

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)	
Energy Ohio, Inc., for an Increase in Gas)	Case No. 12-1685-GA-AIR
Rates.)	
 In the Matter of the Application of Duke)	Case No. 12-1686-GA-ATA
Energy Ohio, Inc., for Tariff Approval)	
 In the Matter of the Application of Duke)	
Energy Ohio, Inc., for Approval of an)	Case No. 12-1687-GA-ALT
Alternative Rate Plan for Gas Distribution)	
Service.)	
 In the Matter of the Application of Duke)	
Energy Ohio, Inc., for Approval to Change)	Case No. 12-1688-GA-AAM
Accounting Methods.)	

**DIRECT 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 22, 2013

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Attachment BEH-1

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. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A2. I received a Bachelor of Business Administration degree in accounting from Ohio University in June 1980. For the period June 1980 through April 1982, I was employed as an Examiner in the Field Audits Unit of the Ohio Rehabilitation Services Commission ("ORSC"). In this position, I performed compliance audits of ORSC grants to, and contracts with, various service agencies in Ohio.

In May 1982, I was employed in the position of Researcher by the OCC. In 1984, I was promoted to Utility Rate Analyst Supervisor and held that position until November 1987, when I joined the regulatory consulting firm of Berkshire Consulting Services. In April 1998, I returned to the OCC and have subsequently held positions as Senior Regulatory Analyst, Principal Regulatory Analyst, and Assistant Director of Analytical Services.

**Q3. WHAT EXPERIENCE DO YOU HAVE IN THE AREA OF UTILITY
REGULATION?**

A3. In my positions with the OCC, and as a consultant with Berkshire Consulting Services, I have performed analysis and research in numerous cases involving utilities' base rates, fuel and gas rates and other regulatory issues. I have worked with attorneys, analytical staff, and consultants in preparing for, and litigating, utility proceedings involving Ohio's electric companies, major gas companies, and several telephone and water utilities. At the OCC, I also chair the OCC's internal electric team, participate in and/or direct special regulatory projects regarding energy issues, and provide training on regulatory technical issues.

**Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE
REGULATORY COMMISSIONS?**

A4. Yes. I have submitted testimony before the Public Utilities Commission of Ohio ("PUCO" or "Commission") in the cases listed in Attachment BEH-1. I have also submitted testimony in a case before the Indiana Utility Regulatory Commission, as shown on BEH-1.

II. PURPOSE OF TESTIMONY

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A5. 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.

1 This Stipulation represents a fair and reasonable compromise among the parties to
2 resolve issues in Duke Energy Ohio's ("Duke") gas distribution rate case, except
3 for issues involving manufactured gas plant-related remediation costs.¹ Issues
4 related to Duke's request to charge customers for its costs related to manufactured
5 gas plant remediation will be presented through litigation for a decision by the
6 Public Utilities Commission of Ohio ("PUCO" or "Commission"). I recommend
7 that the PUCO adopt the Stipulation in its entirety.

8

9 **III. THE STIPULATION**

10

11 ***Q6. WHAT ARE THE CRITERIA USED BY THE COMMISSION IN***
12 ***CONSIDERING THE REASONABLENESS OF A STIPULATION?***

13 ***A6.*** The Commission uses the following criteria in evaluating the reasonableness of a
14 stipulation:

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

19 (2) Does the settlement, as a package, benefit customers and
20 the public interest?

21 (3) Does the settlement package violate any important
22 regulatory principle or practice?

¹ Stipulation at 2 and 8.

1 ***Q7. DID YOU PERSONALLY PARTICIPATE IN THE SETTLEMENT PROCESS***
2 ***THAT LED TO THE STIPULATION?***

3 ***A7.*** Yes, as a member of OCC's case team for these cases, I actively participated in
4 settlement discussions among parties.
5

6 ***Q8. IS THE STIPULATION IN THESE CASES THE PRODUCT OF SERIOUS***
7 ***BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES THAT***
8 ***REPRESENT DIVERSE INTERESTS?***

9 ***A8.*** Yes. The parties and their counsel have participated in numerous proceedings
10 before the Commission. Each of the signatory parties has a history of active
11 participation in PUCO proceedings and is represented by experienced and
12 competent counsel. The parties are knowledgeable in issues addressed by the
13 Stipulation. Duke and interested parties participated in negotiations that required
14 numerous meetings and took place over time, resulting in concessions, as
15 evidenced by the Stipulation. The Signatory Parties represent the diverse interests
16 of stakeholders, including but not limited to a gas distribution utility, the PUCO
17 Staff, and the statewide consumer advocate (OCC) representing Duke's 380,000
18 residential natural gas customers.
19

20 ***Q9. DOES THE STIPULATION BENEFIT CUSTOMERS AND THE PUBLIC***
21 ***INTEREST?***

22 ***A9.*** Yes. Benefits to customers and the public interest in the Stipulation include:

- 1 • The annual increase to customers' base distribution rates is
- 2 reduced from Duke's proposed \$44 million to \$0.
- 3 • The parties agree that the stipulated return on equity in
- 4 these cases may not be used as precedent in any future gas
- 5 proceedings, except in Duke's SmartGrid ("Rider AU") and
- 6 Accelerated Main Replacement Program ("Rider AMRP")
- 7 proceedings for the determination of the revenue
- 8 requirement to be collected from customers through those
- 9 riders.
- 10 • The incremental increase for AMRP for residential
- 11 customers is to be capped at \$1.00 annually on a
- 12 cumulative basis.² This means that once distribution rates
- 13 are effective as a result of this case, residential AMRP rates
- 14 will be capped at \$1.00 per customer, per month.³ The
- 15 AMRP collection from customers (per customer, per
- 16 month) will be capped at \$2.00 beginning in 2014, \$3.00 in
- 17 2015 and \$4.00 in 2016. In its original application, Duke
- 18 had proposed to eliminate the current caps that limit the

² Stipulation at 7.

³ In Duke's current AMRP cases, parties have submitted a stipulation to the PUCO supporting a \$1.00 per customer, per month residential AMRP rate. That \$1.00 residential AMRP rate will go into effect when new gas distribution rates approved by the PUCO in this rate case are effective. (See Case Nos. 12-3028-GA-RDR and 12-3029-GA-ATA , April 8, 2013 Stipulation at 5.)

1 AMRP rate each year that can be collected from residential
2 and interruptible customers.⁴

- 3 • In its next gas distribution rate case Duke agrees to submit
4 a cost of service study (“COSS”) that separates the
5 residential class into a heating class and non-heating class.
6 OCC witness Rubin recommended such a COSS in order to
7 provide data on Duke’s costs to serve these two types of
8 residential customers.⁵

- 9 • Duke agrees to withdraw its proposal for a change to its
10 charge for reconnection of service (“Reconnection Tariff”).
11 Duke’s proposed new provision would have required
12 customers (who request to have service disconnected and
13 then reconnected at the same premise within an eight-
14 month period) to pay “the equivalent to the appropriate
15 billing of the customer’s Fixed Delivery Charge for the
16 number of billing periods the service was disconnected.”⁶
17 Under this Duke proposal, a reconnection fee would have
18 been calculated by multiplying the monthly Fixed Delivery
19 Charge (\$33.03 for residential customers⁷) times the
20 number of months that the customer was disconnected. If

⁴ Case No. 12-1685-GA-AIR et al., Application at 4 (July 9, 2012).

⁵ OCC witness Rubin Direct Testimony at 31-41, February 25, 2013.

⁶ January 4, 2012, Staff Report of Investigation at 19.

⁷ Duke witness Wathen Direct Testimony at 14, July 20, 2012.

1 the Stipulation is approved, Duke's charge for reconnection
2 of service will remain at the current \$17.⁸

- 3 • Duke agrees to withdraw its request for an Accelerated
4 Service Replacement Program ("ASRP"), to charge
5 customers for replacement of certain gas service lines that
6 run to customers' meters, and to not propose any such
7 program that would allow for an ASRP Rider on
8 customers' bills earlier than January 1, 2016.
- 9 • Duke and the other parties signing the settlement agreed to
10 the recommendation of the PUCO Staff and OCC that
11 Duke's proposed Facilities Relocation – Mass
12 Transportation rider ("Rider FRT") should not be approved
13 by the Commission. This proposed rider was related to
14 costs Duke would incur for relocating utility facilities
15 necessitated by mass transportation projects (such as a
16 streetcar). As proposed by Duke, Rider FRT would have
17 allowed specified governmental customers, such as a
18 municipality, the option to either pay Duke for the costs for
19 relocating utility facilities or have Duke charge the
20 municipality's citizens for those costs.
- 21 • The Parties agreed that Duke's proposed changes to its
22 Line Extension Rider ("Rider X")--to use a Net Present

⁸ July 20, 2012 Direct Testimony of Duke witness Wathen at 14 and Schedule E-2, Sheet 82.4.

1 Value ("NPV") analysis to determine whether a customer
2 will contribute to the costs of construction or will receive
3 the facility extension free of charge--should be approved
4 with the specifications agreed to by parties in the
5 Stipulation. For purposes of applying the NPV analysis,
6 Duke will:

- 7 ○ use a discount rate of 5.32% and
- 8 ○ assume a term of no less than ten
- 9 years for residential customers.⁹

10 As proposed, Duke did not specify a discount rate or term
11 to be used in the NPV analysis. The discount rate and term
12 specified in the Stipulation will provide a reasonable and
13 consistent basis for comparing the costs of construction to
14 the NPV of the expected revenue from a customer's line.

- 15 • The parties have agreed to a change in Duke's proposed
16 right-of-way tariff language for instances where Duke
17 seeks access to a customer's property in order to install
18 facilities that will serve other customers. Duke has agreed
19 to tariff language whereby the utility will endeavor to
20 negotiate a right-of-way agreement acceptable to Duke and
21 the customer, including compensation to the customer.

⁹ Stipulation at 10.

1 This is an improvement over the proposed language
2 contained in Duke's application.

- 3 • Duke will provide \$350,000 per year, through shareholder
4 contributions, to People Working Cooperatively for
5 weatherization activities involving low-income customers.

6 These payments for the weatherization activities will be
7 made until rates are effective in Duke's next distribution
8 rate case. Duke will not collect these amounts through
9 customers' rates.

- 10 • The parties recommend that the Commission approve
11 continuation of a waiver granted to Duke in Case No. 08-
12 1285-GA-WVR that allows the continued distribution to
13 customers of fuel fund dollars, so long as pipeline refund
14 dollars are available. The parties also recommend that
15 customer eligibility for the fuel funds be expanded from the
16 current eligibility of 175% to 200% of the poverty level to
17 an eligibility of 0% to 200% of the poverty level.

- 18 • Duke withdraws its request to charge customers a new
19 Economic Development Incentive Rider ("Rider ED").
20 Duke had proposed that through Rider ED it would collect
21 approximately \$1 million annually from customers to fund
22 economic development activities and projects.¹⁰

¹⁰ January 4, 2013 Staff Report at 20.

- Parties can have access to the workpapers supporting Duke's compliance tariffs, and the parties will have an opportunity to review the tariffs and comment on them.

Q10. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?

A10. No.

Q11. WHAT DOES THE STIPULATION PROVIDE IN REGARDS TO MANUFACTURED GAS PLANT REMEDIATION COSTS?

A11. As explained in item (6) of the Stipulation, the parties agree to litigate their positions (e.g., Duke's position to charge customers for environmental remediation of manufactured gas plants ("MGP")—and parties' positions opposing various of Duke's requests for customers to pay those charges) at the evidentiary hearing for the Commission's resolution. If the Commission determines that customers should pay for any MGP remediation costs, the parties agree those costs should be collected through a rider. In addition, any MGP costs to be charged to customers will be allocated among rate schedules at the percentages set forth in the Stipulation.

Q12. DOES THIS CONCLUDE YOUR TESTIMONY?

A12. 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 22nd day of April 2013.

/s/ Larry S. Sauer

Larry S. Sauer
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Testimony Submitted on Public Utility Regulation

As an employee of the Office of the Ohio Consumers' Counsel (OCC):

Company	Docket No.	Date
Ohio Power	83-98-EL-AIR	1984
Ohio Gas	83-505-GA-AIR	1984
Dominion East Ohio Gas	05-474-GA-ATA	2005
Dayton Power & Light	05-792-EL-ATA	2006
Duke Energy Ohio	03-93-EL-ATA et al.	2007
Dominion East Ohio	08-729-GA-AIR	2008
AEP Ohio	08-917-EL-SSO et al.	2008
AEP Ohio	11-346-EL-SSO et al.	2012
DP&L	12-426-EL-SSO et al.	2013
Duke Energy Ohio	12-1682-EL-AIR et al.	2013

As an employee of Berkshire Consulting Service:

Company	Docket No.	Date	Client
Toledo Edison	88-171-EL-AIR	1988	OCC
Cleveland Electric Illuminating	88-170-EL-AIR	1988	OCC
Columbia Gas of Ohio	88-716-GA-AIR et al.	1989	OCC
Ohio Edison	89-1001-EL-AIR	1990	OCC
Indiana American Water	Cause No. 39595	1993	Indiana
Office of the Utility Consumer Counsel			
Ohio Bell	93-487-TP-CSS	1994	OCC
Ohio Power	94-996-EL-AIR	1995	OCC
Toledo Edison	95-299-EL-AIR	1996	OCC
Cleveland Electric Illuminating	95-300-EL-AIR	1996	OCC
Cincinnati Gas & Electric	95-656-GA-AIR	1996	City of Cincinnati, OH

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Case No(s). 12-1685-GA-AIR, 12-1686-GA-ATA, 12-1687-GA-ALT, 12-1688-GA-AAM

Summary: Testimony Direct 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 Sauer, Larry S.