

**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)	Case No. 23-23-EL-SSO
Pursuant to Section 4928.143, Revised)	
Code, in the Form of an Electric)	
Security Plan)	
)	
In the Matter of the Application of Ohio)	Case No. 23-24-EL-AAM
Power Company for Approval of Certain)	
Accounting Authority)	

**TESTIMONY
OF
CHRISTOPHER HEALEY
IN SUPPORT OF THE
JOINT STIPULATION AND RECOMMENDATION**

**RATES AND ANALYSIS DEPARTMENT
ACCOUNTING AND FINANCE DIVISION**

STAFF EXHIBIT _____

September 11, 2023

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

2 A. My name is Christopher Healey. My business address is 180 East Broad
3 Street, Columbus, Ohio 43215.

4
5 **2. Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO or
7 Commission) as Chief of the Accounting and Finance Division within the
8 Rates and Analysis Department.

9
10 **3. Q. Please briefly summarize your educational background and work**
11 **experience.**

12 A. I earned a Bachelor of Arts in Mathematics, Economics, and Linguistics
13 from Rutgers University, a Juris Doctor from Duke University School of
14 Law, and a Graduate Certificate in Public and Nonprofit Leadership from
15 the John Glenn College of Public Affairs at the Ohio State University.

16
17 I have been employed by the PUCO since June 2023 as Chief of the
18 Accounting and Finance Division in the Rates and Analysis Department. In
19 that role, I manage teams of Staff analysts responsible for, among other
20 things, base rate cases, electric security plan (ESP) proceedings, certain
21 natural gas alternative regulation proceedings, various rider audits and
22 reviews, and utility financing cases. Prior to joining Staff, I was Director of

1 Utility Regulatory Affairs for Enervue Corp. from 2022 to 2023, an
2 attorney for the Office of the Ohio Consumers' Counsel from 2016 to 2022,
3 and an attorney for two international law firms from 2008 to 2015. I am a
4 licensed attorney in the State of Ohio.

5
6 **4. Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to support the Joint Stipulation and
8 Recommendation (Stipulation) filed in this case on September 6, 2023. The
9 Stipulation seeks to resolve all issues in this ESP proceeding and to
10 establish the terms of Ohio Power Company's (AEP Ohio or the Company)
11 fifth ESP (ESP V). My testimony demonstrates that the Stipulation is
12 reasonable and should be adopted without modification because it passes
13 the Commission's three-part test for evaluating stipulations.

14
15 **5. Q. What is the Commission's three-part test for evaluating stipulations?**

16 A. In considering the reasonableness of a stipulation, the Commission uses the
17 following criteria: (1) Is the stipulation the product of serious bargaining
18 among capable, knowledgeable parties? (2) Does the stipulation, as a
19 package, benefit ratepayers and the public interest? (3) Does the stipulation
20 violate any important regulatory principles or practices?

1 **6. Q. Is the Stipulation the product of serious bargaining among capable and**
2 **knowledgeable parties?**

3 A. Yes. The Stipulation was the product of extensive negotiations among AEP
4 Ohio, Staff, and 24 intervening parties, all of whom are capable and
5 knowledgeable parties represented by experienced counsel.

6
7 The Signatory Parties are Staff; AEP Ohio; Armada Power; Citizens’
8 Utility Board of Ohio; Direct Energy Business LLC and Direct Energy
9 Services LLC; Enel North America, Inc.; Environmental Law & Policy
10 Center; Interstate Gas Supply, LLC; The Kroger Co.; Ohio Energy Group;
11 Ohio Energy Leadership Council; Ohio Environmental Council; Ohio
12 Hospital Association; Ohio Manufacturers’ Association Energy Group;
13 Ohio Partners for Affordable Energy; Retail Energy Supply Association;
14 and Walmart, Inc. In addition, the Ohio Telecom Association signed the
15 Stipulation as a non-opposing party.

16
17 The Signatory Parties represent broad and diverse interests: the utility,
18 residential and nonresidential consumer advocates (including
19 manufacturers, industrial customers, and hospitals, among others),
20 environmental advocates, the retail supplier community, individual
21 nonresidential customers, and energy technology companies. Further,
22 Staff—which balances the interests of all stakeholders and promotes good

1 public policy for the State of Ohio—signed the Stipulation.

2
3 The Stipulation was extensively negotiated and took shape over a period of
4 three months through (i) no fewer than 14 global settlement meetings¹ in
5 which all parties were invited to participate (both in person and virtually),
6 (ii) sub-group settlement meetings over a period of several weeks to
7 address topics of interest to particular parties (and which all parties were
8 invited to join); and (iii) numerous email and phone communications
9 among parties. Through these various channels, parties had many
10 opportunities to share their perspectives, ask questions, and engage in
11 productive discussions about issues. No party was excluded from settlement
12 negotiations, and all parties' positions were carefully considered in
13 reaching the final Stipulation.

14
15 **7. Q. The second part of the Commission's three-part test asks whether the**
16 **Stipulation, as a package, benefits ratepayers and the public interest.**
17 **What does it mean to evaluate a stipulation "as a package"?**

18 A. The "as a package" language means that the Commission looks at
19 stipulations wholistically. Stipulations contain many individual terms and
20 conditions, all of which matter, but these individual provisions must be

¹ Global settlement meetings were held on June 6, June 13, June 15, June 22, June 28, July 7, July 18, August 2, August 8, August 16, August 24, August 29, August 30, and August 31.

1 evaluated in the context of the stipulation as a whole. In other words, the
2 mere fact that someone might object to a particular provision in a
3 stipulation does not prevent the stipulation, when evaluated in its entirety
4 (*i.e.*, “as a package”), from benefiting ratepayers and the public interest.
5

6 **8. Q. Does the Stipulation, as a package, benefit ratepayers and the public**
7 **interest?**

8 A. Yes. Adoption of the Stipulation in its entirety and without modification
9 would provide substantial benefits to ratepayers and public interest.

10 **9. Q. What are the most notable benefits to ratepayers and the public**
11 **interest under the Stipulation?**

12 A. When reviewing the Stipulation as a package, what I find most striking is
13 that there are numerous benefits to ratepayers and the public interest, yet
14 the rate increases resulting from implementation of the Stipulation are
15 modest and reasonable. For example, I understand that according to AEP
16 Ohio’s bill impact calculations, a typical residential customer using 1,000
17 kWh per month would see a 2.0% increase on a total bill basis in 2024,
18 followed by annual increases of around 0.5%—in total, an increase of less
19 than 1% per year, or about \$1.50 monthly. While it’s true that the
20 Commission should carefully consider the impact that any rate increase has

1 on customers' bills, the rate increases under the Stipulation are just and
2 reasonable in light of the Stipulation's many other benefits.

3
4 Indeed, the Stipulation substantially improves upon the Company's
5 Application. As a starting point, the rate increases under the Stipulation are
6 less than half of what AEP Ohio proposed in its Application, where
7 customers would have seen a 5.15% increase in the first year followed by
8 annual increases of nearly 2.0%.² The Stipulation lowered these rate
9 impacts through several key provisions.

10
11 First, under the Application, AEP Ohio proposed charges under its
12 Distribution Investment Rider (DIR) with no cap.³ The Stipulation rejects
13 this proposal and instead provides a cap on charges to customers under the
14 DIR. As a result of the DIR caps agreed to in the Stipulation, customers
15 could save nearly half a billion dollars as compared to AEP Ohio's
16 Application during the four-year term of the ESP. The Stipulation also
17 reduces charges under the DIR by more than \$33 million per year by
18 eliminating a \$23.7 million charge that is currently in the DIR (and is on
19 top of approved caps) and providing an additional \$10 million DIR credit.

² See Direct Testimony of Curtis Heitkamp, Ex. CMH-1 (Jan. 6, 2023).

³ AEP Ohio did propose a cap on DIR charges for investments targeting reliability. But AEP Ohio proposed *no cap* on other DIR charges that it referred to as "customer driven investment." See Direct Testimony of Jaime Mayhan at 15-16 (Jan. 6, 2023).

1
2 Second, the Stipulation lowers the cap on charges under the Enhanced
3 Service Reliability Rider by more than \$20 million per year, on average, as
4 compared to AEP Ohio's Application.

5
6 Third, the Stipulation removes the Company's proposal to include charges
7 for its new customer information system (CIS) through a rider and instead
8 allows the Company to seek recovery in a future case. At the same time,
9 AEP Ohio has committed under the Stipulation to ensure that the CIS has
10 certain functionalities that are important to stakeholders, and which may
11 provide benefits to customers if such functionalities are implemented in the
12 future.

13
14 Fourth, the Stipulation does not adopt the proposal from the Company's
15 Application to use a 10.65% return on equity (ROE) for capital riders.
16 Instead, it recommends a 9.70% ROE, which is the ROE that was approved
17 in AEP Ohio's most recent base distribution rate case.

18
19 Fifth, the Stipulation lowers the amount that customers will pay for AEP
20 Ohio's proposed Electric Transportation Plan by more than \$90 million (as
21 compared to the Application) while retaining an annual budget for
22 education, requiring the Company to assess the feasibility of creating a

1 capacity “heat map” that might help facilitate the development of
2 distributed energy resources, and offering time-of-use rates that encourage
3 customers to charge electric vehicles during off-peak periods for the benefit
4 of the grid.

5
6 Sixth, the Stipulation supports programs for low-income customers through
7 residential energy efficiency programs. This includes weatherization and
8 other measures that can reduce low-income customers’ energy usage (and
9 thereby reduce bills) and increase comfort and safety, and a Neighbor-to-
10 Neighbor program that leverages matching donations from other customers
11 for the benefit of low-income customers. The energy efficiency programs
12 also include an “e3smart” program that provides energy education to
13 schoolchildren in AEP Ohio’s service territory.

14
15 Further, I would note that because of these benefits, the Stipulation is
16 consistent with state policies under R.C. 4928.02, including R.C.
17 4928.02(A) (“Ensure the availability to consumers of ... reasonably price
18 retail electric service”) and R.C. 4928.02(L) (“Protect at-risk
19 populations...”).
20

1 **10. Q. Your response to the previous question focuses primarily on the ways**
2 **in which the Stipulation limits rate impacts under ESP V. What other**
3 **types of benefits are there under the Stipulation?**

4 A. Another important focus of the Stipulation is reliability, which is consistent
5 with state policy under R.C. 4928.02(A) (“Ensure the availability to
6 consumers of adequate, reliable, safe, efficient, nondiscriminatory, and
7 reasonably priced electric retail service.”). For example, the aforementioned
8 DIR includes an emphasis on investments that are designed to maintain or
9 improve reliability.

10
11 The Enhanced Service Reliability Rider allows the Company to maintain
12 and improve reliability through a comprehensive vegetation management
13 program.

14
15 The Stipulation supports the continuation of interruptible power programs
16 (IRP-L and IRP-E), which require participants (generally larger commercial
17 and industrial customers) to curtail their usage at times when the grid is
18 stressed, thus enhancing reliability.⁴

⁴ The Stipulation also supports lowering bill impacts by phasing down the amount that other customers pay through their electric bills to fund the IRP programs.

1 The Stipulation also proposes the implementation of a new demand
2 response program, where residential customers can volunteer to participate
3 and receive incentives to lower their HVAC usage during peak demand
4 times, thus giving AEP Ohio a tool that can aid in improving grid
5 reliability, for the benefit of all customers.

6
7 The IRP programs and residential demand response programs are also
8 consistent with R.C. 4928.02(D) (“Encourage innovation and market access
9 for cost-effective supply- and demand-side retail electric service including,
10 but not limited to, demand-side management...”).

11
12 **11. Q. Does the Stipulation promote economic development in the State of**
13 **Ohio?**

14 A. Yes. First, as discussed above, if the Stipulation is adopted without
15 modification, rate increases under ESP V will be substantially lower than
16 they would have been under the Company’s Application. Lower utility bills
17 are good for economic development in the State of Ohio because residential
18 households have more money to spend on other goods and services, and
19 business customers have more money to invest in their businesses,
20 including workforce development.

1 The Stipulation also promotes economic development through an Economic
2 Development plan, funded at an amount of \$900,000, half of which will be
3 paid by shareholders and not recovered from ratepayers.

4
5 The Commission has also previously found that the IRP programs
6 mentioned above have economic development benefits in addition to the
7 benefits that they provide for reliability.

8
9 Support for economic development is consistent with state policies under
10 R.C. 4928.02(N) (“Facilitate the state’s effectiveness in the global
11 economy.”).

12
13 **12. Q. Does the Stipulation violate any important regulatory policies or**
14 **principles?**

15 A. No. To the contrary, the Stipulation supports important regulatory policies
16 and principles, including facilitation of just and reasonable rates, promotion
17 of investments in the utility’s that are system designed to provide safe and
18 reliable service to customers, economic development in the State of Ohio,
19 support for competitive generation rates through the Company’s SSO,
20 administrative efficiency in resolving numerous complex issues raised in
21 this proceeding, and consistency with many State policies under R.C.
22 4928.02.

1
2 **13. Q. If the Stipulation were adopted without modification, would ESP V be**
3 **more favorable in the aggregate than the expected results under a**
4 **market rate offer (MRO)?**

5 A. Yes. In assessing whether an ESP is more favorable in the aggregate than
6 an MRO, the Commission has considered both quantitative and qualitative
7 benefits. ESP V, if established consistent with the terms of the Stipulation,
8 would have both quantitative and qualitative benefits as compared to a
9 hypothetical MRO.

10 Starting with the SSO itself, the results under the Stipulation and an MRO
11 would be the same because the Stipulation recommends continuation of
12 market-based SSO auctions that would be expected to yield the same
13 results as an MRO.

14
15 Quantitative benefits under the Stipulation include \$450,000 per year in
16 shareholder dollars under the Economic Development plan, bill reductions
17 to low-income customers under the proposed energy efficiency programs,
18 and the availability of time-of-use rates to encourage off-peak electric
19 vehicle charging. The Stipulation also provides qualitative benefits,
20 including facilitating investments in reliability, ensuring certain
21 functionalities in AEP Ohio's CIS investment, promoting economic

1 development in the State of Ohio, and requiring AEP Ohio to file a base
2 rate case. Further, to the extent there are added costs as a result of ESP V,
3 the many benefits described throughout my testimony outweigh such costs.
4

5 **14. Q. Does this conclude your direct testimony in support of the Stipulation?**

6 A. Yes.
7
8
9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the Testimony of Christopher Healey in Support of the Joint Stipulation and Recommendation has been served upon the below-named counsel via electronic mail, this 11th day of September, 2023.

/s/ Werner L. Margard

Werner L. Margard

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Summary: Testimony of Christopher Healey electronically filed by Mrs. Tonnetta Y. Scott on behalf of PUCO.