*OCC EXHIBIT NO.______*

**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|---|---|---|
| In the Matter of the Application of The Dayton Power and Light Company for Approval of its Market Rate Offer. | ) ) ) | Case No. 12-426-EL-SSO |
| In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs. | ) ) ) | Case No. 12-427-EL-ATA |
| In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority. | ) ) ) ) | Case No. 12-428-EL-AAM |
| In the Matter of the Application of The Dayton Power and Light Company for Waiver of Certain Commission Rules. | ) ) ) | Case No. 12-429-EL-WVR |
| In the Matter of the Application of The Dayton Power and Light Company to Establish Tariff Riders. | ) ) ) | Case No. 12-672-EL-RDR |

**TESTIMONY**
**OF**
**BETH E. HIXON**

**On Behalf of the**
**Office of the Ohio Consumers' Counsel**
*10 West Broad Street, Suite 1800*
*Columbus, Ohio 43215*
*(614) 466-8574*

**March 1, 2013**

## TABLE OF CONTENTS

**Page**


I. INTRODUCTION .......................................................................................... 1

II. PURPOSE OF TESTIMONY ......................................................................... 3

III. STATUTORY TEST OF DP&L'S PROPOSED ELECTRIC SECURITY PLAN ............................................................................................................. 5

- A. DP&L's Aggregate Price Test Methodology ……………………………..5
- B. Statutory Price Test – Time Period……………………………………..9
- C. Statutory Price Test – Bypassable Charges.......………………………… 13
- D. Other Quantifiable Provisions……………………………………………14
  - 1. Service Stability Rider…………………………………………... 15
  - 2. Switching Tracker……………………………………………..16
  - 3. Competitive Retail Enhancements and Alternative Energy Rider – Non-Bypassable………………………………………20

IV. CONCLUSION ........................................................................................... 21


## ATTACHMENTS


BEH-1 Beth E. Hixon – Utility Testimony Submitted


## SCHEDULES


BEH-1 Statutory Price Test and Other Quantifiable Provisions (62% Switching)

BEH-2 Statutory Price Test and Other Quantifiable Provisions (70% Switching)

## 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, the major gas companies, and several telephone and water utilities. At the OCC, I also chair the OCC's cross-functional 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 present a comparison between the results of Dayton Power &Light's ("DP&L") proposed Electric Security Plan ("ESP") and the results that would be expected under a Market Rate Offer ("MRO"). This comparison has been referred to by the Commission as the "statutory test."[1] It is my understanding that under Section 4928.143(C)(1) of the Ohio Revised Code, the Commission may approve or modify and approve an ESP if 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.

In conducting the statutory test the Commission has evaluated three parts:

1. The statutory price test,
2. Other quantifiable provisions, terms and conditions of the ESP, and

[1] Duke Energy Ohio, Case No. 11-3549-EL-SSO et al., Opinion and Order at 46 (November 22, 2011) ("Duke ESP") and Columbus Southern Power and Ohio Power, Case No. 11-346-EL-SSO et al., Opinion and Order at 73 (August 8, 2012 ) ("AEP Ohio ESP").

3. Other non-quantifiable provisions, terms and conditions of the ESP.[2]

***Q6. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING THE STATUTORY TEST FOR DP&L'S PROPOSED ELECTRIC SECURITY PLAN?***

***A6.*** In my testimony I provide a comparison of the proposed ESP results to the expected results of an MRO for the three parts the Commission has evaluated under the statutory test:

1. The SSO price to customers for generation (the statutory price test),
2. Other ESP rates (other quantifiable provisions, terms and conditions), and
3. Non-quantifiable elements (Other non-quantifiable provisions, terms and conditions.)

Based on these comparisons, I conclude that the ESP produces results that are less favorable in the aggregate than the expected MRO results. As shown on Schedule BEH-1 and discussed in my testimony, if switching is assumed to be 62% during the ESP, then the ESP would provide \$112.5 million in benefit through generation

[2] AEP Ohio ESP, Case No. 11-346-EL-SSO et al., Opinion and Order at 73 (August 8, 2012) and Entry on Rehearing at 13-14 (January 30, 2013).

rates lower than generation rates under an MRO. However, the other quantifiable provisions of the ESP result in $693.0 million in cost to customers, which far exceed the benefit obtained through the lower generation rates. In addition, as shown on Schedule BEH-2, if switching is assumed to be 70% during the ESP term, the benefit of lower generation rates is reduced to $88.8 million while the quantifiable cost of the ESP rises to $758.7 million. Based on these comparisons, I recommend the Commission not approve DP&L's proposed ESP because it fails to meet the statutory test.

## III. STATUTORY TEST OF DP&L'S PROPOSED ELECTRIC SECURITY PLAN

### A. DP&L's Aggregate Price Test Methodology

***Q7. HOW DOES DP&L PROPOSE THAT THE COMMISSION EVALUATE THE ELECTRIC SECURITY PLAN FOR PURPOSES OF THE STATUTORY TEST?***

***A7.*** DP&L Witness Malinak concludes that DP&L's proposed ESP is "more favorable in the aggregate than an MRO."[3] For his comparison he performed two steps for the Commission's consideration:

[3] DP&L Witness Malinak Second Revised Testimony at 3.

1) An aggregate price test, " reflecting both bypassable and non-bypassable charges" and

2) "Other differences…whose effects are difficult or impossible to quantify accurately."[4]

Mr. Malinak's first step, which he describes as the "aggregate price test," is shown on Exhibit RJM-1. The result of DP&L's aggregate price test is that the proposed ESP would result in \$119.98 million less in charges to customers than an MRO over the 5-years and 5-months from January 1, 2013 through May 31, 2018. As shown on Exhibit RJM-1, this result (line 28) is a combination of the differences in bypassable charges (line 17) and non-bypassable charges (line 23). However, the result of Mr. Malinak's aggregate price test does not consider the proposed ESP's non-bypassable charges to customers which will result from DP&L's \$2.5 million in capital costs for competitive retail enhancements and \$3.3 million in total capital costs for the Yankee Solar Facility.[5]

In his second step, the comparison of "other, non-quantifiable characteristics of the proposed ESP and MRO,"[6] Mr. Malinak presents the following:

[4] DP&L Witness Malinak, Second Revised Testimony at 5.

[5] DP&L Witness Malinak, Second Revised Testimony at 13.

[6] DP&L Witness Malinak, Second Revised Testimony at 14-16.

- Under the ESP DP&L customers will be fully transitioned to market rates by June 2016. Under an MRO a full transition to market rates would not occur until 2018. A larger portion of customer rates will reflect market prices under the ESP in all years leading up to the date of full transition.
- Competitive retail enhancement under the ESP will facilitate competitive retail markets.
- DP&L's ESP provides more regulatory flexibility in the future than if DP&L filed an MRO.

***Q8. IN APPLYING THE STATUTORY TEST, SHOULD THE COMMISSION USE DP&L'S TWO STEP METHODOLOGY AS PRESENTED BY MR. MALINAK?***

***A8.*** No.

***Q9. WHY SHOULD THE COMMISSION REJECT DP&L'S TWO STEP METHODOLOGY AS PRESENTED BY MR. MALINAK?***

***A9.*** There are several flaws in DP&L's method of conducting the statutory test that make it inappropriate for use by the Commission in evaluating DP&L's proposed ESP. The errors in DP&L's method are:

1. DP&L incorrectly compares the SSO generation rates under the ESP versus MRO for January 1, 2013 through May 31, 2018, a period that starts prior to when the PUCO would issue an order in this case and goes five months beyond the ESP term's end date of December 31, 2017.

2. DP&L incorrectly mixes together the comparison of bypassable SSO charges with non-bypassable charges (i.e. Mr. Malinak's aggregate price test), rather than evaluating the proposed ESP's SSO generation charges as the PUCO has previously done (i.e. the statutory price test).

3. While indicating that its aggregate test "reflects both bypassable and non-bypassable charges,"[7] as discussed above, DP&L does not include on Mr. Malinak's Exhibit RJM-1 the proposed non-bypassable charges to customers for the cost of Yankee Solar Facility and competitive retail enhancements.

4. DP&L incorrectly assumes that its proposed non-bypassable Service Stability Rider ("SSR") and non-bypassable switching tracker would be the same under an ESP and an MRO.

[7] DP&L Witness Malinak Second Revised Testimony at 5.

**B. Statutory Price Test – Time Period**

***Q10. SHOULD THE COMMISSION USE THE PERIOD OF JANUARY 2013 THROUGH MAY 2018 THAT DP&L PRESENTS, FOR THE STATUTORY PRICE TEST?***

***A10.*** No.

***Q11. WHAT PERIOD SHOULD THE COMMISSION USE FOR THE STATUTORY PRICE TEST?***

***A11.*** The period that DP&L uses starts in January 2013, which is before the date the PUCO will make a decision in this case, and goes through May 2018, which is five months after the end of the proposed ESP. The period for which the statutory price test should be applied should instead be the best estimate of when DP&L's proposed ESP SSO blended rates would be in effect during the same period that an MRO SSO blended rates would be in effect.

***Q12. SHOULD JANUARY 1, 2013 BE THE STARTING DATE FOR A STATUTORY PRICE TEST OF DP&L'S PROPOSED ESP?***

***A12.*** No.

***Q13. WHY SHOULD THE COMMISSION REJECT JANUARY 1, 2013 AS THE STARTING DATE FOR THE STATUTORY PRICE TEST OF DP&L'S PROPOSED ELECTRIC SECURITY PLAN?***

***A13.*** The ESP SSO blended rates were not in effect as of January 1, 2013. DP&L's use of a January 1, 2013 start date is also inconsistent with its proposal that "the first period at the 90%/10% blend of Electric Security Plan (ESP) generation prices and the Competitive Bidding (CB) rate, will be from the effective date of the Competitive Bid through May 31st, 2014."[8]

***Q14. WHAT DATE SHOULD BE THE STARTING POINT FOR THE STATUTORY PRICE TEST OF DP&L'S PROPOSED ELECTRIC SECURITY PLAN?***

***A14.*** In the recent AEP Ohio ESP case, the utility presented a statutory test that began on June 1, 2012, while the Commission order was issued on August 8, 2012. In that case, the PUCO found that it could not "compare prices during a time period that has elapsed prior to the issuance" of an order.[9] Instead of starting the statutory test at June 1, 2012, the Commission determined that the test would begin on the date the utility would be able to implement SSO rates under an MRO, which for AEP Ohio in that proceeding was June 1, 2103.

DP&L has indicated that it could undertake an auction within approximately two months from a Commission order to do so. Specifically, in its Rate Blending Plan DP&L "suggests that the initial CBP auction take place not later than eight weeks after a Commission order is issued in this case."[10] Based on DP&L's suggestion

[8] Rate Blending Plan at 1.

[9] Ohio Power, Case No. 11-346-EL-SSO et al., Opinion and Order (August 8, 2012) at 74.

[10] Rate Blending Plan at 4.

of when it could conduct an auction, I recommend that the statutory test begin two months after the estimated Commission order in this case. I estimated that since a hearing in this DP&L case is scheduled to begin in March 2013, a Commission order could be issued in two months, or May 2013. This PUCO order date estimate is based on the Commission's August 2012 order in the AEP Ohio ESP case with the hearing beginning in June 2012. Assuming a May 2013 Commission order in this case, I recommend that the statutory test start two months later, or July 1, 2013.

***Q15. WHAT DATE SHOULD BE THE ENDING POINT FOR THE STATUTORY PRICE TEST OF DP&L'S PROPOSED ELECTRIC SECURITY PLAN?***

***A15.*** I recommend the Commission use December 31, 2017, the end of the proposed ESP term, to be the ending point for the statutory test. Mr. Malinak extended the statutory test five months beyond the end of the proposed ESP. It is not appropriate to apply the test beyond the end of the ESP, since, if approved by the Commission as proposed by DP&L, the ESP Blended SSO rate would not extend past December 31, 2007. The SSO rates customers will pay beginning January 1, 2018 will be the subject of a subsequent DP&L SSO filing.

***Q16. HOW DOES CHANGING THE STARTING AND ENDING DATES IMPACT THE STATUTORY TEST FOR DP&L'S PROPOSED ELECTRIC SECURITY PLAN?***

***A16.*** Changing these dates impacts the statutory test in two ways. First, the forecasted CBP auction prices are adjusted to reflect the new dates. Since DP&L's CBP auction prices are developed using prices for delivery months, changing the dates of delivery will change the resulting auction prices.[11] As reflected on Schedule BEH-1, line 3, my changes to the starting and ending dates results in different forecasted CBP auction rates than those used by Mr. Malinak on Exhibit RJM-1, line 3. The second impact of changing the starting and ending dates is that the customer load assumed, to which the difference in rates is applied, also changes. Therefore, on Schedule BEH-1, lines 37 and 38, I have reduced the load assumptions used by Mr. Malinak to reflect the appropriate shorter period of comparison from July 1, 2013 through December 31, 2017.

Mr. Malinak calculated that customers under the proposed ESP would pay $120 million less in generation rates than under an MRO for January 1, 2013 through May 31, 2018. (Exhibit RJM-1) As shown on Schedule BEH-1, for the period July 1, 2013 through December 31, 2017 customers under the proposed ESP would pay $113 million less in generation rates than under an MRO.

---

[11] DP&L's Proxy Auction Results are shown on DP&L Witness Marrinan's Exhibit TFM 2 and the calculations are details in WPC-13.1, in which prices by delivery months are listed.

**C. Statutory Price Test – Bypassable Charges**

***Q17. SHOULD THE DIFFERENCES IN NON-BYPASSABLE CHARGES WHICH DP&L INCLUDES IN ITS AGGREATE TEST, BE CONSIDERED IN APPLYING THE STATUTORY PRICE TEST?***

***A17.*** No. DP&L's method for the statutory test should be modified to better align with the first two parts of the statutory test as applied by the Commission in recent decisions. Therefore, on Schedule BEH-1 I have separated the differences in bypassable charges from non-bypassable differences. The differences in bypassable charges reflects the statutory price test – a comparison between the SSO prices customers would pay under DP&L's proposed ESP versus under an MRO.

***Q18. WHAT ARE THE RESULTS OF THE STATUTORY PRICE TEST?***

***A18.*** I have presented an SSO price comparison on Schedule BEH-1 which shows that DP&L's proposed ESP, assuming that switching remains at 62% would be more favorable to customers than the MRO SSO price by $ 112.5 million, for the purpose of the statutory price test. However, as discussed later in my testimony related to the switching tracker, I have also presented Schedule BEH-2, which shows how increased switching would affect the results of the statutory price test. Assuming switching is at 70% during the ESP, the benefit of lower SSO generation rates to customers is reduced to $88.8 million.

**D. Other Quantifiable Provisions**

***Q19. SHOULD OTHER CHARGES DP&L SEEKS TO COLLECT UNDER THE ELECTRIC SECURITY PLAN BE CONSIDERED IN APPLYING THE STATUTORY TEST?***

***A19.*** Yes. The second part of the Commission's application of the statutory test has been to consider other quantifiable provisions of the ESP, including other proposed rates and charges to customers.

***Q20. WHAT OTHER PROPOSED CHARGES UNDER THE ELECTRIC SECURITY PLAN SHOULD BE CONSIDERED IN APPLYING THE STATUTORY TEST?***

***A20.*** The second part of the Commission's application of the statutory test has been to consider other quantifiable provisions of the ESP. In this case the Commission should consider DP&L's proposals for non-bypassable charges to customers for a Service Stability Rider, a switching tracker, an Alternative Energy Rider – Non-bypassable ("AER-N") and, the portion of the RECON Rider which will collect for the costs of competitive retail enhancements. These non-bypassable charges are other quantifiable provisions of the ESP.

**1. Service Stability Rider**

***Q21. WHAT IS THE SERVICE STABILITLY RIDER?***

***A21.*** DP&L propose a non-bypassable Service Stability Rider to collect $137.5 million annually from customers during the 5-year ESP period to "give DP&L an opportunity to earn a reasonable return on equity (ROE)," as explained by DP&L witness Chambers.[12]

***Q22. HOW DID DP&L TREAT THE PROPOSED SERVICE STABILITY CHARGE IN ITS STATUTORY TEST?***

***A22.*** Mr. Malinak did consider the Service Stability Rider charge as a non-bypassable charge to customers resulting from the ESP. However, he also assumed that the same level of non-bypassable charge would be charged to customers under an MRO. Based on the belief that a Service Stability Rider would be the same under an ESP and an MRO, Mr. Malinak concludes that there is no difference to customers. Mr. Malinak states that DP&L "would have sought an SSR if it had filed an MRO."[13]

[12] DP&L witness Herrington ESP Testimony at 3.

[13] DP&L Witness Malinak Second Revised Testimony at 10 and 12.

***Q23. IN APPLYING THE STATUTORY TEST, HOW SHOULD THE COMMISSION TREAT THE PROPOSED SERVICE STABILITY RIDER?***

***A23.*** It is my understanding, confirmed by counsel, that the Service Stability Rider would not be available to a utility under an MRO. Therefore, in the statutory test, the costs to customers of the Service Stability Rider should be considered as costs of the ESP, but not considered costs under the MRO. As shown on Schedule BEH-1, the Service Stability Rider charge revenue of $687.5 million is included as a quantifiable provision of the ESP.

**2. Switching Tracker**

***Q24. WHAT IS DP&L'S SWITCHING TRACKER PROPOSAL?***

***A24.*** DP&L asks the Commission for approval of a "switching tracker account [that] would defer for later recovery from customers the difference between the level of switching experiences as of August 30, 2012 (62% of retail load) and the actual level of switching."[14] The deferrals would begin with the start of the ESP and end June 1, 2016. DP&L Witness Jackson provided the methodology used to calculate the switching tracker and an example of the calculations in his Exhibits CLJ-5 and 6. DP&L would begin to charge customers for deferrals on January 1, 2014 and would continue until the deferral balance was zero.

[14] DP&L Witness Jackson Second Revised Testimony at 12.

***Q25. HOW DID DP&L CONSIDER THE PROPOSED SWITCHING TRACKER IN ITS STATUTORY TEST?***

***A25.*** Mr. Malinak did not explicitly consider the switching tracker in DP&L's statutory test.[15] He does assume that a switching tracker would be available in an MRO as DP&L has requested in its ESP. Since he assumes the same level of switching in both the ESP and MRO, then there would be no difference in charges to customers resulting from the switching tracker mechanism.

***Q26. HOW SHOULD THE COMMISSION CONSIDER THE SWITCHING TRACKER IN THE STATUTORY TEST OF DP&L'S ELECTRIC SECURITY PLAN?***

***A26.*** It is my understanding, confirmed by counsel, that a switching tracker would not be available to a utility under an MRO. Therefore, in the statutory test, the quantifiable costs to customers of the switching tracker should be considered as costs of the ESP. The costs to customers of the Switching Tracker would be dependent on numerous variables – the ESP blended SSO rate, the CBP auction price and the level of switching above 62%. (See Exhibit CLJ-5) The level of switching assumed by DP&L in its ESP filings is 62%[16].

Under DP&L's 62% switching assumption, no switching tracker deferrals would occur and there would be no charges to customers. With 62% switching assumed,

[15] DP&L Witness Malinak Second Revised Testimony at 10-11.

[16] "The current level of switching is held fixed in the projections included in the ESP filing," DP&L Witness Malinak at 10-11.

the statutory test should have $0 costs for the DP&L's proposed switching tracker. Switching above 62% will result in costs for customers, but if DP&L's 62% switching assumption is not altered then the switching tracker cost is $0.

***Q27. WHAT ARE DP&L'S EXPECTATIONS ABOUT CUSTOMER SWITCHING DURING THE ELECTRIC SECURITY PLAN TERM?***

***A27.*** DP&L does not expect customer switching rates to stay at the 62% level, but instead expects switching to increase. DP&L witness Mr. Hoekstra provides DP&L's projections of increased customer switching by the end of 2012 and switching rates for the years 2012 through 2017. He testifies that DP&L projects switching to increase above the 62% level based on expected changes in the marketplace during the ESP, including entry of additional generation suppliers, and increased governmental aggregation programs.[17]

***Q28. SHOULD THE COMMISSION USE THE 62% SWITCHING THAT DP&L PROPOSES FOR PURPOSES OF THE STATUTORY TEST?***

***A28.*** No, since it is clear that DP&L expects shopping to increase above the 62% level. It is also clear that if switching goes above 62% during the ESP, there will be costs to customers. Since the level of switching during the ESP is not known, it may be difficult at this time to quantify the costs to customers that would result from Commission approval of a switching tracker for DP&L. However, it is important for the Commission to acknowledge and take into consideration these

[17] DP&L Witness Hoekstra second revised testimony at 7-9.

probable costs to customers as it evaluates DP&L's proposed ESP. For example, DP&L witness Jackson's calculation shows how only an 8% increase in switching, above August 2012 levels, would cost all customers an additional $66 million, plus carrying charges,[18] under the proposed ESP.

I recommend that the Commission consider in its statutory test, at a minimum, the impact of 70% switching during the ESP. As calculated by DP&L, customer switching at 70% during the ESP results in $65.7 million additional ESP costs to customers for the switching tracker. Increased switching at 70% during the ESP also results in a lesser benefit from SSO generation rates being lower than under an MRO. This lesser benefit occurs since, as switching load increases, the differential between the ESP and MRO generation rates is applied to a decreased level of SSO load. As shown on Schedule BEH-2, the statutory price test result is reduced to $88.8 million, meaning that SSO customers would pay $88.8 million less in generation rates under the ESP than under an MRO.

[18] Rate Blending Plan at 23-24.

### 3. Competitive Retail Enhancements and Alternative Energy Rider – Non-Bypassable

***Q29. DID DP&L CONSIDER IN ITS STATUTORY TEST THE CHARGES TO CUSTOMERS FOR ITS PROPOSED COMPETITIVE RETAIL ENHANCEMNTS AND FOR THE ALTERNATIVE ENERGY RIDER – NONBYPASSABLE AS COSTS OF THE ELECTRIC SECURITY PLAN?***

***A29.*** Yes. While he did not show these two items in his "aggregate price test," Mr. Malinak did indicate that costs to customers for these two items are associated with the ESP. He also determined that those ESP costs would not affect his conclusion that DP&L's proposed ESP is more favorable in the aggregate than the MRO.[19]

***Q30. WHAT ESTIMATED COSTS FOR COMPETITIVE RETAIL ENHANCEMENTS AND THE ALTERNATIVE ENRGY RIDER – NON-BYPASSABLE HAVE YOU USED IN THE STATUTORY TEST?***

***A30.*** For the purposes of the statutory test of the ESP, I have reflected the total capital costs of both projects as costs of the ESP. For the proposed competitive retail enhancements, which DP&L proposes to charge to customers through the Reconciliation Rider, DP&L's estimated investment of $2.5 million is shown. For the Yankee Solar Facility, which DP&L seeks to charge customers for through the AER-N, the facility's total capital costs of $3.3 million is included as a cost of the ESP.

[19] DP&L Witness Malinak Second Revised Testimony at 13-14.

## IV. CONCLUSION

***Q31. BASED ON YOUR REVIEW OF THE STATUTORY TEST FOR DP&L's ELECTRIC SECURITY PLAN, WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?***

***A31.*** I recommend the Commission reject the ESP because it fails to meet the statutory test. DP&L's proposed ESP is not more favorable in the aggregate as compared to the expected results that would otherwise apply under a market rate offer under Ohio law. Using DP&L's filed 62% switching assumption, the ESP produces results that are less favorable in the aggregate than the expected MRO results because the ESP results in $580.5 million in additional costs to customers over what is expected under an MRO. (See Schedule BEH-1, $693.0 million cost in non-bypassable revenue, less $112.5 million benefit in bypassable revenue.) Assuming an increase in switching to 70% during the ESP, the ESP produces results that are $669.9 million less favorable than the expected MRO results. (See Schedule BEH-2, $758.7 million cost in non-bypassable revenue, less $88.8 million benefits in bypassable revenue.)

***Q32. DOES THIS CONCLUDE YOUR TESTIMONY?***

***A32.*** 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* was served via electronic transmission to the persons listed below on this 1st day of March 2013.

*/s/ Melissa R. Yost*____________
Melissa R. Yost
Deputy Consumers' Counsel

## SERVICE LIST

Thomas.mcnamee@puc.state.oh.us
Devin.parram@puc.state.oh.us
Judi.sobecki@dplinc.com
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com
joliker@mwncmh.com
Amy.spiller@duke-energy.com
Jeanne.kingery@duke-energy.com
BMcMahon@emh-law.com
Elizabeth.watts@duke-energy.com
Rocco.DAscenzo@duke-energy.com
dboehm@BKLlawfirm.com
mkurtz@BKLlawfirm.com
jkyler@BKLlawfirm.com
myurick@taftlaw.com
zkravitz@taftlaw.com
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
mhpetricoff@vorys.com
smhoward@vorys.com
ssherman@kdlegal.com
jhague@kdlegal.com
Stephanie.Chmiel@ThompsonHine.com
Philip.Sineneng@ThompsonHine.com
Michael.Dillard@ThompsonHine.com
matt@matthewcoxlaw.com
Bojko@carpenterlipps.com
Sechler@carpenterlipps.com
bill.wells@wpafb.af.mil
chris.thompson.2@tyndall.af.mil
gmeyer@consultbai.com
Bryce.mckenney@puc.state.oh.us

cfaruki@ficlaw.com
jsharkey@ficlaw.com
mwarnock@bricker.com
tsiwo@bricker.com
tony_long@ham.honda.com
asim_haque@ham.honda.com
haydenm@firstenergycorp.com
jlang@calfee.com
lmcbride@calfee.com
talexander@calfee.com
jejadwin@aep.com
gpoulos@enernoc.com
ricks@ohanet.org
cmooney2@columbus.rr.com
tobrien@bricker.com
vparisi@igsenergy.com
mswhite@igsenergy.com
Christopher.miller@icemiller.com
Gregory.dunn@icemiller.com
Chris.michael@icemiller.com
trent@theoec.org
cathy@theoec.org
joseph.clark@directenergy.com
dakutik@jonesday.com
aehaedt@jonesday.com
ejacobs@ablelaw.org
mjsatterwhite@aep.com
stnourse@aep.com
ssolberg@eimerstahl.com
stephen.bennett@exeloncorp.com
Cynthia.Brady@Constellation.com
mchristensen@columbuslaw.org
gregory.price@puc.state.oh.us

***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 |

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 |

Schedule BEH-1

Datyon Power & Light Company
Case No. 12-426-EL-SSO et al.
DP&L Proposed ESP (62% Switching during ESP Term)

| Line | | 7/1/2013 - 5/2014 | 6/1/2014 - 5/2015 | 6/1/2015 - 5/2016 | 6/1/2016 - 5/2017 | 6/1/2017 - 12/31/2017 | Total | Source/Calculation |
|---|---|---|---|---|---|---|---|---|
| | **STATUTORY PRICE TEST - DIFFERENCE IN BYPASSABLE RATES:** | | | | | | | |
| 1 | Bypassable Generation Rates ( $/MWh) | | | | | | | |
| 2 | Current Generation Rate | $ 76.62 | $ 76.62 | $ 76.62 | $ 76.62 | $ 76.62 | | DPL Exhibit RJM-1 |
| 3 | Forecasted CBP Auction Rates | $ 45.44 | $ 58.01 | $ 61.15 | $ 63.32 | $ 64.76 | | Derived from DPL Schedule 5B, Exhibit TFM-2, and WPC-13.1 |
| 4 | | | | | | | | |
| 5 | CBP Rate Blending Shedule (%) | | | | | | | |
| 6 | MRO | 10% | 20% | 30% | 40% | 50% | | ORC Section 4928.143 |
| 7 | ESP | 10% | 40% | 70% | 100% | 100% | | DP&L Exhibit RJM-1 |
| 8 | | | | | | | | |
| 9 | Blended SSO Rate ($/MWh) | | | | | | | |
| 10 | MRO | $ 73.50 | $ 72.90 | $ 71.98 | $ 71.30 | $ 70.69 | | |
| 11 | ESP | $ 73.50 | $ 69.18 | $ 65.79 | $ 63.32 | $ 64.76 | | |
| 12 | Difference in Bypassable Rates | $ - | $ (3.72) | $ (6.19) | $ (7.98) | $ (5.93) | | |
| 13 | | | | | | | | |
| 14 | Total Bypassable Revenues ($ Millions) | | | | | | | |
| 15 | MRO | $ 358.7 | $ 385.6 | $ 380.8 | $ 377.2 | $ 212.8 | $ 1,715.0 | |
| 16 | ESP | $ 358.7 | $ 365.9 | $ 348.0 | $ 335.0 | $ 194.9 | $ 1,602.6 | |
| 17 | **Difference in Bypassable Revenue - ESP versus MRO (Benefit) or Cost** | $ - | $ (19.7) | $ (32.7) | $ (42.2) | $ (17.8) | **$ (112.5)** | |
| 18 | | | | | | | | |
| 19 | **OTHER QUANTIFIABLE PROVISIONS - DIFFERENCE IN NON-BYPASSABLE RATES:** | | | | | | | |
| 20 | Non-Bypassable Revenues ($ Millions) | | | | | | Total | |
| 21 | Rates under MRO | | | | | | | |
| 22 | Service Stability Rider | | | | | | $ - | |
| 23 | Switching Tracker | | | | | | $ - | |
| 24 | Alternative Energy Rider - Nonbypassable | | | | | | $ - | |
| 25 | Competitive Retail Enhancements | | | | | | $ - | |
| 26 | Total Nonbypassable Revenue under MRO | | | | | | $ - | |
| 27 | Rates under ESP | | | | | | | |
| 28 | Service Stability Rider | | | | | | $ 687.5 | Application at 8 - $137.5 million annually |
| 29 | Switching Tracker | | | | | | $ - | At 62% Switching during ESP term |
| 30 | Alternative Energy Rider - N. | | | | | | $ 3.0 | Malinak at 13 |
| 31 | Competitive Retail Enhancements | | | | | | $ 2.5 | Malinak at 13 |
| 32 | Total Nonbypassable Revenue under MRO | | | | | | $ 693.0 | |
| 33 | **Difference in Nonbypassable Revenue - ESP versus MRO (Benefit) or Cost** | | | | | | **$ 693.0** | |
| 34 | | | | | | | | |
| 35 | **Load and Switching Assumptions** | | | | | | | |
| 36 | Switching | 61.5% | 61.7% | 61.7% | 61.7% | 63.3% | | 1 - SSO Load/Total Load |
| 37 | DP&L SSO Load (TWh) | 4.88 | 5.29 | 5.29 | 5.29 | 3.01 | | Derived from DP&L WP-8 |
| 38 | Total Load (TWh) | 12.66 | 13.82 | 13.82 | 13.82 | 8.21 | | Derived from DP&L WP-8 |

Schedule BEH-2

Datyon Power & Light Company
Case No. 12-426-EL-SSO et al.
DP&L Proposed ESP (70% Switching during ESP Term)

**STATUTORY PRICE TEST - DIFFERENCE IN BYPASSABLE RATES:**

| Line | | 7/1/2013 - 5/2014 | 6/1/2014 - 5/2015 | 6/1/2015 - 5/2016 | 6/1/2016 - 5/2017 | 6/1/2017 - 12/31/2017 | Total | Source/Calculation |
|---|---|---|---|---|---|---|---|---|
| 1 | Bypassable Generation Rates ( $/MWh) | | | | | | | |
| 2 | Current Generation Rate | $ 76.62 | $ 76.62 | $ 76.62 | $ 76.62 | $ 76.62 | | DPL Exhibit RJM-1 |
| 3 | Forecasted CBP Auction Rates | $ 45.44 | $ 58.01 | $ 61.15 | $ 63.32 | $ 64.76 | | Derived from DPL Schedule 5B, Exhibit TFM-2, and WPC-13.1 |
| 4 | | | | | | | | |
| 5 | CBP Rate Blending Shedule (%) | | | | | | | |
| 6 | MRO | 10% | 20% | 30% | 40% | 50% | | ORC Section 4928.143 |
| 7 | ESP | 10% | 40% | 70% | 100% | 100% | | DP&L Exhibit RJM-1 |
| 8 | | | | | | | | |
| 9 | Blended SSO Rate ($/MWh) | | | | | | | |
| 10 | MRO | $ 73.50 | $ 72.90 | $ 71.98 | $ 71.30 | $ 70.69 | | |
| 11 | ESP | $ 73.50 | $ 69.18 | $ 65.79 | $ 63.32 | $ 64.76 | | |
| 12 | Difference in Bypassable Rates | $ - | $ (3.72) | $ (6.19) | $ (7.98) | $ (5.93) | | |
| 13 | | | | | | | | |
| 14 | Total Bypassable Revenues ($ Millions) | | | | | | | |
| 15 | MRO | $ 279.2 | $ 302.2 | $ 298.4 | $ 295.6 | $ 174.1 | $ 1,349.5 | |
| 16 | ESP | $ 279.2 | $ 286.8 | $ 272.8 | $ 262.5 | $ 159.5 | $ 1,260.8 | |
| 17 | **Difference in Bypassable Revenue - ESP versus MRO (Benefit) or Cost** | $ - | $ (15.4) | $ (25.7) | $ (33.1) | $ (14.6) | **$ (88.8)** | |
| 18 | | | | | | | | |
| 19 | **OTHER QUANTIFIABLE PROVISIONS - DIFFERENCE IN NON-BYPASSABLE RATES:** | | | | | | | |
| 20 | Non-Bypassable Revenues ($ Millions) | | | | | | Total | |
| 21 | Rates under MRO | | | | | | | |
| 22 | Service Stability Rider | | | | | | $ - | |
| 23 | Switching Tracker | | | | | | $ - | |
| 24 | Alternative Energy Rider - Nonbypassable | | | | | | $ - | |
| 25 | Competitive Retail Enhancements | | | | | | $ - | |
| 26 | Total Nonbypassable Revenue under MRO | | | | | | $ - | |
| 27 | Rates under ESP | | | | | | | |
| 28 | Service Stability Rider | | | | | | $ 687.5 | Application at 8 - $137.5 million annually |
| 29 | Switching Tracker | | | | | | $ 65.7 | At 70% Switching during ESP term, DP&L Exhibit CLJ-5 |
| 30 | Alternative Energy Rider - N. | | | | | | $ 3.0 | Malinak at 13 |
| 31 | Competitive Retail Enhancements | | | | | | $ 2.5 | Malinak at 13 |
| 32 | Total Nonbypassable Revenue under MRO | | | | | | $ 758.7 | |
| 33 | **Difference in Nonbypassable Revenue - ESP versus MRO (Benefit) or Cost** | | | | | | **$ 758.7** | |
| 34 | | | | | | | | |
| 35 | **Load and Switching Assumptions** | | | | | | | |
| 36 | Switching | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | | |
| 37 | DP&L SSO Load (TWh) | 3.80 | 4.15 | 4.15 | 4.15 | 2.46 | | Total Load - (Total Load x Switching %) |
| 38 | Total Load (TWh) | 12.66 | 13.82 | 13.82 | 13.82 | 8.21 | | Derived from DP&L WP-8 |

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**3/1/2013 3:45:44 PM**

**in**

**Case No(s). 12-0426-EL-SSO, 12-0427-EL-ATA, 12-0428-EL-AAM, 12-0429-EL-WVR, 12-0672-EL-RDR**

Summary: Testimony Direct Testimony of Beth E. Hixon on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti  Mallarnee on behalf of Yost, Melissa Ms.