

FILED

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke :
Energy Ohio for Authority to Establish a :
Standard Service Offer Pursuant to Section :
4928.143, Revised Code, in the Form of : Case No. 11-3549-EL-SSO
an Electric Security Plan, Accounting :
Modifications and Tariffs for Generation :
Service. :

In the Matter of the Application of Duke :
Energy Ohio for Authority to Amend its : Case No. 11-3550-EL-ATA
Certified Supplier Tariff, P.U.C.O. No. 20. :

In the Matter of the Application of Duke :
Energy Ohio for Authority to Amend its : Case No. 11-3551-EL-UNC
Corporate Separation Plan. :

**TESTIMONY IN SUPPORT OF STIPULATION AND
RECOMMENDATION
OF
TAMARA S. TURKENTON
ACCOUNTING AND ELECTRICITY DIVISION
UTILITIES DEPARTMENT**

STAFF EX. NO. _____

October 28, 2011

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PREFILED TESTIMONY OF TAMARA S. TURKENTON

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

A. My name is Tamara S. Turkenton. My business address is 180 East Broad Street, Columbus, Ohio 43215.

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

A. I am employed by the Public Utilities Commission of Ohio as Chief of the Accounting and Electricity Division of the Utilities Department.

3. Q. Please briefly summarize your educational background and work experience.

A. I have earned a Bachelor of Business Administration in Finance and Business Pre-Law (BBA) from Ohio University. I have also earned a Master of Business Administration (MBA) degree from Capital University and a Master of Tax Laws (MT) degree from Capital Law School.

I have been continuously employed by the Commission since July 1994 involved in the Electric Fuel Component (EFC) section, the Telecommunications section, the Competitive Retail Electric Service (CRES) section working on all aspects of electric deregulation and SB 3, the Rates & Tariffs section, working on electric utility rates, rules, and regulations including green energy renewable programs. Most recently, I oversee all

1 projects and caseload in the Accounting and Electricity Division of the
2 Utilities Department.

3
4 4. Q. Have you testified in prior proceedings before the Commission?

5 A. Yes.

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

8 A. I am supporting the Stipulation and Recommendation (Stipulation) filed in
9 this proceeding on October 24, 2011.

10
11 6. Q. Were all of the parties (including Staff) to this proceeding present at
12 negotiations that resulted in the Stipulation?

13 A. Settlement meetings were noticed to all parties and all parties were present
14 either in person or by phone or they chose not to participate. The Staff was
15 present at all of the negotiations.

16
17 7. Q. Do you believe the Stipulation filed in this case is the product of serious
18 bargaining among knowledgeable parties?

19 A. Yes. This agreement is the product of an open process in which all parties
20 were represented by able counsel and technical experts. Negotiations and
21 analysis on complex issues occurred, including new issues and other man-
22 dates provided for in Senate Bill 221 (SB 221). The Stipulation represents

1 a comprehensive compromise of issues raised by parties with diverse inter-
2 ests. Overall, I believe that the Stipulation that the parties are recommend-
3 ing for Commission adoption presents a fair and reasonable result.

4
5 8. Q. In your opinion, does the Stipulation benefit ratepayers and promote the
6 public interest?

7 A. Yes.

- 8 • The Stipulation establishes a reasonable competitive procurement
9 process (CBP) to acquire a full requirements product that includes
10 energy, capacity, market-based transmission service, and market-
11 based transmission ancillary services to serve Duke Energy Ohio's
12 (Duke) SSO load for the period January 1, 2012 through May 31,
13 2015. The Stipulation provides that a staggered set of solicitations
14 and delivery periods occur. By using staggered delivery periods and
15 multiple solicitations the expectation is retail customers will be pro-
16 tected by mitigating market price fluctuations. The Stipulated Duke
17 auction process is similar to the one that has been used successfully
18 to fulfill market-based SSO obligations in FirstEnergy EDU service
19 areas.

- 20 • The Stipulation enhances the development of competition for
21 generation service in the Duke service areas as Duke has committed

1 to charging the prevailing market price for capacity. Although Duke
2 will be operating under a Fixed Resource Requirements (FRR)
3 capacity construct in PJM starting January 1, 2012, it has committed
4 to charge the prevailing Reliability Pricing Model (RPM) Final
5 Zonal Capacity Price (FZCP) in the unconstrained region of PJM to
6 all CRES providers in its service territory and to all winning CBP
7 suppliers of its SSO load during the period it is under the FRR con-
8 struct.

- 9 • PIPP customers will be supplied a 5% discount off their applicable
10 residential price-to-compare (PTC) excluding Rider AER-R.
- 11 • The Stipulation provides for the improved flow of information
12 through EDI processes to CRES suppliers including changes to
13 CRES provider tariffs and operational rules and procedures. Addi-
14 tionally, the Stipulation provides for reduction of costs to custom-
15 ers/CRES providers of the switching fee from \$7.00 to \$5.00 and a
16 reduction in the pricing for consolidated billing (50% off the current
17 cost). The Stipulation also provides that Duke shall purchase the
18 customer accounts receivable of CRES providers that designate
19 accounts to participate in the purchase of receivables program (PAR)
20 at no discount. These features foster a competitive environment and

1 continue to reduce barriers to entry for CRES providers in the Duke
2 service territory.

3 • The Stipulation provides a revenue neutral charge/credit for custom-
4 ers who are demand metered and encompasses different classes and
5 types of customers in rate codes DS, DP and TS. Specifically, the
6 load factor provision is designed to stabilize service for large com-
7 mercial and industrial customers with higher load factors.

8 • The Stipulation ensures that funding for energy efficiency goals and
9 renewable energy programs is provided to further the mandates
10 addressed in SB 221. In furtherance of this effort, Duke will engage
11 in collaborative discussions with interested parties, with a common
12 goal of expanding customer participation and to prepare an applica-
13 tion to revise elements of the current R.C. 4928.64 residential solar
14 renewable energy credit (REC) program.

15 • The Stipulation provides a guaranteed \$1,000,000 in shareholder
16 funding to support general economic development within Duke ser-
17 vice areas. Additionally, Duke will provide \$100,000 to OMA (in
18 2012) and \$50,000 to IEU (one-time contribution) to support eco-
19 nomic development and energy efficiency initiatives among it mem-
20 bers.

- 1 • For customer assistance and to aid low income customers in Ohio,
2 \$350,000 dollars in shareholder dollars will be made available to
3 Ohio Partners for Affordable Energy (OPAE) in 2012 for a fuel fund
4 benefitting electric consumers who are at or below 200 percent of
5 the poverty level.

- 6 • The Stipulation provides that Duke and People Working Coopera-
7 tively (PWC) will jointly undertake a pilot energy efficiency (EE)
8 program for low income weatherization with \$1,000,000 in funds
9 provided by Duke shareholders. Duke and PWC will provide the
10 results of the pilot EE program to the Duke EE collaborative and
11 may seek the Commission's approval for inclusion of the enhanced
12 EE attributes in Duke's portfolio of programs for EE. Duke also
13 committed to a \$325,000 contribution to OPAE for low-income
14 weatherization in certain targeted counties in its service territory.

- 15 • Additionally, the Supplier Cost Reconciliation Rider (SCR) is
16 bypassable (with some limitations). The bypassable nature of SCR
17 will help foster a competitive wholesale and retail marketplace in
18 this ESP. It ensures generation costs are truly bypassable for all
19 customers who choose to shop.

- 1 • The Stipulation provides for full legal corporate separation as an
2 integral part of the movement of the generating assets to a separate
3 subsidiary. Full legal corporate separation of Duke Energy Ohio's
4 generation assets limits Duke Energy Ohio's exposure to the finan-
5 cial risks inherent in providing generation service and fosters a com-
6 petitively neutral generation market. Additionally, Duke has com-
7 mitted not to charge its customers any generation-related costs that
8 would be incurred to implement corporate separation.
- 9 • The Stipulation provides for certain transmission voltage customers
10 (shopping or non-shopping) an economic incentive to nominate a
11 portion of their load for interruption. The commitment will assist
12 economic development in the industrial and large commercial sec-
13 tors.

14 9. Q. Does the Stipulation violate any important regulatory principle?

15 A. No. It furthers the policy of the state to provide reasonably priced and
16 reliable electric service. It gives customers effective choices that ensure
17 diversity of electric supply and suppliers. It additionally provides flexible
18 regulatory treatment under an ESP framework that could not otherwise be
19 achieved through an MRO. Given the current uncertain state of the econ-
20 omy and electric markets, there is value to the public in the Commission
21 retaining the regulatory flexibility that is associated with an ESP. This

1 Stipulation provides a level of regulatory certainty that ratepayers might
2 otherwise lose under an MRO framework.

3
4 10. Q. Do you believe “in the aggregate” that the ESP is better than an MRO?

5 A. Yes, I do. I believe that it balances competing interests. Additionally,
6 when you look at the qualitative aspects I discussed previously, in the
7 aggregate, the ESP provides a better framework than an MRO.

8 This Stipulation should be judged as a comprehensive plan that promotes
9 fully competitive markets, promotes energy efficiency, provides rate cer-
10 tainty and stability, promotes economic development by making specific,
11 tangible commitments to vital industrial and commercial enterprises, and
12 supports low income ratepayers.

13 The Stipulation retains regulatory flexibility to deal with an uncertain
14 future. These benefits are sufficient to show that the proposed Stipulation
15 provides a better outcome than a possible MRO. However, there is more
16 than the qualitative aspects. Duke has provided a quantitative analysis that
17 demonstrates the proposed stipulation is superior in current dollar terms
18 than an MRO.

19
20 11. Q. Are you recommending its adoption by the Commission?

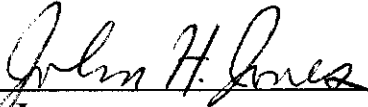
21 A. Yes. I believe the Stipulation represents a fair and reasonable compromise
22 of diverse interests and provides a fair result for all Ohio customers.

1 12. Q. Does this conclude your testimony?

2 A. Yes, it does.

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of Tamara S. Turkenton** has been served upon all of the parties of record in Case No. 11-3549-EL-SSO by electronic and/or U.S. mail, postage pre-paid mail this 28th day of October, 2011.


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