BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the)
Ohio Edison Company, The Cleveland)
Electric Illuminating Company, and The)
Toledo Edison Company, for Authority to)
Establish a Standard Service Offer)
Pursuant to R.C. § 4928.143 in the Form)
of an Electric Security Plan)

Case No. 08-0935-EL-SSO

2000 SEP 29 PM 4: 16

Direct Testimony of Teresa L. Ringenbach

On Behalf of Intervener
Integrys Energy Services, Inc.

Dated: September 29, 2008

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I.	INTRO	DUCTION

- 2 A. Identification of Witness
- 3 Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.
- 4 A. My name is Teresa Ringenbach. I am the Regulatory Affairs Analyst for the
- 5 Midwest for Integrys Energy Services, Inc ("Integrys Energy" or "Integrys"). My
- business address is 2000 Auburn Drive, Beachwood, OH 44122.

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Q. PLEASE DESCRIBE YOUR ENERGY BUSINESS BACKGROUND AND PERSONAL QUALIFICATIONS

I hold a Bachelor of Business Administration with a concentration in International

9 10 11

A.

- Business from the University of Toledo. I joined Integrys Energy Services, Inc.,
 formerly WPS Energy Services, Inc. in September 2001 as a Customer Service
 and Marketing Specialist. In 2002, I accepted the position of Account Manager-
- Inside Sales. In 2005, I accepted the position of Regulatory Specialist. In this
- position I was responsible for regulatory compliance and state registrations
- 17 throughout the United States. In 2006, I accepted the position of Regulatory
- 18 Affairs Analyst East covering New England, New York, New Jersey, Ohio and
- 19 Pennsylvania. In the spring of 2008, I accepted the Regulatory Affairs Analyst
- 20 position for the Midwest region covering Ohio, Michigan, Illinois, Indiana,
- 21 Kentucky and all of Canada. In this position I direct the regulatory and legislative
- 22 efforts in the Midwest to ensure Integry Energy's interests are protected.

23

Q. PLEASE DESCRIBE YOUR EXPERIENCE WITH THE INTRODUCTION OF ELECTRIC COMPETITION IN OHIO.

During the market development period established under Senate Bill 3, I was the Ohio Customer Service and Marketing Specialist. In that capacity, I was responsible for the administration and sales of electric government aggregation programs in Ohio. This role required an understanding of the electric government aggregation rules, an understanding of residential and small commercial pricing, coordination with FirstEnergy Supplier Support, PUCO staff, City governments, customer service and consumer education. I implemented the internal policies of Integrys Energy to ensure compliance with all rules and regulations. I also created a newsletter and reviewed call center scripts to ensure customers were educated and aware of the latest information affecting the programs. My role included drafting Plan of Operation and Governance plans, participation in public meetings, community events and charitable contributions in the communities we served. In addition, I acted as the liaison between our communities, pricing and legal for contract renewals and savings updates. My role grew to include participation and support for any company regulatory proceedings affecting our customers and providing the detailed information to support our regulatory efforts in Ohio.

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A.

Since 2001, I have assisted in the direction and technical support of Integrys Energy's regulatory efforts in Ohio. I have participated in the process by directing outside counsel in both gas and electric rulemaking proceedings, shopping credit cases, Rate Stabilization Plan ("RSP") cases, rate making and settlement discussions. Today, as the Regulatory Affairs Analyst, I am the lead

1		regulatory official for Integrys Energy throughout the Midwest in both the
2		legislative and Commission forums. In this role, I promote and coordinate
3		regulatory events that affect Integrys Energy's business internally with employees
4		and externally with state legislatures and public utility commissions.
5		
6 7		B. Purpose of Testimony
8 9	Q.	PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.
10	A.	The purpose of my testimony is to explain from the perspective of a competitive
11		retail electric supplier ("CRES") how the improper imposition of non-bypassable
12		charges affects: 1) the ability of CRES providers to make offers to customers; 2)
13		the ability of customers to obtain savings on the cost of generation; and 3) the
14		viability of a competitive market.
15		
16 17 18	Q.	DOES FIRSTENERGY PROPOSE TO IMPOSE NON-BYPASSABLE GENERATION-RELATED CHARGES ON CUSTOMERS THAT SEEK TO SELECT SERVICE FROM A CRES PROVIDER?
19 20	A.	Yes. All base rates and riders in the proposed tariffs are non-bypassable except
21		for Riders GEN, GPI, FTE, SBC, TAS, FCA, CCA, and DGC. My testimony will
22		address the six (6) non-bypassable generation-related charges which include
23		services customers receive from their CRES when they choose to shop.
24		
25 26 27 28 29	Q.	DO YOU HAVE ANY RECOMMENDATIONS REGARDING FIRSTENERGY'S PROPOSAL TO IMPOSE NON-BYPASSABLE GENERATION-RELATED CHARGES ON CUSTOMERS THAT SEEK TO SELECT SERVICE FROM A CRES PROVIDER?

1	Α.	Yes. The Commission should reject FirstEnergy's attempts to impose generation
2		service related costs onto consumers that do not purchase generation supply from
3		FirstEnergy. If the Commission fails to significantly alter FirstEnergy's proposal
4		in this regard, retail competition and Government Aggregation will likely come to
5		an end in Ohio.
6 7 8	II.	THE IMPOSITION OF NON-BYPASSABLE GENERATION-RELATED CHARGES WILL STYMIE COMPETITION ONCE AGAIN
9 10 11 12	Q.	PLEASE DESCRIBE WHAT YOU MEAN BY THE TERM "NON-BYPASSABLE CHARGE".
13	A.	A non-bypassable charge is a fee the customer is charged regardless of whether
14		they receive service from a CRES or the utility.
15		
16 17	Q.	SHOULD ALL CHARGES BE BYPASSABLE WHEN A CUSTOMER TAKES SERVICE FROM A CRES PROVIDER?
18 19	A.	No, only those costs associated with the service they receive from a CRES should
20		be bypassable. This allows customers to avoid paying the utility for services they
21		do not receive. Services which are distribution related or non-supply related
22		charges should continue to be paid by all customers regardless of shopping status
23		Customers should only pay for the costs they cause from the services that they
24		purchase.
25		
26 27 28 29	Q.	HOW DO NON-BYPASSABLE CHARGES POTENTIALLY COST CUSTOMERS MORE WHEN THEIR CRES SUPPLY OFFER IS LOWER THAN THE UTILITY STANDARD SERVICE OFFER ("SSO") SUPPLY?

It is fairly simple. When a customer takes supply from a CRES they are receiving all of their generation service from that company. They are no longer taking generation service from the utility. If a shopping customer is forced to continue to pay the utility for some portion of generation supply related charges plus pay their CRES for the same service they are effectively paying more for generation than had they not switched.

A.

For Example: A customer who is paying 8 cents to the utility for generation service may find a CRES offer for 7 cents and believe they are saving money. The generation supply services offered are exactly the same; however, the customer is only allowed to avoid 6 cents of the utility service. Not only is the customer now paying 2 cents to the utility for a service they are receiving no benefit from, but by switching they are paying 7 cents for generation supply to the CRES. The customer is now paying 9 cents for supply -- a penny more than had they not switched, even though they have bought lower cost generation.

Q. WHAT IS THE EFFECT ON THE COMPETITIVE MARKET WHEN SHOPPING CUSTOMERS HAVE TO PAY THE UTILITY FOR GENERATION SERVICES THEY DO NOT RECEIVE?

A.

Making shopping customers pay the utility for generation service they do not receive has the potential to destroy the competitive market, and in fact was a major contributing feature in the collapse of governmental aggregation programs at the end of 2005. These programs served roughly half the residential and small

1		commercial market during the market development period but collapsed when
2		FirstEnergy received authorization for its RSP.
3		
4 5 6 7	Q.	DID INTEGRYS ENERGY SERVE OHIO GOVERNMENT AGGREGATION PROGRAMS DURING THE MARKET DEVELOPMENT PERIOD?
8	A.	Yes. From 2001 through 2005, Integrys Energy served three government electric
9		aggregation programs: The City of Cleveland's Program, The City of Euclid's
10		Program, and six communities in the Northwest Ohio Aggregation Coalition.
11		
12 13 14 15	Q.	DID INTEGRYS ENERGY CONTINUE TO SERVE GOVERNMENT AGGREGATION PROGRAMS AFTER DECEMBER 31, 2005 DURING THE RSP PERIOD?
16	Α.	No. One of the conditions of the RSPs that took effect after December 31, 2005
17		was that communities had to provide notice to FirstEnergy that they were going to
18		shop by a certain date. While Integrys Energy had agreements with three
19		communities to serve their programs during the RSP period, it was contingent on
20		necessary regulatory and market conditions. However, due to the regulatory
21		changes imposed by the Commission under the RSPs, we could no longer provide
22		savings and therefore notified the communities that the programs would end
23		effective December 31, 2005.
24		
25 26 27 28	Q.	PLEASE DESCRIBE THE REGULATORY CHANGES WHICH CAUSED INTEGRYS ENERGY TO TERMINATE ITS GOVERNMENT AGGREGATION PROGRAMS IN OHIO.

The improper imposition of non-bypassable generation-related charges put an end to the government aggregation programs. Under the RSPs, the Commission allowed FirstEnergy to cap the credit a customer receives when they shop. This meant that no matter what a customer's true generation charge from the utility was they would only avoid up to the cap. In addition, under FirstEnergy's Rate Certainty Plan, the Commission authorized FirstEnergy to impose fuel deferral charges upon all customers regardless of whether they used the fuel or took generation service from FirstEnergy. These non-bypassable charges had the effect of forcing customers who shopped to pay both the utility and their supplier for the same supply related charges and ultimately paying more for their supply through deferrals and carrying charges. Suppliers were forced to compete against price to compares which were lower than what the customer was actually paying the utility for their commodity service.

Q. WHY IS THE HISTORY ASSOCIATED WITH THE RSP AND RATE CERTAINTY PLAN RELEVANT TO THIS PROCEEDING?

A.

It is relevant as FirstEnergy has once again proposed to impose a number of nonbypassable generation-related charges upon customers regardless of whether they purchase the SSO from FirstEnergy.

22 III. <u>CUSTOMERS SHOULD ONLY PAY FOR THE SERVICES THEY USE</u>

Q. WHICH NON-BYPASSABLE /NON-VOLUNTARY CHARGES IN THE
ESP WOULD FORCE A SHOPPING CUSTOMER TO PAY THE
UTILITY FOR A SERVICE THEY ARE TAKING FROM A CRES?

2	A.	FirstEnergy proposes to impose the following as non-bypassable generation-
3		related charges. These charges are for services the customer also receives from
4		their CRES and therefore should not be required to pay to the utility:
5		The Minimum Default Service Charge (MDS);
6		Deferred Generation Cost Recovery Rider (DGC);
7		Non-distribution Service Uncollectible Rider;
8		Regulatory Transition Charge (RTC);
9		Deferred Fuel Charge (DFC); and
10		Deferred Transmission Charge (DTC).
11		
12	Q.	WILL YOUR TESTIMONY ADDRESS EACH OF THESE CHARGES?
13	A.	No. I will not be addressing the RTC, which FirstEnergy is waiving or the DTC
14		which was previously approved in a separate proceeding.
15		
16 17	Q.	WHAT IS THE PURPOSE OF IMPOSING A MINIMUM DEFAULT SERVICE CHARGE AND/OR THE STANDBY CHARGE?
18 19	A.	In some states, the provider of last resort service ("POLR") is allowed to charge a
20		modest POLR fee to cover the cost of obtaining generation to sell to customers
21		who have shopped and now wish to return to the default generation service. The
22		POLR fee does not include the cost of generation; it is just a fee to cover the cost
23		of accepting the customer back. FirstEnergy is claiming that it needs the MDS
24		rider to compensate it for the right to accept the customer back and the SBC in
25		order to quarantee the SSO rate when the customer returns

Q. HOW ARE THE PROPOSED SBC AND MDS RIDERS DESIGNED TO OPERATE?

A.

Under the SBC, if a customer agrees to come back at market pricing rather than the SSO rate they can avoid the SBC. FirstEnergy is made whole because they or their affiliated supplier can sell the capacity and its associated energy in the market. If the customer wishes to reserve the right to return at the SSO rate, the SBC permits that but at a high price -- 1.5 cents per kWh in 2009, 2 cents per kWh in 2010, and 2.5 cents per kWh in 2012. A customer that returns in violation of its pledge is charged a penalty rate of 160% times the current market prices.

The minimum default service is a misnomer, for it does not appear to be a discreet service at all, just compensation for FirstEnergy to stand ready to sell generation at 160% times the current market prices. FirstEnergy has provided no Direct Prepared testimony or work papers which itemized the costs to justify the penny per kWh fee.

Q. IS IT FAIR AND REASONABLE TO CHARGE 1 CENT PER KILOWATT HOUR FOR THE RIGHT TO RETURN TO SSO SERVICE AT 160% OF MARKET RATES?

A.

No, there is no reason to believe that with the right to charge the SBC or if a customer returns at 160% times the current market prices, FirstEnergy has any commercial risk or lost opportunities. Further, it must be stressed that FirstEnergy is asking for the right to charge a penny a kWh just for the contingent cost of having to schedule generation. Further, even if FirstEnergy does have to schedule

generation, the SBC charge or the margin of 160% times current market prices should make FirstEnergy more than whole for the administrative costs associated with arranging for electric power and energy for these returning customers.

4

5 Q. WHAT WOULD BE A REASONABLE POLR CHARGE?

The customer should only pay for the services they take from FirstEnergy.

Customers who agree to return at market prices should not pay for electric

generation that they are not using. Any charges imposed for standby service

should be the true cost that FirstEnergy incurs for providing that service.

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Q. IS CHARGING A DEFERRED GENERATION COST RECOVERY RIDER TO SHOPPING CUSTOMERS EQUITABLE?

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14 A. Customers who shop are no longer taking generation service from No. 15 FirstEnergy. By charging those shopping customers the Deferred Generation 16 Charges proposed in the Application, today's shopping customers will be paying 17 the generation costs for a service they did not use, plus carrying costs. Shopping 18 customers should have the option of not being charged the Deferred Generation 19 Charge, or getting a credit equal to the deferral and paying the Deferred 20 Generation Charge. Charging shopping customers for generation they did not 21 take is inequitable.

22

Q. WHY SHOULD THE NON-DISTRIBUTION SERVICE
UNCOLLECTIBLE RIDER BE BYPASSABLE FOR CUSTOMERS THAT
SWITCH TO A CRES PROVIDER?

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A. It is a simple issue of fairness and proper ratemaking. CRES providers serving customers within the FirstEnergy service territory take on the risk of non-payment for generation service; not FirstEnergy. When a customer switches to a CRES provider, they should not have to pay the utility for the risk of non-payment on non-distribution charges if they are taking those services from a CRES. In addition, FirstEnergy does not currently offer a purchase of receivables ("POR") program to CRES providers so CRES customers subject to this non-bypassable rider in effect pay for the bad debt of CRES service and then also have to pay the bad debt for SSO service they do not receive.

Q. DO YOU HAVE ANY RECOMMENDATIONS FOR A MORE APPROPRIATE SOLUTION TO THE RISK OF NON-PAYMENT OF NON-DISTRIBUTION CHARGES?

A.

Yes. If FirstEnergy insists on imposing this rider as a non-bypassable charge, FirstEnergy should be required to provide a POR program for CRES providers with a 0% discount rate similar to what is being done today in the Ohio natural gas industry.

Q. IF FIRSTENERGY IS UNWILLING TO OFFER A POR PROGRAM FOR CRES PROVIDERS WITH A 0% DISCOUNT RATE, DO YOU HAVE ANY OTHER RECOMMENDATION?

A. Yes. The Commission should order FirstEnergy to make the non-distribution uncollectible rider bypassable for customers that take service from a CRES provider, as FirstEnergy will not incur any uncollectible costs associated with non-distribution service.

2 Q. PLEASE EXPLAIN WHY THE DEFERRED FUEL COST RECOVERY CHARGES SHOULD BE AVOIDABLE.

A.

The monies for the Deferred Fuel Charge are not for expenses or costs due for ESP service. The monies to be collected are for generation fuel expenses for 2006 and 2007 that the Supreme Court in the *Elyria Foundry* case ruled could not be part of a distribution charge. All FirstEnergy has done in this ESP application is rename the collection rider a generation charge, but they seek to apply it to customers who do not take generation. The proposal violates the spirit if not the language of the *Elyria Foundry* decision. Furthermore, this very issue is a pending matter now in Case No. 08-124-EL-UNC. That is an active case and is the proper forum for this matter. The Commission should remove this issue from the ESP proceeding.

IV. <u>CONCLUSION</u>

17 Q. PLEASE SUMMARIZE WHY THE COMMISSION SHOULD CONSIDER
18 THE EFFECTS ON ESP PRICING WHICH INCLUDES NON19 BYPASSABLE GENERATION RELATED CHARGES ON SHOPPING
20 CUSTOMERS.

A.

When reviewing the benefits of the ESP, the Commission must include in their analysis the fact that S.B. 221 retained the right of customers to select someone other than the utility for their electricity. The Commission must consider the economic reality for customer choice and customer switching when evaluating FirstEnergy's ESP pricing.

Customers who shop with a CRES provider have a variety of products to choose from including the ability to fix a rate at any point in the market. The imposition of non-bypassable charges become a detriment to the ability of customers to shop — especially when market prices are competitive with or below the utility SSO price. At that point, the benefits of paying a lower price for generation outweigh any benefit of deferrals which may artificially lower prices in the short term but cost more in the long term. As I explained earlier, the imposition of a number of inappropriate non-bypassable charges only benefits FirstEnergy, to the detriment of customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12 A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 29th day of September, 2008 by regular U.S. mail, postage prepaid, or by electronic mail, upon the persons listed below.

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