-topics/powerforward/>.

resources and changing use of the grid. The results from information learned in that forum could form the basis for rate design changes in future rate cases.

## **II. QUALIFICATIONS**

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.**

A. I graduated with a B.A. from the University of Iowa in 1975 (cum laude, Phi Beta Kappa). I graduated with a J.D. from Drake University in 1982 (Order of the Coif). I worked at the Iowa Attorney General's office from 1982 to 1983. I worked at the Iowa Utilities Board from 1983 to 2007, starting as Assistant Counsel and later promoted to General Counsel. I was first appointed as a Board member (this is the same as commissioner in other states) in 1999 and later became the Chair and held this position for four years. I also served as President of the National Association of Regulatory Utility Commissioners ("NARUC") while a member of the Board. During my term as president of NARUC, I also served as co-chair of the National Action Plan for Energy Efficiency, with Jim Rogers of Duke Energy as my Co-Chair. From 2007 to 2008, I was Executive Director of Retail Energy Services for the Edison Electric Institute. From 2008 to 2014, I was Vice President for Regulatory Relations and Energy Efficiency for MidAmerican Energy Company ("MidAmerican"), until I assumed my present position with EDF.

**Q. WHAT ARE YOUR RESPONSIBILITIES AS SENIOR DIRECTOR OF EXTERNAL AFFAIRS FOR EDF'S CLEAN ENERGY PROGRAM?**

A. I am responsible for defining the overall strategy for EDF's Clean Energy Program's collaborative efforts, including identifying potential partners and nurturing shared

1 dialogue to maximize clean energy advances. I serve as a key contact point with  
2 external partners, such as policymakers, industry allies and other non-governmental  
3 organizations in the clean energy sector, and act as a national thought leader and  
4 expert on topics including energy efficiency, smart grid, renewables, and utility  
5 business models. Finally, I coordinate EDF's regulatory policies among our various  
6 state teams.

7 **Q. PLEASE DESCRIBE YOUR EXPERIENCE IN THE AREAS OF RATE**  
8 **DESIGN AND VALUING DISTRIBUTED RESOURCES.**

9 A. I frequently worked on and decided rate design issues during my thirty years in  
10 regulation with the Iowa Utilities Board, the Edison Electric Institute and  
11 MidAmerican. As a former commissioner and general counsel, I analyzed the impact  
12 of rate design in a number of rate cases. I have also worked on these issues during  
13 my time with MidAmerican and with EDF. Most recently, I filed testimony on rate  
14 design in a case involving El Paso Electric Company. I also testified in Ohio  
15 regarding AEP's request to bailout uneconomic plants proposing alternatives to  
16 pursue. I filed testimony as an expert witness in a Kansas case where Westar was  
17 proposing to introduce a three-part rate for distributed generation customers. I filed  
18 testimony in an Illinois case involving a revenue-neutral rate design proposal by  
19 Ameren. I also testified in a North Carolina proceeding on valuing distributed  
20 resources in an avoided cost case. I participated as a witness in a Hawaii proceeding  
21 proposing new rate designs to accommodate increasing penetration levels of  
22 distributed resources. I am actively participating in New York's Reforming Energy

Vision (“REV”) case, which involves rate design and valuing distributed resources issues

### **III. OVERVIEW AND SUMMARY OF TESTIMONY**

**Q. PLEASE EXPLAIN HOW YOUR TESTIMONY IS ORGANIZED.**

A. First, I explain the rate proposal under consideration. Second, I explain the rate design principles and process which should apply in evaluating the proposal as set out in the National Association of Regulatory Utility Commissioners’ *Distributed Energy Resources Rate Design and Compensation Manual* (“Manual”).<sup>2</sup> Finally, I address AEP’s proposal for a fixed charge increase using that Manual. I propose denying the change and using the PowerForward initiative as the forum to provide a sound basis for understanding rate design changes and their impact on customers prior to any implementation.

**Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

A. Due to unprecedented technology change in the electric industry, including the growth in deployment of distributed energy resources such as rooftop solar, batteries, energy efficiency, and demand response programs, utilities are concerned about the trend and their ability to adequately and fairly recover the costs associated with delivering electricity under the historic regulatory recovery system. Many have filed for increases to fixed charges to ensure revenue stability in light of changes or anticipated changes.

The changing electricity system and the increasing number of proposals being considered by state commissions prompted the National Association of Regulatory

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<sup>2</sup> Nat’l Assoc. of Regulatory Util. Commissioners, *Distributed Energy Resources Rate Design and Compensation Manual*, available at <http://pubs.naruc.org/pub/19FDF48B-AA57-5160-DBA1-BE2E9C2F7EA0>.

1 Utility Commissioners to direct its Staff Subcommittee on Rate Design to develop the  
2 Manual to assist jurisdictions in developing policies related to distributed energy  
3 resources (DER) compensation and provide a framework for decision-making.  
4 (Manual at 16, 143.) NARUC recommends to its member commissioners that  
5 proposals for changes to rate design be reviewed under this framework and guidance.  
6 AEP proposes to increase the fixed monthly charge for residential customers based on  
7 a 2011 cost of service study which purportedly supported a \$27.24 cost of service for  
8 residential customers. My testimony reviews this proposal in light of the guidance  
9 provided in the NARUC Manual. As a result of that review, I recommend that the  
10 Commission deny the proposal and begin the discussion of the role of rate design in  
11 an evolving electricity system within the PowerForward initiative. We commend the  
12 Public Utilities Commission of Ohio (“PUCO” or “Commission”) for its foresight in  
13 convening this proceeding, to chart a path forward for future grid modernization  
14 projects, innovative regulations and forward-thinking policies that could eventually  
15 be integrated into utility business practices.<sup>3</sup> We understand this includes rate design.  
16 This will allow for consideration of all the issues related to utility compensation and  
17 customer contribution to costs in a broader context, relying not only on AEP’s cost of  
18 service data but also the best available national data, and a full consideration of the  
19 interrelationship among grid modernization, increasing penetration of distributed  
20 energy resources and rate design.

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<sup>3</sup> Pub. Util. Comm. Ohio, *PUCO announces PowerForward* (Mar. 8, 2017), available at <https://www.puco.ohio.gov/media-room/media-releases/puco-announces-powerforward/>.

1       **Q.     WHAT DOES THE NARUC ‘DISTRIBUTED ENERGY RESOURCES RATE**  
2       **DESIGN AND COMPENSATION’ MANUAL SAY ABOUT RATE DESIGN**  
3       **CHANGES?**

4       A.     The Manual is guidance to regulators and makes it clear that changes to rate design  
5             should be done in a mindful, deliberate manner to implement rates and compensation  
6             methodologies that will lead to greater benefits for the public, customers, developers  
7             and utilities alike. (Manual at 41.) The Manual does not endorse a particular method  
8             but does support an intentional process to guide decisions.

9       **Q.     CAN YOU GIVE SOME EXAMPLES OF THIS GUIDANCE?**

10      A.     Yes. The Manual says:

- 11      •     [A] jurisdiction will need to identify its current status regarding DER and what role it  
12             expects DER to have in the future, understand the nature of DER adoption rates, and  
13             identify necessary policy developments or rate design modification to accommodate  
14             that future. (Manual at 16.)
- 15      •     Identifying the appropriate principles, goals and objectives for rate design can assist a  
16             regulator in determining an appropriate rate for compensation methodology that  
17             collects the authorized utility costs or authorized revenue requirement. (Manual at  
18             19.)
- 19      •     The utility’s specific characteristics and the most likely reaction to any rate design  
20             changes must be clearly and thoroughly determined before questions and challenges  
21             arising from DER are addressed through ratemaking changes. (Manual at 58.)

- 1 • To develop an appropriate rate or compensation method, a regulator should identify  
2 what the rate should accomplish, and how to determine the best way to implement the  
3 rate. (Manual at 75.)

4 To my knowledge, none of these steps have been taken with regard to AEP's  
5 proposed change.

6 **Q. DOES THE MANUAL IDENTIFY RISKS ASSOCIATED WITH NOT**  
7 **FOLLOWING A THOUGHTFUL, DELIBERATE PROCESS IN CHANGING**  
8 **RATE DESIGN?**

9 A. Yes, the Manual warns that “[r]eforms that are rushed and not well thought out could  
10 set policies and implement rate design mechanisms that have unintended  
11 consequences such as potentially discouraging customers from investing in DER or  
12 making inefficient investments in DER.” (Manual at 62.)

13 **Q. HAS AEP PROVIDED THE COMMISSION WITH RECORD EVIDENCE OF**  
14 **WHY THE CHANGES ARE NEEDED AT THIS TIME AND THE**  
15 **OBJECTIVE THEY ARE INTENDED TO ADVANCE?**

16 A. No. Witnesses Gill and Moore simply describe this change as a compliance filing  
17 based on AEP's cost of service study in response to Commission order Case No. 11-  
18 351-EL-AIR. (Gill at 10, lines 17-18; Moore at 13, lines 19-20.)

19 **Q. IS THIS A COMPLIANCE FILING?**

20 A. No. In the December 14, 2011 Opinion and Order in Case No. 11-351-EL-AIR, the  
21 Commission stated that “[u]nless otherwise ordered by the Commission, AEP-Ohio's  
22 residential distribution rates will be adjusted on a revenue neutral basis, to rates which  
23 are consistent with the rate design recommended by Staff in the Staff Reports and



1 which will produce the annual revenue requirement agreed to in the Stipulation.”  
2 (Opinion and Order at 10.) AEP’s proposal meets the filing requirements of that  
3 Order. However, nothing compels the current Commission to adjust the distribution  
4 rates in the manner suggested by the previous Commission under the record  
5 developed in the last case.

6 **Q. HAS THE COMPANY MADE PUBLIC STATEMENTS IN THE CASE AS TO**  
7 **WHY THE FIXED CHARGE INCREASE IS BEING PROPOSED?**

8 A. Yes. AEP officials have made public statements as to reasons for the change that are  
9 not in the testimony. In response to the notice of the impending case, AEP  
10 spokesperson Terri Flora said the increase in fixed charges was in response to  
11 customers installing solar power or opting for energy efficiency measures. She  
12 reportedly said, “[t]his increase in net metering customers is currently resulting in a  
13 shift of the recovery of fixed costs from net metering customers to non-net metering  
14 customer.”<sup>4</sup> At recent public hearings about the increase, AEP Ohio president and  
15 chief operating officer Julie Sloat justified the change as necessary to further  
16 infrastructure investment. She stated,

17 AEP Ohio is focusing on making investments that enhance  
18 investments that enhance the reliability and quality of  
19 service that we provide to our customers. This proposal will  
20 allow us to continue programs that have improved the  
21 reliability of our service in recent years and introduce new,  
22 smarter energy technologies on our system that help the  
23 system operate more efficiently and effectively. It also  
24 gives us a way to invest in renewable generation that will  
25 bring clean energy, jobs and support economic  
26 development in Ohio.<sup>5</sup>

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<sup>4</sup> Midwest Energy News, *Ohio Utility Seeks to Double its Fixed Distribution Charges* (Aug. 26, 2016), available at <http://midwestenergynews.com/2016/08/26/ohio-utility-seeks-to-double-its-fixed-distribution-charges/>.

<sup>5</sup> The Parkersburg News and Sentinel, *Ohio Utility Bills May See Increase* (Apr. 16, 2017), available at <http://www.newsandsentinel.com/news/business/2017/04/ohio-utility-bills-may-see-increase/>.

1 Neither of these reasons were included in testimony, nor do they meet the threshold  
2 of demonstrating how the proposed change meets the objective. There is no  
3 explanation of the relationship between the rate design and the reasons given for the  
4 design. These reasons given publically to support the change lead one to questions  
5 whether the company itself is clear on the objective of the change and impacts it will  
6 have. It points out the need to do the research and follow the process set out in the  
7 NARUC Manual prior to implementing any further change.

8 **Q. IS THERE A PROCEEDING WHERE IT WOULD BE MORE**  
9 **APPROPRIATE TO CONSIDER THESE ISSUES?**

10 A. Yes. The Commission recently initiated the PowerForward proceeding.  
11 PowerForward is the Commission’s review of the latest in technological and  
12 regulatory innovation that could serve to enhance the consumer electricity experience.  
13 It has stated its intent to chart a clear path forward for future grid modernization  
14 projects, innovative regulations and forward-thinking policies.<sup>6</sup> In particular, the  
15 Commission seeks to understand “how changes to utility regulation and revenue  
16 models could enhance the customer experience,” such as through the deployment of  
17 distributed resources and efficiency programs. As the proceeding progresses, the  
18 Commission will apply its findings to individual utility proposals – *e.g.*, grid planning  
19 and rate cases.<sup>7</sup>

20 There is a direct relationship between these questions and the approach the state and

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<sup>6</sup> PUCO press release (Mar. 8, 2017), available at <https://content.govdelivery.com/accounts/OHPUC/bulletins/18c0f90>.

<sup>7</sup> Utility Dive, *Ohio’s REV: PUCO to explore grid modernization, utility reform in PowerForward initiative* (Mar. 8, 2017), available at <http://www.utilitydive.com/news/ohios-rev-puco-to-explore-grid-modernization-utility-reform-in-powerforw/437682/>.

1           its utilities should take with respect to rate design. We commend the Commission for  
2           initiating PowerForward and believe it is the proper forum to discuss rate design. It  
3           makes no sense to adopt a change as significant as the proposal put forward here  
4           without the benefit of information being gathered by the Commission in its  
5           PowerForward proceeding. Any change should be denied and inquiry directed toward  
6           that proceeding. The proposal should be denied.

7           **Q.     DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

8           A.     Yes.

## **CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing has been served upon the following parties by electronic mail this 2nd day May, 2017.

/s/Miranda Leppla

Miranda R. Leppla

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