***OCC EXHIBIT\_\_\_\_\_\_\_***

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| --- | --- | --- |
| In the Matter of the Application of  Ohio Power Company for Authority to  Establish a Standard Service Offer  Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan  In the Matter of the Application of Energy Ohio Power Company for Approval of Certain Accounting Authority | )  )  )  )  )  )  )  )  ) | Case No. 23-23-EL-SSO  Case No. 23-24-EL-AAM |

**TESTIMONY RECOMMENDING MODIFICATION OF THE STIPULATION**

**OF**

**Ramteen Sioshansi**

**On Behalf of**

**Office of the Ohio Consumers' Counsel**

*65 East State Street, Suite 700*

*Columbus, Ohio 43215*

**September 20, 2023**

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# I. Introduction and purpose of testimony

***Q1. Please state your name, position, and business address.***

***A1.*** My name is Ramteen Sioshansi. I am an operations researcher, industrial engineer, and energy economist who focuses on issues that are related to electricity-industry economics, market design, regulation, operations, planning, and policy. I am president of Enerlytics, LLC. My business address is 60 East Spring Street, Columbus, OH 43215.

***Q2. Are you the same Ramteen Sioshansi who filed direct testimony in this proceeding that is dated June 9, 2023?***

***A2.*** Yes, I am. I incorporate that testimony here by reference.

***Q3. On whose behalf are you testifying?***

***A3.*** I am providing testimony on behalf of Office of the Ohio Consumers' Counsel (“OCC”).

***Q4. what is the purpose and scope of your testimony?***

***A4.*** I will discuss two issues that should be ordered by the Public Utilities Commission of Ohio (“PUCO”) as modifications to the stipulation and recommendation (“settlement”) in this case. Without such modifications, the settlement does not benefit consumers and the public interest. Further, without such modifications, the settlement violates important regulatory principles and practices and would result in consumers paying more than just and reasonable rates.

***Q5. What is THE PUCO’s standard for evaluating and approving settlement agreements?***

***A5.*** My understanding is that generally, the PUCO will evaluate and adopt a settlement if and only if is meets all of the following criteria:

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties? Sometimes, the PUCO takes into account the “diversity of interests” as part of the first part of the stipulation assessment.[[1]](#footnote-2)
2. Does the settlement, as a package, benefit customers and the public interest?
3. Does the settlement violate any important regulatory principles or practices?[[2]](#footnote-3)

***Q6. What is your overall recommendation regarding the settlement?***

***A6.*** For the reasons that I outline below, I recommend that the settlement be rejected or modified substantively. As it stands, the settlement fails prongs 2 and 3 of the criteria that the PUCO uses typically to evaluate settlements. As I outline below, the settlement includes a number of provisions that are detrimental to consumers and the public interest. In addition, as I outline below, the settlement violates important regulatory principles, including the cost-causation principle. As such, the settlement should be rejected or modified.

***Q7. Please summarize the two issues that you address in your testimony.***

***A7.*** My testimony addresses first the rates that are proposed as part of the whole house service residential plug-in electric-vehicle (“PEV”) tariff and the separately metered electric vehicle TOD tariff. Second, my testimony addresses the proposed contribution in aid of construction (“CIAC”) for consumer installations of electric vehicle chargers.

# II. ELECTRIC VEHICLE-CHARGING TARIFFS

***Q8. What rates are proposed by the settlement for the residential tariffS FOR eLECTRIC VEHICLES?***

***A8.*** The settlement proposes[[3]](#footnote-4) that the on-peak period for whole house service residential electric vehicle charging be set between 1:00 PM and 11:00 PM during the summer. It proposes that the on-peak period be set between 6:00 AM and 10:00 AM and again between 4:00 PM and 10:00 PM during the winter.[[4]](#footnote-5) In

addition, the settlement proposes that the off-peak rate be set at 60% of Schedule RS rate and that the on-peak rate be adjusted and designed to be revenue neutral.

***Q9. What rates are proposed by the settlement for the separately metered ELECTRIC VEHICLE TOD tariff?***

***A9.*** The settlement proposes[[5]](#footnote-6) that the on-peak period for the separately metered electric vehicle TOD tariff be set as is proposed for the whole house service residential electric vehicle tariff (*cf*. my response to Q8). In addition, the settlement proposes applying a 40% credit to the consumer’s bill for all off-peak electric vehicle kWh usage that is measured at the separate meter and applying a 70% credit for a super off-peak period that is set between 12:00 AM and 4:00 AM year-round.

***Q10. Why are you opposed to the aforementioned rates that have been proposed in the settlement?***

***A10.*** To the best of my knowledge, the aforementioned proposed rates have not been substantiated on the basis of any rate-design philosophy or goal.

***Q11. Would you explain what you mean by a rate-design philosophy or goal?***

***A11.*** Normally, regulators aim to set prices in a manner that achieves one or more desirable goals. One common example is the regulatory principle of cost causation—the price that is levied against a consumer for utility service should reflect the cost of providing service to that consumer. Regulators may have other goals, such as rate or cost stability (*i*.*e*., reducing price volatility before and after a rate-setting decision). In this particular case of electric vehicle charging, there may be an additional important rate-design goal of providing strong incentives for electric vehicle owners to shift their electric vehicle-charging demands (to the extent possible) to time periods with relatively abundant electricity supply or relatively low cost of serving electricity demand.

***Q12. Do the aforementioned proposed rates meet any of the aforementioned rate-design goals?***

***A12.*** Not to my knowledge. Both of the aforementioned rates define off-peak and on-peak periods and set lower prices during the off-peak periods. However, the settlement has several shortcomings *vis-à-vis* the rate proposal.

First, there is no evidence provided that the price levels (*e.g*., setting an off-peak rate at 60% of Schedule RS rate and other proposed prices) provide a sufficient incentive for electric vehicle owners to shift their electric vehicle-charging demands to off-peak periods. Second, the settlement appears to have no discussion of the potential for so-called rebound peaks, whereby electric vehicles with automated charging controls simultaneously begin charging once the off-peak period starts.

A second concern is that there is no discussion of cost causation. Depending upon how they are used and charged, electric vehicles have the potential to impose ancillary costs on the electricity system that other consumers would bear. To the extent possible, prices should be set in a manner to have consumers bear the costs that they impose upon the system. As one example, retail prices that are related to real-time wholesale locational marginal prices can embody the impact of electricity consumption upon generation- and transmission-capacity needs. The prices that are proposed in the settlement do not appear to have any substantiation upon the cost-causation regulatory principle.

***Q13. Given these concerns, what do you recommend that THE PUCO does with respect to the aforementioned rates?***

***A13*.** The aforementioned proposed rates appear to violate the cost-causation regulatory principle,[[6]](#footnote-7) which is addressed by the third prong of the PUCO’s standard criteria for evaluating and adopting a settlement. As such, at a minimum, the PUCO should request and scrutinize information regarding the design of the aforementioned rates and modify them accordingly. For instance, Ohio Power Company (“AEP Ohio”) and the signatories could provide empirical studies or other data to demonstrate that the proposed rates meet cost-causation, incentive, rate-stability,[[7]](#footnote-8) and other regulatory principles that are important to the design of tariffs involving electric vehicle charging. Without such substantiation, the rates that are proposed in the settlement violate the PUCO’s third prong and should not be approved.

# III. Contribution in aid of construction (“CIAC”) for ELECTRIC VEHICLE chargers

***Q14. What does the settlement propose with respect to CIAC for construction of ELECTRIC VEHICLE chargers?***

***A14*.** The settlement makes two proposals[[8]](#footnote-9) with respect to CIAC. First, it proposes that during the PUCO’s next review of O.A.C. 4901:1-9, AEP Ohio will propose and support that electric utilities be responsible for eighty percent of the cost of line extensions for publicly available electric vehicle charging stations and that the customer (*e*.*g*., that owns or installs the charging station located) be responsible for the remaining twenty percent, provided that the utility is ensured full cost recovery of the eighty percent. Second, it proposes that if the PUCO approves increased financial incentives to offset CIAC costs during the term of the electric security plan (“ESP”), AEP Ohio will invest at least $2 million but no more than $4 million for CIAC costs for customer installations of electric vehicle-charging stations in approved locations. The settlement proposes recovery through of these costs from all consumers through Distribution Infrastructure Rider (“DIR”).

***Q15. Why are you opposed to the aforementioned proposal surrounding CIAC?***

***A15*.** I am opposed to the aforementioned proposal surrounding CIAC because it is not germane to the issues that are at stake in this ESP, it is premature, and it violates the regulatory principle of cost causation.

***Q16. In what way is the aforementioned proposal surrounding CIAC not germane to the issue that are at stake in this ESP?***

***A16*.** Paragraph 14 of the settlement[[9]](#footnote-10) states, amongst other things, that:

In the Commission’s next review of Ohio Adm. Code 4901:1-9, whether in the COI or some other proceeding, for non-resdential [sic] customers, AEP Ohio will propose and support that electric utilities shall be responsible for eighty percent of the total cost of line extensions for publicly available EVSE, and customers will be responsible for the remaining twenty percent provided the Company is ensured full cost recovery for the eighty percent. Any interested Signatory Parties additionally may submit a letter in the docket in Case No. 22-1025-AU-COI reflecting the Parties’ agreement consistent with this paragraph.

To my understanding, this portion of paragraph 14 sets forth an action that AEP Ohio intends to take in another case that is separate wholly from the ESP that is the subject of the current case. Moreover, this portion of paragraph 14 seems to set forth options that are available to signatory parties of the settlement with respect to another case that is separate wholly from the ESP that is the subject of the current case. As such, this portion of the settlement does not contain any term or condition that is germane to the issues that are being considered under the current case. To my knowledge, the PUCO’s decision regarding the ESP does not preclude AEP Ohio from taking any position with respect to either O.A.C. 4901:1-9 or PUCO case number 22-1025-AU-COI. Likewise, to my knowledge, the PUCO’s decision regarding the ESP does not preclude any signatory (or other) party to this case from taking any position with respect to O.A.C. 4901:1-9 nor PUCO case number 22-1025-AU-COI.

Given that this portion of paragraph 14 is not germane to the current case, I oppose its inclusion in the settlement.

***Q17. In what way is the aforementioned proposal surrounding CIAC premature?***

***A17*.** Paragraph 15 of the settlement[[10]](#footnote-11) states, amongst other things, that:

In the event the Commission approves increased levels of financial incentives to offset contribution in aid of construction (CIAC) costs during the term of this ESP, the Company agrees to annually commit to invest at least $2 million of capital investment (provided there are sufficient requests to support that level of investment), but will limit such investment to approximately $4 million of capital investment, for recovery through the DIR to support its proposal to modify the CIAC costs for customer installations of EV charging stations in approved locations.

To my understanding, this portion of paragraph 15 commits AEP Ohio to pre-specified spending and investment levels on CIAC costs for customer installation of electric vehicle-charging stations before the PUCO has made any determination regarding the regulatory treatment of CIAC costs. Depending upon how the PUCO modifies O.A.C. 4901:1-9 or any decision that the PUCO makes in case number 22-1025-AU-COI, the spending levels that are proposed in the settlement may be completely inappropriate. In addition, the settlement locking-in AEP Ohio’s spending levels on CIAC may act to tie the hands of the PUCO with respect to O.A.C. 4901:1-9 or case number 22-1025-AU-COI. This is because the PUCO would be aware that any decisions made with respect to those cases might initiate up to $4 million of consumer subsidized CIAC expenditures by AEP Ohio. As such, it is premature for these spending levels to be set in this settlement.

***Q18. In what way does the aforementioned proposal surrounding CIAC violate the regulatory principle of cost causation?***

***A18.*** As I understand it, paragraph 15 of the settlement (*cf*. excerpted text in my response to Q17) commits AEP Ohio’s electricity consumers to bear 80% of CIAC costs that are associated with deploying electric vehicle-charging stations. Under the proposal, these costs of up to $4 million would be socialized to all of AEP Ohio’s electricity consumers.

As I noted in my original testimony in this case (*cf*. my response to Q11 therein), this creates a perverse cross subsidy to electric vehicle owners, who would be the primary beneficiaries of electric vehicle-charging stations, and who tend to be higher-income compared to the average electricity consumer.[[11]](#footnote-12) Under the settlement, these CIAC costs will be borne by and socialized to all of AEP Ohio’s electricity consumers, including those who are lower-income compared to the average AEP Ohio electricity consumer. This will result in up to a $4 million wealth transfer, with the benefits accruing predominantly to higher-income individuals.

To avoid this perverse cross subsidy, the proposal surrounding the treatment of CIAC costs in paragraph 15 of the settlement should be denied. Instead, the cost of electric vehicle-charging infrastructure and associated CIAC costs should be borne by the beneficiaries of the infrastructure, who are the electric vehicle owners themselves.

***Q19. If the state of Ohio has a policy preference to encourage the deployment of ELECTRIC VEHICLE-charging stations, does it have a mechanism to do so that does not violate the regulatory principle of cost causation?***

***A19.*** Yes. The state of Ohio can and has done this previously, by actions taken through the Governor’s office and state legislature. As one example, Ohio Governor Mike DeWine announced during 2022 a program to provide financial support for the deployment of electric vehicle-charging infrastructure in the state.[[12]](#footnote-13) Importantly, this program did not involve or require socializing the costs of subsidies to electricity consumers to the predominant benefit of higher-income electric vehicle owners.

# IV. Conclusion

***Q20. Does this conclude your testimony?***

***A20.*** Yes. However, I reserve the right to supplement my testimony at a later time should any party submit new or corrected information or testimony which affects materially the findings and recommendations that are presented in my testimony.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of this Testimony Recommending Modification of the Stipulation of Ramteen Sioshansi on Behalf of the Office of the Ohio Consumers’ Counsel was served on the persons stated below via electronic transmission, this 20th day of September 2023.

*/s/ William J. Michael*

William J. Michael

Assistant Consumers’ Counsel

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1. *In the Matter of the Application of Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company for Authority to Establish a Standard Service Offer*, Case No. 10-388-EL-SSO, Opinion & Order at 48 (August 25, 2010). [↑](#footnote-ref-2)
2. Consumers’ Counsel v. Pub. Util. Comm’n., 64 Ohio St.3d 123, 126 (1992). [↑](#footnote-ref-3)
3. Joint Stipulation and Recommendation, pp. 12–13. [↑](#footnote-ref-4)
4. *Id.* [↑](#footnote-ref-5)
5. *Id*., p. 13. [↑](#footnote-ref-6)
6. Case No. 17-1263-EL-SSO. [↑](#footnote-ref-7)
7. *See* Case No. 95-830-EL-UNC. [↑](#footnote-ref-8)
8. *Id*., pp. 14–15. [↑](#footnote-ref-9)
9. *Id*., p. 14. [↑](#footnote-ref-10)
10. *Id*., pp. 14–15. [↑](#footnote-ref-11)
11. A. Davies, “Electric Car Owners Are Richer and Smarter Than the Average American,” <https://www.businessinsider.com/electric-car-owners-are-richer-and-smarter-2012-11>. Accessed September 14, 2023. [↑](#footnote-ref-12)
12. “Governor DeWine Announces $100 Million for Electric Vehicle Charging Infrastructure Now Available,” <https://governor.ohio.gov/media/news-and-media/Governor-DeWine-Announces-100-Million-for-Electric-Vehicle-Charging-Infrastructure-Now-Available-10312022>. Accessed 14 September, 2023. [↑](#footnote-ref-13)