

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power)	
Company For Authority To Establish A)	
Standard Service Offer Pursuant to Section)	Case Nos. 13-2385-EL-SSO
4928.143, Revised Code in the Form of an)	
Electric Security Plan.)	
)	
)	
In the Matter of the Application of Ohio Power)	Case No. 13-2386-EL-AAM
Company for Approval of Certain Accounting)	
Authority.)	
)	

**DIRECT TESTIMONY OF LAEL E. CAMPBELL
ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

May 6, 2014

1 **Q1. Please state your name and business address.**

2 **A1.** My name is Lael Campbell, and my business address is 101 Constitution Avenue NW,
3 Washington, DC 20001.

4
5 **Q2. By whom are you employed?**

6 **A2.** I am employed by Exelon Corporation.
7

8 **Q3. Please explain the job responsibilities and duties in your current position.**

9 **A3.** I am Director, State Government and Regulatory Affairs for Exelon Corporation and for
10 Constellation, an Exelon Corporation. In this role, I am responsible for advocating for and
11 implementing regulatory and legislative policies for Exelon Corporation's retail marketing
12 subsidiary, Constellation, and its wholesale marketing affiliate Exelon Generation Company,
13 which owns and markets non-nuclear power generation in Ohio, Pennsylvania, Illinois, and
14 Michigan.

15

16 **Q4. Please describe your educational background and relevant work experience.**

17 **A4.** I earned a Bachelor of Arts from Dickinson College in Carlisle, PA in 1990, and a Juris
18 Doctorate from Washington and Lee University School of Law in 1998. I have been with
19 Exelon and Constellation for over six years. Prior to my current role, I served as Assistant
20 General Counsel with Exelon where I was responsible for providing legal and regulatory
21 support to Exelon Generation's wholesale trading and marketing business. Before that, I served
22 as Senior Regulatory Counsel for Constellation, supporting the regulatory activities of the
23 Constellation NewEnergy, Inc. ("Constellation") retail business, in addition to Constellation's
24 wholesale market activities, before state and federal regulatory agencies across the country. My

1 previous experience prior to joining Constellation includes over five years as a Senior Trial
2 Attorney at the U.S. Commodity Futures Trading Commission, where I represented the agency
3 in numerous matters relating to physical and financial commodity markets, including energy
4 markets.

5
6 **Q5. On whose behalf do you appear today?**

7 **A5.** I am appearing today on behalf of my employer Constellation as to several aspects of the
8 Application of Ohio Power Company (Ohio Power) for its third Electric Service Plan (Ohio
9 Power ESP III). That testimony is presented in separate pre-filed testimony. In addition, I am
10 also appearing today on behalf of the Retail Energy Supply Association (RESA) to address the
11 limited topic of direct-billing of certain PJM non-market-based transmission expenses. This
12 second set of direct pre-filed testimony is on behalf of both RESA and Constellation. Thus, the
13 opinions expressed below are jointly sponsored.

14
15 **Q6. Please describe RESA.**

16 **A6.** RESA is a broad and diverse group of retail energy suppliers who share the common vision that
17 competitive energy retail markets deliver a more efficient, customer-oriented outcome than
18 regulated utility structure. Several RESA members are certificated as competitive retail electric
19 service (CRES) providers and are active in the Ohio retail market. Specifically, some of
20 RESA's members currently provide CRES to customers in the Ohio Power area. This
21 testimony that I am presenting represents the position of RESA as an organization, but may not
22 represent the views of each and every particular RESA member. RESA's members include:
23 AEP Energy, Inc.; Champion Energy Services, LLC; ConEdison *Solutions*; Constellation
24 NewEnergy, Inc; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.;

1 Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Interstate Gas Supply dba
2 IGS Energy; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy,
3 LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG Energy, Inc.;
4 PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd.; and TriEagle
5 Energy, L.P.

6
7 **Q7. Have you ever testified before a regulatory agency?**

8 **A7.** No. This is the first time I have testified before a regulatory agency.
9

10 **Q8. What is the purpose of your testimony?**

11 **A8.** I would like to present to the Public Utilities Commission of Ohio (Commission) from a
12 supplier's prospective: 1) the type and nature of the services which Ohio Power is
13 recommending be directly billed to retail customers; 2) the criteria by which the Commission
14 should evaluate whether the request should be granted or amended; and 3) an opinion and
15 recommendations as to additional PJM non-market-based charges that should be directly billed
16 to retail customers by the electric distribution utility.
17

18 **Q9. Please describe the transmission-related services that Ohio Power seeks to directly bill?**

19 **A9.** Ohio Power is proposing the direct billing to all retail customers of certain PJM-related non-
20 market-based transmission costs through the establishment of the Basic Transmission Cost
21 Rider (BTCR). In the Application and discovery, Ohio Power explained that these PJM
22 expenses were selected for direct billing because they were non-market based costs.
23 Specifically, Ohio Power is asking the following non-market-based cost items in the Ohio
24 Power service area be directly billed to the retail customer:

- Network Integrated Transmission Service (NITS) – PJM Invoice Item No. 1100
- Transmission Enhancement – PJM Invoice Item No. 1108
- Transmission Owner Scheduling, System Control, and Dispatch Service – PJM Invoice Item No. 1320
- Reactive Supply and Voltage Control – PJM Invoice Item No. 1330
- Load Reconciliation for Transmission Owners Scheduling – PJM Invoice Item No. 1450
- Firm Point-to-Point Transmission Services – PJM Invoice Item No. 2130
- Non-Firm Point-to-Point Transmission Services – PJM Invoice Item No. 2140

Q10. In each of the seven items listed, you provided a PJM Invoice Item Number, what is the significance of that number?

A10. PJM, in accordance with its approved tariff, charges for transmission and grid operation services. The charges are paid by all load-serving entities be they utilities, rural cooperatives, municipal systems or competitive retail electric suppliers. Ohio Power witness Dr. LaCasse in Exhibit F of her testimony presents the full list of 200+ PJM transmission- and grid-related charges. Each of those services has an Invoice Item identification number. The fees for each of the listed services provided by PJM are billed discretely by service and the cost of each service appears on the PJM invoice by invoice item number. Of the more than 200 invoice items, Ohio Power is only requesting that seven be directly billed. The existence of the PJM Invoice number system will enhance the Commission’s ability to oversee the direct-billed costs. In other words, these seven directly billed costs could be linked to the PJM invoices for each of the seven services. Thus, the BTCR can be tracked, and the charges and collections would be auditable.

1 **Q11. Do you agree with Ohio Power that the seven PJM items selected are not market-based**
2 **charges?**
3
4 **A11.** Yes, these PJM charges are essentially cost-of-service charges that are not tied to supply and
5 demand fundamentals and transparent market outcomes. The key element to non-market-based
6 charges is that they cannot be hedged, managed or predicted by suppliers. If suppliers are
7 responsible for these non-market-based charges, because the risks cannot be hedged in the
8 market, the supplier must either wear the risk itself, or manage the inherent risk and uncertainty
9 via risk premiums.
10
11 **Q12. What statutes should the Commission consider in deciding whether to approve the direct**
12 **billing of certain PJM-related, non-market-based costs?**
13
14 **A12.** The Commission should consult the codified state energy policy, Section 4928.02, Revised
15 Code.
16
17 **Q13. Can you give me an example of a PJM transmission-related expense that you would not**
18 **consider a market-based expense?**
19
20 **A13.** Yes, one of the charges which Ohio Power seeks to direct bill is PJM Invoice Item No. 1330,
21 which pays for Reactive Supply and Voltage Control services. The Reactive Supply and
22 Voltage Control services are provided by PJM and the fee is determined using a cost-based
23 revenue requirement that is approved by the Federal Energy Regulatory Commission. All
24 customers are required to take and pay for this service from PJM, and thus there is no potential
25 cost difference, whether the Reactive Supply and Voltage Control service is purchased from
26 PJM by Ohio Power or by a CRES supplier.
27
28 **Q14. Does Ohio Power's proposal to direct bill the seven PJM invoice items comply with the**
29 **state energy policy?**
30

1 **A14.** In my opinion it does. I agree with Ohio Power that these seven PJM transmission-related
2 expenses are not market-based and therefore they cannot be hedged, managed or easily
3 predicted by suppliers. Therefore, excluding those costs and charges from the supplier and
4 collecting the charges via a non-bypassable rider benefits Ohio customers, because, instead of
5 paying an up-front risk premium for a charge that may never occur, both shopping and non-
6 shopping customers will be charged equitably as the non-market-based charges *actually* occur.
7 Direct billing also may assist customers to understand the component costs of their electric
8 service and, for those who shop, to better compare the offers. In addition, the combination of
9 added convenience and transparency could increase the number of suppliers participating in the
10 Ohio market and the variety of the products they offer.

11
12 **Q15. How are the seven PJM transmission-related expenses Ohio Power seeks to have direct**
13 **billed collected in the FirstEnergy, Duke and the Dayton Power & Light Company Ohio**
14 **service areas?**

15
16 **A15.** The Cleveland Electric Illuminating Company, Ohio Edison Company, Toledo Edison
17 Company, Duke Energy Ohio, Inc. and the Dayton Power and Light Company currently direct
18 bill for all seven PJM services for which Ohio Power seeks authority to direct bill.

19
20
21 **Q16. Are there other PJM transmission-related expenses that should also be directly billed by**
22 **Ohio Power?**

23 **A16.** Yes, I strongly advocate including PJM's Generation Deactivation fee, PJM Invoice Item No.
24 1930. The Generation Deactivation fees are assessed to pay generation owners to continue to
25 operate units beyond their proposed deactivation date pending completion of necessary
26 transmission upgrades to ensure system reliability. Generation Deactivation costs are one of the

1 more volatile and unpredictable non-market based costs and cannot be hedged by a supplier.
2 The Generation Deactivation fee is charged and collected by PJM on all load-serving entities,
3 and the load-serving entities are not able to supply a like service, or otherwise control the cost.
4 Thus, the Generation Deactivation fee should be directly billed by the utility.
5

6 **Q17. How is the Generation Deactivation fee, PJM Invoice Item No. 1930, collected in the**
7 **FirstEnergy, Duke and the Dayton Power & Light Company Ohio service areas?**

8 **A17.** The Cleveland Electric Illuminating Company, Ohio Edison Company, Toledo Edison
9 Company, Duke Energy Ohio, Inc., and the Dayton Power and Light Company all currently
10 direct bill for Generation Deactivation fees, so the RESA proposal would bring consistency
11 across all EDUs in Ohio.
12

13 **Q18. Please summarize your recommendations for the Commission?**

14 **A18.** On behalf of RESA and Constellation, I recommend the Commission approve the portion of the
15 Ohio Power Application which calls for the direct billing of: 1) Network Integrated
16 Transmission Service (NITS) – PJM Invoice Item No. 1100; 2) Transmission Enhancement –
17 PJM Invoice Item No. 1108; 3) Transmission Owner Scheduling, System Control, and Dispatch
18 Service – PJM Invoice Item No. 1320; 4) Reactive Supply and Voltage Control – PJM Invoice
19 Item No. 1330; 5) Load Reconciliation for Transmission Owners Scheduling – PJM Invoice
20 Item No. 1450; 6) Firm Point-to-Point Transmission Services – PJM Invoice Item No. 2130;
21 and 7) Non-Firm Point-to-Point Transmission Services – PJM Invoice Item No. 2140. Further,
22 I believe that the Commission should also order Ohio Power to direct bill for the PJM
23 Generation Deactivation Service – PJM Invoice Item No. 1930.
24

1 **Q19.** **Does this conclude your testimony?**

2 **A19.** Yes, it does, but I reserve the right to present additional testimony if necessary.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 6th day of May 2014 by electronic mail upon the persons listed below.



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