BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

| | | |
|---|---|---|
| In the Matter of the Application of the Ohio Development Services Agency for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities. | : : : : : : | Case No. 16-1223-EL-USF |

SUPPLEMENTAL TESTIMONY

OF

**SUSAN M. MOSER**

ON BEHALF OF
THE OHIO DEVELOPMENT SERVICES AGENCY

November 28, 2016

10931012v2

**TESTIMONY OF SUSAN MOSER**
**On Behalf of The Ohio Development Services Agency**

## I. INTRODUCTION

**Q. Please state your name and business address.**

A. My name is Susan M. Moser. My business address is Ohio Development Services Agency ("ODSA"), 77 South High Street, 26th Floor, Columbus, Ohio 43216-1001.

**Q. By whom are you employed and in what capacity?**

A. I am employed by ODSA in its Office of Community Assistance ("OCA") as Section Supervisor of the EPP/PIPP Plus section.

**Q. Have you previously submitted written testimony on behalf of ODSA in this case?**

A. Yes. My direct testimony in support of ODSA's original application was filed in this docket on October 31, 2016

**Q. What is the purpose of your supplemental testimony?**

A. The purpose of this supplemental testimony is to support the amended application which ODSA has filed in this proceeding. In this testimony, I discuss the reasons for the changes to the Universal Service Fund ("USF") rider revenue requirements and USF rider rates originally proposed for each electric distribution utility ("EDU") and sponsor the revised exhibits and workpapers that document these changes.

**Q. Why has ODSA filed an amended application?**

A. The approved test period for purposes of this case is calendar year 2016. Because actual 2016 data was only available through August 2016 at the time the original application was prepared, ODSA utilized data from September, October, November, and December

2015 as a surrogate for the corresponding months of the 2016 test period. However, ODSA reserved the right to update its calculations to incorporate additional actual data as it became available. ODSA now has EDU reported data for September 2016 and I have substituted that data for the September 2015 data used in the original test-period analysis.

**Q. How does the inclusion of the additional month of actual data impact your revenue requirement analysis?**

A. Substituting the actual numbers for September 2016 for the estimates used in the original analysis changes the test-period cost of electricity delivered to the EDU's PIPP customers as well as the amount of the test-period USF rider collections that are offset against that cost to determine the test-period cost of PIPP. Although the primary impact is on the cost of PIPP, there are also changes to several other USF rider revenue requirement components that flow from substituting actual numbers from September 2016 for the September 2015 numbers used in my original analysis.

**Q. How was the cost of PIPP component of each EDU's USF rider revenue requirement determined for purposes of the amended application**?

A. The cost of PIPP represents the total cost of electricity consumed by each EDU's PIPP customers during the test period, plus their pre-PIPP balances, less the monthly installment payments billed to PIPP customers, less payments made by or on behalf of PIPP Plus customers during the test period, to the extent that payments exceed the amount of the installment payments billed over the same period. Substituting actual data from September 2016 for the September 2015 data used in the original analysis produces the revised test-period cost of PIPP Plus for each EDU shown in Exhibit A to the amended application. The supporting work papers are attached to my supplemental testimony as Exhibits SMM1 through SMM 7.

**Q. In your direct testimony, you discussed the need to adjust the test-period cost of PIPP to annualize the impact of Commission-approved changes to EDU tariff rates. Does the use of actual September 2016 data in your revised analysis also affect these adjustments?**

A. Yes. As I explained in my direct testimony, PIPP customer payments are based on fixed, specified percentages of the customer's income and are not tied to the cost of electricity the customer consumes. An increase in an EDU rate element widens the gap between the cost of electricity delivered to PIPP customers and the amount paid by PIPP customers, thereby increasing the cost of PIPP. By the same token, a decrease in an EDU tariff rate reduces the cost of PIPP. Thus, it is necessary to adjust the test-period cost of PIPP to account for the impact of these known changes in the underlying EDU tariff rates on the annual revenue requirement the new USF rider rates must be designed to generate during the 2017 collection period. In instances where the rate change is known, but will not occur until after the test period, the impact is annualized by multiplying the total cost of electricity delivered to the subject EDU' s PIPP customers during the test period by the net percentage increase or decrease in the EDU's rates resulting from the rate changes.

Replacing the September 2015 data with the actual September 2016 data changes the total test-period cost of electricity to which the percentage change is applied. In instances where the rate changes occurred during the test period, the cost of electricity delivered to PIPP customers in months prior to the rate change must be restated to recognize the impact of the rate change on the cost of PIPP. In this scenario, the adjustment is calculated by multiplying the cost of electricity for the months prior to the rate change by the net percentage increase or decrease. The availability of actual data for September 2016 eliminated the need to restate that data from the surrogate month of September 2015 in performing these adjustments.

**Q. What effect did replacing the September 2015 data with actual data for September 2016 have on the adjustments for Commission-approved changes to EDU tariff rates?**

A. Compared to the original application, Commission-approved adjustments to the tariffed rates caused the adjusted test-period cost of PIPP (1) to decrease slightly for Columbus Southern Power (CSP), Ohio Power (OP),[1] and Duke Energy Ohio (Duke); (2) to remain unchanged for Dayton Power & Light ("DP&L"), and (3) to increase slightly for The Cleveland Electric Illuminating Company ("CEI"), Ohio Edison Company ("OE"), and The Toledo Edison Company ("TE"). The calculations of the related adjustments to the cost of PIPP for these EDUs are shown in

[1] The AEP Ohio operating companies, Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP") merged, effective December 31, 2011, with OP as the surviving entity. However, the former CSP customers continue to be subject to separate rate schedules, including a separate USF rider, as are the customers that were served by OP prior to the merger. For ease of reference, ODSA refers herein to CSP as if it were an EDU, but it is understood that these references actually relate to the CSP Rate Zone and that references to OP actually relate to the OP Rate Zone. The Commission confirmed the continued existence of the CSP and OP rate zones in its *NOI Order* issued October 28, 2015.

A.1.a through A.1.d of the amended application. These adjustments are summarized in the third column of Exhibit A.1.

**Q. Exhibit A.l to the original application shows differences to the rates for all EDUs except DPL, in comparison to the corresponding figure in Exhibit A.1 of the amended application. What accounts for these changes?**

A. Exhibits A.l.a through A.1.d of the original application, show the change resulting from Commission-approved rate change for each of the EDUs. Because the last month of the test period for which actual data is available is September 2016, the cost of PIPP for each test-period month (the surrogate months of October through December 2015 and the actual months of January through September 2016) must be restated to reflect the impact these rate changes will have on the cost of PIPP during the 2017 collection period.

**Q. Does the use of the actual September 2016 data affect the adjustment to the cost of PIPP for the projected increase in enrollment during the 2016 collection period?**

A. Yes, as explained in my direct testimony, this adjustment was calculated utilizing the annual PIPP enrollment for each EDU for the period 2011 through 2016. As shown in the second schedule in Exhibit A.2 to the amended application, the inclusion of the actual September 2016 enrollments produced a decreased average enrollment for all of the EDUs. The adjustments to the test-period cost of PIPP described above also affected the adjusted test-period cost of PIPP in Column B of the first schedule in exhibit A.2 and the average test-period cost of PIPP per customer shown in Column C of that schedule. Changing these inputs, but using the same methodology described in my direct testimony, produced the revised total adjusted cost of PIPP for each EDU shown in the final column (Column F) in Exhibit A.2.

**Q. What was the overall effect on the adjusted test-period cost of PIPP of substituting actual September 2016 data for the September 2015 data, revising the adjustment due to rate changes for each of the EDUs and updating the adjustment for Projected 2016 PIPP enrollments?**

A. A comparison of Exhibit A.2 to the original application with Exhibit A.2 to the amended application shows that the net impact of these changes was to decrease the indicated aggregate revenue requirement associated with the adjusted test-year cost of PIPP component from $269,157,562 to $268,188,420.

**Q. You indicated that, although the primary impact of updating the USF rider revenue requirement analysis was on the cost of PIPP, other components were also affected by substituting actual numbers from September 2016 for the September 2015 numbers used in your original analysis. Please describe these other changes.**

**A.** First, because the Electric Partnership Program ("EPP") costs are allocated based on each EDU's cost of PIPP relative to the total cost of PIPP, the changes to the respective cost of PIPP components produce changes in the EPP components as well. Second, the projected December 31, 2016 PIPP account balances for each EDU must also be recalculated to capture the impact of this additional actual data, resulting in changes in the adjustments necessary to synchronize the proposed riders with the EDU's PIPP USF account balances as of the riders' proposed effective date of January I, 2017. Third, the substitution of the actual Kwh sales for September 2016 for the September 2015 Kwh sales figures used in the original calculations also affects the calculation of the allowance for undercollection.

**Q. How was the EPP component of the USF rider revenue requirement determined for purposes of the amended application?**

A. As in the original application, the total proposed allowance for EPP is the $14,946,196 approved by the Commission in its October 7, 2016 opinion and order in the NOI phase of this proceeding (the *"NOI Order").* However, as noted above, the specific amount allocated to each EDU changes due to the change in its relative cost of PIPP. The development of the allocation factors and the results of the allocation are shown in Exhibit B to the amended application.

**Q. Has the administrative cost component of the USF rider revenue requirement changed as a result of substituting actual data from September 2016 for the September 2015 used in the original application?**

A. Yes. Administrative costs are allocated among the EDUs based on the relative number of PIPP customers during the test-period month with the highest PIPP customer account totals. In the original application, September 2015 was the test-period month with the highest PIPP customer account totals. With the substitution of the September 2016 data, December 2015 is now the test period month with the highest PIPP customer account totals. The amount of the PIPP administrative cost did not change, but the average cost per PIPP customer increased due to the decrease in the number of customers on PIPP. This changed the allocation of the administrative cost to all EDUs as shown in Exhibit C to the amended application.

**Q. What was the effect of substituting actual data for September 2015 on the projected December 31, 2016 account balance element of the USF rider revenue requirement?**

A. As shown in Exhibit H of the amended application, ODSA projects account surpluses for all EDUs. ODSA now projects a consolidated USF surplus of $210,604,783 as compared to the surplus of $182,795,773.76 identified in the original application. The account balances for OE and TE show large increases as compared to their account balances in the original application. This is attributed to formula errors found in the worksheets for both EDUs. The OE worksheet did not properly project the USF rider collections for September-December 2016. It used the 2015 rider rate and under-projected the collection amount. TE's surplus/shortfall field for September-December 2016 report did not correctly calculate the surplus based on the projected collections using the 2016 rider rate. The 2015 actual surplus was reported in those fields resulting in an under-calculation of the surplus for TE for those months of 2016. The workpapers showing the calculations of the December 2016 USF account balances now projected for each company are attached to my supplemental testimony as Exhibits SMM-8 through SMM-14.

**Q. Were changes made to the reserve component of the USF rider revenue target in preparing the amended application?**

A. No, as explained in my initial testimony, the reserve component is based on the EDU's highest monthly deficit during the test period. The use of actual data for September 2016 did not change the reserve component. CEI, OE , and TE were the only utilities that had a reserve requirement in the original application. The month with the largest deficit, January 2016, remained the same in the amended application. The reserve components for each EDU shown in Exhibit F to the amended application.

**Q. You indicated that substituting actual Kwh sales for September 2016 in calculating test-period sales, coupled with the changes in pro forma USF rider revenues, affects the undercollection component of the revenue requirement. What was the impact of these changes on the undercollection component?**

A. As shown in Exhibit G to the amended application, the total allowance for undercollection is now $678,622 as compared to the $994,306 proposed in the original application. The workpapers supporting the revisions for each EDU are attached to my testimony as Exhibits SMM-15 through SMM-21.

**Q. Taking into account the various changes you have described, what are the results of your revised USF rider revenue requirement analysis?**

A. The results of the revised USF rider revenue requirement analysis for each EDU are summarized in Exhibit I to the amended application. As shown in Table I of the amended application, the total revised revenue requirement is $92,838,947 as compared to $121,932,743 identified in the original application.

**Q. How did you calculate the proposed USF rider rate for each EDU?**

A. I applied the same Commission-approved rate design methodology described in my initial testimony, substituting actual September 2016 KWH sales for the September 2015 sales used in the original calculation. I began by dividing each EDU's indicated revenue requirement by its revised test-period sales to determine the per Kwh rate that would be applicable if the EDU's revenue requirement were to be recovered through a uniform per Kwh rate. The Kwh sales figures for each EDU are shown in Exhibits SMM-22 through SMM-28. The per Kwh rates that would apply if the respective EDU's revenue requirements were recovered through a uniform per Kwh rate are shown in Exhibit J to the amended application.

**Q. How did you convert the indicated uniform per Kwh USF rider rate for each EDU into the two-tiered rates proposed in the amended application?**

A. Under the Commission-approved methodology, the first block of the rate applies to all monthly consumption up to and including 833,000 Kwh (i.e. one-twelfth of an annual consumption of 10,000,000 Kwh), while the second block applies to all consumption above 833,000 Kwh per month. The rate per Kwh for the second block is set at the lower of the PIPP rider rate in effect in October 1999 or the per-Kwh rate that would apply if the EDU's annual USF rider revenue requirement were to be recovered through a single block per-Kwh rate, with the rate for the first black set at the level necessary to produce the remainder of the EDU's annual USF rider revenue requirement. In this case, this cap is in play for all the EDUs, except CSP, Duke, and TE. The EDUs' proposed rider rates are shown in Table II of the amended application. The workpapers supporting the rate calculations are attached to my testimony as Exhibits SMM-29 through SMM-35. The final line item on each of these exhibits shows the annual cost impact on the average residential consumer resulting from the use of the declining block rate structure as opposed to a uniform rate per Kwh. As in prior cases, I have included this analysis purely for informational purposes.

**Q. How do the USF riders proposed in the amended application compare to the current USF riders?**

A. Table II of the amended application compares the current and proposed rider rates. As indicated Table I of the amended application, the revenues produced by the current USF riders of all the EDU's would exceed their indicated revenue targets. Thus, all the rider rates will decrease and CSP, Duke and TE will use the uniform rider for all customers because the uniform rider is lower than the 1999 rider rate.

**Q. Will the USF rider adjustments proposed in the amended application produce the minimum amount of revenue necessary to serve the purposes for which the USF riders were created?**

A. Yes, ODSA's goal is propose USF riders at the lowest possible level that will generate the revenues sufficient to fund the low-income customer assistance and consumer education programs and to cover the associated administrative costs. However, ODSA continues to believe that the USF riders must be reviewed no less frequently than annually to assure, to the extent possible, that these riders will generate the necessary level of revenues, but no more than that level.

**Q. Doe this conclude your supplemental testimony?**

A. Yes

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing *Supplemental Testimony of Susan M. Moser* has been served upon the following parties by first class mail, postage prepaid, or electronic mail this 28th day of November 2016.

Dane Stinson

Dane Stinson

Steven T. Nourse
Matthew J. Satterwhite AEP Service
Corporation 1 Riverside Plaza
Columbus, Ohio 43215
stnouse@aep.com
mjsatterwhite@aep.com

William L. Wright
Section Chief, Public Utilities Section
Thomas W. McNamee
Assistant Attorney General
30 East Broad Street, 16th Floor
Columbus, Ohio 43215
William.Wright@ohioattorneygeneral.gov
Thomas.McNamee@ohioattorneygeneral.gov

Randall V. Griffin
Judi L. Sobecki
The Dayton Power & Light Company
MacGregor Park
1065 Woodman Avenue
Dayton, Ohio 45432
Randall.Griffin@dplinc.com
Judi.Sobecki@dplinc.com

Kimberly W. Bojko
Ryan P. O'Rourke
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, Ohio 43215
Bojko@capenterlipps.com
O'Rourke@carpenterlipps.com

Elizabeth H. Watts
Duke Energy Ohio, Inc.
155 East Broad Street
Columbus, Ohio 43215
Elizabeth.Watts@duke-energy.com

Carrie M. Dunn
Erika Ostrowski
FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308
cdunn@firstenergycorp.com
eostrowski@firstenergycorp.com

Ajay Kumar
Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
Ajay.kumar@occ.state.oh.us

Colleen L. Mooney
Ohio Partners for Affordable Energy
PO Box 1793
231 West Lima Street
Findlay, Ohio 45839-1793
cmooney@ohiopartners.org

Sam Randazzo
Frank P. Darr
Matthew Pritchard
McNees, Wallace & Nurick
Fifth Third Center
21 East State Street, Suite 910
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com