

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application Seeking)
Approval of Ohio Power Company's)
Proposal to Enter into an Affiliate Power) Case No. 14-1693-EL-RDR
Purchase Agreement for Inclusion in the)
Power Purchase Agreement Rider.)

In the Matter of the Application of Ohio)
Power Company for Approval of Certain) Case No. 14-1694-EL-AAM
Accounting Authority.)

**DIRECT TESTIMONY
OF
BETH E. HIXON**

**On Behalf of the
Office of the Ohio Consumers' Counsel**
*10 West Broad Street, Suite 1800
Columbus, Ohio 43215*

SEPTEMBER 11, 2015

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ATTACHMENTS

BEH-1 Beth E. Hixon – Testimony Submitted on Public Utility Regulation

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

4 ***A1.*** My name is Beth E. Hixon. My business address is 10 West Broad Street, Suite
5 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio
6 Consumers' Counsel ("OCC") as a Senior Energy Team Leader.

7

8 ***Q2. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND***
9 ***PROFESSIONAL BACKGROUND?***

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

15

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

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

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

11
12 ***Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE***
13 ***REGULATORY COMMISSIONS?***

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

II. PURPOSE OF TESTIMONY

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A5. The purpose of my testimony is to recommend that the PUCO reject Ohio Power Company's ("AEP Ohio" or "Utility") proposed Purchase Power Agreement ("PPA") Rider because approval of the PPA Rider would cause AEP Ohio's current Electric Security Plan ("ESP") to fail the statutory test. Failing the statutory test means the ESP would be more costly for AEP Ohio customers than a Market Rate Offer ("MRO").

III. PUCO DECISION ON THE STATUTORY TEST FOR AEP OHIO'S CURRENT ESP

Q6. WHAT IS THE STATUTORY TEST?

A6. The comparison the PUCO makes between the results of a utility's ESP and the results that would be expected under an MRO is the "statutory test,"¹ sometimes also referred to as the "ESP v. MRO test." It is my understanding, confirmed by counsel, that under Section 4928.143(C)(1) of the Ohio Revised Code, the Commission cannot approve, or modify and approve, an ESP unless it finds that the ESP "including its pricing and all other terms and conditions, including any

¹ Duke Energy Ohio, Case No. 11-3549-EL-SSO, et al., Opinion and Order at 46 (November 22, 2011), Columbus Southern Power and Ohio Power, Case No. 11-346-EL-SSO, et al., Opinion and Order at 73 (August 8, 2012) and Dayton Power & Light, Case No. 12-426-EL-SSO, et al., Opinion and Order at 48-52 (September 3, 2013).

1 deferrals and future recovery of deferrals, is more favorable in the aggregate as
2 compared to the expected results that would otherwise apply under section
3 4928.142 of the Revised Code.” Section 4928.142 of the Revised Code pertains
4 to a Standard Service Offer (“SSO”) under an MRO.

5
6 ***Q7. HAS THE PUCO DETERMINED THAT AEP OHIO’S CURRENT ESP IS***
7 ***BETTER IN THE AGGREGATE THAN AN MRO?***

8 ***A7.*** Yes. Earlier this year, the PUCO determined that AEP Ohio’s ESP, as modified
9 by the Commission, and not including a proposed PPA Rider, was more favorable
10 in the aggregate than the expected results under an MRO.² The PUCO concluded
11 that there were approximately \$53 million in quantifiable benefits in AEP Ohio’s
12 ESP for the period June 1, 2015 through May 31, 2018 (“current ESP period”):

13 “the ESP, as modified, results in a total of \$53,064,000 in quantifiable
14 benefits over the ESP term that would not be possible under an MRO.”³

15
16 The PUCO found that because AEP Ohio’s current ESP contained a PPA rider set
17 at zero, it was not necessary to attempt to quantify the impact of that rider:

18 “Further, we affirm our finding that it is not necessary to attempt to
19 quantify the impact of the PPA rider or BDR in the MRO/ESP analysis,
20 given that both placeholder riders have been set at zero, and any future
21 costs associated with these riders are unknown and subject to future

² Case No. 13-235-EL-SSO, et al. February 25, 2015 Opinion and Order at 94-95 (“ESP 3 Order”) and May 28, 2015 Second Entry on Rehearing at 50-57 (“ESP 3 May 28 Entry”).

³ ESP 3 May 28 Entry a 52. (\$44,064,00 Residential distribution credit, \$3,000,000 Neighbor-to-Nearby bill payment assistance and \$6,000,000 Ohio Growth Fund.)

proceedings. ESP 2 Case, Entry on Rehearing (Jan. 30, 2013) at 9; ESP
Order at 94.”⁴

Because the PUCO did not consider, and could not have considered, the
significant impact of the PPA Rider now proposed in this current proceeding on
the statutory test, the PUCO’s analysis of AEP Ohio’s current ESP under the test
is inaccurate and incomplete.

IV. QUANTIFICATION OF PPA RIDER

***Q8. WHAT IS AEP OHIO’S ESTIMATED BENEFIT OR COST TO
CUSTOMERS OF THE PPA RIDER FOR THE CURRENT ESP PERIOD?***

A8. AEP Ohio witness Pearce presents the Utility’s range of estimated benefits and
costs to customers of the PPA Rider based on his “Average High/Low Load
Case”, as detailed on Exhibit KDP-2. To determine the benefits or costs for the
current ESP period it is first necessary to estimate when the PPA rider would go
into effect. If it were assumed the PPA rider goes into effect on January 1, 2016,
then there are 2 years and 5 months remaining in the current ESP period. Based
on the annual “Net PPA Rider Credits/(Charges)” on KDP-2, AEP Ohio estimates

⁴ ESP 3 May 28 Entry at 56.

1 a range of \$104 to \$278 million in benefit to customers from the PPA Rider
2 during the current ESP period.⁵
3

4 ***Q9. SHOULD THE PUCO ACCEPT AEP OHIO'S ESTIMATE OF THE***
5 ***BENEFIT OR COST TO CUSTOMERS OF THE PPA RIDER?***

6 ***A9.*** No. The PUCO should not use AEP Ohio's estimates for the benefit or cost of the
7 PPA Rider. As explained by OCC Witness Wilson, AEP Ohio's estimates are
8 unreliable and the benefit of the PPA Rider is overstated. Instead of a benefit, the
9 appropriate estimate for the PPA Rider for January 2016 through May 2018 is a
10 cost to customers of \$439 million.⁶
11

12 ***V. IMPACT ON STATUTORY TEST***
13

14 ***Q10. WHAT IMPACT WOULD PUCO APPROVAL OF THE PPA RIDER HAVE***
15 ***ON THE STATUTORY TEST?***

16 ***A10.*** If the PUCO were to approve in this proceeding AEP Ohio's proposed PPA Rider
17 related to the Affiliate PPA and OVEC units, there will be an estimated cost to
18 customers of \$439 million, which more than offsets the \$53 million in benefits of
19 the current ESP. This would result in a net cost to customers of \$386 million for
20 the current ESP.

⁵ Pearce Direct Testimony at 5 and Exhibit KDP-2, Average of High Load and Low Load Forecast, Net PPA Rider Credit/(Charge), \$38 to \$100 million for 2016, \$42 to \$138 million for 2017 and 5/12th of \$58 to \$95 million for 2018, equals \$104 to \$278 million for January 2016 through May 2018.

⁶ OCC Witness Wilson Direct Testimony, PPA costs exceed revenues by \$157 million for 2016, \$189 million for 2017 and 5/12th of \$224 million for 2018, which equals \$439 million for January 2016 through May 2018.

1 Customers would pay, through their electric bills, \$439 million to AEP Ohio for
2 costs of AEP Ohio's affiliate and OVEC. These are costs to customers that would
3 not exist under an MRO. These PPA Rider costs were not considered by the
4 PUCO in approving AEP Ohio's current ESP. The PUCO should take into
5 consideration the significant cost impact that the PPA Rider, originally approved
6 as a zero placeholder in the ESP, will now have on customers. Therefore, in
7 addition to the reasons presented by other OCC witness, the PUCO should reject
8 AEP Ohio's proposed PPA Rider because, if it is approved, the ESP is not more
9 favorable than an MRO for customers.

10
11 ***Q11. DOES THIS CONCLUDE YOUR TESTIMONY?***

12 ***A11.*** Yes. However, I reserve the right to incorporate new information that may
13 subsequently become available. I also reserve the right to supplement my
14 testimony in the event that the Utility, the PUCO Staff, or other parties submit
15 new or corrected information in connection with this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Direct Testimony of Beth E. Hixon on Behalf of the Office of the Ohio Consumers' Counsel's*, was served via electronic transmission to the persons listed below on this 11th day of September, 2015.

/s/ William J. Michael

William J. Michael

Assistant Consumers' Counsel

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Beth E. Hixon
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
Duke Energy Ohio	12-1682-EL-AIR, et al.	2013
Duke Energy Ohio	12-1685-GA-AIR, et al.	2013
Dayton Power & Light	12-426-EL-SSO, et al.	2013
AEP Ohio	13-1406-EL-RDR	2013
Duke Energy Ohio	14-841-EL-SSO, et al.	2014
FirstEnergy	14-1297-EL-SSO	2014

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). 14-1693-EL-RDR, 14-1694-EL-AAM

Summary: Testimony Direct Testimony of Beth E. Hixon on behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Gina L Brigner on behalf of Michael, William J. Mr.