

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc., for an Increase in) Case No. 12-1682-EL-AIR
Electric Distribution Rates.)

In the Matter of the Application of Duke) Case No. 12-1683-EL-ATA
Energy Ohio, Inc., for Tariff Approval.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval to) Case No. 12-1684-EL-AAM
Change Accounting Methods.)

**TESTIMONY
OF
BETH E. HIXON
IN SUPPORT OF THE STIPULATION**

**On Behalf of the
Office of the Ohio Consumers' Counsel**
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April 2, 2013

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I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

A1. My name is Beth Hixon. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio Consumers' Counsel ("OCC") as the Assistant Director of Analytical Services.

Q2. ARE YOU THE SAME BETH HIXON WHO SUBMITTED TESTIMONY ON BEHALF OF THE OCC IN THESE PROCEEDINGS ON FEBRUARY 19, 2013?

A2. Yes.

II. PURPOSE OF TESTIMONY

Q3. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A3. The purpose of my testimony is to support the Stipulation and Recommendation ("Stipulation") filed by parties, including OCC, in these cases on April 2, 2013. This Stipulation represents a fair and reasonable compromise among the parties to resolve all issues in Duke Energy Ohio's ("Duke") electric distribution rate case. I recommend that the Public Utilities Commission of Ohio ("PUCO" or "Commission") adopt the Stipulation in its entirety.

III. THE STIPULATION

***Q4. WHAT ARE THE CRITERIA USED BY THE COMMISSION IN
CONSIDERING THE REASONABLENESS OF A STIPULATION?***

A4. The Commission uses the following criteria in evaluating the reasonableness of a stipulation:

(1) Is the settlement a product of serious bargaining among capable, knowledgeable parties? In this regard, the Commission considers whether the parties represent a diversity of interests.

(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?

***Q5. DID YOU PERSONALLY PARTICIPATE IN THE SETTLEMENT PROCESS
THAT LED TO THE STIPULATION?***

A5. Yes, as a member of OCC's case team for these cases, I actively participated in settlement discussions among parties.

**Q6. IS THE STIPULATION IN THESE CASES THE PRODUCT OF SERIOUS
BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

A6. Yes. The parties and their counsel have participated in numerous proceedings before the Commission. Each of the signatory parties has a history of active participation in PUCO proceedings and is represented by experienced and competent counsel. The parties are knowledgeable in issues addressed by the Stipulation. Duke and interested parties participated in negotiations that required numerous meetings and took place over several days, resulting in concessions, as evidenced by the Stipulation. The Signatory Parties represent the diverse interests of stakeholders, including but not limited to an electric distribution utility, the PUCO Staff, and the statewide consumer advocate (OCC) representing Duke's residential customers.

**Q7. DOES THE STIPULATION BENEFIT CUSTOMERS AND THE PUBLIC
INTEREST?**

A7. Yes. Benefits to customers and the public interest in the Stipulation include:

- Duke's annual increase to customers' distribution rates is reduced from the utility's proposed \$86 million to \$49 million in revenues, a reduction of \$37 million, or 43%.
- Duke agrees to withdraw its pending request in its most recent fuel adjustment clause case (Case No. 11-974-EL-FAC, et al.) seeking collection from customers for certain Conesville costs through its Rider RECON and to withdraw the rider.

- 1 • Duke agrees not to seek PUCO approval to charge customers
2 for costs it incurred regarding major storms in 2012. If Duke
3 wishes to defer future storm costs (after 2012), it must seek
4 PUCO approval.
- 5 • Duke withdraws its request for a storm tracker mechanism. As
6 proposed by Duke, the storm tracker would have allowed the
7 utility to annually defer certain incremental major storm
8 expenses and seek to charge customers for those costs through
9 future distribution rates.
- 10 • Duke may not use the stipulated return on equity in these cases
11 as precedent in any future proceedings, except in Duke's
12 SmartGrid proceedings for the determination of the revenue
13 requirement to be collected from customers through Rider DR-
14 IM. If Duke wants to collect from customers a return on equity
15 on assets at issue in a future case (other than Smart Grid case),
16 parties in that proceeding may propose a return on equity other
17 than 9.84%.
- 18 • The monthly customer charge for residential customers served
19 under rate schedules RS, ORH and CUR¹ will be \$6.00. This
20 is lower than Duke's proposed customer charge of \$6.79 for
21 these residential rate schedules. Residential customers served

¹ Residential Service (RS), Optional Residential Service with Electric Space Heating (ORH) and Common Use Residential Service (CUR).

1 under Rate RSLI (Residential – Low Income) will pay a \$2.00
2 monthly customer charge, which is lower than Duke's
3 proposed \$2.79 customer charge.

- 4 • The distribution rates paid during the summer by residential
5 electric heating customers served under Rate ORH will be
6 same as those paid by residential customer served under Rate
7 RS. Duke's current rates, and those it proposed in these cases,
8 for Rate ORH customers were higher in the summer than Rate
9 RS customers.

- 10 • Duke will not alter its residential distribution rates to include a
11 higher level of fixed charges (through a straight fixed variable
12 rate design), until at least the time of its next distribution rate
13 case.

- 14 • Duke and the other parties signing the settlement agreed to the
15 recommendation of the PUCO Staff and OCC that Duke's
16 proposed Facilities Relocation – Mass Transportation rider
17 ("Rider FRT") should not be approved by the Commission.
18 This proposed rider was related to costs Duke would incur for
19 relocating utility facilities necessitated by mass transportation
20 projects (such as a streetcar). As proposed by Duke, Rider
21 FRT would have allowed specified governmental customers,
22 such as a municipality, the option to either pay Duke for the

1 costs for relocating utility facilities or have Duke charge the
2 municipality's citizens for those costs.

- 3 • The parties have agreed to a change in Duke's proposed right-
4 of-way tariff language for instances where Duke seeks access
5 to a customer's property in order to install facilities that will
6 serve other customers. Duke has agreed to tariff language
7 whereby the utility will endeavor to negotiate a right-of-way
8 agreement acceptable to Duke and the customer, including
9 compensation to the customer. This is an improvement over
10 the proposed language contained in Duke's application.
- 11 • Duke will continue annual funding of \$522,000 to People
12 Working Cooperatively for weatherization activities involving
13 low-income customers, until the effective date of the rates for
14 Duke's next electric distribution rate case.
- 15 • Duke will provide \$350,000 per year, through shareholder
16 contributions, to Ohio Partners for Affordable Energy for a fuel
17 fund to provide bill payment assistance to low-income
18 customers. These payments for the fuel fund will be made
19 until rates are effective in Duke's next distribution rate case.
20 Duke will not collect these amounts through customers' rates.
- 21 • Parties can have access to the workpapers supporting Duke's
22 compliance tariffs, and the parties will have an opportunity to
23 review the tariffs and comment on them.

1 **Q8. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY**
2 **PRINCIPLE OR PRACTICE?**

3 **A8.** No.

4

5 **Q9. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A9.** Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Direct Testimony of Beth E. Hixon In Support of the Stipulation* was served via electronic transmission to the persons listed below on this 2nd day of April 2013.

/s/ Terry L. Etter

Terry L. Etter
Assistant Consumers' Counsel

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Summary: Testimony Testimony of Beth E. Hixon in Support of the Stipulation on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Etter, Terry L Mr.