

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Commission Review of)
The Capacity Charges of Ohio Power) Case No. 10-2929-EL-UNC
Company and Columbus Southern Power)
Company.)

PUCO

**DIRECT TESTIMONY OF WHIRLPOOL CORPORATION ON BEHALF OF
THE OHIO MANUFACTURERS' ASSOCIATION**

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**On behalf of The Ohio Manufacturers'
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PUBLIC VERSION

1 I. INTRODUCTION

2 Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A1. My name is John P. Siefker. My business address is 4901 North Main Street,
4 Findlay, Ohio 45840-8847.

5 Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

6 A2. I am employed by Whirlpool Corporation ("Whirlpool") as Manager of Facilities
7 and Facilities Engineering.

8 Q3. ON WHOSE BEHALF ARE YOU OFFERING TESTIMONY?

9 A3. I am testifying on behalf of the Ohio Manufacturers' Association ("OMA") as a
10 result of our significant interest in issues that affect the price and availability of
11 electricity for our facilities in Ohio.

12 Q4. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

13 A4. I have been employed by Whirlpool as the person responsible for maintenance
14 and tooling support of the production equipment, facility maintenance
15 management, and energy/utility cost management for the Findlay Division. I
16 have been employed by Whirlpool since August 5, 1985, and have over 35 years
17 experience in various positions involving some or all of these functions, in
18 corporations related to the manufacturing industry.

19 Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES
20 COMMISSION OF OHIO ("COMMISSION")?

21 A5. No.

1 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 **A6.** The purpose of my testimony is to discuss the impact that a \$355 per megawatt-
3 day ("MW-day") price for capacity will have on my business. Specifically, my
4 testimony describes Whirlpool's impact on the State and local economy, the
5 estimated impact on Whirlpool's electricity rate, how Whirlpool will likely have to
6 respond, and Whirlpool's ability to proactively mitigate the impact of the
7 \$355/MW-day capacity cost.

8 **Q7. DO YOU HOLD YOURSELF OUT AS OR CONSIDER YOURSELF AN**
9 **EXPERT ON ELECTRICITY PRICING?**

10 **A7.** No. I am simply describing the anticipated impact on my company of AEP-
11 Ohio's request for the Commission to modify the state capacity compensation
12 mechanism to a cost-based formula rate that results in capacity costs to
13 competitive suppliers at a rate of \$355/MW-day.

14 **II. CUSTOMER INFORMATION**

15 **Q8. PLEASE DESCRIBE YOUR COMPANY'S OHIO LOCATIONS AND THE**
16 **NUMBER OF EMPLOYEES AT THOSE OHIO FACILITIES)?**

17 **A8.** Whirlpool has manufacturing plants in five Ohio communities (Clyde, Findlay,
18 Greenville, Marion and Ottawa) with a combined total of approximately 10,000
19 employees.

20 **Q9. WHAT BENEFITS DOES YOUR COMPANY PROVIDE TO OHIO?**

21 **A9.** Whirlpool's Ohio facilities support an annual payroll of more than \$■ million
22 and spend millions of dollars annually on state and local taxes. Whirlpool also

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1 strives to purchase goods and services from local and Ohio businesses and
2 does so in excess of \$[REDACTED] million per year. Whirlpool has recently made major
3 capital investments in its Ohio operations, including nearly \$[REDACTED] million to
4 modernize its Clyde, Ohio operations and introduce new product platforms. In
5 addition, Whirlpool has recently launched production of freezers and trash
6 compactors at a former W.C. Wood manufacturing facility in Ottawa, Ohio, and
7 hand mixers at a facility in Greenville, Ohio. As one of the largest Ohio
8 manufacturers, Whirlpool has been a good and long time corporate citizen that
9 strives to provide high quality products and services and high quality
10 manufacturing employment in Ohio.

11 **Q10. PLEASE DESCRIBE THE IMPACT OF AEP-OHIO'S PROPOSAL ON**
12 **COMPANY.**

13 **A10.** Electricity is a significant cost for Whirlpool. While we have not shopped our
14 electric rate at this time, I understand that under AEP-Ohio's proposal, if we
15 shop, our competitive supplier will be compelled to pay a \$355/MW-day capacity
16 charge, which is significantly above market rates. This above-market rate will be
17 passed on to us. For the Whirlpool Findlay Division, the difference between the
18 market prices for capacity and AEP-Ohio's proposed \$355/MW-day is
19 approximately \$3.4 million over the next three years.

20 This will have a significant impact on the Whirlpool Findlay Division. Specifically,
21 the inability to proactively manage our electricity costs creates operational strain
22 on Whirlpool as we typically cannot recover these costs in our product sales.

1 This operational strain results in reduced competitiveness for our operations in
2 Ohio.

3 **Q11. WHAT STEPS HAS WHIRLPOOL TAKEN TO TRY TO MANAGE THE RISKS**
4 **OF ELECTRICITY PRICING VOLATILITY?**

5 **A11.** Whirlpool has engaged in negotiations with several competitive suppliers in an
6 attempt to shop the generation portion of our electric service in an effort to
7 proactively manage the risks. However, the uncertainty created by AEP-Ohio's
8 various proposals, including the current two-tiered capacity pricing, has made it
9 difficult if not impossible to predict the rates for even a short-term forward period.
10 The result of the uncertainty is that we have not been able to enter into an
11 agreement with a competitive supplier. However, as I understand AEP-Ohio's
12 proposal, even if we were to competitively source our generation, our competitive
13 supplier would have to pay AEP-Ohio the \$355/MW-day price. In other words,
14 there are no practical ways to mitigate the increase as AEP-Ohio's proposal
15 inhibits customers' ability to shop for alternative suppliers and save money. It
16 also holds customers captive to higher rates and essentially serves as a tax on
17 shopping. If the Commission approves AEP-Ohio's proposal and modifies the
18 capacity cost recovery mechanism, there will be a very high regulatory hurdle to
19 doing business in Ohio.

20 **III. CONCLUSION**

21 **Q12. WHAT CONCLUSIONS HAVE YOU REACHED ABOUT AEP-OHIO'S**
22 **PROPOSAL AND THE IMPACT ON YOUR COMPANY?**

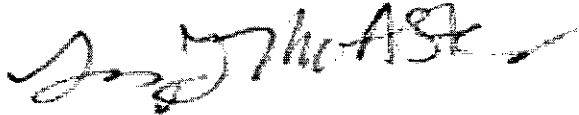
1 **A12.** As a long-standing customer of AEP-Ohio, Whirlpool needs reliable service. We
2 also understand that AEP-Ohio needs to be fairly compensated for the service it
3 provides. However, when AEP-Ohio's proposal is viewed in the larger context,
4 we feel like AEP-Ohio charged market rates for capacity when the market rates
5 were above AEP-Ohio's costs but, now, when the market prices are at historic
6 lows, AEP-Ohio is using "costs" to justify rate increases. Worse yet, AEP-Ohio
7 will revert to market prices in 2015, when, as I understand it, market prices are
8 predicted to increase again. In other words, we think AEP-Ohio's proposal lacks
9 balance and fairness. This is particularly true when the proposal undermines our
10 ability to manage the risk of rate impacts by shopping with a competitive supplier.
11 For these reasons, on behalf of Whirlpool and OMA, I respectfully request that
12 the Commission reject AEP-Ohio's proposal and revert back to using the PJM
13 market rate as the state capacity cost compensation mechanism.

14 **Q14. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A14.** Yes, it does. I'd like to thank the Commission for the opportunity to provide
16 information about the impact on Whirlpool Corporation for the Commission's
17 consideration.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail, to all parties on this 5th day of April, 2012.



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