

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The	)	
Dayton Power & Light Company for	)	Case No. 16-0395-EL-SSO
Approval of Its Electric Security Plan.	)	

In the Matter of the Application of The	)	
Dayton Power & Light Company for	)	Case No. 16-0396-EL-ATA
Approval of Revised Tariffs.	)	

In the Matter of the Application of The	)	
Dayton Power & Light Company for	)	
Approval of Certain Accounting Authority	)	Case No. 16-0397-EL-AAM
Pursuant to Ohio Rev. Code § 4905.13.	)	
	)	

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**DIRECT TESTIMONY OF JOSEPH HAUGEN ON BEHALF OF INTERSTATE GAS  
SUPPLY, INC.**

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1    **I.     INTRODUCTION AND PURPOSE OF TESTIMONY**

2    **Q.     Please introduce yourself.**

3    A.     My name is Joseph Haugen and I am employed by Interstate Gas Supply, Inc.  
4           d/b/a IGS Energy ("IGS"). I am the Power Supply Director and have been in this  
5           role since May of 2017. I have responsibilities related to IGS's power supply and  
6           risk along with wholesale power market operations. I am also responsible for  
7           representing IGS in the PJM Interconnection, Inc. stakeholder process. My  
8           business address is 6100 Emerald Parkway, Dublin, Ohio 43016. I have worked  
9           at IGS since February 2013 when I was hired as a Senior Supply Analyst and aided  
10          in developing and implementing wholesale risk management hedging and trading  
11          strategies. In January 2015, I was promoted to Power Supply Manager where I  
12          managed a team of analysts responsible for implementing risk management and  
13          trading strategies.

14   **Q.     Please describe your educational background and work history.**

15   A.     I graduated from the Ohio State University in 2005 with a B.A. I obtained a Master  
16          of Business Administration from Otterbein University in 2009. Prior to working at  
17          IGS, I was an energy scheduler for Buckeye Power from 2007 through 2013. I  
18          scheduled daily power usage for the 25 cooperatives in Ohio and coordinated  
19          generation resources including wind, natural gas, and coal plants in the wholesale

1 markets. I was also responsible for operating the demand response program.  
2 Prior to that I was a Laboratory Manager for CTL Engineering from 2005 to 2007.

3 **Q. What is the nature of IGS's business?**

4 A. IGS Energy has over 25 years' experience serving customers in Ohio's competitive  
5 markets. IGS Energy serves over 1 million customers nationwide and sells natural  
6 gas and electricity to customers in 11 states and in over 40 utility service territories.  
7 In Ohio, IGS currently serves electric customers in the Duke, AEP, FirstEnergy  
8 Ohio, and the Dayton Power & Light service territories. The IGS family of  
9 companies (which include IGS Generation, IGS Home Services and IGS CNG  
10 Services) also provides customer focused energy solutions that complement IGS  
11 Energy's core commodity business including demand response, distributed  
12 generation, CNG refueling, back-up generation and utility line protection.

13 **Q. Have you testified previously?**

14 A. Yes, I have testified or provided testimony on behalf of Interstate Gas Supply, Inc.  
15 before the Public Utilities Commission of Ohio.

16 **Q. Why are you interested in this proceeding?**

17 IGS serves customers in the DP&L service territory and there is a value to our  
18 customers for capacity costs to be set through a transparent and competitive

1 market instead of specific resources subsidization. Moreover, IGS provides value  
2 to customers by providing products and services that enable a customer to  
3 manage the stability of their electric bill through various fixed price products. The  
4 Reconciliation Rider will add uncertainty to our customers' future bills, given that it  
5 it is a new non-bypassable cost.

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

7 A. Dayton Power and Light has proposed to establish a Reconciliation Rider to  
8 recover the difference between OVEC expenses and the amounts that DP&L  
9 receives from selling into PJM's day-ahead markets including the PJM capacity  
10 market. Pending current filings at the FERC regarding state subsidized resources,  
11 specifically *Initial Submission on PJM Interconnection, LLC* Docket No. EL18-178-  
12 000 (Consolidated), I believe this intent is flawed and the resources will either be  
13 carved out of the auctions or forced to offer under the Minimum Offer Price Rule  
14 (MOPR).

15 **Q. Can you explain how the value of the Capacity Credit was determined in this**  
16 **case?**

17 A. Yes, to determine the revenue associated to Capacity, the units have a capacity  
18 factor applied to their installed capacity value. This mW is then valued annually  
19 against the PJM capacity auction price.

1     **Q.     Can you explain why this analysis is flawed?**

2     A.     PJM has filed proposed capacity market rule changes which would only allow state  
3           subsidized resources to either submit a bid at the Minimum Offer Price Rule  
4           (MOPR) or the capacity would fall under the Resource Carve-Out option. Under  
5           this new rule, the resources at issue in this case would be deemed the recipient of  
6           an actionable state subsidy. Given the large amount of generation reserves  
7           currently in the PJM area, it is unlikely the resource would clear at the price  
8           associated with the MOPR. For example, in the latest PJM Base Residual Auction,  
9           “the reserve margin for the entire RTO for the 2021/2022 Delivery Year as  
10          procured in the BRA is 21.5%, or 5.7% higher than the target reserve margin of  
11          15.8%. This reserve margin was achieved at clearing prices that are between  
12          approximately 44% to 82% of Net CONE, depending upon the Locational  
13          Deliverability Area (LDA). The auction also attracted a diverse set of resources,  
14          including a significant increase in Demand Response and Energy Efficiency  
15          resources, additional wind and solar resources, and one new combined cycle gas  
16          resource.”<sup>1</sup> This would put the OVEC Capacity under the Resource Carve-Out  
17          mechanism and the resource would not clear in the PJM Capacity auction.

18          Furthermore, PJM has also proposed an Extended Resource Carve-Out.<sup>2</sup> Under  
19          this proposal, the OVEC generation resources would not only be carved out of the

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<sup>1</sup> 2021/2022 RPM Base Auction Results, PJM, 5.23.2018, Page 1.

<sup>2</sup> Initial Submission on PJM Interconnection, LLC. FERC Docket No. EL18-178-000 (Consolidated) filed October 2, 2018, Page 10.

1 PJM capacity auctions, but customers who receive service in the DP&L territory  
2 would still be required to buy the full amount of capacity that clears in the PJM  
3 auction and their respective load would not be carved out. Therefore, customers  
4 in the territory would be paying for generation that meets their reliability  
5 requirements from PJM and paying the OVEC resources which are not receiving  
6 payment in the capacity auctions.

7 Under either of these options, it is unlikely that Capacity associated with OVEC  
8 would have any value from the PJM capacity auction. Furthermore, retail  
9 customers may end up paying for capacity twice dependent on which proposal  
10 FERC orders.

11 **Q. Do you believe the Commission should approve DP&L's Reconciliation**  
12 **Rider?**

13 **A.** No. Market rules are still being determined regarding how state subsidized  
14 resources can be compensated in the PJM Capacity market. Since the Capacity  
15 revenue from PJM make up a large portion of the benefit for consumers, any  
16 analysis that is reliant on these unknown market constructs should be disregarded.  
17 Furthermore, the resources should be forced to either stand alone in the wholesale  
18 markets without subsidies or not rely on revenue from the PJM markets to provide  
19 a benefit to customers. Indeed, the concept of a reconciliation cost for a specific  
20 generation resource is antithetical to Ohio policy, which supports market-based  
21 solutions rather than a traditional integrated utility approach. The former approach

1 places the risk of generation-related investment on the backs of shareholders,  
2 whereas the latter places that risk on customers.

3 **Q. Does this conclude your testimony?**

4 A. Yes it does. But I reserve the right to supplement my testimony.

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Joseph Haugen on Behalf of Interstate Gas Supply, Inc.* was served upon the following parties of record this 12<sup>th</sup> day of February 2019, *via* electronic transmission, hand-delivery or first class mail, U.S. postage prepaid.

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/s/Joseph Olikier  
Counsel for IGS Energy



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Summary: Testimony of Witness Joseph Haugen electronically filed by Mr. Michael A Nugent on behalf of Interstate Gas Supply, Inc.