

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Duke Energy Ohio for Authority to	)	Case No. 14-841-EL-SSO
Establish a Standard Service Offer	)	
Pursuant to Section 4928.143,	)	
Revised Code, in the Form of	)	
An Electric Security Plan,	)	
Accounting Modifications and Tariffs	)	
for Generation Service	)	

In the Matter of the Application of	)	
Duke Energy for Authority to Amend	)	Case No. 14-842-EL-ATA
its Certified Supplier Tariff, P.U.C.O.	)	
No. 20	)	

PREFILED TESTIMONY

OF

RAYMOND W. STROM  
RATES AND ANALYSIS DEPARTMENT  
EFFICIENCY & RENEWABLES DIVISION

STAFF EXHIBIT \_\_\_\_\_

**October 2, 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 Rates and Analysis 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 recommendations on the  
10 Company's competitive bidding process proposals.  
11

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

14 A. In general, the procedures that the Company is recommending appear to be  
15 appropriate and consistent with competitive bidding processes that have  
16 previously been conducted by Duke Energy Ohio and Ohio's other electric  
17 distribution utilities (EDUs). However, Staff is concerned about the  
18 Company's proposal to include an electric security plan (ESP) termination  
19 provision in its Master Standard Service Offer Supply Agreement (MSA).<sup>1</sup>  
20 Staff believes that this provision introduces unnecessary risk and

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<sup>1</sup> Attachment F to the Application, at page 13 of 97, section 2.4 "Termination of ESP"

1           uncertainty into the SSO supply procurement process. Staff believes that  
2           this unnecessary risk and uncertainty could potentially impact participation  
3           levels in the auctions as well as winning bid prices resulting from the  
4           auctions. Further, if the Company were to implement this provision, the  
5           entirety of its SSO supply would terminate as of May 31, 2017. This could  
6           potentially introduce unnecessary rate volatility associated with 100%  
7           replacement of the SSO supply being subject to prevailing market prices at  
8           that time.

9  
10          It is my understanding that the driving force behind the ESP termination  
11          provision in the MSA is the Company's desire to have the unilateral ability  
12          to terminate the ESP as of May 31, 2017.

13  
14    8.    Q.    What does Staff recommend to address this concern?

15          A.    Staff recommends that the ESP termination provision be removed from the  
16          MSA.

17  
18    9.    Q.    How should the Company's unilateral option to terminate the ESP as of  
19          May 31, 2017 be treated, given your recommendation to remove the ESP  
20          termination provision from the MSA?

21          A.    Ideally, this option should be rejected by the Commission. However, if the  
22          Commission were inclined to allow the Company to retain the option of

1 unilateral termination, it should only do so with the concomitant require-  
2 ments that any subsequent ESP would include the same competitive bid-  
3 ding process for procurement of its SSO supply, and that the auction blend-  
4 ing process would continue unabated.

5  
6 10. Q. What about the termination of 100% of the SSO supply, and potential  
7 resulting rate volatility, at the end of the currently proposed ESP period?

8 A. Similar to my proposal in the answer to question 9, I recommend that the  
9 auction laddering and blending process continue past the end date of the  
10 proposed ESP period. This would allow transition from this currently  
11 proposed ESP to the next ESP without the rate volatility impact that could  
12 be associated with a sudden end, followed by a re-start, of the auction  
13 laddering and blending process. An example of how this could occur is  
14 presented in Exhibit RWS-1.

15  
16 11. Q. Does Staff have other concerns with the Company's competitive bidding  
17 process (CBP) proposal?

18 A. Yes. One item is perhaps more of a clarification than a concern. In the  
19 testimony of Company witness Lee, reference is made to the Commission  
20 selecting the winning bidder(s).<sup>2</sup> In the context of the CBP being proposed

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<sup>2</sup> Direct testimony of Robert J. Lee on behalf of Duke Energy Ohio, Inc., filed on May 29, 2014, page 7, lines 22-23, and page 21, line 21.

1 in this case, it would be more appropriate to state that the auction manager  
2 selects the winning bidder(s), subject to the approval or rejection of the  
3 auction results by the Commission.  
4

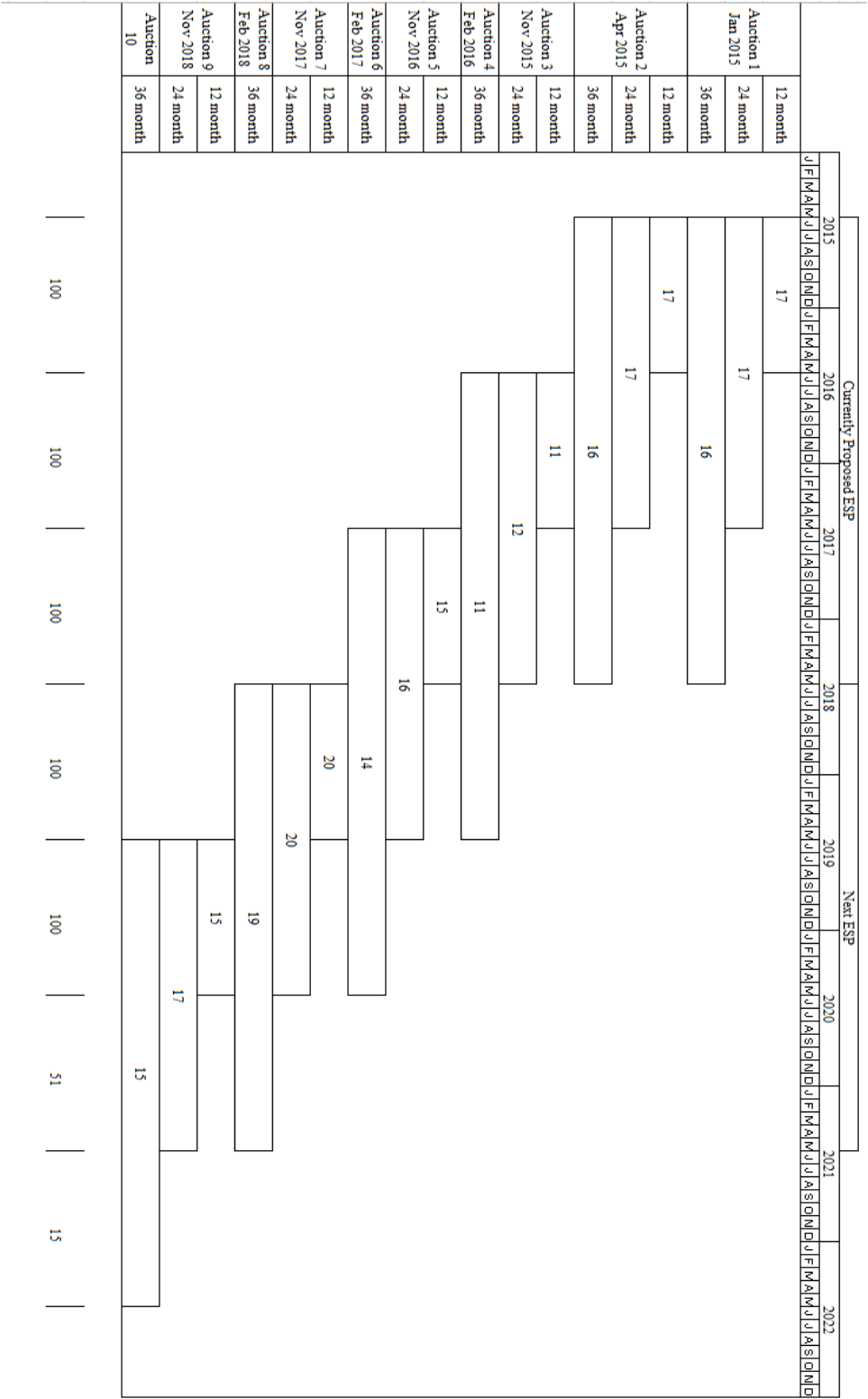
5 Another clarification involves a process to modify features of the CBP, if  
6 necessary, during the term of the ESP. As the Commission noted in its  
7 decision in the most recent DP&L ESP case, it retains the right to modify  
8 and alter the load cap or any other feature of the CBP for future auctions as  
9 the Commission deems necessary based upon its continuing review of the  
10 CBP, including its review of the reports on the auction provided to the  
11 Commission by the independent auction manager, the Commission's  
12 consultant, the Company, and Staff. The Company's CBP should similarly  
13 include the potential for modification during the ESP period as the  
14 Commission deems necessary.  
15

16 Finally, it is not clear to me that the auctions to be conducted under the  
17 CBP will be advertised. Staff recommends that the Commission require  
18 that the Company or Auction Manager place at least one advertisement in  
19 an appropriate publication for each auction, in order to help assure that  
20 potential new participants may become aware of the auction process.  
21

1    12.    Q.    Does this conclude your testimony?

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

Exhibit RWS-1





## CERTIFICATE OF SERVICE

This is to certify that the foregoing Testimony of Raymond W. Strom has been served upon all of the parties of record in Case No. 14-841-EL-SSO by electronic and/or U.S. mail, postage pre-paid mail this 2nd day of October, 2014.

/s/Steven L. Beeler

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Summary: Testimony Testimony of Raymond Strom electronically filed by Mrs. Tonnetta Y Scott  
on behalf of PUCO