

**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-SSO  
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. :

**PREFILED TESTIMONY  
OF  
RAYMOND W. STROM  
ENERGY & ENVIRONMENT DEPARTMENT  
EFFICIENCY & RENEWABLES DIVISION  
PUBLIC UTILITIES COMMISSION OF OHIO**

**Staff Exhibit \_\_\_\_\_**

**May 20, 2014**

1 1. Q. Please state your name and your business address.

2 A. My name is Raymond W. Strom. My business address is 180 East Broad  
3 Street, Columbus, Ohio 43215.  
4

5 2. Q. By whom are you employed and what is your position?

6 A. I am employed by the Public Utilities Commission of Ohio as a Public  
7 Utilities Administrator 3, in the Efficiency and Renewables Division of the  
8 Energy and Environment Department.  
9

10 3. Q. Please summarize your educational background.

11 A. I have earned B.S. and M.S. degrees from Ohio University, both in the bio-  
12 logical/environmental sciences. I have also earned a Master of Business  
13 Administration degree from Capital University.  
14

15 4. Q. Please summarize your work experience.

16 A. Prior to my employment with the PUCO, I was employed as a chemist, a  
17 laboratory technician, a graduate teaching assistant, a research technician  
18 and a quality control coordinator for various organizations. In 1987, I  
19 joined the staff of the Public Utilities Commission of Ohio as Supervisor of  
20 the Electric Fuel Component Section. In 1992, I was promoted to Public  
21 Utility Administrator 1. Starting in 1999, I served as a Public Utility

1 Administrator 2 in the Facilities, Siting and Environmental Analysis Divi-  
2 sion. In October of 2009 I was promoted to Chief of the Efficiency and  
3 Renewables Division.  
4

5 5. Q. Have you testified in prior proceedings before the Commission?

6 A. Yes.  
7

8 6. Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to present Staff's recommended revisions  
10 to the Company's competitive bidding process proposals. My testimony  
11 also deals with Staff's recommended revisions to the ESP period.  
12

13 7. Q. What are Staff's concerns about the Company's proposed competitive bid-  
14 ding process?

15 A. In general, the procedures that the Company is recommending appear to be  
16 appropriate and consistent with other competitive bidding processes that are  
17 conducted by Ohio's other EDUs. However, Staff is concerned about the  
18 Company's proposal to restrict its initial auctions to products that terminate  
19 at or before May 31, 2017. This is then followed with procurements of one  
20 year products with delivery ending May 31, 2018. The impact of this mix  
21 of products that the Company is proposing is that the Company's ratepayers

1 that are served under its standard service offer are subjected to uncertainty  
2 and potential rate volatility in both 2017 and 2018 as a result of this ESP.

3  
4 It is my understanding that the driving force behind the May 31, 2017  
5 termination is the Company's desire to have the unilateral ability to  
6 terminate the ESP at that time. The May 31, 2018 termination is a result of  
7 the alternate ending date of the ESP, should the Company choose not to use  
8 its unilateral ESP termination provision.

9  
10 8. Q. What does Staff recommend to address these concerns?

11 A. Staff recommends that the mix of products be revised so that there would  
12 not be a 100% termination at June 1, 2017. Further, in order to reduce the  
13 uncertainty and frequency of potential rate volatility occurrences over the  
14 long term, Staff recommends that the ESP should be extended for a longer  
15 period of 5 years. Extending the ESP to a period of 5 years would, over a  
16 series of several such ESPs, provide for only three potential rate volatility  
17 occurrences over a fifteen year period. This compares to five occurrences  
18 for three year ESPs, or ten occurrences for the type of ESP being proposed  
19 by the Company. A proposed auction schedule that would accommodate a  
20 5 year ESP is attached as Exhibit RWS-1.

1 9. Q. How should the Company's unilateral option to terminate the ESP at the  
2 end of the second year be treated under your proposed auction schedule?

3 A. Ideally, this option should be rejected by the Commission. However, if the  
4 Commission were inclined to allow the Company to retain the option of  
5 unilateral termination, it should only do so with the concomitant require-  
6 ments that any subsequent ESP would include the same competitive bid-  
7 ding process for procurement of its SSO supply, and that the auction blend-  
8 ing process would continue unabated.

9  
10 10. Q. What about the termination, and potential rate volatility, at the end of May  
11 2020 in your proposed ESP auction schedule?

12 A. As I stated earlier, my proposed 5 year ESP auction schedule has fewer  
13 potential rate volatility occurrences than the Company's proposal.  
14 However, it should be possible to lessen the potential for rate volatility in  
15 my proposed schedule if the Commission were to further require, as part of  
16 this ESP, that the Company propose its next SSO, whether ESP or MRO,  
17 sufficiently far in advance that the last procurements of this ESP could be  
18 blended with the initial procurements of the subsequent SSO.

19  
20 11. Q. Does Staff have other concerns with the Company's CBP proposal?

21 A. Yes. One concern is about the list of criteria presented in the testimony of  
22 Company witness LaCasse, on page 29, lines 8 through 13, which has only

1 three reasons that the Commission may use for rejection of the auction  
2 results. When making its decision regarding accepting the auction results,  
3 the Commission will have access to more information than the several  
4 items listed by the Company. The Commission will also receive  
5 information from Staff about how each auction progresses, as well as  
6 reports on the auctions from the auction manager and the Commission's  
7 consultant. Limiting the Commission's decision to solely the three criteria  
8 listed would essentially render this other information that the Commission  
9 receives meaningless, and would severely limit the Commission's role in  
10 oversight of the auction process. Further, pursuant to the bidding rules, all  
11 three of the listed criteria will essentially be known prior to the com-  
12 mencement of each auction, so if these three rejection criteria are not met,  
13 the auction probably should not even take place. This limitation should not  
14 be placed on the Commission. I believe that it would be more appropriate  
15 for the competitive bidding process plan to indicate that the inputs from  
16 Staff, the Commission's consultant and the Auction Manager should be  
17 used by the Commission in making its decision on whether or not to accept  
18 the auction results, but that the decision ultimately should rest with the  
19 Commission based on the criteria that it determines are appropriate to use.

20  
21 Another concern is that the CBP does not appear to provide for a process to  
22 revise it, if necessary, during the term of the ESP. As the Commission

1           noted in its decision in the most recent DP&L ESP case<sup>1</sup>, it retains the right  
2           to modify and alter the load cap or any other feature of the CBP process for  
3           future auctions as the Commission deems necessary based upon its continu-  
4           ing review of the CBP process, including its review of the reports on the  
5           auction provided to the Commission by the independent auction manager,  
6           the Commission's consultant, the Company, and Staff. The Company's  
7           CBP should similarly include the potential for modification during the ESP  
8           period as the Commission deems necessary.

9  
10   12.   Q.   Does this conclude your testimony?

11       A.   Yes, it does. However, I reserve the right to submit supplemental testi-  
12       mony as described herein, as new information subsequently becomes avail-  
13       able or in response to positions taken by other parties.

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<sup>1</sup>           *In the Matter of the Application of The Dayton Power and Light for Approval of  
its Electric Security Plan*, Case No. 12-426-EL-SSO (Opinion and Order at 16-17)  
(Sep. 4, 2013).

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of **Raymond W. Strom** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 20<sup>th</sup> day of May, 2014.

*/s/ Devin D. Parram*

**Devin D. Parram**

Assistant Attorney General

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## Exhibit RWS-1

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Summary: Testimony Prefiled Testimony of Raymond W. Strom submitted on behalf of the Staff of the Public Utilities Commission of Ohio by Assistant Attorney General Devin Parram electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio