

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Power Company and Columbus Southern) Case No. 10-2376-EL-UNC
Power Company for Authority to Merge and)
Related Approvals.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company for Authority to) Case No. 11-346-EL-SSO
Establish a Standard Service Offer) Case No. 11-348-EL-SSO
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 No. 11-349-EL-AAM
Ohio Power Company for Approval of) Case No. 11-350-EL-AAM
Certain Accounting Authority.)

In the Matter of the Application of Columbus)
Southern Power Company to Amend it) Case No. 10-343-EL-ATA
Emergency Curtailment Service Riders.)

In the Matter of the Application of Ohio)
Power Company to Amend its Emergency) Case No. 10-344-EL-ATA
Curtailment Service Riders.)

In the Matter of the Commission Review of)
The Capacity Charges of Ohio Power) Case No. 10-2929-EL-UNC
Company and Columbus Southern Power)
Company.)

In the Matter of the Application of)
Columbus Southern Power Company for) Case No. 11-4920-EL-RDR
Approval of a Mechanism to Recover)
Deferred Fuel Costs Ordered Under)
Ohio Revised Code 4928.144.)

In the Matter of the Application of Ohio)
Power Company for Approval of a)
Mechanism to Recover Deferred Fuel Costs) Case No. 11-4921-EL-RDR
Ordered Under Ohio Revised Code 4928.144.)

DIRECT TESTIMONY OF PEGGY CLAYTOR ON BEHALF OF THE OMA ENERGY GROUP

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On behalf of the OMA Energy Group

1 **Q1. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 **A1.** My name is Peggy R. Claytor. I am the Manager - State Government
3 Affairs for The Timken Company ("Timken"). My business address is
4 1835 Dueber Avenue S,W., Canton, Ohio 44706-0932.

5 **Q2. ARE YOU THE SAME PEGGY CLAYTOR WHO PROVIDED**
6 **TESTIMONY IN THIS PROCEEDING ON JULY 25, 2011?**

7 **A2.** Yes.

8 **Q3. ON WHOSE BEHALF ARE YOU OFFERING TESTIMONY?**

9 **A3.** I am testifying on behalf of The Timken Company in support of the
10 positions advanced by the OMA Energy Group ("OMAEG") and the Ohio
11 Energy Group ("OEG") in support of the Joint Stipulation and
12 Recommendation ("Stipulation") filed in this case on September 7, 2011.

13 **Q4. ARE THE OMAEG AND THE OEG BOTH SIGNATORY PARTIES TO**
14 **THE STIPULATION?**

15 **A4.** Yes.

16 **Q5. PLEASE GENERALLY DESCRIBE THE TYPES OF ACCOUNTS**
17 **TIMKEN HAS BEING SERVED BY AEP-OHIO.**

18 **A5.** Timken has multiple accounts in Ohio Power's service territory ranging
19 from large GS-4 accounts with relatively high load factors to smaller GS-2
20 accounts with relatively low load factors.

1 **Q6. DOES YOUR TESTIMONY ADDRESS EVERY ASPECT OF THE**
2 **STIPULATION?**

3 **A6.** No. My testimony focuses on two aspects of the Stipulation and should be
4 considered together with the testimony of the other signatory parties for
5 the Commission's determination that the Stipulation meets the three part
6 test for settlements and that the ESP is better in the aggregate than the
7 expected results of a market rate offer.

8 **Q7. WHAT ASPECTS ARE YOU ADDRESSING?**

9 **A7.** I am addressing the Load Factor Provision and the Interruptible Credit in
10 paragraph 1(b) of the Stipulation and several provisions that benefit
11 smaller, lower load factor customers.

12 **Q8. PLEASE DESCRIBE THE LOAD FACTOR PROVISION.**

13 **A8.** AEP-Ohio proposed significant changes in the design of SSO generation
14 service charges for demand-metered general service customers in order
15 to better reflect the market price and load relationships as described in
16 AEP-Ohio's witness David M Roush's initial testimony.¹ However, if left
17 unmitigated, AEP-Ohio's proposed rate design would have unreasonably
18 shifted a significant share of generation costs from lower load factor to
19 higher load factor customers, resulting in disparate rate impacts. In order
20 to better recognize such factors as the relationship between demand cost
21 responsibility and load factor, to avoid the disparate rate impacts, and to
22 promote economic development, the Load Factor Provision was
23 negotiated as part of the Stipulation.

¹ See the direct testimony of David M. Roush direct at 8 - 10.

1 The Load Factor Provision includes a nonbypassable demand charge and
2 a nonbypassable energy credit. Specifically, for GS-3 and GS-4
3 customers, the demand charge is \$6.57/kW-month and the energy credit
4 is \$0.01545/kWh. However, the energy credit will be adjusted quarterly.
5 For GS-2 customers, the demand charge is \$3.29/kW-month and the initial
6 energy credit is \$0.00228/kWh.
7 Finally, the Load Factor provision does not apply to any customer with a
8 monthly peak demand of greater than 250 MW.

9 **Q.9 WHY ARE THE CHARGES AND CREDITS DIFFERENT FOR GS-2**
10 **CUSTOMERS?**

11 **A9.** The GS-2 customer class can generally be described as smaller, lower
12 load factor than the GS-3 and GS-4 customer classes and, thus, the
13 demand charges are different in order to provide a balanced result that
14 does not have the effect of producing disparate impacts on the GS-2
15 customers.

16 **Q10. WHY DOES THE LOAD FACTOR PROVISION NOT APPLY TO**
17 **CUSTOMERS WITH A MONTHLY PEAK DEMAND OF GREATER**
18 **THAN 250 MW?**

19 **A10.** If the Load Factor Provision applied to the very largest customers in AEP-
20 Ohio's service territory, it would have a negative effect on all other
21 customers by increasing the net charges and reducing the net credits.
22 Moreover, the very largest customers are either already taking service
23 pursuant to a discounted reasonable arrangement rate or they already
24 have a greater opportunity to shop for generation service. To include
25 customers with greater than 250 MWs in the Load Factor Provision would
26 be unreasonable.

1 **Q11. HOW DOES THE LOAD FACTOR PROVISION PROMOTE ECONOMIC**
2 **DEVELOPMENT?**

3 **A11.** Generally speaking, the GS-3 and GS-4 customers are the largest
4 customers and often provide the most Ohio jobs. By producing a
5 balanced and known rate design, the Load Factor Provision helps provide
6 rates that are reasonable and predictable during the transition to market,
7 which helps retain and attract the larger manufacturing and industrial
8 customers that are critical to Ohio's economy.

9 **Q12. PLEASE DESCRIBE THE INTERRUPTIBLE CREDIT.**

10 **A12.** AEP-Ohio is simply maintaining an existing interruptible credit at a level of
11 \$8.21/kw/month through the end of the ESP for existing IRP-D customers.
12 However, AEP-Ohio is only collecting the incremental cost associated with
13 this interruptible credit (approximately \$5 million) through the economic
14 development rider.

15 **Q13. WHY IS THIS A BENEFIT?**

16 **A13.** Interruptible service that allows AEP-Ohio to interrupt or curtail customer
17 loads when reliability is impaired, to maximize the value of existing
18 capacity resources and to avoid acquiring new capacity resources.
19 Customers typically receive a credit in return for agreeing to curtail at
20 times when there is a system operating emergency or when incremental
21 generating costs are very high. The availability of an effective interruptible
22 service option is often a key factor in keeping energy-intensive
23 manufacturing facilities, like Timken, competitive and growing. Finally,
24 interruptible rates can be used to help meet the broad demand response
25 policy objectives outlined in Senate Bill 221 (SB 221), as well as the
26 specific peak demand reduction targets under Section 4928.66(A)(1)(b) of

1 the Revised Code. Thus, providing a reasonable interruptible credit
2 encourages customers to continue to provide interruptible load that
3 benefits everyone. Moreover, recovering only the incremental cost
4 associated with the rider is a balanced way to share the costs of the credit
5 among customers and AEP-Ohio.

6 **Q14. WHAT ARE YOUR CONCLUSIONS REGARDING THESE THE LOAD**
7 **FACTOR PROVISION AND THE INTERRUPTIBLE CREDIT?**

8 **A14.** While the Stipulation must be reviewed as a package, these two
9 provisions provide significant benefits to customers and help ensure that
10 the Stipulation as a package is in the public interest and that the ESP is
11 better in the aggregate than the expected results of an MRO.

12 **Q15. DOES THE STIPULATION ONLY BENEFIT THE LARGER, HIGHER**
13 **LOAD FACTOR CUSTOMERS TO THE DETRIMENT OF SMALLER,**
14 **LOWER LOAD FACTOR CUSTOMERS?**

15 **A15.** No. A settlement that only benefits a certain class of customers without
16 also accruing to the benefit of others would not be reasonable or in the
17 public interest. This Stipulation provides benefits to the smaller, lower
18 load factor customers as well as the larger, higher load factor customers.

19 **Q16. PLEASE EXPLAIN HOW THE STIPULATION BENEFITS SMALLER,**
20 **LOWER LOAD FACTOR CUSTOMERS.**

21 **A16.** First, during the transition to market, the certainty embedded in the
22 Stipulation benefits all customers. Additionally, the Stipulation provides a
23 shopping credit in paragraph 1(c) and the Ohio Growth Fund in paragraph
24 1(v).

1 **Q17. PLEASE DESCRIBE THE SHOPPING CREDIT.**

2 **A17.** Beginning on January 1, 2012, GS-2 customers that switch to a CRES
3 provider will receive a shopping credit of \$10/MWh for the first 1,000,000
4 MWh of usage per calendar year (prorated for 2015). Customers who
5 obtain the credit will retain it for the entire term of the ESP. If less than
6 1,000,000 MWh of load receives the credit, this limitation shall be adjusted
7 in future years so that the annual credit equals ten million dollars per
8 calendar year. This credit will be included in the MTR over/under-recovery
9 calculation.

10 **Q18. WHY IS THIS A BENEFIT?**

11 **A18.** The market transition rider (“MTR”) is nonbypassable, meaning that even
12 if customers shop for generation service, they must pay the MTR. The
13 shopping credit allows GS-2 customers to avoid \$10/MWh while shopping.
14 This shopping credit is available only to schools and GS-2 customers and
15 the costs associated with the credit are recovered from other customers.

16 **Q19. PLEASE DESCRIBE THE OHIO GROWTH FUND (“OGF”).**

17 **A19.** AEP-Ohio will provide \$5 million annually for the benefit of economic
18 development during the ESP term, provided that AEP Ohio's return on
19 equity exceeds 10% for the prior calendar year. The OGF will not be
20 recovered from customers. While an advisory group will develop the
21 framework and criteria for the funding from the OGF, a portion of the
22 funding will be allocated to improving the load factor of manufacturing
23 customers and otherwise reducing the rate impact on manufacturing
24 customers with low load factors.

1 **Q20. WHAT ARE YOUR CONCLUSIONS REGARDING THE SHOPPING**
2 **CREDIT AND THE OGF?**


3 **A20.** While the Stipulation must be reviewed as a package, these provisions
4 provide significant benefits to smaller, lower load factor customers and
5 help make the Stipulation reasonable as a package.

6 **Q21. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A21.** Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Testimony was served upon the parties of record listed below this 13th day of September 2011 via electronic mail.


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Summary: Testimony of Peggy Claytor electronically filed by Teresa Orahod on behalf of OMA Energy Group