

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Power Company for Authority to Establish a)
Standard Service Offer Pursuant to Section) Case No. 16-1852-EL-SSO
4928.143, Revised Code, in the Form of an)
Electric Security Plan.)

In the Matter of the Application of Ohio)
Power Company for Approval of Certain) Case No. 16-1853-EL-AAM
Accounting Authority.)

**SUPPLEMENTAL TESTIMONY
OF
MICHAEL P. HAUGH**

**IN OPPOSITION TO THE
JOINT STIPULATION AND RECOMMENDATION**

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

OCTOBER 11, 2017

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ATTACHMENTS

Attachment MPH-1: List of Testimony

Attachment MPH-2: OCC Discovery Request STIP-OCC-INT-1-004

Attachment MPH-3: OCC Discovery Request STIP-OCC-INT-1-003

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 ("OCC"). My
6 business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215.

7

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

10 ***A2.*** I have a Bachelor of Science in Business Administration from the Ohio State
11 University with a major in Finance. I have also attended the Institute of Public
12 Utilities Advanced Regulatory Studies at Michigan State University. I have over
13 20 years working in the energy industry with experience in wholesale and retail
14 energy trading, risk management, natural gas purchasing and scheduling, and
15 regulatory affairs. I started with Enron Energy Services in 1995 as an Energy
16 Trader and then moved on to American Electric Power Energy Services in 1998
17 where I worked in Risk Management and Wholesale Energy Trading. In January
18 2004 I went to work for MidAmerican Energy Services as a Senior Product
19 Manager. In October 2004 I began work as a Senior Regulatory Analyst with the
20 OCC. I left the OCC in September 2007 and joined Integrys Energy Services as a
21 Regulatory Affairs Analyst. I joined Just Energy in 2009 and held the position of
22 Manager of Regulatory Affairs before becoming Manager of Market Relations in
23 2011. I was again hired at the OCC in June 2014 in my current position.

1 ***Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN UTILITY CASES***
2 ***BEFORE REGULATORY COMMISSIONS?***

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

6
7 ***II. PURPOSE OF TESTIMONY***

8
9 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
10 ***PROCEEDING?***

11 ***A4.*** On November 23, 2016, Ohio Power Company ("Ohio Power" or "AEP") filed an
12 Application to amend its current Electric Security Plan ("ESP") and on August
13 25, 2017 AEP, along with 18 intervenors,¹ filed a Joint Stipulation and
14 Recommendation ("Settlement"). The Settlement extends the current ESP
15 through May 31, 2024, and includes a number of additional programs and costs.
16 My testimony will evaluate the Settlement under the PUCO's three-pronged test
17 for settlements and the statutory test for ESPs. Specifically, my testimony
18 evaluates the Competition Incentive Rider ("CIR"), the Interruptible Power-
19 Discretionary Rider ("IRP-D"), the Basic Transmission Cost Rider Pilot Program
20 ("BTCR Pilot"), the Supplier Consolidated Billing ("SCB") program, the enroll

¹ The intervenors either signed the Settlement or agreed not to oppose it.

1 from your wallet alternative, the Automaker Credit, and the OVEC and
2 Renewable Generation Riders.

3

4 **Q5. WHAT ARE YOUR RECOMMENDATIONS?**

5 **A5** The PUCO should reject the Settlement because it does not meet the PUCO's
6 three-pronged test to evaluate settlements and the ESP embodied in the Settlement
7 does not pass the statutory test governing ESPs.

8

9 **Q6. WHAT ARE THE PUCO'S STANDARDS OF REVIEW FOR EVALUATING**
10 **PROPOSED STIPULATIONS?**

11 **A6.** The PUCO uses these criteria for evaluating the reasonableness of a proposed
12 stipulation:

- 13 1. Is the proposed stipulation a product of serious bargaining among
14 capable, knowledgeable parties?
- 15 2. Does the proposed stipulation, as a package, benefit customers and
16 the public interest?
- 17 3. Does the proposed stipulation violate any important regulatory
18 principle or practice?²

19 In addition to these three criteria, the PUCO also routinely considers
20 whether the parties to the stipulation represent diverse interests.³

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).

³ 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,*

III. EVALUATION OF THE PROPOSED STIPULATION

Q7. WHO ARE THE SIGNATORY PARTIES TO THE PROPOSED SETTLEMENT?

A7. The Signatory Parties are AEP, the PUCO Staff (“Staff”), The Ohio Energy Group (“OEG”), The Ohio Hospital Association (“OHA”), Mid-Atlantic Renewable Energy Coalition, the Environmental Law and Policy Center, Ohio Partners for Affordable Energy (“OPAE”), Industrial Energy Users-Ohio (“IEU”), Electric Vehicle Charging Association, Ohio Manufacturers’ Association Energy Group (“OMA”), Interstate Gas Supply (“IGS”), Ohio Environmental Council, Retail Energy Supply Association (“RESA”), Natural Resources Defense Council (“NRDC”), Constellation New Energy, and the Sierra Club. Additionally Commerce Energy, Walmart, and Kroger agreed not to oppose the Settlement.

Q8. DOES THE SETTLEMENT, AS A PACKAGE, BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?

A8. No, the Settlement has a number of programs that are handouts to signatory parties and only benefit certain individuals that signed the Settlement. This prong is intended to evaluate if all, or a majority of customers, benefit from the

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).

1 Settlement – not if a few signatory parties benefit as a result of placing their
2 signatures on the Settlement. In particular, the IRP-D, the BTCR Pilot, the
3 Automaker Credit, and the enroll from your wallet program provisions do not
4 benefit customers or the public interest.
5

6 ***Q9. WHAT IS THE IRP-D RIDER?***

7 ***A9.*** The IRP-D Rider was approved in PUCO Case No. 13-2385-EL-SSO and
8 provides payments to eligible customers for reducing consumption during peak
9 times. Currently, customers enrolled in the program are paid \$8.21 per kW per
10 month. Customers are required to also enroll in the PJM Interconnect (“PJM”)
11 demand response program where they are compensated based upon the results of
12 the PJM annual capacity auction. PJM compensates demand response
13 participants at a rate of \$3.65 per kW per month for 2017/2018.⁴ These amounts
14 are subtracted from the \$8.21 credit provided through the tariff. The IRP-D Rider
15 is recovered through AEP Ohio’s Energy Efficiency/Peak Demand Reduction
16 (“EE/PDR”) Rider, which is charged to all AEP customers.
17

18 ***Q10. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE IRP-D***
19 ***RIDER?***

20 ***A10.*** The Settlement proposes to alter the IRP-D Rider by increasing the IRP-D eligible
21 load to 480 MW and dividing the IRP-D customers into three categories: 1)

⁴ BRA clearing price of \$120.00 per MW per day converted to kW per month.

Existing IRP-D customers (200 MW); 2) IRP-D customers who are not currently participating in the program (160 MW); and 3) customers that are new to the AEP service territory (120 MW). Additionally, the Settlement proposes a change to the compensation for the IRP-D customers. Existing IRP-D customers will receive \$9.00 per kW per month for participation. The compensation for customers that are not currently participating in the IRP-D program will be calculated by multiplying the monthly interruptible capacity by the PJM capacity clearing price times 0.7. Recovery of all IRP-D payments will be 50% through the EE/PDR Rider other 50% through the Economic Development (“ED”) Rider. There is a cap of \$50.7 million to be paid to the new IRP-D customers⁵ and no cap on the existing IRP-D customers.

Q11. WHAT CUSTOMERS ARE ELIGIBLE FOR THE NEW IRP-D PROGRAM?

A11. The Settlement outlines that IEU customers will be allocated 82 MW, OEG will be allocated 48 MW, and OMA will be allocated 30 MW. If the entire 160 MW is not utilized then IEU, OEG, and OMA can exceed their group allocation as long as the total does not exceed 160 MW. As stated above all these entities (IEU, OEG and OMA) signed onto or agreed not to oppose the Settlement.

⁵ The 50.7 million breaks out into \$28.5 million for current customers that are not participating in the IRP-D program and \$22.2 million for new AEP customer that enroll in the program.

1 ***Q12. WHAT ARE YOUR CONCERNS WITH THE PROPOSED CHANGES TO***
2 ***THE IRP-D RIDER?***

3 ***A12.*** While interruptible load may provide benefits at times of peak usage, the problem
4 with this provision is that the Existing IRP-D customers are already participating
5 in the PJM Demand Response program. Under that program they already receive
6 adequate payments from PJM for these efforts. So this Settlement provision, that
7 all customers fund, gives existing IRP-D participants additional funds (in the form
8 of bill credits) for a program in which they are already participating.

9
10 Additionally, new IRP-D customers are receiving a lower rate than the existing
11 customers but could also receive payments from PJM to participate in its demand
12 response program. This program is giving payments only to parties that signed or
13 did not oppose the Settlement.

14
15 And it is questionable if the AEP program provides any benefits beyond what
16 PJM is already doing. AEP has not called on its IRP-D customers to curtail their
17 load outside of events called by PJM since the program's inception in 2012.⁶ In
18 fact, there have only been eight events called for a total of around 24 hours.

19 There has not been an event called since March 2014.⁷ Demand response is part
20 of the PJM portfolio for reliability and it is best managed by the regional
21 transmission organization, not the local utility. If a customer wants to participate

⁶ OCC Discovery Request STIP-OCC-INT-1-004 (Attachment MPH-2).

⁷ OCC Discovery Request STIP-OCC-INT-1-003 (Attachment MPH-3).

1 in a demand response program then it should participate in the PJM program and
2 receive compensation through that process. It should not be subsidized by AEP
3 customers through unwarranted and unnecessary charges pursuant to a negotiated
4 agreement in the Settlement.

5
6 ***Q13. WHAT IS YOUR RECOMMENDATION FOR THE RECOVERY***
7 ***METHOD OF THE IRP-D CREDITS?***

8 ***A13.*** This program is obviously remuneration for parties that supported or did not
9 oppose the Settlement. If AEP would like to reward these parties they should pay
10 for the subsidies through shareholder dollars. Non-participating customers should
11 not be required to pay for a program that is essentially a payoff for signing a
12 settlement that is not in the public interest and does not benefit the public.

13
14 ***Q14. WHAT IS THE BTCCR PILOT PROGRAM?***

15 ***A14.*** The BTCCR Pilot allows certain customers that signed either the AEP Global
16 Settlement⁸ or this Settlement to have their basic transmission costs allocated
17 based on their own one coincident peak (“1CP”) instead of through a customer
18 class allocation. The intention is to reward customers that reduce their 1CP and in
19 turn lower their individual transmission costs for which they are billed from AEP.
20 The assumed benefit from this program is that it could possibly reduce AEP’s
21 total transmission costs from PJM. The AEP Global Settlement allowed for 19

⁸ PUCO Case No. 10-2929-EL-UNC, et al. Stipulation filed December 21, 2016 and approved by the PUCO on January 23, 2016.

1 participants and this Settlement allows for an additional 15 participants. Any
2 uncollected transmission costs as a result of this program will be allocated to
3 nonparticipating customers.
4

5 ***Q15. WHAT ARE YOUR CONCERNS WITH THE BTCR PILOT?***

6 ***A15.*** A customer's 1CP is determined during the previous year for the current year
7 transmission allocation. This means a customer's 1CP for their 2018 transmission
8 costs is determined in 2017. The program requires participants to notify AEP by
9 December 1 of each year if they will be participating in the program. A customer
10 can game the system if they are not able to reduce their load on the 1CP because
11 the customer can decide not to participate and pay transmission costs based on the
12 class wide allocation. Then the next year if they are able to reduce load on the
13 1CP they can jump back into the BTCR Pilot. By jumping back and forth it
14 reduces the effectiveness of the program. As I stated above the intent is to reduce
15 the overall load at peak times for the AEP system, but instead this just reduces a
16 customer's bill without necessarily offering a continual reduction in load for AEP.
17 Some customers, such as schools, will already have lower load during the 1CP⁹
18 and offer no additional value to reducing the load of the system. If a customer
19 enrolls in the program it should make a commitment to be in the program every
20 year regardless of whether the customer was able to reduce their load during the
21 1CP, and demonstrate that they are reducing their load on the 1CP.

⁹ The 1CP is usually during the summer when schools would not be in session and hence have lower usage on the 1CP.

1 Additionally, as with the IRP-D program, this is only offered to customers that
2 signed the Settlement. This limits the effectiveness of the program. The program
3 should seek out the customers that can benefit the goal of reducing load at peak
4 times, not just hand out discounts to signatory, or non-opposing, parties. If AEP
5 wants to offer this program just to a select few “friends” that agree, or do not
6 oppose, this Settlement, then the discounts should come out of shareholder
7 dollars. Otherwise the program that gives a special rate to those who signed (or
8 did not oppose) the Settlement looks to be unduly preferential and discriminatory.

9

10 ***Q16. WHAT IS THE PROPOSED AUTOMAKER CREDIT?***

11 ***A16.*** The automaker credit is a \$10/MWh credit for all kWh consumption above an
12 automaker facility’s 2009 calendar year usage (baseline). This credit is paid by
13 all customers through the Economic Development Cost Rider (“Rider EDR”).

14

15 ***Q17. WHAT ARE YOUR CONCERNS WITH THE PROPOSED AUTOMAKER***
16 ***CREDIT?***

17 ***A17.*** First, there is no justification why 2009 was used as a baseline for the
18 consumption. However, a look at the automotive industry in Ohio over the past
19 nine years may give some insight. The Ohio Development Services Agency
20 released a report titled “The Ohio Motor Vehicle Report” for December 2016.¹⁰
21 In this report it shows a decrease in light vehicle production of 43% between 2008

¹⁰ <https://development.ohio.gov/files/research/B1002.pdf>.

1 and 2009.¹¹ The light vehicle production in 2015 was higher than 2008 and an
2 82% increase over 2009. Essentially, 2009 was the lowest point of auto
3 production in Ohio over the nine-year period evaluated. When used as a baseline
4 for a consumption credit, it greatly increases the amount of credit funded by other
5 customers. It is not a fair baseline upon which to set the credit. If the PUCO
6 approves this credit, which I do not support, the baseline should be a more recent
7 year to demonstrate actual increases in production.

8
9 More importantly, this type of credit should be considered part of an economic
10 development project. If the customers eligible for this credit are in need of a
11 reduction in their electric bills they should apply for a reasonable arrangement
12 under O.R.C. 4905.31.

13

14 ***Q18. WHY SHOULD AUTOMAKER CREDIT CUSTOMERS APPLY FOR***
15 ***REASONABLE ARRANGEMENTS UNDER O.R.C 4905.31?***

16 ***A18.*** Under the current laws for reasonable arrangements there are rules that govern the
17 process. In any type of economic development arrangement, the applicant must
18 file detailed information to allow parties to assess whether the application appears
19 to be just and reasonable.

¹¹ Light Vehicles Assembled in Ohio at Plants Operating Throughout 2007-2015. Report at page 23.

1 The application must include information on all associated incentives, estimated
2 annual electric billings without incentives, and the annual estimated delta
3 revenues for the term of the incentives. The rules also require the customer to
4 describe its status in the community and how the arrangement furthers the policy
5 of the state. The applicant must also provide verifiable information detailing how
6 the following criteria are met: (1) the arrangement permits at least 25 new full
7 time jobs to be created or retained for the term of the arrangement; (2) the
8 customer shall demonstrate financial viability; the customer shall identify all
9 existing local, state or federal support; the customer shall identify potential
10 benefits from its project; and (3) the customer agrees to maintain operations at the
11 project site for the term of the incentives. The customer also bears the burden of
12 proof that the arrangement is reasonable and is not discriminatory.

13
14 Parties are able to file comments on the application and can seek an evidentiary
15 hearing if the PUCO determines the arrangement may be unjust and unreasonable.
16 Economic development applications are evaluated on a case-by-case basis and the
17 PUCO weighs all of the positive aspects against the costs to customers.

18
19 This process allows for a comprehensive examination of the customer and does
20 not just hand out credits to customers based upon whether they signed a
21 settlement. Here, although the credits may lower the operating costs for these
22 facilities, there are no commitments made by the recipients of the discount that
23 there will be any increase in jobs or investment in Ohio. Once again, if AEP

1 wants to hand out money to customers it can do it with shareholder dollars, not at
2 the expense of other customers.
3

4 ***Q19. WHAT IS THE ENROLL FROM YOUR WALLET PROGRAM?***

5 ***A19.*** This is a program that allows marketers to enroll customers with less information
6 than is currently required. Currently, when enrolling a customer with AEP, a
7 marketer needs to provide the customer's account number and Service Delivery
8 Identifier ("SDI"). Both of these items are found on a customer's bill. This
9 program allows for the marketer to enroll a customer with the customer providing
10 only the telephone number assigned to the account and either the last four digits
11 of their social security number or the amount of one of the customer's last three
12 bills.
13

14 ***Q20. WHAT ARE YOUR CONCERNS WITH THE ENROLL FROM YOUR***
15 ***WALLET PROGRAM?***

16 ***A20.*** Before enrolling with a marketer customers should consult their bills. The bill
17 provides useful information such as their current price to compare, usage data,
18 and information regarding their current supply choice. This information should
19 be consulted before enrolling with a marketer. Customers need to have more
20 information before making the decision to enroll with a marketer. According to a
21 sample bill calculator found on the AEP website,¹² a typical residential customer's

¹² <https://www.aepohio.com/account/bills/rates/AEPOhioRatesTariffsOH.aspx>.

1 price to compare for September 2017 is 5.53 cents per kWh. On the PUCO's
2 Energy Choice Ohio website there are marketer offers in the AEP service
3 territories for 10.5 cents¹³ per kWh, which is 90% above the price to compare. If
4 a customer does not have their bill in front of them when evaluating a marketer
5 offer they could easily enroll in this program without having a full picture of their
6 current situation.

7

8 ***Q21. WHAT ARE YOUR SUGGESTIONS FOR THE ENROLL FROM YOUR***
9 ***WALLET PROGRAM?***

10 ***A21.*** First, the PUCO should not approve this program as it neither benefit customers
11 nor the public interest. But if the PUCO does decide to approve this program,
12 there needs to be a stakeholder group that will put together specific guidelines for
13 how this program will operate including strict customer safeguards.

14

15 ***Q22. DOES THE PROPOSED SETTLEMENT VIOLATE ANY IMPORTANT***
16 ***REGULATORY PRINCIPLE OR PRACTICE?***

17 ***A22.*** Yes. The CIR and the SCB do not properly allocate costs and the RGR should
18 not even be considered in an ESP.

¹³ Offer from Alpha Gas and Electric as of October 1, 2017
<http://www.energychoice.ohio.gov/ApplesToApplesComparison.aspx?Category=Electric&TerritoryId=2&RateCode=1>.

1 ***Q23. HOW WAS THE CIR CHARGE CALCULATED?***

2 ***A23.*** According to AEP Witness Allen, after negotiation among signatory parties of the
3 PPA Settlement, the Commission Staff determined that the adder would be
4 \$0.00105/kWh.

5
6 ***Q24. WAS THE OCC INVITED TO ANY NEGOTIATIONS REGARDING THE***
7 ***CIR CHARGE?***

8 ***A24.*** No.

9
10 ***Q25. DID THE PUCO APPROVE THE CIR IN THE PPA SETTLEMENT?***

11 ***A25.*** No, in the Opinion and Order for the PPA Settlement the PUCO stated that the
12 proposed CIR is subject to further review in a future proceeding. The PUCO
13 recognized that there could be possible benefits in the proposal, but such
14 recognition should not be construed as predetermining the outcome of the future
15 proceeding.¹⁴

16
17 ***Q26. SHOULD THE CIR CHARGE BE APPROVED?***

18 ***A26.*** No, the CIR charge should not be approved. The CIR charge has the effect of
19 artificially inflating the SSO, and providing the Marketers with an opportunity to
20 undercut the SSO, and advantage their offers in a manner that does not reflect

¹⁴ Opinion and Order dated March 31, 2016 at page 84.

1 competitive market forces. The SSO is the result of a competitive auction, and
2 should be offered to consumers unaltered.

3

4 ***Q27. IF THE PUCO IS DETERMINED TO GO FORWARD WITH A CIR***
5 ***CHARGE (WHICH IT SHOULD NOT), HOW SHOULD THE CIR CHARGE***
6 ***BE IMPLEMENTED?***

7 ***A27.*** I don't believe the CIR charge should be implemented, as I recommended above.
8 However, if the PUCO decides to proceed with the CIR charge implementation,
9 the proper way to determine if a CIR charge is necessary is to fully evaluate the
10 costs and revenues of the SSO process and the Choice programs. If there is a
11 subsidy then those costs should be removed from base distribution rates and
12 properly allocated to the customers on the SSO or to Choice suppliers.

13

14 The proper way to do this is through a base distribution rate case where the costs
15 can be fully examined and properly allocated. This evaluation should include
16 examining the costs associated with providing SSO service to customers along
17 with any costs associated with the CRES providers that are being covered in
18 distribution rates. The latter costs should be charged to the Marketers. These
19 costs could include items such as call center personnel who answer questions
20 about Marketers, any mailings issued regarding Choice, and verifications that the
21 billing costs incurred by AEP Ohio for utility consolidated billing are correct.
22 Basically, if there is going to be a decoupling of these costs then it needs to be
23 comprehensive and accurate on both ends --for customers and marketers. The

1 charge should not be set through a negotiated settlement where there has been no
2 comprehensive and accurate review of the actual costs. The process in the
3 proposed Settlement should adhere to traditional ratemaking principles.

4

5 The Commission cannot accept the need for a rider without a full evaluation of if
6 there is a disparity in the treatment of SSO and Choice customers.

7

8 ***Q28. WHAT SSO COSTS DOES RESA WITNESS WHITE CLAIM ARE***
9 ***INCLUDED IN BASE RATES?***

10 ***A28.*** RESA Witness White includes a list of 10 SSO related items he feels are included
11 in base rates. A few of these include call center infrastructure, legal personnel,
12 regulatory personnel, IT infrastructure and office space.

13

14 ***Q29. ARE THESE COSTS UNIQUE TO SSO?***

15 ***A29.*** Not necessarily, the costs listed in RESA Witness Whites testimony could also be
16 related to Choice supply too. Customers that call in with questions about Choice
17 will go to the same call center as calls about their distribution service.

18 Additionally, there is IT infrastructure that must be set up for supplier billing and
19 legal and regulatory personnel that work on Choice related issues.

20

21 ***Q30. DO CRES PAY FOR THESE SERVICES?***

22 ***A30.*** It is my understanding a CRES pays a one-time \$100 fee to register to be a
23 marketer on the AEP system in Ohio but there are no other fees charged.

1 ***Q31. DOES THE CIR CHARGE VIOLATE THE PUCO'S SETTLEMENT***
2 ***STANDARD?***

3 ***A31.*** Yes. The CIR charge if implemented would violate the regulatory principle that
4 rates should be just and reasonable. Further an artificially inflated SSO rate
5 would harm SSO customers and the public interest. Therefore, the PUCO should
6 reject the CIR provision contained within the Settlement in this case because it
7 violates both the second and third prongs of the PUCO's standard for evaluating a
8 settlement.

9
10 ***Q32. WHAT IS SUPPLIER CONSOLIDATED BILLING?***

11 ***A32.*** It is when a Marketer bills its customers for both the regulated distribution portion
12 of a customer's bill along with the deregulated generation portion of the bill. The
13 Marketer is then responsible for collecting all charges from the customer. The
14 Marketer would then remit the distribution revenues to the utility. Supplier
15 consolidated billing allows a Marketer to include its own branding and marketing
16 on AEP's bill and also include line items that may not be allowable on a
17 traditional utility bill. Currently, customers can receive one consolidated bill
18 from the utility that includes the utility charges and the Marketer charges on
19 separate line items. Another option currently available is for the Marketers to
20 send out a separate bill for their charges. This option is known as dual billing.
21 The proposed pilot program costs will be shared with \$1,000,000 being paid by
22 AEP customers and \$1,000,000 paid by Marketers.

1 ***Q33. WHAT REGULATORY PRINCIPAL OR PRACTICE DOES THE SUPPLIER***
2 ***CONSOLIDATED BILLING VIOLATE?***

3 ***A33.*** This program does not properly allocate costs to those who cause the costs.
4 Although some customers may desire supplier consolidated billing, the program
5 primarily benefits the Marketers and all costs should be allocated to them.
6 Marketers may then choose to recover the costs incurred by passing it through to
7 their customers. By charging 100% of the costs to suppliers it ensures that
8 customers that do not shop, or do not desire SCB, will not be charged for a
9 program that offers them no benefit.

10

11 ***Q34. WHAT IS THE RENEWABLE GENERATION RIDER?***

12 ***A34.*** In PUCO Case No. 14-1693-EL-RDR the Commission approved the collection of
13 the net costs of renewable generation projects through the PPA Rider. The
14 Settlement allows for these costs to be collected through a new rider instead of
15 through the PPA Rider. The RGR also allows AEP to enter into a bilateral
16 contract with a retail customer to purchase the output from one of the renewable
17 generation projects. These bilateral contracts can be at a price lower than the cost
18 to generate, and the shortfall in revenue will be treated like a reasonable
19 arrangement and will be passed through the RGR and paid for by other customers,
20 including residential customers.

1 ***Q35. WHAT ARE YOUR CONCERNS WITH THE RENEWABLE***
2 ***GENERATION RIDER?***

3 **A35.** First, I do not agree renewable generation costs should be collected from captive
4 customers. The General Assembly through Senate Bill 3 determined that
5 generation is deregulated and customers should have the choice of the source of
6 their generation. But if the PUCO allows these generation subsidies to occur then
7 it should be done through a single rider. Currently there are 25 riders in AEP's
8 tariffs. This additional rider will add complexity and confusion for customers
9 attempting to evaluate their charges.

10

11 Additionally, the provision to allow a bilateral contract at a price below the cost
12 of the generation resource should not be allowed. Ohio Revised Code Section
13 4905.33(B) states "No public utility shall furnish free service or service for less
14 than actual cost for the purpose of destroying competition." This proposal could
15 allow for a customer to purchase generation service below the actual cost and
16 would destroy competition. It has the ability to distort competitive markets and
17 ultimately destroy competition because a customer will gladly go to AEP for a
18 discounted rate in lieu of going to an independent renewable generator that would
19 need to charge the full cost of the generation, and not have the ability to subsidize
20 their costs.

1 **IV. MRO VS ESP TEST**

2

3 ***Q36. WHAT IS THE MRO VS ESP TEST?***

4 **A36.** The comparison the PUCO makes between the results of a utility’s ESP and the
5 results that would be expected under a Market Rate Offer (“MRO”) is the
6 “statutory test,”¹⁵ sometimes also referred to as the “MRO vs. ESP test.” It is my
7 understanding, confirmed by counsel, that under Section 4928.143(C)(1) of the
8 Ohio Revised Code, the Commission cannot approve, or modify and approve, an
9 ESP unless it finds that the ESP “including its pricing and all other terms and
10 conditions, including any deferrals and future recovery of deferrals, is more
11 favorable in the aggregate [to customers] as compared to the expected results that
12 would otherwise apply under section 4928.142 of the Revised Code.” Section
13 4928.142 of the Revised Code pertains to a Standard Service Offer (“SSO”) under
14 an MRO.

15

16 In conducting the statutory test, the PUCO has generally evaluated three parts -
17 comparing the results of these elements under the proposed ESP to the results
18 expected under an MRO:

¹⁵ Duke Energy Ohio, Case No. 11-3549-EL-SSO, et al., Opinion and Order at 46 (November 22, 2011), Columbus Southern Power and Ohio Power, Case No. 11-346-EL-SSO, et al., Opinion and Order at 73 (August 8, 2012) and Dayton Power & Light, Case No. 12-426-EL-SSO, et al., Opinion and Order at 48-52 (September 3, 2013).

1. The SSO price of generation to customers,
2. Other quantifiable provisions, and
3. Other qualitative provisions.¹⁶

The Utility bears the burden of proving the ESP is more favorable in the aggregate to customers than a market rate option.

***Q37. WHAT IS YOUR RECOMMENDATION TO THE PUCO REGARDING
THE MRO VS ESP TEST FOR AEP'S PROPOSED ESP EXTENSION?***

A37. The first part of the test is to compare the SSO price to customers between the proposed ESP and what would be achieved under an MRO. AEP has proposed to continue a Competitive Bid Process to procure the entire SSO load. Thus, the ESP will result in the same outcome as a MRO regarding customers' generation price.

The second part of the MRO vs ESP test evaluates the quantifiable provisions of AEP's proposed ESP. There are a number of new riders and increases to existing riders under the ESP that add over \$1.1 billion in costs to customers with little to no value to customers. These riders would not be included in a MRO because an MRO merely sets the standard offer price. There are no other provisions under an MRO that allow the Utility to include charges to customers for numerous and

¹⁶ AEP Ohio ESP, Case No. 11-346-EL-SSO et al., Opinion and Order at 73 (August 8, 2012) and Entry on Rehearing at 13-14 (January 30, 2013) and Dayton Power & Light, Case No. 12-426-EL-SSO, et al., Opinion and Order at 48-52 (September 3, 2013).

1 varied riders. With these riders customers would pay \$1.1 billion more in costs
2 under the ESP than under an MRO.

3

4 The third part of the test considers the qualitative provisions of the ESP. While I
5 am not recommending that the PUCO consider qualitative factors under the MRO
6 versus ESP test, AEP's qualitative arguments are unpersuasive. And the asserted
7 qualitative benefits for customers cannot begin to offset in any meaningful way
8 any the quantitative cost of the ESP, let alone the more than \$1.1 billion cost of
9 this ESP.

10

11 I find that AEP's ESP likely to be more harmful to customers than an MRO.

12

13 ***Q38. PLEASE SUMMARIZE AEP OHIO WITNESS ALLEN'S ESP VS MRO TEST***
14 ***EVALUATION.***

15 **A38.** In his testimony, AEP Ohio Witness Allen states that the proposed ESP extension
16 is more favorable from both a quantitative and qualitative viewpoint. He states
17 that the quantitative benefits include the Distribution Investment Rider ("DIR")
18 providing a streamlined approach to make distribution improvements, the Smart
19 City Rider allowing for investment in advanced technology with a streamlined
20 recovery mechanism, the extension of the Residential Distribution Credit Rider
21 ("RDCR") through May 31, 2024 providing credits to residential customers, and
22 an annual \$1,000,000 contribution to the Neighbor-to-Neighbor program.

1 AEP Ohio Witness Allen states that qualitative benefits include rate stability
2 through the Renewable Generation Rider (“RGR”) and OVEC, distribution
3 investment, economic development, the transmission pilot program, and the CIR.
4

5 ***Q39. DO YOU AGREE WITH AEP WITNESS ALLEN’S QUANTITATIVE***
6 ***BENEFITS?***

7 ***A39.*** No. AEP Ohio Witness Allen does not provide any concrete quantitative benefits
8 regarding DIR or Smart City Rider. He only generally states that the “streamlined
9 recovery mechanism” will allow the company to “invest in advanced technology.”
10 These attributes appear to be more appropriately characterized as non-quantifiable
11 benefits or qualitative benefits.
12

13 On the other hand, we know there are specific costs associated with Smart City
14 Rider. AEP Witness Allen states that the Smart City Rider will charge customers
15 \$21.1 million in capital expenditures. OCC Witness Alexander’s testimony
16 addresses the DTR and states that the DTR plan lacks detail and does not provide
17 concrete benefits to customers. Hence, the PUCO should not find quantitative (or
18 qualitative) benefits to the Smart City Rider.
19

20 The Enhanced Service Reliability Rider (“ESSR”) is a rider to recover tree
21 trimming through the service territory and will cost \$27.6 million per year or a
22 minimum of \$82.8 million. OCC Witness Williams states the ESSR has not
23 significantly reduced outages caused by trees. The ESSR does not provide any

1 quantitative (or qualitative) benefits and should no longer be collected from
2 customers, as OCC Witness Williams discusses.

3
4 According to AEP Witness Allen the DIR will cost \$1.01 billion.¹⁷ OCC Witness
5 Williams states that the DIR provides little to no value to the reliability of AEP
6 Ohio's distribution system. Given OCC Witness Williams' testimony, the PUCO
7 should not consider quantitative (or qualitative) benefits from the proposed DIR.

8
9 Additionally, the RDCR was set up in AEP Ohio's last distribution rate case
10 (PUCO Case No. 11-351-EL-AIR, et. al.) as a mechanism to credit back a double
11 recovery of dollars from both the DIR set up in case 11-346-EL-SSO and base
12 distribution rates. The extension of the RDCR is not a benefit but instead a
13 requirement to prevent double recovery. The RDCR is a result of the DIR and a
14 MRO would not allow the DIR, so there would not be any need for the RDCR
15 under an MRO.

16
17 The Neighbor-to-Neighbor program is funded through the RDCR and could be
18 funded with or without an ESP, specifically through shareholder dollars. The
19 Neighbor-to-Neighbor funds are not contingent on an ESP filing and can continue
20 with or without an ESP.

¹⁷ AEP Witness Allen Testimony in Support of the Settlement at page 5.

1 Finally, AEP Ohio provided no data regarding the costs and benefits of OVEC
2 and the RGR. It only touts the purported “price stabilizing benefit.” If a
3 customer desires a more stable price there are a number of fixed price offers and
4 offers that include renewable energy to fit a customer’s desires. The PPA Rider
5 and RGR will create higher prices as compared to not including those riders.
6 Customer subsidization of uneconomic generation certainly cannot be considered
7 a benefit. If the Commission desires a hedging mechanism for SSO customers it
8 should competitively bid that mechanism instead of only including utility owned
9 generation.

10
11 ***Q40. DO YOU AGREE WITH AEP WITNESS ALLEN’S QUALITATIVE***
12 ***BENEFITS?***

13 ***A40.*** No. As stated above, there are much more prudent ways to provide a
14 hedging mechanism for SSO customers (if the PUCO desires a hedge)
15 than using OVEC (or, for that matter, the RGR). In addition, as I stated
16 above, economic development can and should be addressed through
17 reasonable arrangement cases. The CIR, along with the SSOCR, should
18 be addressed in a distribution rate case. Additionally, the “streamlining”
19 of cost recovery, as touted in the DIR and ESSR, removes the ability to
20 fully examine the totality of the Utility’s financial standing and instead
21 only gives the Utility recovery of expenditures. The PUCO itself recently
22 acknowledged that it is sound regulatory practice to conduct regular

1 distribution rate cases.¹⁸ The alleged qualitative benefits simply are not
2 there and cannot be considered here.

3

4 ***Q41. DOES THIS APPLICATION FOR AN EXTENSION OF AEP OHIO'S***
5 ***CURRENT ESP PASS THE ESP VS MRO TEST?***

6 ***A41.*** No. The tables below outline AEP Ohio's alleged qualitative and
7 quantitative benefits.

8 **Table 1 Quantitative Evaluation**

Description	ESP Alleged Quantitative Benefits	ESP Costs	MRO Costs
Smart City		\$21.1 million	\$0
DIR		\$1.01billion	\$0
ESSR		\$82.8 million	\$0
RDCR	\$13.7 million	\$0 this should be removed from base rates if the credit is discontinued.	\$0
Neighbor to Neighbor	\$1,000,000	\$0 this is funded through the RDCR	
Total	\$14.7 million	\$1.113 billion	\$0

9

10 Assuming the RDCR provides a \$14.7 million benefit that is not available
11 through a MRO,¹⁹ then the ESP is less favorable in the aggregate than a
12 MRO by \$1.1 billion considering the quantitative factors.

¹⁸ In re: FirstEnergy Application, Case No. 14-1297-EL-SSO, Eighth Entry on Rehearing at ¶91 (Aug. 16, 2017).

¹⁹ Although the RDCR may not be technically allowed through an ESP it would be credited back to customers at some point in time.

Table 2 Qualitative Evaluation

Description	ESP Alleged Qualitative Benefits	MRO
Micro Grid	Technology investment with streamlined recovery of costs	N/A
EV Stations	Technology investment with streamlined recovery of costs	N/A
DIR	Streamlined recovery of costs	N/A

The qualitative factors, even if accepted, do not outweigh the \$1.113 billion detriment to consumers.

V. CONCLUSION

Q42. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A42. The Settlement does not pass the Commission's standards for reviewing a stipulation, and the ESP embodied in the Settlement does not pass the MRO vs ESP test. The Settlement should be rejected by the PUCO. If AEP Ohio desires to extend its current ESP it should do so through an MRO.

Q43. DOES THIS CONCLUDE YOUR TESTIMONY?

A43. Yes. But I reserve the right to incorporate new information that may subsequently become available.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Supplemental 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 11th day of October 2017.

/s/ William J. Michael

William J. Michael

Assistant Consumers' Counsel

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ATTACHMENT MPH-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

American Electric Power, Case No. 10-2929-EL-UNC

Dayton Power and Light, Case No. 16-395-EL-SSO

American Electric Power, Case No. 16-1852-EL-SSO

Michigan Public Service Commission

Michigan Consolidated Gas Company, Case No. U-17131

**OHIO POWER COMPANY'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUEST
PUCO CASE NO. 16-1852-EL-SSO et al.
FIRST SET-STIPULATION**

DATA REQUEST

STIP-OCC-INT-1-004 Has PJM Interconnection called any interruptions on AEP Ohio customers since the inception of the IRP-D tariffs?

RESPONSE

See STIP-OCC-INT-1-003. All events were initiated by PJM.

Prepared by: William A. Allen

**OHIO POWER COMPANY'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUEST
PUCO CASE NO. 16-1852-EL-SSO et al.
FIRST SET-STIPULATION**

DATA REQUEST

STIP-OCC-INT-1-003

How many interruptions have been called by AEP Ohio since the inception of the IRP-D Tariff?

a. What were the dates, times, and duration of the interruptions?

RESPONSE

The Company assumes the question relates to the change in the IRP tariff that was implemented with the ESP II in 2012. The data below is for the emergency events only as discretionary events are no longer relevant.

Date	Area	Start	End
7/17/12	Full AEP Zone	15:08	19:05
7/18/13	Canton Subzone	15:00	18:00
9/10/13	Canton Subzone	16:45	20:00
9/11/13	Full AEP Zone	13:30	19:30
1/7/14	Full AEP Zone	6:30	11:00
1/7/14	Full AEP Zone	17:00	18:15
1/8/14	Full AEP Zone	7:00	7:02
3/4/14	Full AEP Zone	6:30	8:30

Prepared by: William A. Allen

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/11/2017 5:04:07 PM

in

Case No(s). 16-1852-EL-SSO, 16-1853-EL-AAM

Summary: Testimony Supplemental 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 Michael, William J. Mr.