

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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|--------------------------------------|---|------------------------|
| In the Matter of the Application of |) | |
| Duke Energy Ohio for Authority to |) | Case No. 14-841-EL-SSO |
| Establish a Standard Service Offer |) | |
| Pursuant to Section 4928.143, |) | |
| Revised Code, in the Form of |) | |
| An Electric Security Plan, |) | |
| Accounting Modifications and Tariffs |) | |
| for Generation Service |) | |

| | | |
|---|---|------------------------|
| In the Matter of the Application of |) | |
| Duke Energy for Authority to Amend |) | Case No. 14-842-EL-ATA |
| its Certified Supplier Tariff, P.U.C.O. |) | |
| No. 20 |) | |

PREFILED TESTIMONY
OF

TAMARA S. TURKENTON
RATES AND ANALYSIS DEPARTMENT
ACCOUNTING AND ELECTRICITY DIVISION

STAFF EXHIBIT _____

October 2, 2014

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

2 A. My name is Tamara S. Turkenton. 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 as Chief of the
7 Accounting and Electricity Division of the Rates and Analysis Department.
8

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

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

15 I have been employed by the Commission since June 1994 involved in the
16 Electric Fuel Component (EFC) section, the Telecommunications section,
17 the Competitive Retail Electric Service (CRES) section working on electric
18 deregulation and SB 3, and the Rates & Tariffs section working on electric
19 utility rates, tariffs, and rules. In April 2009, I was assigned to the
20 Accounting and Electricity Division working on many aspects of SB 221.
21

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

1 A. Yes.

2
3 5. Q. What is the purpose of your testimony in this proceeding?

4 A. On May 29, 2014, Duke Energy Ohio (Company) filed an application for
5 an Electric Security Plan (ESP) in accordance with Section 4928.143,
6 Revised Code.

7 It is Staff's intent to provide testimony only for the issues in the Company's
8 application which Staff either does not support, or is proposing to be
9 modified. As a result, my testimony addresses the following issues:

10 a) A comparison of the terms and conditions of the Applicant's ESP to
11 determine if they are more favorable to customers in the aggregate
12 than the expected results that would otherwise apply under a Market
13 Rate Offer (MRO).

14 b) Rate impacts resulting from the proposed rate design changes for the
15 Retail Capacity Rider (Rider RC) and the Retail Energy Rider (Rider
16 RE).

1 **Comparison between the ESP and the MRO**

2 6. Q. Do you believe the proposed ESP is more favorable in the aggregate than
3 an MRO?

4 A. Yes, when all provisions of the ESP application are considered along with
5 Staff recommendations filed in this case, I believe the ESP application is
6 more favorable in the aggregate than an MRO application would be.

7
8 7. Q. Please describe what you have considered in regard to the ESP versus MRO
9 test for this application.

10 A. Generation rates for 100% of the Standard Service Offer (SSO) load are
11 based on market based auction prices and as a result, there should be no
12 difference between market based generation rates under an MRO filing or
13 an ESP filing. As a result there appears to be no difference in regard to
14 quantifiable benefits between a MRO and an ESP. However, I have
15 considered qualitative benefits that result from the ESP application.

16
17 8. Q. Please describe the qualitative benefits you considered in your conclusion.

18 A. As discussed in the application, the proposed ESP includes a new Rider
19 Distribution Capital Investment Rider (Rider DCI). This Rider is similar
20 to distribution investment riders approved by the Commission for other
21 utilities in Ohio. The structure of the Rider provides an economical and
22 efficient process enabling the Company to make investments in its

1 distribution system, improving both the safety and reliability of the
2 distribution system.

3
4 9. Q. What else have you considered in making your recommendation?

5 A. An ESP filing as opposed to an MRO filing provides a mechanism where
6 the Company's tariffs can be further refined to be more reflective of the
7 current competitive environment thus providing more benefits for
8 customers than may be available under an MRO application.

9
10 10. Q. Please provide an example of what you are referring to in the previous
11 answer.

12 A. In its application, the Company is proposes to modify the rate design of its
13 generation rates to better reflect what customers could expect to see in the
14 competitive market. It is my understanding that under an MRO, the
15 generation rates charged to customers would simply be the market rates that
16 result from the auction, and thus no ability for the company to phase out the
17 current rate design, which could subject customers to substantial rate
18 impacts. Also, an ESP allows for flexible rate making, providing a process
19 for utilities to propose riders that may provide a more efficient method of
20 cost recovery. This process provides all parties the opportunity to provide
21 their expertise and input for any proposed riders, that the Commission
22 considers.

1 11. Q. The Company proposed a Price Stabilization Rider (Rider PSR) in its
2 application. Were the potential costs of this rider considered in your
3 recommendation?

4 A. No, Staff witness Dr. Hisham Choueiki addresses this Rider in his pre-filed
5 testimony and it is my understanding that Dr. Choueiki is not
6 recommending approval of the rider.
7

8 12. Q. The company proposed the Distribution Capital Investment Rider (Rider
9 DCI) and a Distribution Storm Rider (Rider DSR) in its application. Were
10 the potential costs of these riders considered in your recommendation?

11 A. It is my understanding that the costs would be similar under an ESP as
12 proposed or under an MRO as a distribution rate case filing. In fact, it may
13 be argued that pursuing the recovery of these distribution related costs
14 through a rider mechanism as opposed to a rate case would result in cost
15 savings by avoiding costly base rate case proceedings. However, I have not
16 attempted to quantify this potential savings for my recommendation.
17

18 **Rate Impacts**

19 13. Q. Do you have a recommendation in regard to potential rate impacts that
20 certain customers may experience as a result of the Company's
21 modification to the rate design for Riders RE and RC?
22

1 A. Yes, based on the typical bills provided in the application (JEZ-3), it
2 appears that the proposed rate design changes for Riders RE and RC may
3 result in increases to certain customers that could exceed 12%. While Staff
4 does not oppose the rate design changes in concept, the Staff is concerned
5 with the potential for significant rate impacts for certain customers. The
6 Company is proposing to reduce the differences between stepped rates for
7 certain rate schedules to better reflect rates that are being offered in the
8 competitive retail market. However, as a result of the Company's
9 proposal, there are certain customers that could experience large increases.
10 In particular there appear to be three rate schedules where these impacts
11 would occur. They are the Option Residential Heating schedule (ORH), the
12 Common Use Residential schedule (CUR) schedule as well as the small
13 commercial rate schedule (DM). The impacts to the residential schedules
14 are a result of reducing the difference between the first block rates and the
15 tail block rates of the winter months that exist in current rate structure. The
16 impacts to the DM schedule are a result of reducing the difference between
17 the first block rate and the tail block rates during the winter and summer
18 months that exists in current rates. To help mitigate the large increases for
19 certain customers under these schedules, Staff recommends that the
20 Company reduce the difference in rate blocks at a slower pace than is being
21 proposed by the Company. For example, the Company's proposed design
22 could be phased in evenly over two years.

1 While the typical bills (JEZ-3) only show that certain customers under
2 schedules ORH, CUR and DM may be subject to increases over 12%, the
3 Staff recommends that the company provide similar treatment (i.e. phase-in
4 of proposed rate design changes) to any other customer class that may also
5 receive substantial impacts as a result of the RE/RC rate design changes,
6 but for whatever reason are not depicted in the typical bills provided.
7
8

9 14. Q. Does this conclude your testimony?

10 A. Yes, it does. However, I reserve the right to submit supplemental testi-
11 mony as described herein, as new information subsequently becomes avail-
12 able or in response to positions taken by other parties.

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. 14-841-EL-SSO by electronic and/or U.S. mail, postage pre-paid mail this 2nd day of October, 2014.

/s/Steven L. Beeler

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Assistant Attorney General

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Summary: Testimony Testimony of Tamara Turkenton electronically filed by Mrs. Tonneta Y Scott on behalf of PUCO