

**STATE OF OHIO**  
**PUBLIC UTILITIES COMMISSION**

**In the Matter of the Application of 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. 10-388-EL-SSO**

**DIRECT TESTIMONY**  
**OF**  
**BRUCE CAMPBELL**

**ON BEHALF OF CPOWER, INC., VIRIDITY ENERGY, INC., ENERGYCONNECT,  
INC., COMVERGE INC., ENERWISE GLOBAL TECHNOLOGIES, INC., AND  
ENERGY CURTAILMENT SPECIALISTS, INC.**

**April 13, 2010**

## I. INTRODUCTION

**Q: Please state your name and business address.**

**A:** My name is Bruce Campbell. My business address is 901 Campisi Way, Suite 260, Campbell, CA 95008.

**Q: What is your occupation and by whom are you employed?**

**A:** I am employed as Director, PJM Regulatory Affairs, by EnergyConnect, Inc.

**Q: Please state your educational background.**

**A:** I hold a Bachelor of Science in Mechanical Engineering from Bucknell University in Lewisburg, PA.

**Q: Please describe your professional qualifications and experience.**

**A:** I am currently employed as Director of PJM Regulatory Affairs, by EnergyConnect, Inc., which delivers Demand Response technologies and services to commercial, educational, municipal and industrial consumers. I have over 34 years of experience in the electricity industry. Since 1995, I have been dedicated to the development of wholesale energy markets and Regional Transmission Organizations in the electric industry. I have worked to develop market rules for wholesale markets in the United States with a primary focus on PJM. I have led development of market designs for Ancillary Services, and development of rules for Demand Response participation in wholesale markets. From 1995 through 2000, I served as Regulatory Consultant at Potomac Electric Power Company (PEPCO), and developed strategies for transition to competitive markets for PEPCO. Thereafter, until October 2007, I served as Senior Manager of Regulatory Affairs with Mirant Corporation. Previously to 1995, I had worked for 20 years as an engineer and manager in Pepco's generating plants, culminating as Plant Manager of Pepco's Benning Generating Station in Washington, DC.

1   **Q:    Have you previously testified in proceedings before the Ohio Commission?**

2   **A:**    I have not.

3   **Q:    On whose behalf are you testifying in this proceeding?**

4   **A:**    I am testifying on behalf of EnergyConnect, Inc., CPower, Inc., Viridity Energy, Inc.,  
5           Comverge Inc., Enerwise Global Technologies, Inc., and Energy Curtailment Specialists, Inc.  
6           (together, “Demand Response Coalition”). Each member of the Demand Response Coalition  
7           is an active curtailment service provider (“CSP”) in PJM, the regional transmission provider  
8           that the FE companies will join effective June 1, 2011. Each provides demand response  
9           services under the provisions of the PJM tariff.

10  **Q:    What is the purpose of your testimony?**

11  **A:**    I will propose an administratively simple process to insure that the Ohio Edison Company,  
12           The Cleveland Electric Illuminating Company, and The Toledo Edison Company  
13           (collectively, the “FE Companies”) receive credit toward satisfaction of their 4901:1-39-5.G  
14           reduction targets for reductions committed to the Companies by Curtailment Service  
15           Providers and comment on changes that need to be made to Tariffs ELR and OLR.

16

17                           **II.     Robust Demand Response Benefits the Public**

18  **Q:    Is greater demand response participation in the public interest?**

19  **A:**    Yes. Demand Response enables customers to reduce their use of electricity in response to  
20           economic signals from wholesale electricity markets, in response to signals from the operator  
21           of the transmission grid to preserve reliability, or in response to dynamic retail prices. Such  
22           reductions in usage will help reduce energy prices for all customers, for several reasons.  
23           Reductions in use during higher priced periods can reduce wholesale prices and costs

1 associated with retail supplies. Retail customer commitments to reduce demand for  
2 reliability can defer or reduce the need for new generating capacity and expanded  
3 transmission infrastructure.

4  
5 Public policy at both the federal and state level has recognized the contribution to the public  
6 interest that demand response can make. For example, in implementing various provisions of  
7 the Federal Power Act, the Federal Energy Regulatory Commission (FERC) has recognized  
8 the important role that demand response can play in ensuring the competitiveness of the  
9 Regional Transmission Operator (RTO) organized markets and the reliability of grid  
10 operations. As FERC stated in Order No. 719, “[d]emand response can provide competitive  
11 pressure to reduce wholesale power prices; increases awareness of energy usage; provides for  
12 more efficient operation of markets; mitigates market power; enhances reliability; and in  
13 combination with certain new technologies, can support the use of renewable energy  
14 resources, distributed generation, and advanced metering.” (*Wholesale Competition in*  
15 *Regions with Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64,100 (Oct. 28,  
16 2008), FERC Stats. & Regs. ¶ 31,281, at P 16 (2008), *order on reh’g*, Order No. 719-A, 128  
17 FERC ¶ 61,059 (2009).

18  
19 Moreover, at least ten states have issued comprehensive long-term energy plans or passed  
20 legislation or regulations that will enable increased deployment of advanced metering  
21 infrastructure or demand response: California, Hawaii, Kentucky, Massachusetts, Michigan,  
22 Nebraska, New Jersey, Ohio (Am. SB 221), Pennsylvania, and Vermont. (Assessment of  
23 Demand Response and Advanced Metering, FERC Staff Report Sept. 2009).

24 **Q: Describe how Curtailment Service Providers (CSPs) benefit consumers.**

1    **A:**     CSPs benefit their own customers directly, and provide benefits indirectly to electricity  
2           consumers who are not providing demand response. CSP customers can save on their  
3           electricity costs and also can share in revenues from the wholesale electricity markets. Other  
4           electricity consumers benefit from the reductions in wholesale electricity prices and  
5           reductions in costs associated with retail supplies.

6  
7           By providing services and equipment that can help customers reduce their use of electricity  
8           in response to the conditions described above, and by aggregating customers, CSPs facilitate  
9           larger reductions in load. CSPs do so while investing time, effort, and money to recruit  
10          customers, to analyze customers' potential for demand response, to install equipment to  
11          communicate signals to the customer and accomplish the reductions in usage, and to provide  
12          customer service. Unlike an electric distribution utility, CSPs make these investments  
13          without having consumers generally fund a guaranteed return of the investments or on the  
14          investments.

15  
16          Moreover, as competitive providers, CSPs have developed specialized knowledge of  
17          customers' behind-the-meter energy consumption. CSPs have developed specific expertise in  
18          particular industries and an understanding of the load shapes, supply arrangements, and  
19          degrees of flexibility in usage patterns for those industries. That expertise and understanding  
20          enables CSPs to develop demand response solutions that are better tailored to a particular  
21          customer's unique circumstances.

22  
23    **Q:**     **Please summarize your opinion of the FE Companies' proposal.**

24    **A:**     The FE Companies' applications include revisions to their Optional Load Response (OLR)

1 Riders, their Economic Load Response (ELR) Riders, and the related Demand Side  
2 Management and Energy Efficiency (DSE) Riders. I support the goals that these Riders are  
3 intended to meet, but believe that the Riders as filed can be modified to achieve the desired  
4 energy efficiency and peak demand goals with greater economic efficiency and less cost to  
5 non-participating customers. In addition, simple modifications can be made that will  
6 encourage more mercantile activity in support of Ohio energy efficiency goals without cost  
7 to non-participating customers.  
8

9 **Q: How do the services that CSPs provide differ from what the FE Companies proposed?**

10 **A:** CSPs provide services substantially equivalent to those proposed in Riders OLR and ELR.  
11 However, when CSPs provide these services, other consumers who are not participating in  
12 demand response programs do not incur charges such as those proposed for recovery in Rider  
13 DSE. Because CSPs provide their services in competitive markets, they compete to provide  
14 these services; customers can select the provider that best meets the customer's needs and  
15 that maximizes the customer's financial benefits. In contrast, the OLR and ELR Riders lock  
16 customers into the FE service and locks all other customers into paying for the high cost of  
17 the service through the DSE Rider, regardless of FE's efficiency in managing and providing  
18 the service.  
19

20 **Q: Please describe your proposed process for end-use customers providing demand**  
21 **response in a FERC-approved RTO program.**

22 **A:** I propose that the Commission use a simplified process to accept an end-use customer's  
23 demand response activity pursuant to an approved RTO program, either directly or through a  
24 CSP, as counting toward meeting the requirements of O.R.C. 4928.66.

1  
2 The Commission's rules at O.A.C. 4901:1-39-05(E) specifically authorize an electric utility  
3 to satisfy its peak-demand reduction benchmarks through programs implemented on  
4 mercantile customer sites where the mercantile program is committed to the electric utility.  
5 A peak-demand reduction program implemented on these sites, which meets the  
6 requirements to be counted as a capacity resource under a FERC-approved RTO tariff, can  
7 count toward satisfying the benchmark. In other words, the Commission's rules allow the  
8 utility to rely on an RTO peak-demand reduction, and do not require the utility to create its  
9 own equivalent program.

10  
11 The Commission's rules at O.A.C. 4901:1-39-05(G), regarding the mercantile customer's  
12 commitment of its demand reduction or demand response to the utility, include provisions  
13 that correspond to requirements of RTO programs. The Commission's rules and the RTO  
14 programs provide for coordination with the utility, measurement and verification, and  
15 consequences for noncompliance.

16  
17 The Commission's rules list the requirements for the mercantile customer's application to  
18 commit its demand reduction or demand response programs to the utility. Much depends on  
19 how the Commission interprets the application requirements. If the interpretation requires a  
20 costly and complex application, it will create an administrative barrier to demand response  
21 participation in state mandated energy efficiency and peak reduction goals via competitive  
22 CSPs using the exact same RTO program that is already approved for the utility. Such a  
23 barrier can result in lost opportunities to meet the Commission's goals for demand response,  
24 demand reductions, and energy efficiency.

1  
2 Alternatively, the Commission can interpret its rules to minimize the complexity and cost of  
3 preparing and submitting the application. Specifically, the Commission can allow mercantile  
4 demand response programs through CSPs to be committed to the Companies by means of a  
5 letter or simple form describing the quantity of committed reductions and the RTO program  
6 involved. This could be as simple as a check off on FE's proposed "Standard Application  
7 Form" If needed, the RTO can provide such verification as the Commission may require.  
8

9 **Q: Are any processes beyond the commitment letter you noted needed?**

10 **A:** No. The reasons which led the Legislature to adopt reduction targets are equally applicable  
11 to utility provided reductions and CSP provided reductions. There is no reason to make the  
12 process cumbersome in the latter case, particularly since a third party, the RTO, is available  
13 to verify the claimed commitments.  
14

15 **Q: Will the FE Companies' charges under Rider DSE discourage customers from**  
16 **participating in RTO demand response programs?**

17 **A:** Yes. Customers participating in the FE Companies' programs can avoid paying charges  
18 assessed under Rider DSE, while customers participating in RTO programs cannot avoid  
19 these charges. This is true of mercantile customers that implement self-directed demand  
20 response programs directly with the RTO, and mercantile customers that participate in such  
21 programs through a CSP.  
22

23 Requiring the participants in RTO programs to pay these charges contradicts O.R.C. 4928.66.

24 The law allows mercantile customers that commit their demand response for integration into



1 the utility programs to be exempt from the cost recovery mechanism and peak demand  
2 reduction programs, “if the commission determines that that exemption reasonably  
3 encourages such customers to commit those capabilities to those programs.” The  
4 Commission’s rules specify that these customers can commit their demand response under  
5 the RTO programs and under the utility’s programs. By exempting only the participants in  
6 the utility programs and charging the participants in the RTO programs, the FE Companies’  
7 proposal cannot be found to comply with the law and regulations. The proposal is certainly  
8 inconsistent with the intent of the legislation – to facilitate reductions in consumption. In  
9 addition, the Tariffs should make the process of committing energy reduction plans to utility  
10 programs simple and straight-forward.

11  
12 The difference in treatment of the two sets of customers is especially egregious when the  
13 requirements for demand response in the FE Companies’ ELR and OLR programs are  
14 virtually identical to the requirements of PJM’s Reliability Pricing Model (“RPM”). The  
15 absence of any justification for the difference is even stronger when the utilities can count  
16 demand response toward satisfying their benchmarks whether it comes from customers  
17 participating in the FE Companies’ programs, or from customers participating in RPM.

18  
19 **Q: How can the FE Companies’ Rider DSE charges be revised to avoid discouraging**  
20 **customers from participating in RTO programs?**

21 **A:** The FE Companies propose DSE1 charges so that they can recover costs they incur  
22 associated with customers taking service under the OLR and ELR Riders. FE proposes that  
23 DSE1 charges be avoidable by OLR and ELR customers.

1 DSE2 charges are those associated with compliance with the energy efficiency and demand  
2 reduction provisions or Section 4928.66, including self directed programs. FE proposes that  
3 DSE2 charges may be avoidable by customers that, among other provisions, identify the  
4 programs or investments made in support of Section 4928.66.

5  
6 Customers that participate in PJM RPM programs should be able to avoid DSE1 Charges  
7 associated with the OLR and ELR Riders. The PJM programs and the OLR and ELR  
8 provisions are essentially the same. Customers participating in the PJM programs should be  
9 eligible for the same exemption from DSE charges, and should be able to obtain that  
10 exemption by submitting the simplified “Standard Application Form.” In addition, to the  
11 extent that OLR and ELR customers are also exempt from DSE2 charges, submittal of the  
12 “Standard Application Form” should also be sufficient for PJM program customers to obtain  
13 an exemption from DSE2 charges.

14  
15 **Q: Does the FE Companies’ proposed compensation under Rider OLR discourage**  
16 **customers from participating in RTO programs?**

17 **A:** Yes. The FE Companies propose compensation under Rider OLR of \$1.95 per kilowatt-  
18 month (kWmo). This figure is approximately the same as the average clearing price for the  
19 two years of supply cleared in the Fixed Resource Requirement (“FRR”) auction in RPM.<sup>1</sup>  
20 The establishment of this fixed rate will hinder the ability of CSPs to contribute to meeting  
21 Ohio’s peak reduction goals.

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1 The FRR clearing price for 2011-12 was \$108.89/MWday. The price for 2012-13 was \$20.46/MWday. The average is \$64.68/MWday or \$1.97/kWmo

1  
2 It is useful to consider each delivery year of the effective term separately. For the 2011-12  
3 delivery year, the OLR rate is less than the relevant clearing price in PJM's FRR Auction  
4 (about \$3.31/kWmo). As a result, the compensation under OLR will not discourage  
5 customers from participating in RPM through a CSP. In contrast, for the 2012-13 delivery  
6 year, the OLR rate is greater than the relevant clearing price in PJM (about \$0.50/kWmo).  
7 This means that customers will flock to the OLR Rider because of its high compensation  
8 relative to market prices in RPM; in other words, the FE Companies will collect money from  
9 their ratepayers and use it to pay higher-than-market prices in order to outbid CSPs for  
10 customers. Similar concerns exist for ELR customers. This is not a good result for non-  
11 participating customers.

12  
13 FE customers can participate in Incremental Auctions for delivery of capacity to meet PJM  
14 reliability needs beginning with the 2011-12 delivery year. The clearing prices for the  
15 Incremental Auctions are not known in advance. They could be higher or lower than the  
16 FRR auction prices. For Incremental Auctions, Rider OLR in essence provides FE with the  
17 ability to compete in the PJM capacity market using resources backed by the OLR rate. FE  
18 can simply offer to sell any participating OLR customers into the auction at a zero price. If  
19 the price clears at a level less than the OLR rate, FE is guaranteed to recover any funds for  
20 payment of the OLR rate through the DSE. But the effect of such an offer is to cause non-  
21 participants subject to the DSE to pay for lower capacity prices for out of state customers. If  
22 the clearing price is greater than the OLR rate, FE could use the added revenue to offset  
23 DSE-related costs – but FE has not said that it will do this.

1 The OLR Rider therefore sidesteps available competitive processes. It will lead to inefficient  
2 and costly added expenses for Ohio customers generally and for payers of the DES rider  
3 particularly. For much the same reasons that the Commission prohibits regulated utilities  
4 from competing to provide retail customers with competitive electric energy services, the  
5 Commission should also prohibit the FE Companies from using monies collected from  
6 ratepayers to compete to offer competitive capacity market services.

7  
8 **Q: Considering the competitive issues described above, and the upcoming integration of**  
9 **the FE Companies into PJM, how should Rider OLR be revised?**

10 **A:** The FE Companies are scheduled to become part of the PJM regional transmission  
11 organization in June 2011. In order to satisfy PJM reliability criteria, FE asked PJM to  
12 conduct an FRR auction on its behalf in March 2010 to meet obligations for June 2011-May  
13 2013, since these obligations had already been largely satisfied for the existing PJM  
14 footprint. While the auction was open to all qualified participants, CSPs believe that the vast  
15 majority of resources were provided by FE affiliate First Energy Solutions with a substantial  
16 demand response contribution from within FE. CSPs have the understanding that FE has  
17 committed to provide substantial DR resources to meet reliability obligations in PJM for the  
18 June 2011 through May 2013 period. We have no way of knowing if all the committed  
19 obligations have underlying ELR or OLR rider commitments associated with them at this  
20 time. In addition, the proposed ELR and OLR Rider expiration date of May 31, 2014 leads  
21 to the inescapable conclusion that FE anticipates making similar offers of DR resources into  
22 the PJM 2013-14 BRA auction scheduled to take place in May 2010.

23  
24 Recognizing that events have evolved quickly with the integration of FE into PJM, I

1 recommend that the following modifications be made to the OLR Rider:

- 2  
3 1. FE should be allowed to honor any commitments by customers to participate in OLR and  
4 ELR Riders up to May 1, 2010. No new customers should be permitted after that date. This  
5 prohibition should be irrespective of the delivery year.
- 6 2. To the extent that FE relied on the OLR and ELR Rider provisions to meet cleared offers in  
7 the FRR auction or the 2013-14 BRA that are not yet fulfilled by committed OLR and ELR  
8 customers, FE should be permitted to procure DR customers in bilateral markets, a  
9 competitive procurement process or through Incremental Auctions. Additional direct  
10 additions to the OLR Rider should be prohibited. FE should be directed to meet any  
11 prospective shortfalls through competitive processes. The cost to fulfill unmet obligations  
12 can be included in DSE charges if the Commission chooses to allow this.
- 13 3. The proposed Rider requires customers to provide 36 months notice of termination.  
14 Customers should be permitted to provide termination notice 7 months prior to any delivery  
15 year. FE can seek to replace departing customers in bilateral markets or through competitive  
16 procurement processes. Furthermore, all commitments should be considered terminated as of  
17 the proposed Rider Expiration date of May 31, 2014 without the need for notice.
- 18 4. If the Commission is concerned that Ohio's Energy Efficiency and Peak Demand Reduction  
19 goals may be unmet without compensation beyond market prices, I recommend that market  
20 based methods of enhancing participation be considered. For example, Pennsylvania has  
21 required utilities to competitively procure services to increase energy efficiency and reduce  
22 peak demand. New Jersey has coordinated with PJM to provide supplemental Capacity  
23 payments for new increments of Demand Response Capacity Resources. Similar methods  
24 may be suitable for Ohio.

1 I note that Ken Schisler of EnerNOC has proposed elimination of any extension of the ELR  
2 and OLR Riders. I support that option as well. There is sufficient time to develop an  
3 orderly treatment for any commitments made in the stipulation.

4

5 **Q: Does this conclude your testimony?**

6 **A:** Yes.

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Summary: Testimony electronically filed by Mr. Samuel A. Wolfe on behalf of Viridity Energy, Inc. and CPower, Inc. and EnergyConnect, Inc. and Converge, Inc. and Enerwise Global Technologies, Inc. and Energy Curtailment Specialists, Inc.