

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|--|---|-------------------------|
| 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 |) | |

DIRECT PREPARED TESTIMONY OF TERESA L. RINGENBACH
ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION

April 4, 2011

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1 **QUALIFICATION OF THE WITNESS**

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

3 **A1.** My name is Teresa Ringenbach. My business address is 9605 El Camino Lane,
4 Plain City, Ohio.

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

7 **A2.** I am the Senior Manager of Government and Regulatory Affairs for the Midwest
8 for Direct Energy Services, LLC. I am also the Ohio Retail Energy Supply
9 Association (“RESA”) representative for electricity.

10
11 **Q3. How long have you been employed in your current position?**

12 **A3.** I have been employed in my current position with Direct Energy Services, LLC
13 since 2009.

14
15 **Q4. Please explain the job responsibilities and duties in your current position.**

16 **A4.** I am responsible for monitoring, advocating and defending regulatory and
17 legislative activities which affect Direct Energy Services, LLC’s ability to serve
18 customers in Pennsylvania, Ohio, Illinois, Kentucky and Michigan. My
19 responsibilities cover electric, natural gas, and home services issues for all levels
20 of customers from residential to large industrial. As the RESA Ohio electric
21 representative, my responsibilities include advocating the RESA guiding
22 principles for open, fair and transparent markets in the retail electric markets.

23

1 **Q5. Please describe your educational background and relevant work experience**
2 **prior to joining Direct Energy Services, LLC.**

3 **A5.** I hold a Bachelor of Business Administration with a concentration in International
4 Business from the University of Toledo. I started in the energy industry in 2001
5 with Integrys Energy Services, Inc., formerly WPS Energy Services, Inc., as a
6 Customer Service and Marketing Specialist promoting and managing the recently
7 opened Ohio residential and small commercial electric offers. In 2002, I accepted
8 the position of Account Manager – Inside Sales where I sold and managed the
9 Government Aggregation Programs for both gas and electric. In 2005, I accepted
10 the position of Regulatory Specialist. In this position I was responsible for
11 regulatory compliance and state registrations throughout the United States and
12 Canada. In 2006, I accepted the position of Regulatory Affairs Analyst – East
13 covering New England, New York, New Jersey, Ohio and Pennsylvania gas and
14 electric issues. In the spring of 2008, I accepted the Regulatory Affairs Analyst
15 position for the Midwest region covering Ohio, Michigan, Illinois, Indiana,
16 Kentucky, and all of Canada. In this position, I directed the regulatory and
17 legislative efforts affecting Integrys Energy’s gas and electric business. In August
18 2009, I joined Direct Energy Services, LLC as the Manager of Government and
19 Regulatory Affairs for the Midwest. In June 2011 I was promoted to Senior
20 Manager of Government and Regulatory Affairs for the Midwest. As stated above
21 this position advocates, protects and monitors regulatory and legislative activities
22 affecting the gas, electric and home services business interests of Direct Energy
23 Services, LLC.

1

2 **Q6. Have you ever testified before a regulatory agency?**

3 **A6.** Yes. I have testified before the Connecticut Department of Public Utility Control,
4 the Pennsylvania Public Utility Commission, the Public Utilities Commission of
5 Ohio, the Illinois Commerce Commission and the Public Service Commission of
6 Kentucky.

7

8 **Q7. Please describe your experience with the introduction of electric competition**
9 **in Ohio.**

10 **A7.** During the market development period established under Senate Bill 3, I was the
11 Ohio Customer Service and Marketing Specialist for Integrys Energy Services. In
12 that capacity, I was responsible for the administration and sales of electric
13 government aggregation programs in Ohio. This role required an understanding
14 of the electric government aggregation rules, an understanding of residential and
15 small commercial pricing, coordination with FirstEnergy Supplier Support, PUCO
16 staff, City governments, customer service and consumer education. I
17 implemented the internal policies of Integrys Energy to ensure compliance with
18 all rules and regulations. I also created a newsletter and reviewed call center
19 scripts to ensure customers were educated and aware of the latest information
20 affecting the programs. My role included drafting the Plan of Operation and
21 Governance plans, participation in public meetings, community events and
22 charitable contributions in the communities we served. In addition, I acted as the
23 liaison between our communities, pricing and legal for contract renewals and

1 savings updates. My role grew to include participation and support for any
2 company regulatory proceedings affecting our customers and providing the
3 detailed information to support our regulatory efforts in Ohio. I participated in the
4 drafting and lobbying of Senate Bill 221 on behalf of Integrys. I testified before
5 the legislature on SB 221. Subsequently, I have participated in rulemaking
6 proceedings to implement SB 221. I have also testified in the FirstEnergy market
7 rate option ("MRO") and electric security plan ("ESP") proceedings, participated
8 in Duke ESP I and MRO proceeding and in AEP Ohio's first ESP proceedings.
9 As part of RESA, I have participated in workshops and assisted with filings
10 concerning the Renewable Portfolio Standard established by SB 221. Finally, on
11 behalf of RESA I appeared as a witness in AEP Ohio's second ESP proceeding in
12 Case No. 11-346-EL-SSO ("ESP II") which for purposes of trial was consolidated
13 with this proceeding on the proper capacity charge for competitive retail electric
14 service providers ("CRES").

15
16 **Q8. On whose behalf do you appear today?**

17
18 **A8.** I appear on behalf of RESA who just recently intervened in this proceeding. I
19 also appear for Direct Energy Services, LLC and Direct Energy Business, LLC
20 (collectively "Direct Energy") who intervened in this proceeding in December of
21 2010.

22
23 **PURPOSE OF TESTIMONY**

24 **Q9. What is the purpose of your testimony?**

1
2 **A9.** My testimony seeks to present the comments of RESA and Direct Energy as to
3 the proper State Compensation Mechanism which AEP Ohio should employ when
4 charging CRES for retail customers located in the AEP Ohio service area.
5

6 **Q10. Please describe the Retail Energy Supply Association (RESA).**

7 **A10.** RESA is a broad and diverse group of retail energy suppliers who share the
8 common vision that competitive retail energy markets deliver a more efficient,
9 customer-oriented outcome than regulated utility structure. Several RESA
10 members are certificated as competitive retail electric service providers and active
11 in the Ohio retail market. Specifically, some of RESA's members currently
12 provide CRES service to both residential and commercial retail customers in the
13 Columbus Southern Power and Ohio Power service area. The testimony that I am
14 presenting may represent the position of RESA as an organization, but may not
15 represent the views of any particular RESA member. RESA's members include:
16 Champion Energy Services, LLC; ConEdison Solutions; Constellation
17 NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus
18 Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA,
19 Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy
20 Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC;
21 Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions
22 LLC; PPL EnergyPlus, LLC; Reliant; TransCanada Power Marketing Ltd. and
23 TriEagle Energy, L.P.
24

1 **Q11. What documents have you reviewed in preparing this testimony?**

2 **A11.** I have reviewed the Application previously filed in this proceeding, as well as the
3 testimony of Richard Munczinski, Frank Graves, Kelly Pearce, Dana Horton and
4 William Allen filed on March 23, 2012.

5
6 **Q12. Can you summarize the position of RESA and Direct Energy in this**
7 **proceeding?**

8 **A12.** Yes, RESA and Direct Energy (collectively “Suppliers”) believe the State
9 Compensation Mechanism for capacity, as determined by the Commission, should
10 be set at the PJM Regional Transmission Organization (“PJM”) Reliability Pricing
11 Model (“RPM”) capacity price for the Locational Deliverability Area (“LDA”)
12 that includes the AEP Ohio Zone – currently the “Rest of RTO” LDA. The
13 Suppliers believe that a competitive market system for electric service requires
14 market competition and pricing for capacity as well as energy. PJM provides
15 competitive capacity pricing via RPM and runs both real-time and day-ahead
16 energy markets. As of January 1, 2012, all electric distribution utilities (“EDUs”)
17 in Ohio are part of PJM. Currently, CRES are subject to the RPM capacity price
18 in all other Ohio EDUs. Therefore, CRES should be subject to the RPM capacity
19 price in the AEP Ohio service territory as well.

20
21 **Q13. Does the fact that capacity in the AEP Ohio Zone will be served under the**
22 **PJM Fixed Resource Requirement (“FRR”) until June 2015 influence the**
23 **Suppliers’ position?**

1 **A13.** No. While FRR allows a Load Serving Entity (“LSE”) in PJM, to remove its load
2 from the RPM capacity auction and meet its capacity obligations through
3 specifically designated generation assets, it does not confer the right to charge
4 CRES and their customers excessive capacity rates derived through “black box”
5 processes or formulas. It also does not eliminate the LSE’s obligation to obtain
6 capacity at the lowest possible price for its customers. The Suppliers maintain
7 that competitive markets are viable only when based on transparent, market-based
8 prices. Initially, AEP Ohio agreed with that position when it charged CRES RPM
9 prices for capacity from 2007 to 2011. It was not until those transparent RPM
10 capacity and energy market prices dropped far enough that AEP Ohio customers
11 could realize significant cost savings through competitive supply that AEP Ohio
12 sought to raise the capacity price charged to CRES to levels far above RPM.
13 While the Suppliers applaud AEP Ohio’s decision to exit FRR for the PJM RPM
14 auction for capacity service starting in June of 2015, the current FRR construct
15 that governs AEP Ohio’s capacity obligations does not outweigh the fundamental
16 requirement that markets must have access to transparent, market-based pricing.

17
18 **Q14. Can you please provide background on the competitive market in Ohio that**
19 **is relevant to this proceeding?**

20 **A14.** Yes. Commencing in 1999 with the passage of Senate Bill 3, Ohio began its
21 transition to a competitive market for electric service. The goal of that transition
22 was for retail customers to have the ability, on a nondiscriminatory basis, to
23 purchase their electricity in the competitive market from a supplier other than the

1 incumbent EDU. Under this model, the EDU retains monopoly control over
2 noncompetitive services, the most notable of which is the distribution wire
3 service. The EDUs also retain the responsibility of supplying default electric
4 generation service as a backstop for those that do not choose a CRES. Senate Bill
5 221 provides EDUs the option of supplying such electric generation service under
6 an electric security plan (“ESP”) or by going directly to the market via the market
7 rate option. Senate Bill 221 did not, however, reinstitute monopoly electric
8 service in Ohio.

9 Today, Cleveland Electric Illuminating, Toledo Edison, Ohio Edison,
10 Duke Energy Ohio and Dayton Power and Light charge CRES capacity based on
11 the RPM price. Even under a FRR capacity construct, Ohio Power Company and
12 Columbus Southern Power Company charged CRES the RPM price for capacity
13 from 2007 through 2011. In November of 2010, AEP Ohio filed an application at
14 the Federal Energy Regulatory Commission (“FERC”) to change its CRES
15 capacity charge to a cost of service rate based on information in the FERC Form
16 One. In response by Entry on December 8, 2010, the Ohio Commission opened
17 this docket and established the RPM price as the State Compensation Mechanism
18 for the capacity price to be charged to CRES in Ohio.

19 As previously stated, all CRES in Ohio pay the RPM price for capacity to
20 supply shopping customers with one exception—AEP Ohio. That exception was
21 the product of a Stipulation accepted with modifications by the Commission in its
22 December 14th Opinion and Order in AEP Ohio’s ESP II (Case Nos. 11-346-EL-
23 SSO *et al*). The Stipulation provided for a temporary, transitional two-tier

1 capacity pricing system in which customers shopping before September 7, 2011
2 together with additional governmental aggregation groups with approved ballot
3 programs having access to RPM priced capacity. Each year additional shopping
4 customers would be given RPM pricing (called Tier One in the Stipulation) until
5 June 2015 when once again all shopping customers would have access to RPM
6 pricing. Customers who did not qualify for Tier One capacity pricing received
7 Tier Two pricing and as such their CRES would be charged \$255 per Megawatt-
8 Day (MW-day). The December 14th Opinion and Order was subsequently rejected
9 on February 23, 2012. However, rather than return to RPM pricing immediately,
10 by Entry issued March 7, 2012 the Commission temporarily reinstituted a two-tier
11 capacity price for two billing months through May 31, 2012.

12 This history of capacity charges in Ohio is important for it shows that from
13 the inception of shopping in Ohio, with the exception of AEP Ohio's recent efforts
14 at the FERC and at this Commission to charge significantly higher prices, CRES
15 and their customers have been assessed the RPM price for capacity. The
16 Suppliers believe that given Ohio is an open access state, a market-based capacity
17 cost is the proper method of assessing capacity charges to shopping customers.
18 Further, creating different capacity charges just for AEP Ohio, for a limited period
19 of time, and only to a limited number of shopping customers, is inefficient, will
20 confuse the public, and will harm retail market development.

21 The Commission should simply put all CRES serving AEP Ohio
22 customers back on RPM-priced capacity. The Suppliers believe that RPM is the
23 appropriate price for capacity as it is consistent with Ohio's open access policies,

1 it provides for statewide consistency and efficiency in capacity pricing, and it
2 provides predictability and certainty for shopping customers within AEP Ohio's
3 service territory.
4

5 **Q15. In describing the current capacity charge in AEP Ohio's service territory,**
6 **you indicated that "some or all" currently shopping customers will pay the**
7 **RPM price. Will all shopping customers paying for capacity at the RPM**
8 **price prior to the Commission's March 7th Order continue to pay RPM-**
9 **priced capacity?**

10 **A15.** That remains unclear. It would be reasonable for the Commission, especially
11 while this proceeding is being considered, to maintain the capacity rates of all
12 shopping customers as they were set by the December 14th Opinion and Order in
13 Case Nos. 11-346-EL-SSO *et al* and prior to the Commission's March 7th Order.
14 Unfortunately, AEP Ohio has selected an unreasonable interpretation of the
15 Commission's intent and is moving forward with a plan to institute a revised Tier
16 One limited to just 21% of each class. AEP believes that the Commission Entry
17 of February 23, 2012 which increased Tier One capacity pricing for at least 21%
18 for all classes of customers should be read to limit during 2012 all classes to just
19 21%. Since both the commercial and industrial class exceeded 21% percent
20 shopping on September 7, 2011, under the Stipulation more than 21% of
21 commercial customers received Tier One pricing under the Stipulation. AEP Ohio
22 now is preparing to roll an unknown number of those commercial and industrial
23 shopping customers who were receiving Tier One RPM-priced capacity to the

1 higher Tier Two (\$255 MW–day) price for the two months of the March 7th Entry
2 stay period. As of this time, CRES have not been provided a list of the existing
3 customers that will be charged the higher rate. This lack of transparency is a real
4 problem for the Suppliers, given that we do not know what to charge our
5 customers, and cannot answer the basic question of “what will my electric service
6 cost this month?”

7 RESA filed a rehearing petition on March 14, 2012 in this case explaining
8 the effect of a straight 21% limit and asking the Commission to clarify that the
9 March 7th Entry was intended to expand the residential class to at least 21% for
10 2012 and freeze the capacity charges as they were applied prior to March 7th for
11 the commercial and industrial shopping customers. RESA asks that the
12 Commission make clear that it does not intend to move shopping customers
13 receiving Tier One rates to Tier Two.

14 The current experience of capacity price uncertainty is a good illustration
15 of why a uniform RPM capacity price is preferable. Today, no Ohio retail
16 customer, competitive retail electric supplier, or even the Commission knows for
17 sure what commercial or industrial customers are or will be paying this summer
18 for the state regulated capacity service.

19
20 **NEED FOR RPM PRICING FOR CAPACITY**

21 **Q16. Please explain why you believe charging a price for capacity other than the**
22 **RPM price harms development of a robust retail market for electric service?**

1 **A16.** To make a retail sale, be it electric service or any other consumer good, you must
2 provide the customer with what they want. What customers want is a value
3 proposition that they can understand. For electric service customers in the Ohio
4 Edison, Toledo Edison, Cleveland Electric Illuminating, Dayton Power and Light
5 and Duke Energy Ohio service territories, the capacity cost is going to be the
6 capacity price set by the PJM base residual auction (RPM). That is true whether
7 the electric service comes from a competitive retail electric service provider or the
8 default tariff service. Having the EDU charge the RPM capacity price gives
9 shopping and non-shopping customers price transparency and allows them to
10 make an informed decision about whether to shop.

11 AEP Ohio seeks to set the capacity charge for CRES at a rate that is based
12 on a cost calculation that is ill defined, and different from the rest of the Ohio
13 electric distribution companies or most PJM. Further, while AEP Ohio requests a
14 substantial increase in capacity fees for shopping customers in this proceeding, no
15 similar increase is requested for tariff customers in this or the AEP ESP II
16 proceeding (Case No. 11-346-EL-SSO). AEP Ohio's request harms the
17 development of a robust retail market for competitive service not only because it
18 assesses shopping customers a non-transparent capacity price, but AEP Ohio is
19 effectively diminishing the advantages of shopping by raising capacity costs only
20 for shopping customers.

21 I began by stating that all customers want a value proposition, instituting a
22 charge for capacity that is above the market price is not a value proposition.

1 **Q17. You indicated that a value proposition requires the ability of the customer to**
2 **test the value by shopping. Could you please explain that answer?**

3 **A17.** In the matter at bar, AEP Ohio requests the right to charge CRES and shopping
4 customers a price for capacity that significantly exceeds any price ever set in an
5 RPM auction. Further, they are asking to utilize a pricing methodology that lacks
6 transparency. AEP Ohio's tariff prices do not have a discrete capacity price
7 component or a discrete energy price component. As a result, a small commercial
8 customer cannot look at the Commission's Apples to Apples chart and determine
9 whether a competitive offer for energy is more or less than the tariff rate for
10 energy. Residential customers may have a price to compare on their bill, but that
11 price is based on historic data and given that fuel adjustment and other riders for
12 the tariff rate change frequently. Larger customers can be more sophisticated and
13 often ask for capacity pass through products. However, even a large customer in
14 Ohio with multiple locations in various service territories may not understand why
15 that capacity pass through product is significantly different in AEP than
16 FirstEnergy, Dayton Power And Light or Duke Energy Ohio.

17 Setting the State Compensation Mechanism capacity price at RPM will not
18 only assure that at least for shopping customers a value proposition is available,
19 but these customers will have price transparency and market consistency as to
20 what capacity costs across the state. In its application in this matter, AEP Ohio is
21 basing its capacity charge for shopping customers on its 2011 FERC Form One.
22 The same is not true for its tariff customers. For the tariff customers, capacity is
23 not a separate component of the tariff, and consists of an undivided amount

1 attributed for both energy and capacity. Further, this undivided capacity and
2 energy cost component is based on its 1999 Electric Transition Plan filing as
3 modified by its Rate Stabilization Plan, and then its first Electric Security Plan.
4 Today, the capacity charge for a shopping customer in AEP Ohio's service
5 territory is roughly \$146 per MW day. If AEP Ohio receives the amount
6 requested in this application that price would balloon to \$355 per MW day. That
7 price is a one and a half fold increase and would add several cents to a residential
8 or low load factor customer's cost per kWh. No similar increase, or for that
9 matter any increase, in capacity cost would be charged non-shopping residential
10 customers.

11 Not only does this unequal price increase discourage retail competition,
12 but it prevents CRES from engaging in effective marketing. Lack of price
13 transparency, and needlessly complex pricing methods in and of themselves
14 prevent mass marketing and for CRES, mass marketing is essential to bringing
15 small customers into the market. AEP Ohio has one and a half million customers,
16 most of whom are residential and small commercial customers. It is cost
17 prohibitive to sit down and explain complex pricing mechanisms with numerous
18 small customers. In the other Ohio service territories, where the prices are
19 transparent, CRES are able to send a flyer, or an internet advertisement that states
20 a comparable price, and such is the case in the non AEP Ohio service areas today.

21 Finally, if the Commission would adopt a state compensation mechanism
22 that was truly statewide, it would permit statewide offers from CRES. Today, a
23 small commercial or industrial customer with sites in FirstEnergy, Dayton Power

1 and Light and Duke could get a comparative price quote for capacity—which
2 would all be priced at the same RPM price—and then receive an energy quote
3 which could be separate or blended. If the Commission added AEP Ohio to this
4 list, then multisite customers throughout the state could compare similar price
5 components.

6
7 **Q18. If the Commission determines that AEP Ohio's embedded cost for the legacy**
8 **generation is so far above market that charging the RPM rate would be**
9 **confiscatory, would that justify implementing a capacity charge significantly**
10 **higher than RPM?**

11 **A18.** No. The Suppliers believe that the RPM price for capacity should still be assessed
12 to CRES and their customers as a transparent, competitively neutral pricing
13 mechanism that does not create barriers to the development of the competitive
14 market. However, if the Commission finds that the RPM price fails to adequately
15 compensate AEP Ohio for the prudently incurred costs of its regulated assets that
16 are used and useful, that confiscatory nature can be remedied with a non-
17 bypassable stabilization charge that is assessed to shopping and non shopping
18 customers alike. A stabilization charge was applied for a three year period in the
19 Duke Energy Ohio ESP II proceeding in Case No. 11-3549-EL-SSO.

20
21 **Q19. Did RESA support a non-RPM price for capacity for some customers in the**
22 **September 2011 settlement in the AEP Ohio ESP II proceeding and, if so,**
23 **why is RESA no longer taking that position?**

1 **A19.** RESA did support the Stipulation in the AEP Ohio ESP II proceeding which
2 provided for non RPM-priced capacity for some shopping customers. However,
3 that provision was part of a comprehensive program which addressed not only the
4 capacity price, but a long list of actions designed to remove barriers to shopping
5 in the AEP Ohio service area. The Stipulation required AEP Ohio to gradually
6 transition to a model that would be exclusively based on RPM-priced capacity and
7 auction-based energy prices while including important retail market
8 enhancements such as the end of the 90-day customer notice requirement, the
9 removal of the minimum stay obligation, and new data systems that would allow
10 CRES to efficiently identify, price, and enroll customers. With the rejection of
11 the full Stipulation, RESA believes that AEP Ohio should return to full RPM
12 pricing for all shopping customers. If the Commission should decide that AEP
13 Ohio's charging the same capacity cost as the other Ohio EDU would expose
14 them to insufficient revenue, then to the extent deemed necessary, the
15 Commission could adopt an approach similar to what was agreed to in the Duke
16 ESP II settlement. In the Duke settlement a non-byassable stability charge to
17 recoup additional costs.

18
19 **PROBLEMS WITH TWO TIERED PRICING METHOD**

20 **Q20. Please describe the basic implementation plan to manage the two-tiered**
21 **capacity charge under the Stipulation.**

22 **A20.** Under the Stipulation, AEP Ohio was required to build a website that would allow
23 customers to enter a queue for an opportunity to receive RPM-based capacity

1 pricing on a first-come-first-served basis. The website was also meant to provide
2 transparency as to which customers would receive RPM-priced capacity to the
3 CRES and the customers themselves. Further, CRES were supposed to receive
4 electronic notice informing the retail supplier whether or not a particular customer
5 would be billed at RPM-priced capacity or the \$255 per MW day Tier Two price.
6 Managing the queue to insure customers were slotted for RPM-priced capacity in
7 the proper order and providing advanced notice of which price each queued retail
8 customers would receive was fundamental in not only allowing the CRES to
9 calculate accurate contract pricing for the customer but also to equitably
10 implement the fundamental structure of the two-tiered capacity provision of the
11 Stipulation itself.

12
13 **Q21. How has the two-tiered system worked thus far?**

14 **A21.** The implementation of the two-tiered system for capacity failed to provide
15 transparent, efficient, or effective management of the queue and pricing
16 processes. The implementation plan, as executed by AEP Ohio, resulted in
17 confusion and delays regarding which customers were eligible for RPM-pricing
18 and which were subject to the Tier Two capacity rate. AEP Ohio used email to
19 process notices for thousands of customers instead of EDI. This mechanism
20 required manual, back office work for CRES to transfer information from the
21 email into their systems rather than the automatic processes that would have been
22 available through EDI. AEP Ohio's method of billing for the two-tiered capacity
23 furthered the confusion and inefficiency of the process. AEP Ohio sent an invoice

1 to the CRES that only showed a total load amount and a total amount due. The
2 invoice did not include a breakdown between customers receiving RPM pricing
3 and those receiving capacity at \$255 MW-day and provided no means for a
4 supplier to verify that the invoicing was accurate. Lacking the proper detail,
5 CRES were forced to search for each individual customers' capacity price and
6 manually recalculate the capacity invoices. The gross inefficiencies inherent in
7 AEP Ohio's implementation of the two-tiered system have made it extremely
8 difficult and costly for CRES to serve their customers and to accurately bills their
9 customers for that service.

10
11 **Q22. Based on the experience thus far, do the Suppliers' believe that the**
12 **Commission should continue the two-tiered approach?**

13 **A22.** No, for the many reasons highlighted in this testimony, the two-tiered system
14 should be discontinued and replaced with RPM pricing to create a standard
15 compensation mechanism across the state. If the Commission decides to continue
16 the use of the two-tiered system, the Suppliers respectfully request that it require
17 AEP Ohio to convene a CRES working group within one week of the effective
18 date of this order to develop the requirements for the processes and tools
19 necessary to manage the two-tiered capacity system in line with what was
20 expected under the Stipulation and to avoid the uncertainty and inefficiencies
21 caused by the previous failed implementation. The Suppliers further request that
22 the Commission require AEP Ohio to provide a report on the progress of the
23 implementation plan within a month of the CRES workshop and contemplate

1 penalties for AEP Ohio and/or recourse for the CRES in the event that the
2 implementation plan is not managed effectively.

3
4 **Q23. You indicated that a decision by the Commission not to apply RPM pricing**
5 **would have a harmful effect on the development of the retail market. How**
6 **would it affect customers who are shopping now?**

7 **A23.** If AEP is granted their request to receive \$355 MW-day for capacity, all shopping
8 customers, including schools, small commercial customers, and those in
9 governmental aggregation, would see an immediate increase in their electric bills
10 and may be forced to break their contract with the CRES. It should be noted that
11 the bill increase would be caused by a capacity price higher than any that have
12 ever resulted from RPM. Even more disconcerting, these customers chose CRES
13 supply expecting to receive RPM pricing and almost assuredly built that
14 expectation into their budgets. For example, for a GS-2 customer with a 35% load
15 factor, the capacity rate in June of 2012 will increase from \$16.75 per MW day to
16 \$355 per MW day. That amounts to a staggering increase of some \$.04027 per
17 kWh. The Suppliers hope that the Commission does not promulgate an Order that
18 has the effect of punishing customers for simply planning on and budgeting for the
19 capacity pricing the Commission approved in its December 14, 2011 Opinion and
20 Order instead of the excessive rate proposed here by AEP.

1 **CONCLUSION**

2 **Q24. Please summarize your advice to the Commission on the subject of capacity**
3 **pricing for the AEP Ohio service territory.**

4 **A24.** RESA strongly urges the Commission to expressly adopt the RPM price for the
5 appropriate LDA as the State Compensation Mechanism for the remainder of
6 AEP Ohio's term as an FRR entity. If the Commission is concerned that AEP
7 Ohio should receive additional revenue for its generation assets, it can follow the
8 approach adopted in Duke's ESP II and allow AEP Ohio to collect additional
9 costs through a stability charge, rather than raise the capacity price far above any
10 rate ever set by RPM. Finally, should the Commission elect to extend the two-
11 tiered approach with a glide path similar to the Stipulation, the Suppliers
12 recommend that the Commission also: 1) enforce AEP Ohio's move from FRR to
13 RPM by June 2015; 2) keep all customers who were shopping prior to September
14 7th in Tier One; 3) require AEP to create an EDI notification for customers so that
15 CRES and customers (should they choose to switch suppliers) know who qualifies
16 for RPM pricing, who no longer is receiving RPM pricing and when the cut off
17 occurred, who is receiving a charge other than RPM and when that charge went
18 into effect; and 4) require AEP Ohio's breakdown the load in its capacity bills
19 between the RPM price and the second tier price.

20
21 **Q25. Does this conclude your testimony?**

22 **A25.** Yes.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served this 4th day of April, 2012 via electronic mail on the following persons.



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