

**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 Edison Company for)
Authority to Provide for a Standard Service)
Offer Pursuant to R.C. § 4928.143 in the Form)
of an Electric Security Plan.)

Case No. 14-1297-EL-SSO

**SUPPLEMENTAL
DIRECT TESTIMONY OF STEPHEN E. BENNETT
ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

March 2, 2015

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1 **INTRODUCTION**

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

3 **A1.** My name is Stephen E. Bennett. My business address is Two North Ninth Street, Allentown,
4 PA 18101-1179.

5
6 **Q2. By whom are you employed and in what capacity?**

7 **A2.** I am employed by PPL Energy Supply as Senior Manager, Markets & Regulatory Policy.¹
8

9 **Q3. Did you cause to be filed your direct testimony in this matter on December 22, 2014, on**
10 **behalf of the Retail Energy Supply Association?**

11 **A3.** Yes.
12

13 **Q4. Have you reviewed the Stipulation and Recommendation filed on December 22, 2014 in**
14 **this proceeding?**

15 **A4.** Yes, I have reviewed the Stipulation and Recommendation and in response I wish to
16 supplement my previous direct testimony in this proceeding.
17

18 **PURPOSE OF THE SUPPLEMENTAL TESTIMONY**

19 **Q5. What is the purpose of your supplemental testimony?**

20 **A5.** On the same day that my direct testimony was submitted to the docket, a partial stipulation and
21 recommendation (“Stipulation”) was filed by Ohio Edison Company, The Cleveland Electric
22 Illuminating Company and The Toledo Edison Company (collectively “FirstEnergy EDUs”)
23 and several intervenors in this proceeding for consideration by the Public Utilities Commission
24 of Ohio (“Commission”). Since the Stipulation would alter the Application upon which the
25 FirstEnergy EDUs and the intervenors submitted their testimony, the Attorney Examiner has
26 permitted the parties to file supplemental testimony to respond to items raised by the
27 Stipulation. On behalf of the Retail Energy Supply Association (“RESA”), I would like to
28 address two items which are raised by the Stipulation:
29

¹ PPL Corporation is in the process of moving its competitive energy business into a newly formed corporation, Talen Energy Corporation. As part of that transaction, the name of the subsidiary for whom I am employed has changed recently to PPL Energy Supply.

- (1) The proposed change to Rider Generation Cost Reconciliation (“Rider GCR”);
and
(2) The reversal of Application’s sunset of the Time-of-Day Option in the
Generation Service Rider (“Rider GEN”).

RIDER GENERATION COST RECONCILIATION

Q6. Please describe Rider GCR.

A6. Rider GCR was a provision included in a non-unanimous stipulation first accepted by the Commission in FirstEnergy’s Electric Security Plan (“ESP”) II proceedings in Case Nos. 10-388-EL-SSO. Rider GCR reconciles the total actual expense for generation the FirstEnergy EDUs have paid to suppliers for standard service generation with the amounts collected for such services. The Rider GCR reconciliations are done quarterly. Since Rider GCR collects what are exclusively generation costs, only standard service customers pay the Rider GCR. However, Rider GCR contains an algorithm which measures the ratio of the unpaid, deferred Rider GCR amounts to the cost of the generation. If the ratio of Rider GCR deferrals to standard service generation costs exceeds five percent (5%), then the FirstEnergy EDUs can make the Rider GCR non-bypassable.

In addition to the five percent (5%) non-bypassable trigger, the FirstEnergy EDUs can also convert Rider GCR from bypassable to non-bypassable if a standard service supplier defaults and the FirstEnergy EDU projects that the GCR deferrals will exceed the five percent (5%) ratio trigger. Specifically, the tariff language under the “Avoidability” section (See, Ohio Edison Company P.U.C.O. No. 11, Sheet 103, page 2 of 2) states:

* * * [I]n the event that a supplier that has been providing power as a result of the competitive bid process defaults during the applicable ESP period, the Company upon its belief that such default will cause the GCR Deferral Balance to exceed the 5% threshold, may determine that the GCR charge is not avoidable for customers who take generation from a certified supplier.

Q7. Is there a problem with the current Rider GCR tariff?

A7. Forcing shopping customers who have paid for all of their own generation expenses, to pay for generation used exclusively by standard service customers is unfair and possibly not necessary.

1 Since Rider GCR came into being as part of a stipulated application, there was neither a record
2 created at hearing nor testimony which supported the premise that once a five percent (5%)
3 ratio was achieved for two quarters, that either the FirstEnergy EDU will not be fully
4 reimbursed for its standard service generation expenses, or that standard service itself will no
5 longer be viable. Further, in the current tariff there is no process to revert the Rider GCR back
6 to being by-passable again if conditions change or it becomes apparent that the FirstEnergy
7 EDU will be fully compensated and the standard service is not in danger of entering an
8 economic death spiral. Finally, and most importantly, the tariff appears to exclude the
9 Commission from crafting a more appropriate remedy than making Rider GCR non-bypassable
10 should either the size of the Rider GCR deferral reach a worrisome level or a supplier defaults.
11 The wording of the tariff arguably automatically makes the Rider GCR non-bypassable, with
12 no process to consider whether such is necessary, or the consideration of other remedies which
13 may do less harm to the market or are less of a burden on the customers being asked to pay the
14 subsidies.

15
16 **Q8 How does the Stipulation alter the current Rider GCR tariff?**

17 **A8.** The Stipulation moves the trigger for making Rider GCR non-bypassable from five percent
18 (5%) to ten percent (10%) and extends the measurement period to two consecutive quarters
19 before the rider can become non passable [See, Stipulation and Recommendation, Page 9,
20 Paragraph A.1.ii]

21 No explanation was given in Stipulation or the supporting testimony as to what problem the
22 doubling of the size of the non-bypassable trigger is intended to solve, or why a ten percent
23 (10%) trigger as opposed to a higher trigger ratio was selected. By raising the amount of
24 deferred standard service generation cost which will exist before Rider GCR tariff imposes
25 subsidy payments on shopping customers, the Stipulation appears to address the inequitable
26 treatment which Rider GCR has on shopping customers.

27
28
29 **Q9. How would RESA alter Rider GCR?**

30 **A9.** Since RESA believes the problem with Rider GCR is that it takes away the Commission's
31 discretion to craft solutions to the FirstEnergy EDUs not being fully reimbursed for its standard
32 service generation costs or demise of the standard service other than automatic subsidies,

1 RESA would focus not on changing the trigger ratio, but what happens if the trigger is reached.
2 RESA suggests that if the Rider GCR ratio of deferrals to expenses reaches five percent (5%)
3 for two quarters, the FirstEnergy EDUs at that time should submit a plan to address the factors
4 which are causing the deferral to rise. Similarly, if a supplier defaults and the default result in
5 the FirstEnergy EDU projecting the Rider GCR deferral to exceed the trigger, all options to
6 bring the deferral down should be examined. In keeping with the idea that the optimal solution
7 to a rising deferral to cost ratio should be selected rather than just automatic application of
8 subsidy from other retail customers, the application to alter Rider GCR though should contain
9 an explanation of the why the deferral to generation cost ratio is rising or is expected to rise
10 above the trigger point, and both the solution being offered as well as other solutions which
11 were considered. The FirstEnergy EDU's application may well be for making the Rider GCR
12 non-bypassable, but the application should reflect that the FirstEnergy EDU also considered
13 other options and the Commission can receive and take consideration of comments from the
14 other interested parties as other solutions.

15 In sum, today's Rider GCR is flawed because it could automatically trigger customers'
16 making subsidy payments without prior review and approval by the Commission. The
17 Stipulation's raising the threshold before the automatic rate increase kicks in for shopping
18 customers is an improvement over the flawed 5% prior approach, but only reinforcing the
19 Commission's direct oversight and approval will cure the flaw.
20

21 **TIME-OF-DAY OPTION UNDER THE GENERATION SERVICE RIDER**

22 **Q10. Please describe the FirstEnergy EDUs' current time of day rates.**

23 **A10.** The FirstEnergy EDUs have a pilot program in which standard service retail customers, if they
24 pay for an interval meter, can purchase generation with prices differentiated by the time of use.
25 Both the tariff that provides for the current program and the ESP IV Application as originally
26 proposed envisioned that the time of day rates would sunset with the start of ESP IV in June of
27 2016. The time of day standard service tariffs price the power differently depending on
28 whether the power was used during mid-day peak, shoulder peak or off-peak periods.
29

30 **Q11. From RESA's prospective what is the problem with the current time of day program?**

31 **A11.** The current program is not based on true market rates. The power provided for the program
32 comes from the supplier bid winners at the auction closing price. The auction closing price is a

1 fixed price for all kilowatt-hours without regard to the actual cost of power at any particular
2 time of day. Thus, the price adjustments for time of use pricing are based on the FirstEnergy
3 EDUs' educated approximations, not direct market pricing. More importantly, according to the
4 deposition of FirstEnergy witness Mikkelsen, there are only two customers on the time of day
5 program making it of limited value to the public.

6
7 **Q12. Please describe the provision in the December 22nd Stipulation that involves Rider GEN.**

8 **A12.** The stipulating parties have agreed and are proposing that the Time-of-Day Option under Rider
9 GEN continue as is during the ESP IV. (See, Stipulation, Page 10, Paragraph A.1.v)

10
11 **Q13. What are RESA's concerns with continuation of the Time-of-Day Option under Rider**
12 **GEN?**

13 **A13.** The purpose of standard service is to provide bundled competitive and utility services so that
14 customers who either fail to shop or do not wish to shop are assured full electric service. To
15 provide true time of day service, there must be both interval meters for residential and small
16 commercial customers and the IT systems to provide customers and the competitive retail
17 electric suppliers with real-time data suitable for pricing and billing purposes. This is not a
18 problem unique to the FirstEnergy EDUs. The Commission directly addressed the issue in the
19 recent Retail Market Development Investigation (Case 12-3151-EL-COI). In the Opinion and
20 Order issued at the end of the year-long retail market investigation, the Commission adopted
21 the recommendation of the Staff that electric distribution utilities should offer time of day
22 differentiated rates, but only for so long as the time of day differentiated products are not
23 available from the competitive market (See, Opinion and Order in Case No. 12-3151-EL-COI
24 at 37-38). The Commission then addressed the key missing factor in having true time of day
25 rates:

26 The Commission also directs the EDU's and encourages CRES providers, to
27 participate in the MDWG [Market Development Working Group] to assist in the
28 development of proper data exchange protocols to improve the availability for
29 CRES providers to offer time-differentiated rates.

30
31 When one considers that PJM sets the capacity cost responsibility based on contribution
32 to PJM five coincidental peak hours, in addition to the clock-hour differences in energy costs,
33 good time of use data is essential for customers to make cost efficient use of their power. In
34 sum, RESA does not oppose the continuation of the current FirstEnergy time of day rates for

1 the few existing customers who take that service, but in that authorization the Commission
2 should reference paragraph 40 of the Retail Market Development Investigation Opinion and
3 Order and require that FirstEnergy submit an action agenda to the Staff which will accomplish
4 providing the necessary interval data electronically to competitive suppliers by the start of ESP
5 IV in June 2016.

7 **CONCLUSION AND SUMMARY OF ALL RECOMMENDATIONS**

8 **Q14. What are RESA's recommendations in this proceeding?**

9 **A14.** As set forth in my direct testimony and my supplemental testimony, RESA recommends that
10 the Commission:

- 11
- 12 • Reject the FirstEnergy EDUs' anti-competitive Rider RRS proposal outright;
- 13 • Order the FirstEnergy EDUs to develop a Purchase of Receivables program;
- 14 • Reject the FirstEnergy EDUs' proposal to modify the bill-ready tariff to narrow the charges
15 that competitive retail electric service ("CRES") providers can place on the EDU bill; and
16 further, the Commission should affirm that CRES providers can use the bill-ready function
17 to bill for non-commodity charges;
- 18 • Reject the FirstEnergy EDUs' proposal to modify its tariff to eliminate CRES providers'
19 ability to request non-summary customer-specific usage data; rather, the Commission
20 should modify the FirstEnergy EDUs' tariffs to require that the customers' information be
21 provided to CRES providers free of charge;
- 22 • Reject the FirstEnergy EDUs' proposal to modify its tariff that relates to unaccountable
23 energy;
- 24 • Approve the FirstEnergy EDUs' request to make certain PJM-related charges non-
25 bypassable except for PJM Billing Line Item 1375;
- 26 • Approve the FirstEnergy EDUs' proposed CRES supplier portal, but order a stakeholder
27 process to ensure the development of the portal is done appropriately and in a timely
28 manner;
- 29 • Modify Rider GCR to eliminate the provision that allows the FirstEnergy EDUs to
30 determine that the GCR charge is not avoidable for customers who take generation from a
31 CRES provider. If the SSO program develops revenue shortfalls, the FirstEnergy EDUs
32 should at that time file an application with a solution that best fits the public interest; and

- Retain the Time-of-Day Option in Rider GEN until there are commercially available services. To hasten the development of time-of-day offers, require the FirstEnergy EDUs to provide an action agenda for providing the necessary customer usage and billing information to CRES providers through industry-standard means as of June of 2016, the start of the ESP IV.

Q15. Does this conclude your supplemental testimony?

A15. Yes, though I reserve the right to further supplement my testimony.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio e-filing system will electronically serve notice of the filing of this document on the parties referenced in the service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served upon the persons below via electronic mail this 2nd day of March 2015.



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