

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

DIRECT TESTIMONY OF MATTHEW WHITE

On behalf of Interstate Gas Supply, Inc.

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please introduce yourself.**

3 A. My name is Matthew White. I am employed by Interstate Gas Supply, Inc. (“IGS”
4 or “IGS Energy”) as Manager, Legal and Regulatory Affairs. My business
5 address is 6100 Emerald Parkway, Dublin, Ohio 43016.

6 **Q. Please describe your educational background and work history.**

7 A. I have a Juris Doctor (J.D.) and Masters in Business Administration (M.B.A.) from
8 the College of William & Mary. I also have a Bachelor of Arts (B.A.) from Ohio
9 University. I started my legal career working at the law firm of Chester, Wilcox &
10 Saxbe as an energy and utilities lawyer. At Chester Wilcox, I participated in
11 numerous regulatory proceedings relating to utility matters, including natural gas
12 and electric rate cases and electric power siting cases. I also have worked on
13 power and gas sales transactions. At the beginning of 2011, I was hired into IGS
14 Energy’s rotation program where I spent the next 16 months working in various
15 different departments throughout the company learning IGS’ entire business,
16 including the gas supply and risk departments. In 2012 I began full-time as an
17 attorney in IGS’ regulatory affairs department. In 2014 I was promoted to
18 Manager, Legal and Regulatory Affairs at IGS. In my current position I manage
19 the legal activities for IGS Energy at utilities commissions and other regulatory
20 bodies throughout the United States. My team is responsible for electric and
21 natural gas litigation for IGS Energy, including electric and natural gas rate cases
22 and other proceedings that relate to energy. I am also intimately involved in IGS

1 Energy's advanced electric generation and compressed natural gas (CNG)
2 businesses. I currently serve on the Board of Ohio Advanced Energy Economy
3 ("OAEE") a non-profit organization that seeks to promote advanced energy
4 development in Ohio.

5 **Q. Have you submitted testimony at any regulatory bodies before?**

6 A. Yes. I have submitted written testimony in the Duke Natural Gas Distribution
7 Rate Case, (Public Utilities Commission of Ohio "PUCO" Case No. 12-1685-GA-
8 AIR); the DTE 2013-2014 Gas Cost Recovery case (Michigan Public Service
9 Commission Case No. U-17131); the Columbia Gas of Kentucky 2013
10 Distribution Rate Case (Kentucky Public Service Commission Case No. 2013-
11 00167); and the Dayton Power & Light Company Electric Security Plan
12 Proceeding (PUCO Case No. 12-426-EL-SSO).

13 **Q. What is the nature of IGS's business?**

14 A. IGS Energy has over 25 years' experience serving customers in Ohio's
15 competitive markets. IGS Energy serves over 1 million customers nationwide
16 and sells natural gas and electricity to customers in 11 states and in over 40
17 utility service territories. In Ohio, IGS currently serves electric customers in the
18 Ohio Power Company ("AEP"), Duke Energy Ohio, FirstEnergy and the Dayton
19 Power & Light service territories. The IGS family of companies (which include
20 IGS Generation, IGS Home Services and IGS CNG Services) also provides
21 customer focused energy solutions that complement IGS Energy's core

1 commodity business including distributed generation, demand response, CNG
2 refueling, back-up generation and utility line protection.

3 **Q. What is the purpose of your testimony?**

4 A. AEP's proposal to procure generation service for standard service offer ("SSO")
5 customers after June 31, 2015 should be modified to remedy the distortions
6 created by the default service product in the market. The SSO product is a
7 product that competes against all other products in the market, but as proposed
8 by AEP, the SSO product is positioned as the favored product in the market,
9 which harms competition and ultimately customers. The purpose of my testimony
10 is to recommend a number of modifications to AEP's ESP proposal to mitigate
11 the anti-competitive effects of the current SSO product and the SSO product
12 proposed by AEP. Further, I make recommendations that will enhance Ohio's
13 competitive retail electric markets which will ultimately lead to more dynamic and
14 cost effective product offerings to customers. Specifically, I make the following
15 recommendations in my testimony:

- 16 • The ESP application should be modified to utilize a retail auction to procure
17 SSO customers (as described in my testimony), as opposed to a wholesale
18 auction, so that customers will have a direct retail relationship with the SSO
19 supplier on a going forward basis;
- 20 • In the alternative, if the Commission declines to adopt a retail auction to procure
21 SSO load, the ESP application should be modified to place a retail price
22 adjustment on the SSO wholesale suppliers, distributing the funds collected to

all AEP distribution customers, so that the SSO product reflects the true cost to provide electric service in a retail market;

- The ESP application should be modified to require that AEP make available supplier consolidated billing at the time the new ESP is adopted;
- The ESP application should be modified to allow all customers to shop for electric generation supply immediately upon enrollment for electric distribution service with AEP and require accelerated switching for customers with Smart Meters.

II. Default Service in Competitive Markets

Q. In a competitive market, why is it important that all products are treated equally?

A. Competitive parity is important in any competitive market for products and services. Without competitive parity, innovation that is created by competitive forces in the market is severely restricted. If one product is granted favorable legal or regulatory treatment, or otherwise has an anti-competitive advantage in the market, all else being equal, customers will be more likely to purchase or enroll in that product. Thus, the favored product will have less pressure to innovate and become more efficient, and other products that are not advantaged, will be pushed out of the market.

Q. Does the SSO product, as proposed by AEP in its ESP Application, create an anti-competitive advantage for the SSO product?

A. Yes. AEP's current SSO product, and the SSO product as proposed by AEP for its next ESP, creates an anti-competitive advantage in the AEP competitive electric market. Ultimately this anti-competitive effect in Ohio's electric markets

1 will harm Ohio electric customers in that Ohio will see less innovative product
2 offerings, and there will be less competitive pressure on Ohio's electric markets
3 to become more efficient.

4 **Q. How is the SSO product in the AEP service territory given an anti-**
5 **competitive advantage in the market?**

6 A. There are a number of ways AEP's SSO is afforded an anti-competitive
7 advantage: The advantages given to the SSO product include the facts that 1)
8 all new and legacy AEP distribution customers are enrolled on the SSO by
9 default; 2) all new AEP distribution customers must remain on the SSO product
10 for a minimum period before having the opportunity to switch to a competitive
11 retail electric supplier ("CRES"); 3) the SSO product is not subject to the same
12 regulatory rules (and costs associated with complying with those rules) as
13 competitive products; and 4) the SSO product is used as the comparison price in
14 the market.

15 **Q. Can you further explain why the enrollment of all new and legacy AEP**
16 **distribution customers by default is an anti-competitive advantage for the**
17 **SSO product?**

18 A. Yes. All customers who have not affirmatively chosen a competitive supplier, or
19 have not been switched to a competitive supplier via an opt-out community
20 aggregation, remain on the SSO product. Conversely, customers of a CRES
21 supplier not with an opt-out aggregation must affirmatively choose to enroll with
22 that CRES supplier. There are a number of costs associated with gaining a
23 customer's affirmative consent. Those costs are commonly referred to as
24 customer acquisition costs. Further, acquisition costs are much greater when
25 there is an option in the market for a customer to do nothing and still derive

benefit from a product or service. In a market where there is a default option offered preferentially to consumers, non-default providers must expend more resources to get a customer to leave the default option than they would have otherwise if no default option existed. Ultimately, the assignment of customers to a particular product by default creates a significant cost advantage for the default product in the market, at the expense of all other products.

Q. How does requiring all distribution customers to enroll in the SSO product create an anti-competitive advantage in the market?

A. When a customer enrolls with AEP for distribution service, that customer is automatically enrolled on SSO service and must remain on SSO service for a minimum period of time. Because all new customers must enroll in SSO service before even having the option to enroll in another product, it is more likely that the customer will remain on SSO service even after that mandatory SSO period expires. Thus, the regulatory requirement leads to more customers remaining on the SSO product than if all customers could enroll in any product they want upon initially enrolling in distribution service.

Q. What are the regulatory rules and requirements that the SSO product is not required to comply with that other products on the competitive market are subject to?

A. There are a number of regulatory requirements set forth in the Ohio Administrative Code that must be followed when enrolling a customer into a product offered by a CRES. Those include contract requirements, verification requirements, enrollment letters, other notice requirements, record retention, to name a few. Further, AEP charges switching fees to CRES providers for customers that switch to a competitive supplier, yet customers that enroll in the

SSO product are not required to pay these fees. The cost of complying with these requirements for a CRES is substantial; however, the SSO product is almost entirely exempt from complying with these requirements. This cost avoidance creates another anti-competitive advantage in favor of the SSO product in the market.

Q. How is utilizing the SSO product as comparison price in the market create an anti-competitive advantage?

A. The SSO product is touted as the price-to-compare for all electric customers in Ohio by regulators and consumer advocates. Further, the SSO product is placed on the bill of each shopping customer directing customers to consider choosing the SSO product or other products in the market; however, no similar price comparisons are made on the bills of non-shopping SSO customers. This implicit endorsement given to the SSO product further encourages customers to remain on the SSO product.

Q. Given the level of shopping in the AEP Service territory, how can it be argued that the SSO product is the favored product in the market?

A. The shopping statistics in the AEP service territory (and throughout Ohio for that matter) can be misleading. After breaking down the statistics by customer class, it is clear that shopping is not consistent across the board. For instance, according to the most recent PUCO switch rate report (Attachment MW-1 to my testimony), as of December 2013, approximately 61% of load served in the AEP service territory is shopping for electric supply. However, *for AEP residential customers*, only approximately 27% of the load is shopping for electric supply and the remaining 73% of residential customers remain on SSO service.

1 **Q. Of the shopping residential customers in AEP, what percentage can be**
2 **attributed to aggregation?**

3 According to the most recent PUCO aggregation report (Attachment MW-2), as
4 of December 31, 2013, approximately 61% of the residential shopping in Ohio is
5 achieved through aggregation, thus only 39% of residential electric shopping can
6 be attributed to a customer affirmatively enrolling onto an electric product with a
7 CRES supplier. Hereinafter in my testimony I will refer to all non-SSO or
8 aggregation customers that have affirmatively enrolled on a CRES product as an
9 "Affirmatively Enrolled CRES Customer." Thus, assuming the switching rate
10 due to aggregation in AEP is the same as it is throughout the rest of Ohio, then
11 approximately only 11% (27% x 39%) of all AEP customers are Affirmatively
12 Enrolled CRES Customers. Even attributing only 50% of residential shopping for
13 AEP to government aggregation, then only approximately 13.5% (27% x 50%) of
14 residential customers in the AEP service territory are Affirmatively Enrolled
15 CRES Customers.

16 **Q. What do the shopping statistics you reference indicate about the**
17 **competitiveness of the AEP Ohio electric markets?**

18 A. The above statistics indicate to me that a large majority of AEP residential
19 customers are not engaging in the competitive market and continue to remain on
20 SSO default service. Further, when shopping statistics are modified to account
21 for aggregation, even fewer customers are affirmatively choosing a competitive
22 supplier. To put this in context, the SSO product still holds approximately a 73%
23 market share for residential customers in the AEP service territory. Of the
24 remaining 27% of market share, using a conservative estimate, aggregation is

1 responsible for approximately 13.5%. On the PUCO apples-to-apples website (at
2 the date this testimony was filed) there are 50 different competitive products
3 listed as available in the AEP service territory. Thus, those remaining products
4 that require affirmative consent only account for 13.5% of market share. I have
5 created a chart below for illustrative purposes:

AEP Residential Market Share	
SSO Default Rate Product	73%
Aggregation	13.5%
All Other Products in the Market	13.5%

7
8 The percentages above are estimates based on the publicly available data that I
9 have access to at the time of the testimony. However, I think it is undisputable
10 that one single product (the SSO product) retains a disproportionate amount of
11 market share for residential customers, particularly given that there are so many
12 other available CRES competitive products in the market that collectively have
13 only approximately 13.5% market share.

14 **Q. Are there any other reasons that indicate to you that the current AEP**
15 **electric customers are being harmed by the anti-competitive affects the**
16 **SSO product in the market?**

17 **A.** Yes. In the last several years a majority of electric offers that require a
18 customer's affirmative consent have been lower than the AEP SSO default rate,
19 many of which do not have early cancellation or other termination fees. Yet 73%

1 of residential customers still remain on the higher SSO default rate. This
2 indicates to me that the current AEP retail electric market is far from competitive,
3 particularly for residential customers. In a market where all products are treated
4 equally, it is highly unlikely that such a high percentage of customers (73%)
5 would choose the SSO product.

6 **Q. When Determining AEP's SSO product structure, should the price that SSO**
7 **customers pay for the SSO product be the Commission's only**
8 **consideration?**

9 **A.** No. While it is unfortunate that many SSO customers have paid a higher price for
10 electricity when there are other lower costs alternatives in the market, the
11 Commission should consider a number of other factors including how the default
12 rate affects non-SSO customers that choose to engage in the market.

13 **Q. How does the SSO product affect non-SSO customers?**

14 **A.** As I already noted, acquisition costs for affirmatively enrolled products are much
15 greater when there is default service in a market. Competitors that must gain the
16 customer's affirmative consent must expend more effort and resources to get the
17 customer to engage in the market when the customer simply has the option to do
18 nothing. Thus the anticompetitive structure and existence of the SSO price is
19 effectively a subsidy to the SSO price at the expense of all other products in the
20 market.

21 **Q. Are the competitive offers in the AEP market negatively impacted because**
22 **of the way the current SSO product is structured?**

23 **A.** Yes. The nature of the current default rate structure places upward price
24 pressure on competitive (non-SSO prices) prices in the AEP market.

1 **Q. How does the current structure of AEP's SSO rate limit the type of products**
2 **available to customers?**

3 A. Just to use AEP's residential retail electric market as an example, approximately
4 73% of AEP residential customers remain on the SSO rate. Thus, but-for the
5 current AEP SSO service, there would have been approximately 73% additional
6 market share served by other competitive products in the market. CRES
7 suppliers focus resources in markets which are the most viable. If a default rate
8 is given an anti-competitive advantage in the market, creating a barrier for CRES
9 suppliers to gain market share (such as the case in AEP service territory), CRES
10 suppliers will be less likely to invest resource in developing new
11 products/services for the specific market. Further, a CRES supplier is less likely
12 to introduce more innovative products into a market (which can often be more
13 costly) when there is a barrier to gaining market share. Thus, the current AEP
14 default rate structure limits the type of products available to customers in the
15 AEP service territory.

16 **Q. How would you say the currently structured AEP SSO rate has affected the**
17 **range of product offerings in the AEP territory?**

18 A. For the reasons in my previous answer, the current AEP SSO default rate has
19 limited the type of product offerings available to AEP customers. The types of
20 products offered in the AEP market are largely commodity products only, and the
21 innovative products that require higher fixed capital costs have been inhibited
22 due to the current AEP SSO rate structure.

1 **Q. Are there other markets where you see a more diverse range of electric**
2 **product offerings than what is seen in the AEP service territory?**

3 A. Yes. IGS serves electric customers in both Texas and Ohio (among other
4 states). The provider of last resort (POLR) rate in Texas is not granted the anti-
5 competitive advantages given to the SSO rate in Ohio. Consequently, there are
6 more diverse and innovative products available to residential electric customers
7 in Texas than in the AEP service territory in Ohio. The products available to
8 residential customers in Texas include electricity bundled with solar installation,
9 electricity bundled with smart thermostat installation, electricity bundled with
10 renewable energy, energy efficiency and demand response products, and time-
11 of-use rates to name a few. Also, I believe we are just reaching the tip of the
12 iceberg and I expect to see many more innovative electric products available to
13 electric customer's in the near future in markets that allow for all electric products
14 to compete on a level playing field.

15 **Q. As AEP utilizes an auction to procure default service, is it even more**
16 **important that the distortions caused by default service in the market are**
17 **corrected?**

18 A. Yes. As AEP utilizes an auction to procure default service, the SSO rate will
19 largely reflect market prices in that the SSO rate will adjust as the wholesale
20 markets adjust. This is opposed to cost of service rates that are less reflective of
21 electric wholesale market conditions. CRES suppliers also offer market reflective
22 rates, thus AEP's SSO rate will be similar to CRES supplier's rates in the market,
23 except for one very important distinction- the AEP SSO rate will still receive the
24 favored regulatory treatment in the market place, including the avoidance of
25 costs, and the assignment of customers by default, which have mentioned

1 previously. This favored regulatory treatment of the SSO rate will exacerbate the
2 inequities and disadvantages flowing to all other competitive products in the
3 market when the SSO rate is market based like all other products.

4 **III. Retail Auction**

5 **Q. Given the negative impact AEP's current default rate structure is having on**
6 **electric customers, how do you propose modifying AEP's default rate to**
7 **reduce this impact?**

8 A. The Commission should modify AEP's ESP to reduce the anti-competitive effects
9 caused by the current SSO product in the market. The simplest solution would be
10 to structure AEP's SSO product as a true provider of last resort service, where
11 the SSO product is only a back-stop service available to customers when no
12 other product in the market is available. Limiting default service in such a
13 manner would eliminate inequities, avoid anti-competitive advantage and provide
14 the surest route to effective competition.

15 **Q. Are there modifications that can be made to AEP's ESP application short of**
16 **making SSO service back-stop service only?**

17 A. Yes. Recognizing that Ohio is transitioning to fully competitive retail electric
18 markets, for AEP's next ESP, I recommend that the Commission adopt a retail
19 auction to procure SSO service rather than a wholesale auction to procure SSO
20 service. A retail auction would allow CRES suppliers to establish a retail
21 relationship with the customer and supply the SSO product directly to the
22 customer. And, with a retail relationship, the CRES supplier would remain the
23 SSO customer's supplier until the customer affirmatively selects another product.

1 **Q. Can you please explain in further detail the retail auction that you propose?**

2 A. Yes. In a retail auction CRES suppliers would bid for the right to serve SSO
3 customers directly. The auction itself would be a one-time ascending clock
4 auction held before the beginning of the next ESP period (June 1, 2015). The
5 auction would start at a set price per customer (say \$50 per customer) ("Per
6 Customer Price"). All AEP SSO customers would be divided into tranches (e.g.
7 25,000 customers per tranche) which would be the minimum amount of
8 customers a CRES can bid on. CRESs would then bid on the Per Customer
9 Price that the CRES would be willing serve an SSO customer. As the Per
10 Customer Price increases throughout the auction, CRES suppliers would reduce
11 the amount of SSO tranches they are willing to serve, or drop out of the auction
12 all together, until the Per Customer Price reaches a point where there are only
13 enough CRES suppliers in the auction to serve the number of available SSO
14 tranches.

15 **Q. How will SSO customers be served once the retail auction is over?**

16 A. There are a variety of structures that could be implemented to determine the
17 generation service provided to the customer once the retail auction is conducted.
18 The structure could include a process by which CRES providers bid on the price
19 to serve the customers by bidding a retail adder. Another structure might include
20 customers being served at the supplier's mass market price with the appropriate
21 notice requirements to insure that customers are aware of the price they will pay
22 at all times. The product the SSO customer is enrolled on should be determined

1 in the proceeding I recommend further on in my testimony to establish the details
2 of the retail auction.

3 **Q. What should happen to the dollars paid in the SSO auction by the winning**
4 **CRES supplier?**

5 A. The money raised from the SSO auction should be first used to pay down any
6 deferrals that all AEP distribution customers must begin paying once the new
7 ESP period begins. In the previous AEP ESP, the Commission authorized AEP
8 to recover certain costs from customers, but the Commission deferred the
9 recovery of those costs until after the current ESP period is over. The auction
10 would likely raise a significant amount of money- possibly enough to pay down
11 the AEP deferrals in their entirety. Any remaining proceeds (after the deferrals
12 are paid down) from the SSO auction should be returned to all AEP distribution
13 customers through a non-bypassable rider.

14 **Q. What should happen to any new customers that enroll in AEP distribution**
15 **service after the retail auction is conducted?**

16 A. All new AEP distribution customers should have the option to enroll in a non-SSO
17 CRES product immediately upon enrolling in distribution service with AEP.
18 Those customers should be informed of this option and directed to the PUCO
19 apples-to-apples website for product comparison. However, for those customers
20 that wish to enroll in SSO service, the Commission could conduct a supplemental
21 auction each year. The supplemental auction will give CRES providers the ability
22 to bid a Per Customer Price on the amount they would be willing to serve new
23 SSO customers. The same notice requirements would apply to all new SSO
24 customers, so SSO customers would get notice of the SSO price and have the

1 opportunity to switch to another product in the market. The proceeds from the
2 supplemental auction should be returned to all AEP customers through a non-
3 bypassable rider.

4 **Q. Will the retail auction still preserve a SSO rate for customers in the market?**

5 A. Yes. With the retail auction, customers that wish to remain on default service can
6 simply choose to receive SSO service from the winning CRES supplier. Further,
7 SSO customers will continue to be informed of their SSO price through notices,
8 and always have the option to select another price in the market without cancel
9 fees. However, a retail auction will take Ohio electric markets one step further
10 down the path to full competition in that: 1) SSO customers will be better
11 informed of the price they pay for SSO service, 2) SSO customers will have a
12 more direct retail relationship with a CRES supplier, and 3) customers will be
13 more engaged and thus be more likely to review and evaluate competitive
14 options in the marketplace at all times they receive distribution service from AEP.

15 **Q. Beyond furthering electric competition and customer engagement, how**
16 **else will a retail auction benefit customers?**

17 A. As I already noted, AEP customers will be required to pay back a substantial
18 deferral AEP has been accumulating throughout the current ESP. Once the new
19 AEP ESP begins, the retail auction would raise significant funds that would pay
20 down the deferral costs, allowing AEP customers to avoid rate increases once
21 the new ESP period begins. This will benefit all AEP customers including
22 residential, commercial and industrial customers.

1 **Q. How would you recommend that the Commission proceed with respect to**
2 **the implementation of a retail auction?**

3 A. I recommend that in an Order in this proceeding the Commission modify AEP's
4 ESP application and require that AEP implement a retail auction as described in
5 my testimony. In the Order I also recommend that the Commission initiate a
6 proceeding to develop further details of how a retail auction would be
7 implemented, with the goal of the retail auction being implemented beginning
8 June 1, 2015.

9 **IV. Retail Price Adjustment**

10 **Q. If the Commission declines to adopt a retail auction in this ESP, is there**
11 **anything the Commission can do to help limit the anti-competitive effects**
12 **of the SSO product in the market?**

13 A. Yes. As I already note, I recommend that the Commission adopt a retail auction
14 for AEP to procure the SSO product during the next ESP period. If the
15 Commission does not wish to see Ohio's competitive electric markets continued
16 to be negatively impacted by the default rate, then it is important for the
17 Commission to take steps to transition beyond the current SSO procurement
18 paradigm. However, if the Commission chooses not to adopt a retail auction, I
19 recommend that the Commission apply a retail price adjustment ("RPA") to the
20 wholesale suppliers that supply AEP's SSO load so that the SSO product is more
21 reflective of the true costs to provide retail electric service in AEP's service
22 territory.

1 **Q. Can you please explain a RPA in further detail?**

2 A. Yes. A RPA as I propose would be a fee charged to wholesale suppliers of the
3 SSO product which reflects the costs avoided by the SSO product due to the
4 current favorable regulatory treatment of the SSO product. A RPA could be a
5 throughput charge assessed to all SSO load served by wholesale suppliers or a
6 per customer charge paid by SSO suppliers.

7 **Q. How should the retail price adjustment to SSO suppliers be calculated?**

8 A. The RPA should be calculated by adding up all of the actual costs required to
9 provide SSO generation service that are recovered through AEP's distribution
10 rates. Also, added into the retail adder calculation should be the costs that the
11 SSO product avoids because it is afforded favorable regulatory treatment. These
12 actual and avoided costs would approximate the actual cost advantages that the
13 SSO product receives due to the favorable regulatory treatment afforded to the
14 SSO product.

15 **Q. What types of actual costs should be included in retail adder?**

16 A. There are a number of actual costs that all AEP customers pay (both shopping
17 and SSO customers) that are required to make an SSO generation product
18 available to customers. For one, a regulatory proceeding must be held every
19 three years to determine the SSO price in the market. A portion of the costs
20 AEP spends on litigating ESP proceedings thus should be attributed to the RPA.
21 Further, AEP must allocate time of its employees that is required to make SSO
22 generation service available to customers. The cost of the employee time and

1 other AEP infrastructure needed to provide SSO generation service should also
2 be allocated to the RPA. Also the Office of the Ohio Consumers' Counsel
3 ("OCC") spends significant amount of resources litigating proceedings for the
4 sole purpose of reducing the price that SSO customers pay. However, all
5 customers, including shopping customers, must pay the cost of the OCC through
6 an OCC assessment even though the resources OCC expends benefits SSO
7 customers at the expense of shopping customers; therefore, a portion of the
8 OCC assessment should be allocated to the RPA. Finally, AEP dedicates a
9 portion of its call center to service questions about the AEP SSO rate, but CRES
10 suppliers have their own call center to discuss generation service, thus a portion
11 of AEP's call center costs should be attributed to the RPA. This is not
12 necessarily exhaustive list of actual costs, but rather just an example of costs,
13 incurred by all AEP customers for the sole benefit of SSO generation service.

14 **Q. What type of avoided costs should be attributed to the RPA?**

15 A. The retail adder should include all costs associated with providing retail electric
16 service in Ohio's competitive electric markets that the SSO avoids because of the
17 favorable regulatory treatment the SSO product receives. Those include costs
18 associated with complying with the regulatory requirements with which CRES
19 products must comply, but the SSO product is able to avoid. The avoided costs
20 should also include customer acquisition costs that are routinely incurred by non-
21 SSO products in the competitive market, but the SSO product avoids because it
22 is assigned customers by default. Finally, avoided costs include any fees

1 charged to CRES providers or CRES customers (e.g. switching fees) that the
2 SSO product is able to avoid.

3 **Q. How do you recommend that the Commission come to the determination as**
4 **to the appropriate fee to charge to SSO suppliers?**

5 A. I recommend that, if the Commission decides to charge a RPA to SSO suppliers
6 rather than conduct a retail auction, then the Commission should modify AEP's
7 ESP application to order a RPA as I describe in my testimony. The Commission
8 should also modify the order to require a proceeding to be held before the next
9 ESP period begins to determine the appropriate amount of the RPA. In that
10 proceeding the Commission should estimate the actual costs paid for by all
11 customers that benefit only SSO service and the costs the SSO product avoids
12 due to the favored regulatory treatment of the SSO product.

13 **Q. Do you recommend costs be pulled out of distribution rates for the RPA?**

14 A. No. I do not recommend costs be pulled out of distribution rates that are
15 attributable to the RPA. Rather I recommend, as a component of the RPA
16 calculation, that the Commission estimate the costs recovered through
17 distribution rates, and other non-bypassable charges, that are needed to make
18 SSO generation service available to SSO customers. The Commission can then
19 use the estimate to calculate the appropriate RPA fee charged to wholesale
20 suppliers of the SSO. The dollars recovered from that fee would be credited back
21 to all customers, as I discuss below.

1 **Q. How do you propose the funds recovered from the RPA are utilized?**

2 A. I believe the funds from the fees charged to SSO suppliers should be returned to
3 all ratepayers. Thus I recommend that the funds recovered from the retail adder
4 be initially applied to pay down the deferral AEP customers will soon face at the
5 end of the current ESP. Any remaining funds should be returned to all AEP
6 distribution customers through a non-paybassable rider. Thus a retail adder
7 would benefit all AEP customers including residential, commercial and industrial
8 customers.

9 **V. Supplier Consolidated Billing**

10 **Q. Are there any other modifications that the Commission should make to**
11 **AEP's ESP?**

12 A. Yes. In AEP's ESP application AEP is proposing to implement a purchase of
13 receivables ("POR") program for CRES providers. I am supportive of a POR
14 program and recommend that the Commission approve this proposal. However,
15 in addition to a purchase of receivables program, I recommend that AEP make
16 available supplier consolidated billing for CRES suppliers.

17 **Q. What is supplier consolidated billing?**

18 A. Under the supplier consolidated billing model, CRES suppliers would purchase
19 the receivables for the EDU distribution charges at a reasonable rate set
20 administratively by the Commission, and then the CRES supplier would be
21 responsible for collecting and billing all electric distribution and generation
22 charges from the customer. Generation charges already represent a greater

1 portion of the customer's electric bill than distribution charges. Further, as
2 additional products and services are introduced into the market and purchased
3 by consumers, distribution charges will become less and less of the total amount
4 that customers pay for energy service.

5 **Q. Why should the supplier consolidated billing be adopted?**

6 A. Supplier consolidated billing would enable CRES providers to offer electric
7 customers a broader range of products and services, while not requiring
8 distribution customers to pay for billing and IT upgrades to expand product
9 offerings on customer's bills. Granting customers billing flexibility and multiple
10 billing options is extremely important if additional products and services are to
11 develop in the competitive market. Already today residential customers are able
12 to purchase a number of different products from competitive suppliers in non-
13 Ohio markets including residential demand response, smart thermostats, solar
14 panels, and energy efficiency to name a few. As product offerings evolve, it is
15 quite possible in the not-too-distant future, that the commodity will be just one of
16 many features customers receive with their energy service from CRES providers.
17 Billing flexibility, thus, needs to be given to CRES suppliers in order to make
18 these products available to customers.

19 **Q. Under supplier consolidated billing, would non-payment of non-electric**
20 **commodity charges trigger the disconnect of a customer?**

21 A. No. While CRES providers would be able to bill non-electric charges on the
22 customer's bills, with supplier consolidated billing, failure to pay non-electric
23 charges would not trigger disconnect for the customer. Disconnect would only be

1 applicable to electric charges and be subject to the same laws and procedures
2 as today.

3 **Q. Would CRES suppliers still have to abide by the same billing rules and**
4 **billing format as the EDUs if supplier consolidated billing is adopted?**

5 A. Yes. Currently Ohio has rules that govern how EDUs must bill customers.
6 Under supplier consolidated billing, CRES providers would still be subject to the
7 same billing requirements in the rules and statutes.

8 **Q. How do you recommend that AEP's Application be modified to allow for**
9 **supplier consolidated billing?**

10 A. I recommend that the Commission modify AEP's application to require AEP to
11 implement a supplier consolidated billing option for CRES suppliers by the
12 beginning of the next ESP period beginning June 1, 2015.

13 **VI. Immediate Enrollment and Accelerated Switching**

14 **Q. Are there any other modifications that the Commission should make to**
15 **AEP's ESP?**

16 A. Yes. Currently customers are required to enroll in SSO generation service upon
17 enrolling in AEP distribution service and customers must wait a minimum period
18 of time before they can elect a CRES supplier. There is no good policy reason
19 for this. Customers should be allowed to enroll with a CRES supplier
20 immediately upon receiving distribution service with AEP. Requiring customers
21 to enroll on SSO service in order to initiate service is a barrier to competition.
22 Thus, the Commission should modify AEP's ESP to allow customers to enroll
23 with a CRES supplier immediately upon enrolling in distribution service.

1 **Q. Do you make any recommendations with respect to AEP's customer**
2 **switching time frame?**

3 A. Yes. With the adoption of Smart Meters in the AEP service territory, it should be
4 much easier for AEP to switch customers from one service to another. Thus I
5 recommend that the Commission require AEP to execute accelerated switching
6 for AEP customers with Smart Meters so that customers can switch from one
7 generation service to another in a period of 5 days or less. Accelerated switching
8 will enable customers to make faster and more informed choices.

9 **Q. Does this conclude your testimony?**

10 A. Yes it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Matthew White on Behalf of Interstate Gas Supply, Inc.* was served upon the following parties of record this 6th day of May 2014, *via* electronic transmission, hand-delivery or first class mail, U.S. postage prepaid.

Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Corporation
1 Riverside Plaza, 29th Floor
Columbus, OH 43215-2373
stnourse@aep.com
mjsatterwhite@aep.com

Daniel R. Conway
Porter Wright Morris & Arthur
Huntington Center
41 South High Street
Columbus, OH 43215
dconway@porterwright.com

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, OH 45202
dboehm@bklawfirm.com
mkurtz@bklawfirm.com
jkylercohn@bklawfirm.com

Philip B. Sineneng
THOMPSON HINE LLP
41 South High Street, Suite 1700
Columbus, OH 43215
philip.sineneng@thompsonhine.com

Richard L. Sites
General Counsel & Senior Director of
Health Policy
Ohio Hospital Association
155 East Broad Street, 15th Floor
Columbus, OH 43215-3620
ricks@ohanet.org

Thomas J. O'Brien
Dylan F. Borchers
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
tobrien@bricker.com
dborchers@bricker.com

Devin Parram
Katherine Johnson
Werner Margard
Attorney General's Section
Public Utilities Commission of Ohio
180 E. Broad St., 6th Floor
Columbus, OH 43215
devin.parram@puc.state.oh.us
katherine.johnson@puc.state.oh.us
werner.margard@puc.state.oh.us

Maureen R. Grady
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
maureen.grady@occ.ohio.gov

Samuel C. Randazzo
Frank P. Darr
Matthew R. Pritchard
McNees Wallace & Nurick
21 East State Street, 17th Floor
Columbus, OH 43215
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com

Barth E. Royer
Bell & Royer Co., LPA
33 South Grant Avenue
Columbus, OH 43215-3927
barthroyer@aol.com

Gary A. Jeffries
Assistant General Counsel
Dominion Resources Services, Inc.
501 Martindale Street, Suite 400
Pittsburgh, PA 15212-5817
gary.a.jeffries@dom.com

Kimberly W. Bojko
Mallory M. Mohler
Carpenter Lipps & Leland LLP
280 Plaza, Suite 1300
280 North High Street
Columbus OH 43215
bojko@carpenterlipps.com
mohler@carpenterlipps.com

Mark A. Hayden
Jacob A. McDermott
Scott J. Casto
FirstEnergy Service Company
76 S. Main Street
Akron, OH 44308
haydenm@firstenergycorp.com
jmcdermott@firstenergycorp.com
scasto@firstenergycorp.com

David I. Fein
Vice President,
State Gov. Affairs – East
Exelon Corporation
10 South Dearborn Street,
47th Floor
Chicago, IL 60603
david.fein@exeloncorp.com

Cynthia Fonner Brady
Assistant General Counsel
Exelon Business Services Company
4300 Winfield Road
Warrenville, IL 60555
cynthia.brady@constellation.com

Colleen L. Mooney
Cathryn N. Loucas
Ohio Partners for Affordable Energy
231 W. Lima Street
Findlay, OH 45839
cmooney@ohiopartners.org
cloucas@ohiopartners.org

Lael Campbell
Exelon
101 Constitution Avenue, NW
Washington, DC 20001
Lael.Campbell@constellation.com

Trent Dougherty
Ohio Environmental Council
1207 Grandview Avenue, Suite 201
Columbus, OH 43215-3449
trent@theOEC.org

Judi L. Sobecki
The Dayton Power and Light
Company
1065 Woodman Drive
Dayton, OH 45432
judi.sobecki@aes.com

Rocco D'Ascenzo
Elizabeth H. Watts
Duke Energy Ohio, Inc.
139 E. Fourth Street, 1303-Main
Cincinnati, OH 45202
rocco.dascenzo@duke-energy.com
elizabeth.watts@duke-energy.com

John Finnigan
Senior Regulatory Attorney
Environmental Defense Fund
128 Winding Brook Lane
Terrace Park, OH 45174
jfinnigan@edf.org

Mark S. Yurick
Zachary D. Kravitz
Taft Stettinius & Hollister LLP
65 E. State St., Suite 1000
Columbus, OH 43215
myurick@taftlaw.com
zkravitz@taftlaw.com

Stephanie M. Chmiel
Thompson Hine LLP
41 S. High Street, Suite 1700
Columbus, OH 43215
stephanie.chmiel@thompsonhine.com

Michael R. Smalz
Ohio Poverty Law Center
555 Buttles Avenue
Columbus, OH 3215-1137
msmalz@ohiopovertylaw.org

Nicholas McDaniel
Environmental Law & Policy Center
1207 Grandview Avenue, Suite 201
Columbus, OH 43212
NMcDaniel@elpc.org

Peggy P. Lee
Southeastern Ohio Legal Services
964 E. State Street
Athens, Ohio 45701
plee@oslsa.org

Gregory J. Poulos
EnerNOC, Inc.
471 East Broad Street, Suite 1520
Columbus, OH 43215
gpoulos@enernoc.com

Steve W. Chriss
Senior Manager, Energy Regulatory
Analysis
Wal-Mart Stores, Inc.
2001 SE 10th Street
Bentonville, AR 72716-0550
stephen.criss@walmart.com

J. Thomas Siwo
Bricker & Eckeler LLP
100 South Third Street
Columbus, OH 43215-4291
tsiwo@bricker.com

Lisa M. Hawrot
Spilman Thomas & Battle, PLLC
Century Centre Building
1233 Main Street, Suite 4000
Wheeling, WV 26003
lhawrot@spilmanlaw.com

Tai C. Shadrick
Spilman Thomas & Battle, PLLC
300 Kanawha Blvd. East
Charleston, WV 25301
tshadrick@spilmanlaw.com

Kevin R. Schmidt
88 East Broad Street, Suite 1770
Columbus, Ohio 43215
schmidt@sppgrp.com

Joseph M. Clark
DIRECT ENERGY
21 East State Street, 19th Floor
Columbus, Ohio 43215
joseph.clark@directenergy.com

Samantha Williams
Natural Resources Defense Council
20 N Wacker Drive, Suite 1600
Chicago, IL 60606
swilliams@nrdc.org

Derrick Price Williamson
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com

M. Howard Petricoff
Gretchen L. Petrucci
Vorys, Sater, Seymore & Pease
52 East Gay Street
Columbus, Ohio 43216-1008
mhpetricoff@vorys.com
glpetrucci@vorys.com

Sarah Parrot
Attorney Examiner
Public Utilities Commission of Ohio
180 East Broad Street, 12th Floor
Columbus, Ohio 43215
sarah.parrot@puc.state.oh.us

/s/ Gregory L. Williams

**One of the Attorneys for
Interstate Gas Supply, Inc.**

**Summary of Switch Rates from EDUs to CRES Providers in Terms of Sales
For the Month Ending December 31, 2013
(MWh)**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Cleveland Electric Illuminating Company	CEI	31-Dec	2013	120877	47523	48510	228568
CRES Providers	CEI	31-Dec	2013	360642	496936	454212	1312107
Total Sales	CEI	31-Dec	2013	481519	544459	502722	1540675
EDU Share	CEI	31-Dec	2013	25.10%	8.73%	9.65%	14.84%
Electric Choice Sales Switch Rates	CEI	31-Dec	2013	74.90%	91.27%	90.35%	85.16%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Duke Energy Ohio	DUKE	31-Dec	2013	348067	87162	14739	457660
CRES Providers	DUKE	31-Dec	2013	335007	438815	421915	1314223
Total Sales	DUKE	31-Dec	2013	683074	525977	436654	1771883
EDU Share	DUKE	31-Dec	2013	50.96%	16.57%	3.38%	25.83%
Electric Choice Sales Switch Rates	DUKE	31-Dec	2013	49.04%	83.43%	96.62%	74.17%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
AEP - Ohio	AEP	31-Dec	2013	1015544	242958	230193	1493773
CRES Providers	AEP	31-Dec	2013	379722	955035	1007334	2349176
Total Sales	AEP	31-Dec	2013	1395266	1197993	1237527	3842949
EDU Share	AEP	31-Dec	2013	72.785%	20.280%	18.601%	38.870%
Electric Choice Sales Switch Rates	AEP	31-Dec	2013	27.215%	79.720%	81.399%	61.130%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
The Dayton Power and Light Company	DPL	31-Dec	2013	267654	52026	5998	361273
CRES Providers	DPL	31-Dec	2013	207358	238272	260676	773120
Total Sales	DPL	31-Dec	2013	475012	290298	266674	1134393
EDU Share	DPL	31-Dec	2013	56.35%	17.92%	2.25%	31.85%
Electric Choice Sales Switch Rates	DPL	31-Dec	2013	43.65%	82.08%	97.75%	68.15%

Source: PUCO, Energy & Environment

Note1: Total sales includes residential, commercial, industrial and other sales.

Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio.

Appropriate calculations made for other purposes may be based on different data, and may yield different results.

Note3: "Total Sales" include "Other Sales" (e.g. street lighting).

Note4: CSP and OP have merged into AEP-Ohio

**Summary of Switch Rates from EDUs to CRES Providers in Terms of Sales
For the Month Ending December 31, 2013
(MWh)**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Ohio Edison Company	OEC	31-Dec	2013	249799	51986	147153	460487
CRES Providers	OEC	31-Dec	2013	582031	500438	523541	1606930
Total Sales	OEC	31-Dec	2013	831830	552424	670694	2067417
EDU Share	OEC	31-Dec	2013	30.03%	9.41%	21.94%	22.27%
Electric Choice Sales Switch Rates	OEC	31-Dec	2013	69.97%	90.59%	78.06%	77.73%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Toledo Edison Company	TE	31-Dec	2013	63059	13112	103750	181740
CRES Providers	TE	31-Dec	2013	162771	154199	363313	680332
Total Sales	TE	31-Dec	2013	225830	167311	467063	862072
EDU Share	TE	31-Dec	2013	27.92%	7.84%	22.21%	21.08%
Electric Choice Sales Switch Rates	TE	31-Dec	2013	72.08%	92.16%	77.79%	78.92%

Source: PUCO, Energy & Environment

Note1: Total sales includes residential, commercial, industrial and other sales.

Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio.

Appropriate calculations made for other purposes may be based on different data, and may yield different results.

Note3: "Total Sales" include "Other Sales" (e.g. street lighting).

Note4: CSP and OP have merged into AEP-Ohio

Aggregation Activity in Ohio

		Residential Customers
Year	Month	Percent Switching thru Aggregation
2013	Mar	76.40%
2013	Jun	72.50% *
2013	Sep	71.18% *
2013	Dec	61.09% *
		Commercial Customers
Year	Month	Percent Switching thru Aggregation
2013	Mar	76.21%
2013	Jun	71.29% *
2013	Sep	45.78% *
2013	Dec	69.79% *
		Industrial Customers
Year	Month	Percent Switching thru Aggregation
2013	Mar	0.01%
2013	Jun	0.01% *
2013	Sep	0.00% *
2013	Dec	0.20% *

Source: Form MM1-2B, MM1-3, and Form MM1-4

*Preliminary Information; aggregators will submit updates to data

The percentages above represent the number of customers who are taking generation service from a CRES as of the end of the quarter.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

5/6/2014 4:46:16 PM

in

Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Testimony of Matthew White electronically filed by Mr. Gregory L. Williams on behalf of Interstate Gas Supply, Inc.