

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Power Company for an Increase in Electric)	Case No. 20-585-EL-AIR
Distribution Rates.)	
In the Matter of the Application of Ohio)	
Power Company for Tariff Approval.)	Case No. 20-586-EL-ATA
In the Matter of the Application of Ohio)	
Power Company for Approval to Change)	Case No. 20-587-EL-AAM
Accounting Methods)	

**DIRECT TESTIMONY
OF
WM. ROSS WILLIS

IN SUPPORT OF THE SETTLEMENT**

**On Behalf of
The Office of the Ohio Consumers' Counsel**
*65 East State Street, 7th Floor
Columbus, Ohio 43215*

April 9, 2021

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ATTACHMENTS

WRW Attachment A - List of Previous Testimony Filed at the PUCO by Wm Ross Willis

*Direct Testimony of Wm. Ross Willis in Support of the Settlement
On Behalf of the Office of The Ohio Consumers' Counsel
PUCO Case No. 20-585-EL-AIR, et al.*

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Wm. Ross Willis. My business address is 65 East State Street, 7th Floor,
Columbus, Ohio 43215.

Q2. BY WHOM ARE YOU EMPLOYED?

A2. I am employed by the Office of the Ohio Consumers' Counsel ("OCC").

***Q3. WHAT IS YOUR CURRENT POSITION WITH OCC AND WHAT ARE YOUR
DUTIES?***

A3. I am a Senior Regulatory Analyst and Electric Industry Team Leader within the
Analytical Department. My duties include performing analysis of impacts on the utility
bills of residential consumers with respect to utility filings before the Public Utilities
Commission of Ohio ("PUCO") and PUCO-initiated investigations. I examine utility
financial and asset records to determine operating income, rate base, and the revenue
requirement, on behalf of residential consumers.

Q4. WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?

A4. I earned a Bachelor of Business Administration degree that included a major in finance
and a minor in management from Ohio University in December 1983. In November
1986, I attended the Academy of Military Science and received a commission in the Air

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1 National Guard. I have also attended various seminars and rate case training programs
2 sponsored by the PUCO.

3
4 ***Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.***

5 ***A5.*** I joined the PUCO in February 1984 as a Utility Examiner in the Utilities Department. I
6 held several technical and managerial positions with the PUCO over my 30-plus year
7 career. I retired from the PUCO on December 1, 2014. My last position with the PUCO
8 was Chief, Rates Division within the Rates and Analysis Department. In that position, my
9 duties included developing, organizing, and directing the PUCO staff during rate case
10 investigations and other financial audits of public utility companies subject to the
11 jurisdiction of the PUCO. The determination of revenue requirements in connection with
12 rate case investigations was under my purview. I joined OCC in October 2015.

13
14 My military career spans 27 honorable years of service with the Ohio National Guard. I
15 earned the rank of Lieutenant Colonel and I am a veteran of the war in Afghanistan. I
16 retired from the Air National Guard in March 2006.

17
18 ***Q6. HAVE YOU PREVIOUSLY TESTIFIED IN CASES BEFORE THE PUCO?***

19 ***A6.*** Yes, the cases that I have presented testimony before the PUCO are listed on WRW
20 Attachment A.

II. PURPOSE OF TESTIMONY

Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A7. The purpose of my direct testimony is to support the Joint Stipulation and Recommendation (“Settlement”) filed by parties, including OCC, on March 12, 2021.

Q8. WHAT ARE THE PUCO’S STANDARDS OF REVIEW FOR EVALUATING PROPOSED SETTLEMENTS?

A8. The PUCO uses three criteria for evaluating the reasonableness of a proposed settlement:

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties?
2. Does the settlement, as a package, benefit customers and the public interest?
3. Does the settlement package violate any important regulatory principle or practice?

The PUCO also routinely considers whether the parties represent a diversity of interests.

Q9. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE SETTLEMENT.

A9. I recommend that the PUCO adopt the Settlement as filed. The proposed Settlement meets the PUCO's three-prong test. This Settlement represents a fair and reasonable compromise among the parties to resolve issues in these cases involving Ohio Power Company ("AEP") and its 1.5 million customers. It is a product of serious bargaining among parties with diverse interests, including OCC, which represents AEP's 1.3 million residential consumers. The Settlement, as a package, benefits customers and the public interest. And the package does not violate important regulatory principles or practices.

III. EVALUATION OF THE PROPOSED SETTLEMENT

Q10. WHO ARE THE SIGNATORY PARTIES TO THE SETTLEMENT?

A10. The Signatory Parties are OCC, the staff of the PUCO ("PUCO Staff"), AEP, Ohio Energy Group, The Kroger Company, Walmart Stores East, L.P. and Sam's East, Inc., Ohio Hospital Association, Industrial Energy Users-Ohio, Ohio Manufacturers' Association Energy Group, One Energy, Clean Fuels Ohio, Charge Point, EVgo, and Ohio Cable Telecommunications Association.

On March 25, 2021, Greenlots filed correspondence with the PUCO stating that it does not object to the Settlement.

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**Q11. IS THE SETTLEMENT IN THESE CASES A PRODUCT OF SERIOUS
BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES THAT
REPRESENT DIVERSE INTERESTS?**

A11. Yes. The various parties and their counsel have participated in numerous proceedings before the PUCO. The Signatory Parties have a history of active participation in PUCO proceedings and are represented by experienced and competent counsel with diverse interests. The parties are knowledgeable on issues addressed by the Settlement. For more than two months, AEP and interested parties participated in negotiations through numerous virtual meetings spanning many hours, with opportunities for parties to attend and negotiate. Those negotiations resulted in various concessions by all Signatory Parties, as evidenced by the Settlement. I was actively involved on behalf of OCC in the negotiations. The Signatory Parties to the Settlement represent a broad range of diverse interests, including AEP, residential consumers, organizations of nonresidential customers, an association representing hospitals in Ohio, two of the largest supermarket chains in the country, and companies in the electric vehicle and renewable energy industries.

**Q12. DOES THE SETTLEMENT, AS A PACKAGE, BENEFIT AEP'S CUSTOMERS
AND THE PUBLIC INTEREST?**

A12. Yes. Benefits to customers and the public interest in the Settlement include:

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- 1 • The overall annual base distribution revenue that customers will
2 pay is reduced by approximately \$111 million from AEP's
3 proposed \$1.066 billion to \$955 million.¹
- 4 • The overall rate of return that customers will pay is reduced from
5 AEP's proposed 7.90% to 7.28%.² This means the annual base
6 distribution revenue customers will pay is reduced by
7 approximately \$24.4 million.³
- 8 • Residential customers will be responsible for a smaller percentage
9 of AEP's revenue requirement. AEP will allocate 56.77% of the
10 revenue requirement to residential customers, rather than AEP's
11 initial proposal to allocate 58.86% to residential customers.⁴ This
12 will save residential consumers approximately \$20 million per year
13 in avoided base distribution charges, and approximately another
14 \$10 million in avoided Enhanced Service Reliability Rider and
15 Distribution Investment Rider charges per year.⁵

¹ See Settlement Attachment A, Schedule A-1.

² Settlement at 4.

³ Rate Base of \$3,088,389 x 7.9% Rate of Return = \$243,983 Required Operating Income - \$(4,314) Current Operating Income = \$248,297 x 1.285 Gross Revenue Conversion Factor = \$319,146 - \$294,729 Settlement Attachment A, Schedule A-1 line 9 upper bound = \$24,417. \$(000) omitted in equation.

⁴ *Id.* at 16 and Staff Report at 38.

⁵ Settlement Attachment A, Schedule A-1 Line 12 annual base distribution revenue of \$955,101 x 58.86% = \$562,172. \$955,101 x 56.77% = \$542,211. \$562,172 - \$542,211 = \$19.96 million. Settlement Distribution Investment Rider at page 6 (years 2021 – 2024) total including incentives = \$336.25. \$336.25 x 58.86% = \$197.9. \$336.25 x 56.77% = \$190.9. \$197.9 - \$190.9 = \$7 million. Settlement Enhanced Service Reliability Rider at page 9 (years 2021-2024) = \$153.75. \$153.75 x 58.86% = \$90.5. \$153.75 x 56.77% = \$87.28. \$90.5 - \$87.28 = \$3.22 million. DIR savings of \$7 million + ESRR savings of \$3.22 million = \$10.22 million.

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- 1 • AEP's Distribution Investment Rider ("DIR") has spending caps
2 beginning 2021 through May 2024, that limit what AEP can make
3 customers pay for this charge.⁶ Those spending caps can only be
4 increased by limited amounts, provided that AEP meets more
5 stringent reliability standards.⁷ And those caps are substantially
6 lower than what AEP proposed in its application, saving customers
7 over \$100 million compared to AEP's original request.
- 8 • AEP's Enhanced Service Reliability Rider ("ESRR") is capped at
9 \$153.75 million for the period January 2021 through May 2024.⁸
10 For planning purposes and charging consumers for the program,
11 the funding cap will be set at \$45 million annually (prorated for
12 2024).⁹ Any spending above the \$45 million annual amount will
13 be deferred for later collection from customers, and there will be
14 no financing charges assessed to customers. Customers will pay for
15 the charges through the ESRR, subject to the overall spending cap
16 of \$153.75 million.¹⁰

⁶ *Id.* at 6.

⁷ To increase the spending caps, AEP must be able to achieve the annual performance-based triggers for the System Average Interruption Frequency Index ("SAIFI") reliability standards for years 2021 through 2023. *See* Settlement at 7.

⁸ *Id.* at 9.

⁹ *Id.*

¹⁰ *Id.*

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- 1 • The residential (fixed) Customer Charge will be set at \$10 per
2 month instead of AEP's proposed \$14.00.¹¹ While the \$10 monthly
3 Customer Charge is an increase from the current charge of \$8.40, it
4 is lower than AEP's proposal for a \$14 (fixed) monthly Customer
5 Charge. Lower Customer Charges allow consumers an opportunity
6 to better control (limit) their monthly electric bills through
7 reductions in usage, so the Settlement result is better for consumers
8 than AEP's original proposal.
- 9 • Historically, residential customers have paid around \$20 million
10 per year for ten years under AEP's Pilot Throughput Balancing
11 Adjustment Rider ("PTBAR"), which is AEP's decoupling charge
12 to customers. While this decoupling charge was created with the
13 potential that consumers could receive a credit from AEP in some
14 years, the history of this decoupling charge is that consumers
15 always paid money to AEP instead of receiving money. Under the
16 Settlement, this charge will be phased out. Further, charges to
17 PTBAR customers for the period February 2021 until the date of
18 effective rates in this case shall be capped at \$12 million.¹²

¹¹ *Id.* and Application Schedule E-4.1.

¹² *Id.* at 10.

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- 1 • The charge for reconnecting customers at the meter will be \$0.¹³
- 2 • AEP will perform “shadow billing” for residential customers, as
- 3 this consumer benefit is reflected in Attachment D to the
- 4 Settlement and provide those calculations to OCC upon OCC’s
- 5 request.¹⁴ Shadow billing will compare (in the aggregate) what
- 6 customers paid for electricity to marketers with what they could
- 7 have paid had they instead purchased their generation from AEP’s
- 8 competitively bid standard service offer.
- 9 • AEP will amend its application in Case No. 20-1408-EL-UNC
- 10 (involving its bill format) to display on residential consumer’s bills
- 11 potential savings or losses compared to AEP’s Standard Service
- 12 Offer (SSO).¹⁵
- 13 • AEP’s delayed payment charge will not be implemented sooner
- 14 than 12 months after the date the Settlement is executed, and the
- 15 delayed payment charge will not be billed to customers until the
- 16 22nd day after the issuance date on a customer’s bill.¹⁶
- 17 • The Retail Reconciliation Rider and Standard Service Offer Credit
- 18 Rider will remain at zero, meaning customers will not pay a charge
- 19 under these riders, consistent with the PUCO Staff’s

¹³ *Id.* at 10.

¹⁴ *Id.* at 11.

¹⁵ *Id.* at 11.

¹⁶ *Id.* at 14.

1 recommendation.¹⁷ This result is important because it prevents
2 unnecessary increases in costs paid by customers who receive
3 service under AEP's competitively bid standard service offer.
4

5 ***Q13. DOES THE SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY***
6 ***PRINCIPLES OR PRACTICES?***

7 ***A13.*** No. The revenue requirement schedules attached to the Settlement and the benefits
8 identified above are the result of traditional rate setting policies, practices, and procedures
9 and are consistent with sound regulatory principles and practices. The Settlement
10 provides benefits to the public, and the residential consumers of AEP.
11

12 **IV. CONCLUSION**
13

14 ***Q14. DOES THIS CONCLUDE YOUR TESTIMONY?***

15 ***A14.*** Yes. However, I reserve the right to submit additional supplemental testimony as new
16 information becomes available or in response to positions taken by other parties.

¹⁷ Settlement at 9.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Wm. Ross Willis in Support of the Settlement on behalf of The Office of The Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 9th day of April 2021.

/s/ Angela D. O'Brien
Counsel of Record (0097579)
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The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

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Testimony before The Public Utilities Commission of Ohio

Dayton Power & Light Company – Case No. 20-140-EL-AAM

Vectren Energy Delivery of Ohio, Inc. - Case No. 19-29-GA-ATA

East Ohio Gas Company d/b/a Dominion Energy Ohio – Case No. 18-1908-GA-UNC, et al.

Ohio Gas Company – Case No. 18-1903-GA-WVR

Dayton Power & Light Company – Case No. 16-395-EL-SSO, et al.

Suburban Natural Gas – Case No. 18-1205-GA-AIR

*Ohio Edison Company, The Cleveland Electric Illuminating Company
and The Toledo Edison Company - Case No. 16-481-EL-UNC, et al.*

Aqua Ohio, Inc. – Case No. 18-337-WW-SIC

Columbia Gas of Ohio, Inc. – Case No. 17-2202-GA-ALT

Ohio Power Company – Case No. 18-1007-EL-UNC

Dayton Power & Light Company – Case No. 15-1830-EL-AIR

Commission Ordered Investigation (TCJA) – Case No. 18-47-AU-COI

Ohio Gas Company – Case No. 17-1139-GA-AIR

Aqua Ohio, Inc. – Case No. 16-907-WW-AIR

Globe Metallurgical, Inc. - Case No. 16-737-EL-AEC

Ohio Power Company - Case No. 13-2385-EL-SSO

Aqua Ohio, Inc. – Case No. 13-2124-WW-AIR

Camplands Water LLC. - Case No. 13-1690-WW-AIR

Duke Energy Ohio, Inc. - Case No. 12-1685-GA-AIR

Duke Energy Ohio, Inc. - Case No. 12-1682-EL-AIR

Ohio American Water Company - Case No. 11-4161-WS-AIR

Water and Sewer LLC. - Case No. 11-4509-ST-AIR

Aqua Ohio, Inc. - Case No. 09-1044-WW-AIR

Ohio American Water Company – Case No. 09-391-WS-AIR

Duke Energy Ohio, Inc. - Case No. 08-709-EL-AIR

*Ohio Edison Company, The Cleveland Electric Illuminating Company
and The Toledo Edison Company - Case No. 07-551-EL-AIR*

Northeast Ohio Natural Gas Corp. - Case No. 03-2170-GA-AIR

Water and Sewer LLC. – Case No. 03-318-WS-AIR

Southeast Natural Gas Company – Case No. 01-140-GA-AEM

Masury Water Company - Case No. 00-713-WW-AIR

Akron Thermal, Limited Partnership - Case No. 00-2260-HT-AEM

GTE North, Inc. - Case No. 87-1307-TP-AIR

The Cleveland Electric Illuminating Company - Case No. 85-675-EL-AIR

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Summary: Testimony Direct Testimony of Wm. Ross Willis in Support of the Settlement on Behalf of The Office of The Ohio Consumers' Counsel electronically filed by Mrs. Tracy J Greene on behalf of O'Brien, Angela D