

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Globe)
Metallurgical, Inc. for Approval of a) Case No. 16-737-EL-AEC
Reasonable Arrangement for its Beverly,)
Ohio Plant.)

**SUPPLEMENTAL DIRECT TESTIMONY
OF
WM. ROSS WILLIS**

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

October 19, 2016

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

2 ***A1.*** My name is Wm. Ross Willis. I am employed as a Senior Regulatory Analyst
3 within the Analytical Department for the Office of the Ohio Consumer's Counsel
4 ("OCC"). My business address is 10 West Broad Street, Columbus, Ohio 43215.

5
6 ***Q2. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?***

7 ***A2.*** Yes, on September 1, 2016, I submitted Direct Testimony to make
8 recommendations to the PUCO regarding the Application filed by Globe
9 Metallurgical, Inc., ("Globe," "Applicant," or "Mercantile Customer"), an AEP
10 Ohio mercantile customer. That Testimony includes a statement of my
11 qualifications.

12
13 ***Q3. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT
14 TESTIMONY IN THIS PROCEEDING?***

15 ***A3.*** The purpose of my Supplemental Direct Testimony is to express opinions
16 regarding the PUCO's three-pronged test as it relates to a Settlement that the
17 Applicant filed today. The Stipulation and Recommendation ("Settlement")
18 modifies the Application as filed. Applicant and the Staff of the Public Utilities
19 Commission of Ohio ("Staff") are the signatory parties to the Settlement. The
20 Ohio Manufacturer's Association Energy Group is not a signatory party but states
21 its non-opposition to the Stipulation. This Supplemental Testimony contains my
22 recommendations regarding the Settlement and whether it passes the three-

1 pronged test of the Public Utilities Commission of Ohio (“PUCO”) for evaluating
2 the reasonableness of a proposed settlement.

3
4 My Direct Testimony already addresses my concerns for consumers regarding the
5 Application and my recommendations to the PUCO for consumer protection. My
6 Direct Testimony forms the foundation for my review of the Settlement and
7 should thus be considered with and incorporated as part of this Supplemental
8 Testimony. For the PUCO’s convenience, I have attached my earlier Direct
9 Testimony to the Supplemental Direct Testimony (Attachment 1).

10

11 ***Q4. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE***
12 ***SETTLEMENT.***

13 ***A4.*** The Settlement does not fully meet the PUCO’s three-pronged test.

14

15 ***Q5. WHAT ARE THE PUCO’S STANDARDS OF REVIEW FOR EVALUATING***
16 ***PROPOSED SETTLEMENTS?***

17 ***A5.*** The PUCO uses these criteria for evaluating the reasonableness of a proposed
18 settlement:

- 19 1. Is the settlement a product of serious bargaining among
20 capable, knowledgeable parties? The PUCO has also at
21 times considered whether there is a diversity of interests
22 among the stipulating parties.

1 2. Does the settlement package violate any important
2 regulatory principle or practice?

3 3. Does the settlement, as a package, benefit customers and
4 the public interest?¹

5 ***Q5a. DOES THE SETTLEMENT HAVE A DIVERSITY OF INTERESTS?***

6
7 ***A5a.*** No. The Settlement lacks a signatory that is solely and directly a
8 representative of residential consumers, who will pay part of the subsidy
9 for the Applicant's electricity bill reduction.

10
11 ***Q6. DOES THE SETTLEMENT PACKAGE VIOLATE ANY IMPORTANT***
12 ***REGULATORY PRINCIPLE OR PRACTICE?***

13 ***A6.*** Yes. The Settlement should allow for reducing the amount of the delta revenue
14 that consumers are asked to subsidize, by a sharing of the subsidy between
15 customers and AEP Ohio. This approach of sharing to reduce what consumers
16 pay for the subsidy reflects a better principle or practice compared to the outcome
17 where consumers pay the entire subsidy to fund an applicant's electricity
18 discounts. There is precedent that supports cost-sharing between the utility and
19 its customers for economic development. The PUCO has historically allowed for
20 a sharing of delta revenue between customers and the utility. A 50/50 sharing
21 mechanism has been used in the past. In fact the PUCO has held "that a 50/50

¹ *Consumers' Counsel v. Pub.Util. Comm.*, 64 Ohio St3d 123, 125(1992), citing *Akron v. Pub.Util. Comm.*, 55 Ohio St. 2d 155, 157 (1978).

1 split properly recognizes that both the [utility] and its customers benefit from the
2 company's policy of providing economic incentive rates to certain customers to
3 attract new business in the utility's service territory." The precedent for that
4 position is

5 *In the Matter of the Application of Columbus Southern Power Company for*
6 *Authority to Amend its Filed Tariffs to Increase the Rates and Charges for*
7 *Electric Service*, Case No. 91-418-EL-AIR. Opinion and Order at 110. (May 12,
8 1992).

9
10 In addition the PUCO has specifically stated it can approve a unique arrangement
11 without allowing the utility to recover *any* of the delta revenue from other
12 customers. The precedent for that position is

13 *In the Matter of the Application of Ormet Primary Aluminum Corporation for*
14 *Approval of a Unique Arrangement with Ohio Power Company and Columbus*
15 *Southern Power Company*, Supreme Ct. Case No. 09-2060, Brief of the Public
16 Utilities at 12 (Mar. 3, 2010). "Appellant [CSP/OP] mistakenly believes that it is
17 entitled to receive specific amounts from all customers, reasoning that money it
18 doesn't get from one customer it must get from another. This is not now, and
19 never was, the law. As discussed above, R.C. 4905.31 requires no adjustment at
20 all."

21

1 Because AEP Ohio does receive benefits from this Mercantile Customer
2 remaining as its distribution customer it should share in the cost of the economic
3 development regarding the customer.

4

5

6

7 ***Q7. DOES THE SETTLEMENT, AS A PACKAGE, BENEFIT CUSTOMERS AND***
8 ***THE PUBLIC INTEREST?***

9

10 ***A7.*** In the PUCO Staff's non-confidential Review and Recommendation filed on
11 September 6, 2016 (before the PUCO Staff settled the case in the Settlement filed
12 today), the PUCO Staff concluded on page 7 that the Applicant's "requested
13 unique arrangement is not in the public interest." In that September 6th filing, the
14 Staff expressed concern with the number of times that Globe has obtained
15 subsidies, paid by consumers, for its operations, with this Application being the
16 fourth request. On page 3 of the filing, the PUCO Staff noted "that the purposes
17 of a unique arrangement listed in the Commission's rules do not include
18 remedying long-term budgeting issues experienced by a company." I share the
19 PUCO Staff's concerns in its September 6th filing, that this fourth request for
20 consumers to subsidize the Applicant's electric bill is not in the public interest. In
21 this regard, the PUCO should find that a future fifth Applicant request for a
22 subsidy will not be considered. In addition to the third prong of the settlement
23 standard not being met, the Staff recommendation and my own view that the

1 subsidy payments to Applicant should not be charged to consumers on a long-
2 term basis also show that the second prong of the PUCO's settlement standard is
3 not met.

4 ***Q7a. DOES THE SETTLEMENT REQUIRE THE APPLICANT TO PROVIDE ITS***
5 ***ANNUAL REPORTS TO PARTIES, REGARDING THE APPLICANT'S***
6 ***PROGRESS IN ADDRESSING SETTLEMENT TERMS SUCH AS JOBS***
7 ***FOR OHIOANS AND SUBSIDY AMOUNTS?***

8
9 ***A7a.*** No. The PUCO should require the Applicant to promptly provide OCC a copy of
10 its annual reports, subject to the existing protective agreement between the
11 Applicant and OCC.

12
13
14 ***Q8. DOES THIS CONCLUDE YOUR TESTIMONY?***

15 ***A8.*** Yes, however I reserve the right to incorporate new information that may
16 subsequently become available.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Supplemental Testimony of Wm. Ross Willis on behalf of the Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 19th day of October, 2016.

/s/ Jodi Bair

Jodi Bair

Assistant Consumers' Counsel

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OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Globe)
Metallurgical, Inc. for Approval of a) Case No. 16-737-EL-AEC
Reasonable Arrangement for its Beverly,)
Ohio Plant.)

**DIRECT TESTIMONY
OF
WM. ROSS WILLIS**

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

September 1, 2016

*Direct Testimony of Wm. Ross Willis
On Behalf of the Office of the Ohio Consumers' Counsel,
PUCO Case No. 16-737-EL-AEC*

1 ***Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

2 ***A1.*** My name is Wm. Ross Willis. My business address is 10 West Broad Street,
3 Columbus, Ohio 43215.
4

5 ***Q2. BY WHOM ARE YOU EMPLOYED?***

6 ***A2.*** I am employed by the Office of the Ohio Consumers' Counsel (OCC).
7

8 ***Q3. WHAT IS YOUR CURRENT POSITION WITH THE OCC AND WHAT ARE***
9 ***YOUR DUTIES?***

10 ***A3.*** I am a Senior Regulatory Analyst within the Analytical Department. My duties
11 include performing analysis of impacts on the utility bills of residential consumers
12 with respect to regulated utility filings before the Public Utilities Commission of
13 Ohio ("PUCO" or "Commission"), and PUCO-initiated investigations. I examine
14 utility financial and asset records to determine operating income, rate base, and
15 the revenue requirement, on behalf of residential consumers.
16

17 ***Q4. WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?***

18 ***A4.*** I earned a Bachelor of Business Administration Degree that included a Major in
19 Finance and a Minor in Management from Ohio University in December 1983. In
20 November 1986, I attended the Academy of Military Science and received a
21 commission in the Air National Guard. Moreover, I have attended various
22 seminars and rate case training programs sponsored by the PUCO.
23

*Direct Testimony of Wm. Ross Willis
On Behalf of the Office of the Ohio Consumers' Counsel,
PUCO Case No. 16-737-EL-AEC*

1 **Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.**

2 **A5.** I joined the PUCO in February 1984, as a Utility Examiner in the Utilities
3 Department. I held several technical and managerial positions with the PUCO
4 over my 30 plus year career. I retired from the PUCO on December 1, 2014. My
5 most recent position with the PUCO was Chief, Rates Division within the Rates
6 and Analysis Department. In that position, my duties included developing,
7 organizing, and directing staff during rate case investigations and other financial
8 audits of public utility companies subject to the jurisdiction of the PUCO. The
9 determination of revenue requirements in connection with rate case investigations
10 was under my purview. I joined the OCC in October 2015.

11
12 My military career spans 27 honorable years of service with the Ohio National
13 Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in
14 Afghanistan. I retired from the Air National Guard in March 2006.

15

16 **Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUCO?**

17 **A6.** Yes, I have testified on numerous occasions during my career with the PUCO.

18

19 **Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 **A7.** The purpose of my testimony is to provide recommendations to the PUCO for
21 protections for residential consumers who are being asked to pay subsidies to
22 AEP Ohio ("Utility") to fund an electric rate discount for the Applicant.

1 My recommendations are in response to the April 11, 2016, Application filed by
2 Globe Metallurgical, Inc., (“Globe,” “Applicant,” or “Mercantile Customer”), an
3 AEP Ohio mercantile customer.

4
5 ***Q8. PLEASE PROVIDE AN OVERVIEW OF THE APPLICATION.***

6 ***A8.*** On April 11, 2016, the Applicant filed its Application to establish its fourth
7 reasonable arrangement with AEP Ohio, for its Beverly, Ohio Plant (“Beverly
8 Plant”). According to the Applicant, it is North America’s largest producer of
9 silicon metal and silicon-based specialty alloys, products used worldwide in the
10 aluminum industry, the chemical industry, by polysilicon producers for
11 components of solar cells and semiconductors, and at foundries to improve the
12 strength and working characteristics of iron and steel.¹

13
14 The Mercantile Customer also states that it is facing rising energy costs. It asserts
15 that energy costs are the Applicant’s single greatest cost item. And energy costs
16 at the Beverly Pant, where service is provided by AEP-Ohio, are higher than at
17 any of its other plants in the United States.² In the last ten years, the Applicant
18 states it has seen energy costs at its Beverly Plant rise by approximately 67%
19 despite an existing reasonable arrangement that will expire on May 31, 2016, but

¹ Application at 1.

² *Id.* at 2.

1 has been extended through September 30, 2016.³ The Applicant also states that,
2 if the existing reasonable arrangement expires without additional subsidy support,
3 the Applicant will be subject to significant spikes and rising AEP-Ohio tariff rates
4 for wire services and riders. Applicant states that those AEP-Ohio rates have
5 risen more than 130% since 2008.⁴

6
7 But AEP Ohio's 1.4 million residential customers, who are being asked to
8 subsidize the Mercantile Customer's reasonable arrangement discount, are also
9 facing high rates. According to AEP Ohio's own data, its residential consumers
10 in Ohio have been paying the highest monthly electric bills of any residential
11 consumers that AEP serves in any state, between 2011 and 2015.⁵

12
13 Specifically, the Mercantile Customer seeks PUCO approval of a reasonable
14 arrangement that will run for a sixty-month term (June 1, 2016 to May 31, 2021)
15 during which the Mercantile Customer will receive energy and capacity from a
16 competitive retail electric service ("CRES") provider.⁶ The Applicant seeks a
17 contract rate for distribution service and all non-bypassable transmission and

³ *Id.* and *In the Matter of the Application of Globe Metallurgical, Inc. for Approval of a Unique Arrangement between Ohio Power Company and Globe Metallurgical, Inc.*, Case No. 15-327-EL-AEC, Entry at 3 (June 29, 2016).

⁴ Application at 10.

⁵ AEP fact books 2011-2015;

<http://www.aep.com/investors/eventspresentationsandwebcasts/documents/AEP2011FactBook.pdf>.

<https://www.aep.com/investors/eventspresentationsandwebcasts/documents/2012AEPFactbook.pdf>.

<http://www.aep.com/investors/eventspresentationsandwebcasts/documents/2013FactBook.pdf>.

https://www.aep.com/investors/eventspresentationsandwebcasts/documents/FactBookPrintV2_11-11-2014.pdf.

https://www.aep.com/investors/eventspresentationsandwebcasts/documents/2015_EEL_Factbook.pdf.

⁶ Application at 3.

1 ancillary services and non-bypassable riders (together, “Wire Service”). The
2 Applicant seeks either a contract rate in the amount of \$8.50 per MWh (the same
3 amount under the Applicant’s existing reasonable arrangement), or, a certain
4 percentage discount off AEP Ohio’s monthly tariff charges for Wire Service
5 during the remaining term of the reasonable arrangement.⁷ The Applicant would
6 be subject to a cap on total “delta revenues” during the term of its reasonable
7 arrangement. Delta revenues are the amount of revenues that AEP Ohio loses
8 from offering the discount to the Applicant—and the amount of revenues that
9 other consumers would then subsidize in payments to AEP-Ohio.⁸ In addition to
10 a cap on total delta revenues that consumers would subsidize, there would also be
11 an annual cap on the delta revenues that consumers would subsidize. Moreover,
12 the reasonable arrangement would allow the Mercantile Customer to serve as an
13 interruptible resource for AEP Ohio on an on-going basis and to receive a
14 monthly demand credit (funded by other customers) during the term in the amount
15 available under tariff or in the current amount of \$8.21/kW-month if the credit or
16 program is no longer available under tariff.⁹

⁷ *Id.* (the percentage off proposal is claimed to be confidential by the Applicant).

⁸ *Id.* (the total revenue cap and the annual delta revenue caps are claimed to be confidential by the Applicant).

⁹ *Id.* at 4.

1 ***Q9. DID THE PUCO STAFF SUBMIT A REVIEW AND***
2 ***RECOMMENDATION(S) IN THIS CASE?***

3 ***A9.*** Yes. The PUCO Staff (“Staff”) submitted its review and recommendation on
4 August 1, 2016.
5

6 ***Q10. WHAT IS THE PUCO STAFF’S RECOMMENDATION IN THIS CASE?***

7 ***A10.*** The PUCO Staff recommends that the Commission deny Globe’s application for a
8 unique arrangement.¹⁰ The Staff made this recommendation considering the
9 factors enumerated in Ohio Adm. Code 4901:1-38-02 whereby, as a whole, the
10 Staff found that the Applicant’s proposed unique arrangement does not achieve
11 the objectives outlined in Ohio Adm. Code 4901:1-38-02 and that the requested
12 unique arrangement is not in the public interest.
13

14 ***Q11. WHAT IS YOUR OPINION OF THE PUCO STAFF’S REVIEW AND***
15 ***RECOMMENDATION IN THIS CASE?***

16 ***A11.*** I concur with the PUCO Staff’s recommendation. The Staff appropriately
17 recognized that, “[t]his continuation of lower prices for the Applicant results in
18 higher prices for other customers of Ohio Power Company. Therefore, given the
19 extended duration of this request and the fact that some of the costs attributable to
20 the energy usage of the Beverly Plant would be paid by other customers, Staff did

¹⁰ Review and Recommendation submitted on behalf of the Staff of The Public Utilities Commission of Ohio (August 1, 2016) at 7.

1 not view the application as achieving this stated purpose of a unique
2 arrangement.”¹¹

3

4 **Q12. DO YOU HAVE OTHER RECOMMENDATIONS?**

5 **A12.** As stated, I do not recommend that the PUCO approve this unique arrangement
6 because the reduction in rates that the Applicant would enjoy will cause the
7 electric rates of AEP Ohio’s 1.4 million other customers to increase due to this
8 subsidy. If the PUCO does approve this arrangement, then I recommend
9 modifications for making the Application a better balance for protecting the
10 residential customers of AEP Ohio (who are being asked to pay AEP Ohio for the
11 subsidy charges that would result from this Application).

12

13 First, the PUCO should identify the total costs to customers when calculating how
14 much delta revenue it would require other customers to fund (being the subsidy
15 payments to AEP Ohio). Second, the PUCO should limit the reasonable
16 arrangement (and subsidy payments by other customers) to this one occasion
17 without any repeat requests for discounts and customer funding of subsidies in the
18 future. The Application in this case represents the Applicant’s fourth subsidy
19 request of the PUCO. Third, the PUCO should order lower caps than proposed by
20 the Applicant that limit the total amount and annual amount of delta revenue
21 (subsidy) that AEP Ohio can charge customers through its economic development
22 rider. In this regard, there should be a PUCO-ordered cap on the subsidies

¹¹ *Id.*

1 Ohioans will be asked to fund for utilities' economic development discounts, for
2 all utility economic development riders in the State and in an electric utility's
3 service territory, respectively. Fourth, the PUCO should determine a reasonable
4 cost sharing (of the subsidy) between AEP Ohio and its customers, so that
5 customers alone do not bear the full cost of funding subsidies for utility-related
6 economic development. Fifth, the PUCO should protect the public by requiring
7 economic development benefits for the public (such as investment and minimum
8 employee levels by companies receiving subsidies) in connection with any
9 granting of electricity discounts to be funded by other customers. Finally, the
10 PUCO should ensure that public transparency and accountability exist for
11 economic development programs, for consumers who pay subsidies to electric
12 utilities for funding economic development rate discounts.

13

14 ***Q13. WHY SHOULD THE PUCO IDENTIFY THE TOTAL COSTS TO***
15 ***CUSTOMERS?***

16 ***A13.*** In balancing of the interests in this type of case, both the PUCO and the customers
17 should know exactly what comprises the delta revenue (the subsidy funding from
18 other customers). The Applicant has a number of different components for
19 discounts or Applicant savings. The Applicant proposes to serve as an
20 interruptible resource for AEP Ohio during the term of the unique arrangement.
21 In return, the Applicant will receive an \$8.21/kW interruptible service credit
22 (meaning lower charges for the Mercantile Customer that will be subsidized by
23 other consumers paying AEP Ohio). The Applicant's proposal does not

1 recognize, in total costs, the interruptible credit as delta revenue, even though
2 other customers will pay it. These credits should be identified and added to all
3 other “delta revenue” from the Applicant. If increased charges result from this
4 provision of the unique arrangement, then the PUCO should include these extra
5 charges as part of the delta revenue caps created by the arrangement. Conversely,
6 if the proposed charge results in cost savings for other customers, then those
7 savings should be credited to the delta revenues. The point is that, when the
8 PUCO is deciding how much delta revenue that Ohio customers should subsidize,
9 the PUCO should consider all the subsidy amounts that consumers are paying the
10 utility for an applicant.

11

12 ***Q14. SHOULD THE PUCO LIMIT WHAT CUSTOMERS FUND FOR***
13 ***REASONABLE ARRANGEMENTS, WITHOUT REPEAT FUNDING IN***
14 ***THE FUTURE?***

15 ***A14.*** Yes. The PUCO should seek the least cost to consumers for unique arrangements.
16 An appropriate consumer protection is to limit the subsidy payments to one
17 application without repeat customer funding going forward. The PUCO should
18 balance the interests of the benefits of economic development with the costs that
19 other customers pay in subsidies for the electricity discounts. This Application is
20 the Mercantile Customer’s fourth request for significant electricity discounts that
21 have been (or will be) paid by consumers. Customer-funded economic
22 development discounts should not be available as a continuous or long-term
23 subsidy of a business. As correctly noted by PUCO Staff, “the cost for Globe to

1 compete in the economy for a fourth time exceeds the benefits of such costs.

2 Staff notes that the purpose of a unique arrangement listed in the PUCO's rules do
3 not include remedying long-term budgeting issues experienced by the
4 company.”¹²

5
6 ***Q15. WHY SHOULD THE PUCO CAP THE AMOUNT OF ELECTRICITY***
7 ***DISCOUNTS THAT CUSTOMERS WOULD BE MADE TO PAY FOR***
8 ***MERCANTILE CUSTOMERS THROUGH A UTILITY'S ECONOMIC***
9 ***DEVELOPMENT RIDER?***

10 ***A15.*** The PUCO should establish two additional limits on what customers could be
11 required to pay to subsidize the electric discounts. There should be an annual
12 limit in each electric utility service territory. And, there should be a limit on the
13 total annual amount of money that could be paid by all Ohio utility customers for
14 all utility-related economic development riders (including interruptible service).
15 The subsidies that consumers are asked to pay to electric utilities for all economic
16 development riders (including interruptible service) should not exceed, in total, a
17 certain low percentage of Ohioans' electric bills.

18
19 The Applicant has proposed caps for its programs. However, the cap amounts
20 proposed by the Applicant were filed confidentially under seal. However, if the
21 Application is approved by the PUCO (which it should not be) the caps should be
22 lowered.

¹² *Id.* at 9.

1 **Q16. WHY SHOULD THERE BE A COST SHARING BETWEEN CUSTOMERS**
2 **AND AEP OHIO?**

3 **A16.** The PUCO has historically allowed for a sharing of delta revenue between
4 customers and the utility. A 50/50 sharing mechanism has been used in the past.
5 In fact the PUCO has held “that a 50/50 split properly recognizes that both the
6 [utility] and its customers benefit from the company’s policy of providing
7 economic incentive rates to certain customers to attract new business in the
8 utility’s service territory.”¹³

9
10 In addition, the PUCO has specifically stated it can approve a unique arrangement
11 without allowing the utility to recover any of the delta revenue from other
12 customers.¹⁴ AEP Ohio receives benefits from this Mercantile Customer
13 remaining as its distribution customer and should share in the cost of the
14 economic development regarding the Applicant.

15

¹³ See *Ohio Edison Company*, Case No. 89-1001-EL-Air, Opinion and Order at 40-41, (August 16, 1990), at 40-41 and *Cleveland Electric Illuminating Co.*, Case No. 88-170-EL-AIR, Opinion and Order at 18-19 (January 31, 1989).

¹⁴ See *In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with AEP Ohio Company and Columbus Southern Power Company*, Supreme Ct., Case No. 09-2060, Brief of the Public Utilities at 12 (Mar.3, 2010). “Appellant [CSP/OP] mistakenly believes that it is entitled to receive specific amounts from all customers, reasoning that money it doesn’t get from one customer it must get from another. This is now, and never was, the law. As discussed above, R.C. 4905.31 requires no adjustment at all.”

1 ***Q17. SHOULD THE PUCO REQUIRE ECONOMIC DEVELOPMENT***
2 ***BENCHMARKS FOR APPLICANTS TO ACHIEVE WHEN ARRANGING***
3 ***FOR OTHER CUSTOMERS TO FUND ELECTRICITY DISCOUNTS FOR***
4 ***MERCANTILE CUSTOMERS?***

5 ***A17.*** Yes. In considering the balance between economic development benefits and the
6 subsidy charges that other customers must pay for a mercantile customer's
7 electricity discounts, it is appropriate for the PUCO to determine expected and
8 quantifiable beneficial outcomes for Ohio and Ohioans. In this regard, two
9 outcomes for the PUCO's consideration should be increased investment in Ohio
10 and increased employment levels in Ohio.

11
12 The caps (on what other customers would subsidize) as proposed by the Applicant
13 appear unreasonably high in light of the Mercantile Customer's lack of
14 commitment to even maintain a sufficient number of full time employees. As
15 such, if the Application is approved (which it should not be), the caps should be
16 lowered. Moreover, the Applicant's total capital investment commitment over the
17 five-year term of the agreement should include annual investment requirements.
18 At a minimum, the capital investments should be amortized over the term of the
19 unique arrangement and should be made in advance prior to receiving any
20 economic discount. Therefore, should the Applicant not meet the annual capital
21 investment required or maintain PUCO-established full-time employee numbers,
22 the Applicant would be in noncompliance with its commitment for public benefits
23 and the unique arrangement would end.

1 **Q18. WHY SHOULD THE ECONOMIC DEVELOPMENT ANNUAL REPORT BE**
2 **MADE AVAILABLE TO INTERESTED PARTIES?**

3 **A18.** It is appropriate for it to be known that companies receiving funding from
4 Ohioans (for electricity discounts) regarding unique arrangements are fulfilling
5 their commitments to Ohioans for economic development. The Ohio
6 Administrative Code (that the PUCO adopted) requires an annual report to be
7 filed by mercantile customers served under a unique arrangement. The report is
8 to display the value of any incentives and the impact on customers.¹⁵ At a
9 minimum, the PUCO should treat these reports similar to the annual reports in an
10 earlier case where the PUCO ordered the reasonable arrangement reports to be
11 released to the Ohio Consumers' Counsel.¹⁶

12
13 For example, the Ohio Attorney General annually provides a reporting of the
14 compliance of economic development awards given by the Ohio Development
15 Services Agency.¹⁷ This report publicly discloses the amount of grant awards,
16 loan amounts, commitments, performance, and actions taken if the commitments
17 are not reached.

18

¹⁵ Ohio Adm. Code 4901:1-38-06(A).

¹⁶ *In the Matter of the Application for Establishment of a Reasonable Arrangement between Eramet Marietta, Inc. and Columbus Southern Power Company*, Case No. 09-516-EL-AEC Entry at 8 (March 3, 2011).

¹⁷ 2015 Report to the General Assembly: Award Recipient Compliance with State Awards for Economic Development, [http://www.ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Business/2015-Economic-Development-Report_FINAL-\(11_23_15\).aspx](http://www.ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Business/2015-Economic-Development-Report_FINAL-(11_23_15).aspx).

1 ***Q19. DOES THIS CONCLUDE YOUR TESTIMONY?***

2 ***A19.*** Yes. However, I reserve the right to incorporate new information that may
3 subsequently become available. I also reserve the right to supplement my
4 testimony in the event that the Utilities, the PUCO Staff, or other parties submit
5 new or corrected information in connection with this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Wm. Ross Willis* on behalf of the *Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 1st day of September, 2016.

/s/ Jodi Bair

Jodi Bair

Assistant Consumers' Counsel

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in

Case No(s). 16-0737-EL-AEC

Summary: Testimony Supplemental Direct Testimony of Wm. Ross Willis on behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Gina L Brigner on behalf of Bair, Jodi Ms.