

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo)	Case Nos. 12-2190-EL-POR
Edison Company For Approval of Their)	12-2191-EL-POR
Energy Efficiency and Peak Demand)	12-2192-EL-POR
Reduction Program Portfolio Plans for 2013)	
through 2015)	
)	

REBUTTAL TESTIMONY OF

EILEEN M. MIKKELSEN

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

3 A. My name is Eileen M. Mikkelsen. I am employed by FirstEnergy Service
4 Company as the Director of Rates and Regulatory Affairs for the FirstEnergy Ohio
5 utilities (Ohio Edison Company, The Toledo Edison Company, and The Cleveland
6 Electric Illuminating Company, collectively “the Companies”). My business
7 address is 76 South Main Street, Akron, Ohio 44308.

8 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND**
9 **PROFESSIONAL BACKGROUND QUALIFICATIONS.**

10 A. I received a Bachelor of Science Degree in Accounting in 1982 from the
11 University of Detroit and a Masters of Business Administration from Cleveland
12 State University in 1985. I have been employed by FirstEnergy Service Company
13 or one of its affiliates or predecessor companies since 1982. I began my career in
14 the Internal Audit Department and joined the Rates and Regulatory Affairs
15 Department in the mid 1980’s where I worked in various roles with increasing
16 responsibility. I later assumed the position of Director of Strategic Planning and
17 subsequently worked in various positions at FirstEnergy Solutions (“FES”) in
18 various Strategic Planning, Marketing and Regulatory areas as well as FES’
19 Energy Consulting Business. I assumed my position as Director of Rates and
20 Regulatory Affairs in 2010. In my current position I am responsible for matters
21 related to Ohio rates and regulatory affairs, including active regulatory oversight of
22 the Ohio energy efficiency and peak demand reduction programs. I am the

1 Commercial and Industrial/Demand Response subcommittee chair. I participated
2 in internal decision making to develop the strategy for the Companies participation
3 in PJM auctions, and I am responsible for the Companies' riders, including Rider
4 ELR.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

6 A. Yes, I testified during my previous tenure in the Rates and Regulatory Affairs area.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to rebut recommendations of various parties that
9 the Companies should bid speculative positions into future PJM auctions by
10 demonstrating the basis for and the reasonableness of the Companies' strategy for
11 participating in PJM capacity auctions with energy efficiency and demand
12 resources.

13 **Q. DO YOU AGREE WITH THE SUGGESTION MADE IN THIS**
14 **PROCEEDING THAT THE COMPANIES MODIFY THEIR PLANS FOR**
15 **PARTICIPATING IN FUTURE PJM AUCTIONS?**

16 A. No, I don't. The Companies plan to bid all eligible installed energy efficiency
17 resources for which they have clear ownership rights at the time of each PJM
18 Base Residual Auction ("BRA") or incremental auction, provided these resources
19 are of sufficient scale, will meet PJM Measurement and Verification ("M&V")
20 standards and are included in an M&V Plan approved by PJM, consistent with
21 then current PJM protocols as set forth in PJM Manual 18b for energy efficiency

1 resources and PJM Manual 18, Section 4.3 for load management products, or their
2 equivalents as amended from time to time.

3 **Q. WHAT DO YOU MEAN WHEN YOU SAY THE RESOURCES MUST BE**
4 **OF SCALE?**

5 A. Energy efficiency resources must meet both the minimum PJM project
6 requirements and be of a size where the Companies can reasonably expect the
7 auction revenues produced by the technology or project to offset the cost of the
8 incremental M&V associated with the project.

9 **Q. DO THE COMPANIES AGREE WITH THE RECOMMENDATION OF**
10 **CERTAIN PARTIES THAT “PLANNED” ENERGY EFFICIENCY**
11 **RESOURCES SHOULD BE BID INTO FUTURE PJM AUCTIONS?**

12 No, there are a number of reasons why we disagree with this recommendation.
13 First, in my opinion, the primary purpose for PJM capacity market auctions is to
14 provide certainty for system reliability. Bidding resources that do not yet exist
15 does not enhance system reliability.

16 Second, I do not believe it is appropriate for regulated electric utilities to take
17 speculative future positions that could subject either the utility or its customers to
18 severe financial harm. This is especially true given that there is not a statewide
19 directive providing consistent requirements for electric utilities. There also is no
20 risk protection mechanism in place to insulate each of the Companies (or their
21 customers) from such financial harm. Essentially, the parties advocating this risk
22 exposure are suggesting that the Companies utilize the PJM capacity market as a

1 financial arbitrage opportunity. Betting on future incremental auctions, as some
2 parties have suggested, to mitigate risks creates its own set of risks which are not
3 controllable by the Companies. I believe that the primary purpose of the EEPDR
4 Portfolio Plan is to achieve the statutory energy efficiency and peak demand
5 reduction goals, not to take speculative market positions that could pass financial
6 risk onto customers or the Companies' shareholders.

7 Third, given that the PJM BRAs are for delivery years three years into the future,
8 there are too many unknowns and uncertainties associated with attempting to
9 guess what future energy efficiency or load management resources will be
10 installed, which of those will qualify to meet the projected commitments and meet
11 M&V standards, and which of those resources the Companies will have
12 ownership rights to.

13 Q. **WHAT ARE SPECIFIC EXAMPLES OF THESE UNKNOWN AND**
14 **UNCERTAINTIES?**

15 A. Although the future energy efficiency and peak demand reduction goals are
16 known, there are many different options that can be exercised to achieve these
17 goals, some of which may qualify for bidding and some that would not qualify.
18 Specifically:

- 19 • Contracted demand resources which are utilized to help achieve the
20 Companies' peak demand reduction goals are not available to the Companies
21 to bid into PJM because the ownership rights for PJM bidding belong to the
22 PJM curtailment service providers who presumably have already bid those

resources into future BRAs. Contracted demand resources are a likely alternative to replace Rider ELR load should it not be extended past the current period of May 2016.

- Energy Efficiency resources that the Companies may implement in the future may or may not qualify for participation into the PJM BRAs depending on the technology and PJM rules in place at the time of delivery. As an example, behavioral energy efficiency savings would not qualify for the BRAs.
- The Companies also do not have ownership rights to energy efficiency projects historically implemented by Mercantile self-direct customers who have rider exemptions. In September 2012, we changed the forms to require customers seeking an exemption to assign ownership of the capacity credits to the Company for PJM bidding purposes. Now, Mr. Scheck is suggesting that the customers seeking future exemptions have the opportunity but not the obligation to assign ownership of those demand reduction resources for purposes of bidding into PJM future auctions.

Q. DO YOU AGREE WITH THE RECOMMENDATION BY OEG/NUCOR WITNESS DR. GOINS THAT THE COMMISSION SHOULD REQUIRE THE COMPANIES TO BID RIDER ELR INTERRUPTIBLE LOAD INTO THE ANNUAL PJM BASE RESIDUAL AUCTIONS BEYOND THE TERM OF RIDER ELR?

A. No. None of the Companies' contracts with Rider ELR customers extend beyond May 31, 2016, and some currently do not extend beyond May 31, 2014.

1 Consequently the Companies will not have clear ownership of those demand
2 resources beyond that time.

3 **Q. ARE THE COMPANIES PLANNING TO BID DEMAND RESOURCES**
4 **INTO FUTURE PJM AUCTIONS?**

5 A. Yes. The Companies plan to bid eligible existing demand resources when they
6 have clear ownership rights to the resources for the duration of the PJM delivery
7 year. The Companies do not plan to bid planned demand resources into future
8 PJM Auctions without such ownership rights.

9 **Q. HOW WILL THE COMPANIES BID RIDER ELR-RELATED DEMAND**
10 **RESOURCES INTO FUTURE PJM AUCTIONS?**

11 A. If the Companies have clear ownership rights documented in contract addendums
12 signed by the customers, the Companies will bid the eligible ELR-related demand
13 resources into future PJM incremental auctions. For example, for contract
14 addendums that extend until May 31, 2016, the Companies can participate in the
15 incremental auctions for delivery years 2013/14, 2014/15 and 2015/16. The
16 amount of demand resources bid into each auction will be adjusted downward to
17 allow for future unknown events, such as a customer changing its load profile in
18 such a manner that it changes the customer's peak load contribution ("PLC") or a
19 customer terminating its participation under Rider ELR prior to the delivery year.

20 **Q. ARE THE COMPANIES SEEKING CONTRACT ADDENDUMS FOR**
21 **ELR CUSTOMERS?**

1 A. Yes. The Companies sent letters on August 6, 2012 to all current ELR customers
2 asking them to execute a contract addendum if they wanted to continue to be
3 served on Rider ELR from June 1, 2014 through May 31, 2016. This matches the
4 contract term with the term of Rider ELR itself, which currently ends on May 31,
5 2016. In an effort to balance the customers' need for time to make a reasoned
6 business decision with our ability to bid these resources into PJM incremental
7 auctions for 2014/2015 and 2015/2016 delivery years, we asked that the
8 customers return the addendums as soon as possible but no later than December
9 15, 2012.

10 **Q. WHAT ARE THE RESULTS OF THIS EFFORT?**

11 A. The Companies had signed addendums sufficient to support bidding 10 MWs into
12 the first incremental auction for the 2014/2015 delivery year, which was held
13 September 10, 2012 through September 14, 2012. Those 10 MWs cleared in that
14 auction. To date, 14 customers have signed ELR contract addendums for the June
15 1, 2014 through May 31, 2016 ("ESP3 period"). Provided that future incremental
16 auctions are held as currently scheduled, we expect to bid ELR-related demand
17 resources into the third incremental auction for 2013/2014, the second and third
18 incremental auctions for 2014/2015 and the first, second and third incremental
19 auctions for 2015/2016.

20 **Q. WHY CAN'T YOU BID ELR RESOURCES, AS SOME PARTIES**
21 **SUGGEST, AS A PLANNED RESOURCE IN 2016/2017 AND BEYOND?**

22 A. I don't consider those demand resources as "planned" beyond the contract
23 addendum period for a number of reasons. First, Rider ELR does not extend

1 beyond May 31, 2016, so it is unreasonable for the Companies to plan on those
2 demand resources for auction bidding purposes. Second, existing Rider ELR
3 customers may have already entered into contractual arrangements with
4 curtailment service providers for the period beyond the existing ESP, let alone the
5 period beyond ESP3. It would be imprudent for the Companies to simply assume
6 those demand resources will be available to the Companies after May 31, 2016,
7 even if Rider ELR is extended.

8 **Q. DO YOU AGREE WITH THE PARTIES THAT HAVE SUGGESTED IT IS**
9 **REASONABLE TO ASSUME RIDER ELR WILL CONTINUE BEYOND**
10 **MAY 31, 2016?**

11 A. No, not at all. The current rider, unlike many riders, has a hard stop of May 31,
12 2016. I have no way of knowing today if the Companies would seek an extension
13 of Rider ELR, or if the Commission would approve it, or if the customers would
14 be willing to continue to take service under that rider. Given that level of
15 uncertainty, it would be unreasonable to assume that Rider ELR will be in effect
16 beyond May 31, 2016 for purposes of bidding into a PJM BRA for the 2016/2017
17 delivery year and beyond.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.

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Summary: Testimony (Rebuttal) of Eileen M. Mikkelsen electronically filed by Mr. James F Lang on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company