

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Duke Energy Ohio, Inc. for an Adjustment) Case No.12-3028-GA-RDR
to Rider AMRP Rates to Recover Costs)
Incurred in 2012.)

In the Matter of the Application of) Case No. 12-3029-GA-ATA
Duke Energy Ohio, Inc., for Tariff Approval.)

**DIRECT TESTIMONY
OF
STEVEN B. HINES**

On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

April 8, 2013

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ATTACHMENT SBH-A

1 **I. INTRODUCTION**

2

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

4 ***A1.*** My name is Steven B. Hines. 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" or "Consumers' Counsel") as a Principal
7 Regulatory Analyst.

8

9 ***Q2. WHAT IS YOUR EDUCATIONAL BACKGROUND?***

10 ***A2.*** I earned a Master of Business Administration degree from Ashland University in
11 2000. I also earned a Master of Arts degree from The Ohio State University in
12 1981 and a Bachelor of Fine Arts degree from Ohio University in 1978.

13

14 ***Q3. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.***

15 ***A3.*** I joined the OCC in April 1984 as an Investigator I. During the course of my
16 employment at OCC, I have held the positions of Investigator II, Utility Rate
17 Analyst III, Utility Rate Analyst Supervisor, Regulatory Analyst, Senior
18 Regulatory Analyst and Principal Regulatory Analyst. My current duties as a
19 Principal Regulatory Analyst include research, review and analysis of utility
20 applications for increases in rates through base rates, riders and gas cost recovery
21 filings. I also participate in special projects and investigations, and provide
22 training on technical issues when necessary.

1 **Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED**
2 **BEFORE THIS COMMISSION?**

3 **A4.** Yes. I have submitted testimony and/or testified before the Public Utilities
4 Commission of Ohio (“PUCO” or “Commission”) in the cases listed in
5 Attachment SBH-A.

6
7 **Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF**
8 **YOUR TESTIMONY?**

9 **A5.** For the current case, I reviewed relevant parts of Duke Energy of Ohio’s (“Duke”
10 or “Utility”) Application Duke’s Pre-filing Notice (“PFN”), Duke’s testimony, the
11 PUCO Staff (“Staff”) Comments and Recommendations (“Staff Comments”) and
12 Duke’s responses to PUCO Staff Data Requests and OCC discovery. I also
13 reviewed relevant documents and Opinions and Orders from other proceedings.

14
15 **II. PURPOSE OF TESTIMONY**

16
17 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
18 **PROCEEDING?**

19 **A6.** The purpose of my testimony is to support the Stipulation and Recommendation
20 (“Stipulation” or “Settlement”) that Duke, OCC and the PUCO Staff signed and
21 filed on April 8, 2013. I also explain the concerns that underlie the OCC position.
22 The terms of the Stipulation provide for Duke to seek authority, from the PUCO,
23 to adjust its AMRP rates that are collected from its customers.

1 In the Stipulation, Duke has agreed not to seek collection from residential
2 customers of any increase in its AMRP greater than \$1.00 per year subsequent to
3 the Commission approval of the stipulation in Case No. 12-1685-GA-AIR, et al.
4 Specifically, the Parties agree that the incremental increase to the AMRP for
5 residential customers will be capped at \$1.00 annually on a cumulative basis
6 beginning with the application for recovery of costs presently filed in these cases.

7
8 In the Stipulation, Duke has also agreed to reduce the annual AMRP revenue
9 requirement to be collected from customers by establishing a minimum level of
10 guaranteed mains maintenance savings that benefit customers in the amounts of
11 \$70,647 for 2013, \$170,053 for 2014 and \$310,097 for 2015. These guaranteed
12 minimum mains maintenance savings are in line with the amounts stipulated to in
13 Case No. 10-2788-GA-RDR. In addition, the mains maintenance savings
14 reflected in Duke's AMRP Applications for these three years will reflect the
15 greater of the actual maintenance savings for the test year or the guaranteed
16 minimum mains maintenance savings as stated above for that same year.

1 **III. SUPPORT FOR THE STIPULATION AND RECOMMENDATIONS**

2

3 ***Q7. DOES OCC SUPPORT THE STIPULATION FILED WITH THE***
4 ***COMMISSION IN THIS CASE?***

5 **A7.** OCC was a signatory party to the Stipulation, and recommends the Commission
6 approve the Stipulation.

7

8 ***Q8. ON WHAT BASIS DO YOU RECOMMEND THE COMMISSION APPROVE***
9 ***THE STIPULATION IN THIS CASE?***

10 **A8.** It is my understanding that the Commission relies upon a three-prong standard
11 when evaluating a Stipulation.

12

13 ***Q9. WHAT ARE THE COMPONENTS OF THE THREE-PRONG STANDARD?***

14 **A9.** It is my understanding that when the Commission evaluates settlements, it relies
15 upon the following components in its review:

16 1. Is the settlement a product of serious bargaining among
17 capable, knowledgeable parties? The diversity of the
18 interests of the signatories is also to be considered.

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 ***Q10. IN YOUR OPINION DOES THE SETTLEMENT IN THIS CASE ADHERE***
2 ***TO THE THREE COMPONENTS THAT THE COMMISSION ROUTINELY***
3 ***CONSIDERS WHEN REVIEWING A STIPULATION?***

4 ***A10.*** Yes, it does, as I elaborate below.

5
6 ***Q11. IN YOUR OPINION IS THE SETTLEMENT A PRODUCT OF SERIOUS***
7 ***BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES WITH A***
8 ***DIVERSITY OF INTERESTS AMONG SIGNATORIES?***

9 ***A11.*** Yes, it is. Each of the signatory parties has a history of active participation in
10 PUCO proceedings and is represented by experienced and competent counsel.
11 The parties are knowledgeable in issues addressed by the Stipulation (costs
12 collected through the Accelerated Main Replacement Program Rider and related
13 issues). The Company and interested parties participated in negotiations that
14 required numerous meetings and took place over several days, resulting in
15 concessions, as evidenced by the Stipulation. The Signatory Parties represent the
16 diverse interests of stakeholders, including a Local Gas Distribution Utility, the
17 PUCO Staff, and the statewide consumer advocate (OCC) representing Duke's
18 residential customers, who will actually pay the bulk of the costs associated with
19 the AMRP rider.¹

¹ Stipulation, at 1.

1 **Q12. IN YOUR OPINION, DOES THE SETTLEMENT AS A PACKAGE,**
2 **BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?**

3 **A12.** Yes, because the Stipulation fairly resolves important and complex issues that
4 were raised in this proceeding, it benefits customers and is in the public interest.
5 The Stipulation benefits customers by limiting the amount of increase in the
6 AMRP rate to \$1.00 for each year.² The Stipulation also benefits customers by
7 ensuring that any AMRP operation and maintenance cost savings is offset against
8 the annual revenue requirements going forward, including minimum cost savings
9 of \$70,647 for 2013, \$170,053 for 2014, and \$310,097 for 2015.³

10
11 **Q13. IN YOUR OPINION, DOES THE SETTLEMENT PACKAGE VIOLATE ANY**
12 **IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?**

13 **A13.** No, it does not. The Stipulation does not violate any important regulatory
14 principle or practice. In fact, the Stipulation resolves important issues for a broad
15 range of stakeholders, including residential customers of Duke. As I stated
16 previously, residential customers are protected by the Stipulation. Duke has
17 agreed to cap the incremental increase to the AMRP for residential customers at
18 \$1.00 annually on a cumulative basis beginning with the application for recovery
19 of costs presently filed in this case. And Duke has agreed to offset its revenue
20 requirement (that it collects from customers) by a guaranteed level of mains
21 maintenance savings to the benefit of customers.

² Stipulation, at 5.

³ Stipulation, at 5-6.

1 **IV. CONCLUSION**

2

3 ***Q14. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

4 ***A14.*** Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Direct Testimony of Steven B. Hines on Behalf of the Office of the Ohio Consumers' Counsel* was served on the persons stated below via electronic service this 8th day of day of April 2013.

/s/ Joseph P. Serio

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**UTILITY TESTIMONY OF
STEVEN B. HINES**

- *Establishment of an Appropriate Recovery Method for Percentage of Income Payment Plan Arrearages* – Case No. 87-244-GE-UNC*
- *Eastern Natural Gas Company* – Case No. 89-1714-GA-AIR*
- *Columbia Gas of Ohio, Inc.* – Case Nos. 91-195-GA-AIR, 92-18-GA-GCR and 94-987-GA-AIR*
- *Monongahela Power Company* – Case No. 91-1610-EL-AIR
- *Ohio American Water Company* – Case Nos. 92-2299-WW-AIR, 95-935-WW-AIR, 01-626-WW-AIR, 03-2390-WS-AIR, 06-433-WS-AIR, 07-1112-WS-AIR, 09-391-WS-AIR* and 11-4161-WS-AIR
- *East Ohio Gas Company* – Case No. 93-2006-GA-AIR*
- *Consumers Ohio Water Company* – Case No. 95-1076-WW-AIR
- *Cincinnati Gas & Electric Company* – Case Nos. 95-656-GA-AIR*, 03-218-GA-GCR*, 05-218-GA-GCR and 01-1228-GA-AIR Calendar Year 2005).
- *East Ohio Gas Company d/b/a Dominion East Ohio* – Case Nos. 02-219-GA-GCR, 05-474-GA-ATA* and 07-829-GA-AIR
- *Aqua Ohio, Inc.* – Case No. 07-564-WW-AIR, 09-560-WW-AIR and 09-1044-WW-AIR
- *Duke Energy Ohio, Inc.* – Case Nos. 07-589-GA-AIR, 08-1250-GA-UNC and 12-1685- GA-AIR
- *Mohawk Utilities, Inc.* – Case No. 07-981-WW-AIR

* Cases where testimony before the Public Utilities Commission of Ohio was presented and subject to cross examination

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Summary: Testimony Direct Testimony of Steven B. Hines on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Serio, Joseph P.