***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 Purchase Agreement for Inclusion in the Power Purchase Agreement Rider.  In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority. | )  )  )  )  )  )  )  ) | Case No. 14-1693-EL-RDR  Case No. 14-1694-EL-AAM |

**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

# I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

***A1.*** My name is Beth E. 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 a Senior Energy Team Leader.

***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, Assistant Director of Analytical Services and Senior Energy Team Leader.

***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, the 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. As shown on this Attachment, I have also submitted testimony in a case before the Indiana 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]](#footnote-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 deferrals and future recovery of deferrals, is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code.” Section 4928.142 of the Revised Code pertains to a Standard Service Offer (“SSO”) under an MRO.

***Q7. has THE PUCO DETERMINEd THAT AEP Ohio’S current ESP is better in the aggregate than an MRO?***

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

“the ESP, as modified, results in a total of $53,064,000 in quantifiable benefits over the ESP term that would not be possible under an MRO.”[[3]](#footnote-3)

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

“Further, we affirm our finding that it is not necessary to attempt to quantify the impact of the PPA rider or BDR in the MRO/ESP analysis, given that both placeholder riders have been set at zero, and any future costs associated with these riders are unknown and subject to future proceedings. ESP 2 Case, Entry on Rehearing (Jan. 30, 2013) at 9; ESP Order at 94.”[[4]](#footnote-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.

## 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 a range of $104 to $278 million in benefit to customers from the PPA Rider during the current ESP period.[[5]](#footnote-5)

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

***A9.*** No. The PUCO should not use AEP Ohio’s estimates for the benefit or cost of the PPA Rider. As explained by OCC Witness Wilson, AEP Ohio’s estimates are unreliable and the benefit of the PPA Rider is overstated. Instead of a benefit, the appropriate estimate for the PPA Rider for January 2016 through May 2018 is a cost to customers of $439 million.[[6]](#footnote-6)

## IMPACT ON STATUTORY TEST

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

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

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

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

***A11.*** Yes. However, I reserve the right to incorporate new information that may subsequently become available. I also reserve the right to supplement my testimony in the event that the Utility, the PUCO Staff, or other parties submit 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

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). [↑](#footnote-ref-1)
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”). [↑](#footnote-ref-2)
3. ESP 3 May 28 Entry a 52. ($44,064,00 Residential distribution credit, $3,000,000 Neighbor-to-Neighbor bill payment assistance and $6,000,000 Ohio Growth Fund.) [↑](#footnote-ref-3)
4. ESP 3 May 28 Entry at 56. [↑](#footnote-ref-4)
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. [↑](#footnote-ref-5)
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. [↑](#footnote-ref-6)