

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission Review)
of the Capacity Charges of Ohio Power) Case No. 10-2929-EL-UNC
Company and Columbus Southern Power)
Company.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company for Authority to) Case No. 11-346-EL-SSO
Establish a Standard Service Offer) Case No. 11-348-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code,)
in the Form of an Electric Security Plan.)

In the Matter of the Application of)
Columbus Southern Power Company and) Case No. 11-349-EL-AAM
Ohio Power Company for Approval of) Case No. 11-350-EL-AAM
Certain Accounting Authority.)

In the Matter of the Application of)
Ohio Power Company to Adopt a) Case No. 14-1186-EL-RDR
Final Implementation Plan for the)
Retail Stability Rider.)

In the Matter of the Application of Columbus)
Southern Power Company for Approval of a) Case No. 11-4920-EL-RDR
Mechanism to Recover Deferred Fuel Costs)
Ordered Under Ohio Revised Code 4928.144.)

In the Matter of the Application of Ohio)
Power for Approval of a Mechanism to) Case No. 11-4921-EL-RDR
Recover Deferred Fuel Costs Ordered)
Under Ohio Revised Code 4928.144.)

In the Matter of the Fuel Adjustment) Case No. 09-872-EL-FAC
Clauses for Columbus Southern Power) Case No. 09-873-EL-FAC
Company and Ohio Power Company.)

In the Matter of the Application of the)
Fuel Adjustment Clauses for Columbus) Case No. 11-5906-EL-FAC
Southern Power Company and Ohio)
Power Company and Related Matters.)

| | | |
|---|---------------------------------|------------------------------|
| In the Matter of the Fuel Adjustment Clauses for Columbus Southern Power Company and Ohio Power Company. |))) | Case No. 12-133-EL-FAC |
| In the Matter of the Fuel Adjustment Clause for Ohio Power Company. |)) | Case No. 13-572-EL-FAC |
| In the Matter of the Fuel Adjustment Clause for Ohio Power Company. |)) | Case No. 13-1286-EL-FAC |
| In the Matter of the Fuel Adjustment Clause for Ohio Power Company. |)) | Case No. 13-1892-EL-FAC |
| In the Matter of the Application of Ohio Power Company for Administration of the Significantly Excessive Earnings Test for Under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code. |))))))) | Case No. 15-1022-EL-UNC 2014 |
| In the Matter of the Application of Ohio Power Company for Administration of the Significantly Excessive Earnings Test for Under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code. |))))))) | Case No. 16-1105-EL-UNC 2015 |

**DIRECT TESTIMONY
OF
MICHAEL P. HAUGH**

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

JANUARY 6, 2017

TABLE OF CONTENTS

| | PAGE |
|--|-------------|
| I. OVERVIEW | 1 |
| II. PURPOSE OF TESTIMONY..... | 2 |
| III. EVALUATION OF THE PROPOSED SETTLEMENT | 4 |
| IV. CONCLUSION..... | 7 |

MPH – ATTACHMENT 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 ("Consumers'
6 Counsel" or "OCC"). My business address is 10 West Broad Street, Suite 1800,
7 Columbus, Ohio 43215.

8

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

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

1 position of Manager of Regulatory Affairs before becoming Manager of Market
2 Relations in 2011. I was re-hired at the OCC in June 2014 in my current position.

3

4 ***Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN UTILITY CASES***
5 ***BEFORE REGULATORY COMMISSIONS?***

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

9

10 **II. PURPOSE OF TESTIMONY**

11

12 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
13 ***PROCEEDING?***

14 ***A4.*** On December 21, 2016 AEP filed a Joint Stipulation and Recommendation
15 ("Settlement) to settle portions or all of the above mentioned cases. My testimony
16 will evaluate the Settlement under the PUCO's three-pronged test for settlements.

17

18 ***Q5. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE***
19 ***SETTLEMENT.***

20 ***A5.*** I recommend that the PUCO adopt the Settlement as filed. The proposed
21 Settlement meets the PUCO's three-pronged test. It is the product of serious
22 bargaining among parties with diverse interests. The Settlement as a package

1 benefits customers and the public interest. And the package does not violate
2 important regulatory principles and practices.

3 This settlement provides significant benefits to a diverse group of customers and
4 also settles a large number of cases that are currently pending at the PUCO.

5

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

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

- 10 1. Is the settlement a product of serious bargaining among
11 capable, knowledgeable parties? In this regard, the PUCO
12 sometimes considers whether the signatory parties to the
13 settlement represent a diversity of interests.¹
- 14 2. Does the settlement, as a package, benefit customers and
15 the public interest?
- 16 3. Does the settlement package violate any important
17 regulatory principle or practice?²

¹ 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).

² *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).

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

2

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

4 **A7.** The Signatory Parties are the Ohio Consumers' Counsel, the PUCO Staff
5 ("Staff"), AEP Ohio, Ohio Energy Group ("OEG"), Ohio Manufacturers'
6 Association Energy Group ("OMAEG"), Direct Energy, Interstate Gas Supply,
7 Inc. ("IGS"), Constellation NewEnergy, Inc., The Kroger Company and the
8 Appalachian Peace and Justice Network. In addition, there were a number of
9 entities that were parties to some or all of the above cases and agreed not to
10 oppose this Settlement. These parties include the Industrial Energy Users - Ohio,
11 EnerNOC, Inc., and the Ohio Hospital Association.

12

13 ***Q8. DOES THE SETTLEMENT MEET THE FIRST PRONG OF THE PUCO'S***
14 ***STANDARD?***

15 **A8.** Yes, the Settlement meets the first prong of the test. There were a number of
16 meetings between signatory parties to negotiate this Settlement. These
17 stakeholders represent a diverse group of parties who actively participated in
18 many of the proceedings that are resolved by this Settlement. AEP Ohio reached
19 out to all parties that were active in the cases included in this Settlement and
20 invited them to settlement discussions. I am not aware of any party that is
21 contesting this Settlement. I was actively involved on behalf of the Consumers'
22 Counsel in the negotiations.

1 **Q9. DOES THE SETTLEMENT, AS A PACKAGE, BENEFIT AEP OHIO'S**
2 **CUSTOMERS AND THE PUBLIC INTEREST?**

3 **A9.** Yes, the Settlement provides benefits to the customers of AEP Ohio. In
4 particular, residential customers will receive refunds for overpayments to AEP to
5 entice customers to shop for electricity, will pay less to AEP Ohio for the Retail
6 Stability Rider ("RSR"), will receive a rate reduction from AEP Ohio for a
7 previous significant excess earnings test ("SEET") case, will pay a reduced
8 amount to AEP Ohio for the Phase In Recovery Rider ("PIRR") and will benefit
9 from paying a smaller allocation of AEP's costs for gridSMART.

10

11 **Q10. HOW DOES THE SETTLEMENT PROVIDE A BENEFIT TO**
12 **RESIDENTIAL CUSTOMERS?**

13 **A10.** The benefits to residential customers come from several provisions of the
14 settlement.

15 • One provision in the Settlement (Settlement ¶D at pages 12-14) requires
16 refunds (a one-time bill credit) to all customers who did not shop from
17 August 2012 through May 2015 (the electric security plan ("ESP")
18 period). This refund compensates non-shopping customers for certain
19 fuel related costs that were alleged to be double charged to customers and
20 were contested by the OCC and other parties. Residential customers who
21 did not shop for the entire ESP period are expected to receive a bill credit
22 of approximately \$64. Pro rata bill credits will also be made to
23 customers who shopped for only a portion of the ESP period.

*Direct Testimony of Michael P. Haugh
On Behalf of the Ohio Consumers' Counsel
PUCO Case No. 10-2929-EL-UNC, et al.*

- 1 • Another provision of the Settlement (Settlement ¶A at pages 9-10, ¶C at
2 pages 11-12) reduces, by \$4.25 per month, what residential customers pay
3 under the RSR charge. These reductions will be in effect for twenty four
4 months. After that, the RSR will no longer be collected from residential
5 customers. The reduced stability charges come from an Ohio Supreme
6 Court ruling earlier this year that AEP Ohio should not be charging
7 customers for its transition to electric competition. The reduced charge
8 also reflects a \$20.3 million refund related to the Utility's 2014 earnings
9 being examined under the Significantly Excessive Earning Review
10 proceeding (Case No. 15-1022-EL-UNC). The residential customer share
11 of the refund is \$6.5 million.
- 12 • The Settlement also provides for reductions in customers' bills over the
13 next two years related to charges not collected but authorized under AEP
14 Ohio's electric security plan. (Settlement ¶B at page 11). The charges are
15 currently being collected through a charge called the phase in recovery
16 rider. The reduction in the phase in recovery charge will be made for all
17 customers in the Ohio Power rate zone. Residential customers living in
18 the Ohio Power rate zone are expected to receive bills that contain a
19 \$2/MWh reduction in the PIRR charge.

1 • Another benefit to residential customers comes from the reallocation of
2 gridSMART costs. (Settlement ¶ E at pages 14-15). The reallocation
3 will more fairly distribute the costs of this program. Under this provision,
4 during the next seven years residential customers will pay less for AEP
5 Ohio investment in gridSMART than they would have under the proposed
6 settlement previously filed in that case.

7
8 ***Q11. DOES THE SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY***
9 ***PRINCIPLES?***

10 ***A11.*** No. In fact it is premised upon the principle that costs should be collected from
11 those who caused the costs. A number of the cases settled/or affected by this
12 Settlement (including Case No 10-2929-EL-UNC and Case No. 13-1939-EL-
13 RDR) imposed/or seek in OCC's view to impose an unreasonable burden on
14 residential customers even though the costs were/will be caused by other
15 customers. This Settlement is structured in a way that ensures a fair resolution of
16 issues where costs are collected from the cost causers.

17

18 **IV. CONCLUSION**

19

20 ***Q12. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.***

21 ***A12.*** The Settlement resulted from bargaining by a diverse group including broad-
22 based consumer parties. This Settlement passes the PUCO's three-prong test and

*Direct Testimony of Michael P. Haugh
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PUCO Case No. 10-2929-EL-UNC, et al.*

1 should be approved, as is, by the PUCO. The Settlement provides significant
2 benefits to AEP Ohio customers, including residential customers.

3

4 ***Q13. DOES THIS CONCLUDE YOUR TESTIMONY?***

5 ***A13.*** Yes.

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 6th day of January 2017.

/s/ Maureen R. Willis

Maureen R. Willis
Senior Regulatory 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

Michigan Public Service Commission

Michigan Consolidated Gas Company, Case No. U-17131

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Summary: Testimony Direct Testimony of Michael P. Haugh on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Willis, Maureen R Mrs.