

FILE

13

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of : Case Nos. 11-346-EL-SSO  
Columbus Southern Power Company and : 11-348-EL-SSO  
Ohio Power Company for Authority to :  
Establish a Standard Service Offer :  
Pursuant to § 4928.143, Ohio Rev. Code, :  
in the Form of an Electric Security Plan. :

In the Matter of the Application of :  
Columbus Southern Power Company and : Case Nos. 11-349-EL-AAM  
Ohio Power Company for Approval of : 11-350-EL-AAM  
Certain Accounting Authority. :

**PREFILED TESTIMONY  
OF  
DANIEL F. SHIELDS, JR.  
ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

PUCO

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August 4, 2011

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

2 A. My name is Daniel F. Shields, Jr. My business address is 180 East Broad  
3 St. Columbus Ohio, 43215.

4  
5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO) as the  
7 Federal Energy Advocate.

8  
9 3. Q. Please summarize your employment and educational background.

10 A. I am a 2004 graduate of Ashland University earning a Masters of Business  
11 Administration (MBA) and a 1982 graduate of Ohio University earning a  
12 Bachelors of Business Administration (BBA).

13  
14 I have been employed by the PUCO since 1983. The vast majority of my  
15 time at the PUCO has been dedicated to working on various intrastate and  
16 federal policy issues in both telecommunications and energy arenas. On  
17 August 1, 2008, I was named the PUCO's Federal Energy Advocate con-  
18 sistent with the directives of Amended Substitute Senate Bill 221, Section  
19 4928.24, enacted by the State of Ohio's 127<sup>th</sup> General Assembly. In this  
20 capacity, I advocate on behalf of the PUCO and the State of Ohio's con-  
21 sumers to the Federal Energy Regulatory Commission (FERC) and other  
22 federal agencies as necessary. Consequently, I act as a project team leader

1 to research and coordinate PUCO recommendations to FERC, the Depart-  
2 ment of Energy, and the Department of Commerce. Subject matters at the  
3 federal level include, but are not limited to, the following: organized mar-  
4 kets for electricity and regional transmission organization (RTO) policies,  
5 market-based pricing for wholesale services, RTO performance metrics,  
6 RTO stakeholder responsiveness, separate affiliate waivers, transmission  
7 pricing, transmission planning, corporate separation, affiliate restructuring,  
8 wholesale market measurements, demand response, price responsive  
9 demand, and the minimum offer pricing rule (MOPR). In addition, I act as  
10 project team leader (or adviser) to teams implementing federal decisions  
11 and policies on an intrastate basis.

12  
13 4. Q. Have you previously filed testimony with the Commission?

14 A. Yes, I provided testimony in Case No. 93-487-TP-ALT responding to the  
15 Ohio Bell Telephone Companies' request to adopt an alternative form of  
16 regulation known as price caps incentive regulation. In that case I provided  
17 testimony regarding the Companies' proposed price cap components and  
18 alternatives to those elements.

19  
20 5. Q. What is the purpose of your testimony?

21 A. The purpose of my testimony is to respond to the Companies' proposal  
22 regarding capacity charges to competitive retail electric suppliers (CRES)

1 in the State of Ohio. In addition, my testimony speaks to the Companies'  
2 proposal concerning the anticipated pool termination (or modification) pro-  
3 vision and the Companies' proposal to recover potential revenue shortfalls  
4 resulting from that termination or any new resulting agreement.

5  
6 6. Q. Are you familiar with the Companies' proposal for capacity charges to  
7 CRES providers?

8 A. Yes. The Companies' application reflects that they intend to charge the  
9 rates identified in their submission to the PUCO in Case No. 10-2929-EL-  
10 UNC, *In the Matter of the Commission Review of the Capacity Charges of*  
11 *Ohio Power Company and Columbus Southern Power Company.*  
12 Specifically, the Companies' submission proposes capacity charges to  
13 CRES equal to \$299.81 and \$387.78 per MW-day for Columbus Southern  
14 Power (CSP) and Ohio Power Company (OPCo), respectively. These are  
15 the same rates the Companies proposed to FERC in their Section 205 filing  
16 in Docket No. ER11-1195.

17  
18 7. Q. Do you have a recommendation concerning the Companies' proposed  
19 charges to CRES providers?

20 A. Yes. I believe that this issue should continue to be addressed in the  
21 PUCO's 10-2929-EL-COI (10-2929) investigation. It should be noted that  
22 the PUCO's 10-2929 investigation was initiated prior to the Companies'

1 SSO filings in the instant proceedings, and that the 10-2929 case has  
2 already established a rate for the Companies' provision of capacity to  
3 CRES providers.  
4

5 8. Q. What capacity rates has the Commission established for CRES providers?

6 A. The Commission elected to adopt, as the state compensation mechanism,  
7 the current capacity charges established by the Reliability Pricing Model's  
8 three-year capacity auction conducted by PJM Interconnection, L.L.C.  
9 (PJM). The rate established by PJM's competitive auction for capacity cur-  
10 rently is set equal to \$110.00 per MW-day.  
11

12 9. Q. Has the Commission taken any other action in its 10-2929 investigation?

13 A. Yes. In an attempt to address this issue in an exhaustive and comprehen-  
14 sive manner, the PUCO has requested input from interested persons con-  
15 cerning: (1) what changes to the current state are appropriate to determine  
16 the Companies' Fixed Resource Requirement (FRR) capacity charges to  
17 Ohio competitive retail electric (CRES) providers; (2) the degree to which  
18 AEP-Ohio's capacity charges are currently being recovered through retail  
19 rates or other capacity charges; and (3) the impact of AEP-Ohio's capacity  
20 charges on CRES providers and retail competition in Ohio.  
21

22 10. Q. What is the status of the Commission's 10-2929 investigation?

1 A. The comments and replies from interested persons are currently under  
2 review.

3  
4 11. Q. Are there any matters that should be taken into consideration that could  
5 complicate the PUCO's pending decision in this investigation?

6 A. Potentially. It should be noted that on April 4, 2011, the Companies filed a  
7 Section 206 complaint at FERC which, among other things, challenges the  
8 PUCO's actions in its 10-2929 investigation. FERC's decision, while not  
9 yet issued, could result in preemption of state action in this proceeding if  
10 the complaint prevails.

11  
12 12. Q. Are you familiar with the Companies' proposal concerning modifications to  
13 their pooling agreement?

14 A. Yes. The pooling members have provided three-year advance written  
15 notice to each other expressing their mutual desire to terminate the current  
16 agreement. The pooling companies have also committed to work with  
17 various stakeholders and affected state commissions concerning the term-  
18 ination and whether any new affiliate agreement should replace it. The  
19 Company notes that these discussions are expected to continue through  
20 2012, and perhaps longer.

1 13. Q. What is the Companies' proposal concerning pool termination or pool  
2 modification?

3 A. The Companies note that they cannot predict the outcome of these  
4 discussions and subsequent FERC filings. Consequently, the Companies  
5 note that it would be desirable to have the ability to adjust rates for a  
6 significant change in generation costs resulting from any change to the  
7 pool. However, the Companies indicate that they will not adjust its ESP  
8 rates if the annual effect of the AEP pool termination or any new amended  
9 agreement is less than \$35 million.  
10

11 14. Q. Do you have a recommendation concerning the Companies' proposal?

12 A. Yes. I believe that the Companies' proposal is premature and should be  
13 filed at the Commission subsequent to FERC approval. In particular, with-  
14 out knowing the results of stakeholder discussions, the Companies' pro-  
15 posal, if acted on in this proceeding, could be misconstrued as preapproval  
16 of any alleged revenue shortfall. To prevent this situation from occurring,  
17 the Companies should be required to submit their application for recovery  
18 of any proposed revenue shortfall after the Commission has had an  
19 opportunity to thoroughly vet the Companies' actual intrastate application  
20 for cost recovery. At this moment, there is no actual application to review.  
21 Moreover, there is a chance that the pool may not be terminated or  
22 amended during the term of this ESP. As an alternative to a line item, the

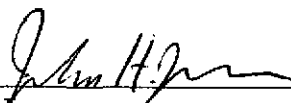
1           Companies should request the ability to file a separate application at the  
2           Commission within the term of its ESP should the pool be terminated or  
3           amended.

4  
5   15.   Q.   Does this conclude your testimony?

6           A.   Yes it does.  
7  
8

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Prefiled Testimony of Daniel F. Shields, Jr.**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 4<sup>th</sup> day of August, 2011.

  
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