

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	) ) )	Case No. 17-0032-EL-AIR
In the Matter of the application of Duke Energy Ohio, Inc., for Tariff Approval.	) )	Case No. 17-0033-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	) )	Case No. 17-0034-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Modify Rider PSR.	) ) )	Case No. 17-0872-EL-RDR
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Amend Rider PSR.	) ) )	Case No. 17-0873-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	) ) )	Case No. 17-0874-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to 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.	) ) ) ) ) ) )	Case No. 17-1263-EL-SSO
In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Amend Its Certified Supplier Tariff, P.U.C.O. No. 20.	) ) ) )	Case No. 17-1264-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Defer Vegetation Management Costs.	) ) )	Case No. 17-1265-EL-AAM

In the Matter of the Application of Duke	)	
Energy Ohio, Inc. to Establish Minimum	)	
Reliability Performance Standards	)	Case No. 16-1602-EL-ESS
Pursuant to Chapter 4901:1-10, Ohio	)	
Administrative Code.	)	

**REBUTTAL TESTIMONY  
OF  
WM. ROSS WILLIS**

**On Behalf of  
The Office of the Ohio Consumers' Counsel**  
*65 East State Street, 7<sup>th</sup> Floor  
Columbus, Ohio 43215-4213*

**July 30, 2018**

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WRW ATTACHMENT A

*Rebuttal Testimony of Wm. Ross Willis  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 17-0032-EL-AIR et al.*

1    **I.        INTRODUCTION**

2

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

4    ***A1.***    My name is Wm. Ross Willis. My business address is 65 East State Street,  
5           Columbus, Ohio 43215.

6

7    ***Q2.    BY WHOM ARE YOU EMPLOYED?***

8    ***A2.***    I am employed by the Office of the Ohio Consumers' Counsel (OCC).

9

10   ***Q3.    WHAT IS YOUR CURRENT POSITION WITH THE OCC AND WHAT ARE***  
11   ***YOUR DUTIES?***

12   ***A3.***    I am a Senior Regulatory Analyst within the Department of Analytical Services.  
13           My duties include performing analysis of impacts on the utility bills of residential  
14           consumers with respect to regulated utility filings before the Public Utilities  
15           Commission of Ohio ("PUCO"), and PUCO-initiated investigations. I examine  
16           utility financial and asset records to determine operating income, rate base, and  
17           the revenue requirement, on behalf of residential consumers.

18

19   ***Q4.    WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?***

20   ***A4.***    I earned a Bachelor of Business Administration degree that included a major in  
21           finance and a minor in management from Ohio University in December 1983. In  
22           November 1986, I attended the Academy of Military Science and received a

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1 commission in the Air National Guard. I have also attended various seminars and  
2 rate case training programs when employed at the PUCO.

3

4 ***Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.***

5 ***A5.*** I joined the PUCO in February 1984 as a Utility Examiner in the Utilities  
6 Department. I held several technical and managerial positions with the PUCO  
7 over my 30-plus year career. I retired from the PUCO on December 1, 2014. My  
8 last position with the PUCO was Chief, Rates Division within the Rates and  
9 Analysis Department. In that position, my duties included developing,  
10 organizing, and directing PUCO Staff ("Staff") during rate case investigations and  
11 other financial audits of public utility companies. The determination of revenue  
12 requirements in connection with rate case investigations was under my purview. I  
13 joined the OCC in October 2015.

14

15 My military career spans 27 honorable years of service with the Ohio National  
16 Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in  
17 Afghanistan. I retired from the Air National Guard in March 2006.

18

19 ***Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUCO?***

20 ***A6.*** Yes, attached to my testimony is Attachment WRW-A which lists the cases where  
21 I presented testimony before the PUCO.

22

**II. PURPOSE OF TESTIMONY**

***Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

**A7.** The purpose of my testimony is to rebut the direct testimony of J. Edward Hess on behalf of Retail Energy Supply Association (“RESA”) and Interstate Gas Supply, Inc. (“IGS”).<sup>1</sup>

***Q8. PLEASE DESCRIBE MR. HESS’S PROPOSAL.***

**A8.** Mr. Hess proposes that (i) standard service offer (“SSO”) customers be charged an additional \$23 million per year for distribution service and (ii) customers who shop for their generation (“shopping customers”) with a competitive retail electric service supplier (“Marketer”) be charged \$23 million less per year for distribution service.<sup>2</sup> There is also a cross-subsidization in Mr. Hess’ calculation of the avoidable rider charged to the non-shopping residential customers. Mr. Hess only allocates 89% of the \$23 million credit rider to the residential customers, but charges 92% of the \$23 million avoidable rider to the residential customers.

He proposes that this be done by creating two new riders. The first rider would be a credit rider allowing all customers to avoid distribution costs that Mr. Hess claims are related solely to SSO service. The second rider would be paid only by

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<sup>1</sup> Direct Testimony of J. Edward Hess on Behalf of the Retail Energy Supply Association and Interstate Gas Supply, Inc. (June 25, 2018) (the “Hess Testimony”).

<sup>2</sup> Hess Testimony at 4, Exhibit JEH-1.

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1 SSO customers. The total negative revenue requirement under the first rider  
2 would be the same as the total positive revenue requirement under the second  
3 rider. The net effect is that millions of dollars per year would be shifted from  
4 shopping customers (lowering their electric bills) to SSO customers (raising their  
5 electric bills).<sup>3</sup>

6

7 ***Q9. IS MR. HESS' PROPOSAL INCLUDED WITHIN THE SETTLEMENT***  
8 ***THAT IS BEFORE THE PUCO IN THIS CASE?***

9 ***A9.*** No.

10

11 ***Q10. HOW DOES THE PUCO EVALUATE SETTLEMENTS?***

12 ***A10.*** The PUCO uses three criteria for evaluating the reasonableness of a proposed  
13 settlement:

- 14 1. Is the settlement a product of serious bargaining among capable,  
15 knowledgeable parties?
- 16 2. Does the settlement, as a package, benefit customers and the public  
17 interest?
- 18 3. Does the settlement package violate any important regulatory  
19 principle or practice?

20 The PUCO also routinely considers whether the parties represent a diversity of  
21 interests.

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<sup>3</sup> Hess Testimony at 4 (describing his proposal generally); Hess Testimony at Exhibit JEH-1 (quantifying the impact on SSO customers).

1    ***Q11.  WOULD MR. HESS' PROPOSAL VIOLATE THE PUCO'S ANALYSIS***  
2            ***UNDER THE THREE-PRONG TEST?***

3    ***A11.***  Yes. Mr. Hess' proposal increases charges to SSO customers by over \$23 million  
4           per year which harms customers and is not in the public interest. Mr. Hess'  
5           proposal also includes an unjust and unreasonable cross-subsidization of the  
6           avoidable rider charged to the non-shopping residential customers that harms  
7           residential customers. This aspect of Mr. Hess' proposal violates the regulatory  
8           principle of cost causation.

9

10   **III.  RECOMMENDATIONS**

11

12   ***Q12.  WHAT ARE YOUR RECOMMENDATIONS?***

13   ***A12.***  For the reasons stated above, I recommend that the PUCO not adopt Mr. Hess'  
14           proposal to increase charges to SSO customers by over \$23 million per year. I  
15           also recommend the PUCO not adopt Mr. Hess' cross-subsidization of the  
16           avoidable rider charged to the non-shopping residential customers. Efforts on  
17           behalf of IGS and RESA to modify the Settlement through Mr. Hess' testimony  
18           should be rejected by the PUCO because his proposal does not pass the PUCO's  
19           test for evaluating settlements.



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1    ***Q13. DID THE PUCO STAFF MAKE ANY ADJUSTMENTS TO ANY***  
2           ***POTENTIAL COSTS ASSOCIATED WITH NON-SHOPPING CUSTOMERS***  
3           ***IN THIS CASE?***

4    ***A13.*** No.

5

6    ***Q14. DO YOU BELIEVE THE PUCO STAFF ERRED WHEN IT DID NOT***  
7           ***RECOMMEND ANY ADJUSTMENTS ASSOCIATED WITH NON-***  
8           ***SHOPPING CUSTOMERS IN THIS CASE?***

9    ***A14.*** No. I believe the Staff was correct in not proposing any adjustments associated  
10           with the SSO service.

11

12   ***Q15. ARE ELECTRIC DISTRIBUTION UTILITIES REQUIRED TO PROVIDE A***  
13           ***STANDARD SERVICE OFFER UNDER OHIO LAW?***

14   ***A15.*** Yes. All electric distribution utilities are required to provide a standard service  
15           offer to consumers.<sup>4</sup>

16

17   ***Q16. DOES THE EXISTENCE OF A STANDARD SERVICE OFFER BENEFIT***  
18           ***ALL CUSTOMERS, INCLUDING SHOPPING CUSTOMERS?***

19   ***A16.*** Yes. The standard service offer provides a safety net for all customers. If a  
20           customer's supplier fails to provide service, the customer receives the standard

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<sup>4</sup> R.C. 4928.141 ("Beginning January 1, 2009, an electric distribution utility shall provide consumers, on a comparable and nondiscriminatory basis within its certified territory, a standard service offer of all competitive retail electric services necessary to maintain essential electric service to consumers, including a firm supply of electric generation service.").

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1 service offer as a default service from the electric distribution utility in that  
2 service territory. The distribution utility's obligation to stand ready to serve in the  
3 event of a supplier default has been characterized as a provider of last resort  
4 ("POLR").

5

6 ***Q17. MR. HESS RECOMMENDS A COST ALLOCATION METHODOLOGY TO***  
7 ***SHIFT ALL STANDARD SERVICE COSTS AWAY FROM THE SHOPPING***  
8 ***CUSTOMERS AND TO REASSIGN THEM TO ONLY THE NON-***  
9 ***SHOPPING CUSTOMERS. SHOULD THE PUCO ADOPT HIS***  
10 ***PROPOSAL?***

11 ***A17.*** No. All costs that Duke incurs to provide services to or on behalf of shopping and  
12 non-shopping customers are appropriately assigned to the distribution function of  
13 Duke.

14

15 Duke's competitively bid standard service offer is a benefit to both shopping and  
16 non-shopping customers. Non-shopping customers can receive electric service  
17 that is competitively bid (i.e., the standard service offer) without needing to  
18 engage in the time-consuming and sometimes confusing process of selecting an  
19 alternative supplier. Shopping customers can receive that same benefit when they  
20 consider other choices. And shopping customers benefit from the standard service  
21 offer because they have a safety net in case the supplier they have chosen  
22 defaults. The standard service offer also provides the benefit of a competitive

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1 price-to-compare that customers can use to evaluate marketer offers when  
2 deciding whether to shop for their generation. In other words, all customers  
3 (shoppers and non-shoppers) benefit from the standard service offer. As such, all  
4 customers should share in the costs of providing and administering the standard  
5 service offer.

6

7 **IV. CONCLUSION**

8

9 ***Q18. DOES THIS CONCLUDE YOUR TESTIMONY?***

10 ***A18.*** Yes. However, I reserve the right to incorporate new information that may  
11 subsequently become available. I also reserve the right to supplement my  
12 testimony if Duke, the PUCO Staff, or other parties submit new or corrected  
13 information in connection with this proceeding.

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Rebuttal Testimony of Wm. Ross Willis on behalf of the Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 30<sup>th</sup> day of July 2018.

/s/ William Michael

William Michael  
Assistant Consumers' Counsel

## **SERVICE LIST**

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***Testimony before The Public Utilities Commission of Ohio***

*Dayton Power & Light Company – Case No. 15-1830-EL-AIR*

*Commission Ordered Investigation (TCJA) – Case No. 18-47-AU-COI*

*Ohio Gas Company – Case No. 17-1139-GA-AIR*

*Aqua Ohio, Inc. – Case No. 16-907-WW-AIR*

*Globe Metallurgical, Inc. - Case No. 16-737-EL-AEC*

*Ohio Power Company - Case No. 13-2385-EL-SSO*

*Aqua Ohio, Inc. – Case No. 13-2124-WW-AIR*

*Camplands Water LLC. - Case No. 13-1690-WW-AIR*

*Duke Energy Ohio, Inc. - Case No. 12-1685-GA-AIR*

*Duke Energy Ohio, Inc. - Case No. 12-1682-EL-AIR*

*Ohio American Water Company - Case No. 11-4161-WS-AIR*

*Water and Sewer LLC. - Case No. 11-4509-ST-AIR*

*Aqua Ohio, Inc. - Case No. 09-1044-WW-AIR*

*Duke Energy Ohio, Inc. - Case No. 08-709-EL-AIR*

*Ohio Edison Company, The Cleveland Electric Illuminating Company  
And The Toledo Edison Company - Case No. 07-551-EL-AIR*

*Northeast Ohio Natural Gas Corp. - Case No. 03-2170-GA-AIR*

*Water and Sewer LLC. – Case No. 03-318-WS-AIR*

*Southeast Natural Gas Company – Case No. 01-140-GA-AEM*

*Masury Water Company - Case No. 00-713-WW-AIR*

*Akron Thermal, Limited Partnership - Case No. 00-2260-HT-AEM*

*GTE North, Inc. - Case No. 87-1307-TP-AIR*

*The Cleveland Electric Illuminating Company - Case No. 85-675-EL-AIR*

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**in**

**Case No(s). 17-0032-EL-AIR, 17-0033-EL-ATA, 17-0034-EL-AAM, 17-0872-EL-RDR, 17-0873-EL-ATA, 1**

Summary: Testimony Rebuttal Testimony of Wm. Ross Willis on Behalf of The Office of the Ohio Consumers' Counsel electronically filed by Ms. Jamie Williams on behalf of Michael, William Mr.