

PUBLIC VERSION

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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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.)

PUCO

**DIRECT TESTIMONY OF THE BELDEN BRICK COMPANY, LLC
ON BEHALF OF THE OHIO MANUFACTURERS' ASSOCIATION**

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On behalf of The Ohio Manufacturers' Association

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1 I. INTRODUCTION

2 Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A1. My name is Bradley H. Belden. My business address is 700 W. Tuscarawas
4 Street, P.O. Box 20910 Canton, OH 44701-0910.

5 Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

6 A2. I am employed by the Belden Brick Company, LLC ("Belden Brick") as Manager
7 – Occupational & Regulatory Services.

8 Q3. ON WHOSE BEHALF ARE YOU OFFERING TESTIMONY?

9 A3. I am testifying on behalf of the Ohio Manufacturers' Association ("OMA") as a
10 result of our significant interest in issues that affect the price and availability of
11 electricity for our facilities in Ohio.

12 Q4. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

13 A4. I have been employed by Belden Brick as the Manager – Occupational &
14 Regulatory Services responsible for all environmental regulatory compliance and
15 I am involved in our electricity management.

16 I have been employed by Belden Brick since April 1, 2004.

17 Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES
18 COMMISSION OF OHIO ("COMMISSION")?

19 A5. No.

20 Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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1 **A6.** The purpose of my testimony is to discuss the impact that a \$355 per megawatt-
2 day ("MW-day") price for capacity will have on my business. Specifically, my
3 testimony describes Belden Brick's impact on the State and local economy, the
4 estimated impact on Belden Brick's electricity rate, how Belden Brick will likely
5 have to respond, and Belden Brick's ability to proactively mitigate the impact of
6 the \$355/MW-day capacity cost.

7 **Q7. DO YOU HOLD YOURSELF OUT AS OR CONSIDER YOURSELF AN**
8 **EXPERT ON ELECTRICITY PRICING?**

9 **A7.** No. I am simply describing the anticipated impact on my company of AEP-
10 Ohio's request for the Commission to modify the state capacity compensation
11 mechanism to a cost-based formula rate that results in capacity costs to
12 competitive suppliers at a rate of \$355/MW-day.

13 **II. CUSTOMER INFORMATION**

14 **Q8. PLEASE DESCRIBE YOUR COMPANY'S OHIO LOCATIONS AND THE**
15 **NUMBER OF EMPLOYEES AT THOSE OHIO FACILITIES?**

16 **A8.** Belden Brick has manufacturing plants in Sugarcreek and is headquartered in
17 Canton, Ohio with a combined total of 443 employees.

18 **Q9. WHAT BENEFITS DOES YOUR COMPANY PROVIDE TO OHIO?**

19 **A9.** Belden Brick's annual payroll exceeds \$[REDACTED] million annually. Belden Brick's
20 hourly employees average \$[REDACTED] a year with benefits and Belden Brick has 90
21 salaried employees. Belden Brick typically contributes \$[REDACTED] in state
22 and local property taxes each year. Belden Brick also strives to purchase goods

1 and services from local and Ohio businesses and does so in excess of \$■
2 million per year. While Belden Brick is certainly not the largest employer or
3 energy user in Ohio, Belden Brick has been a good and long time corporate
4 citizen that strives to provide high quality services and products and high quality
5 manufacturing employment in Ohio.

6 **Q10. PLEASE DESCRIBE THE IMPACT OF AEP-OHIO'S PROPOSAL ON BELDEN**
7 **BRICK.**

8 **A10.** Electricity is a significant cost for Belden Brick. We have shopped the generation
9 portion of our electric bills in recent years to take advantage of the attractive
10 market rates in order to continue to be competitive in our market sector. Under
11 AEP-Ohio's proposal, our competitive supplier will be compelled to pay a
12 \$355/MW-day capacity charge, which is significantly above market rates. This
13 above-market rate will be passed on to us. For Belden Brick, assuming we are
14 operating at full capacity, the difference between the market prices for capacity
15 and AEP-Ohio's proposed \$355/MW-day is approximately \$896,270 over the
16 next three years.

17 This will have a significant impact on Belden Brick. Specifically, this dramatic
18 increase in our electricity costs will make us less competitive in the market place
19 as we attempt to recover these costs in our product sales. We will have less
20 funds for capital investments, worker training, hiring of new employees, and
21 retention of existing employees. Belden Brick produces in other states and the
22 increased costs on our operations in Ohio that the AEP-Ohio plan represents
23 could influence decisions to make future investments out of the state.

1 **Q11. WHAT STEPS HAS BELDEN BRICK TAKEN TO TRY TO MANAGE THE**
2 **RISKS OF ELECTRICITY PRICING VOLATILITY?**

3 **A11.** Belden Brick has engaged in negotiations with several competitive suppliers and
4 shopped the generation portion of our electric service for some time now in an
5 effort to proactively manage the risks. However, as I understand AEP-Ohio's
6 proposal, all competitive suppliers would have to pay AEP-Ohio the \$355/MW-
7 day price. Consequently, our competitive rates will be impacted as well even
8 though we were shopping well before September 2011. In other words, there
9 are no practical ways to mitigate the increase as AEP-Ohio's proposal inhibits
10 customers' ability to shop for alternative suppliers and save money. It also holds
11 customers captive to higher rates and essentially serves as a tax on shopping. If
12 the Commission approves AEP-Ohio's proposal and modifies the capacity cost
13 recovery mechanism, there will be a very high regulatory hurdle to doing
14 business in Ohio.

15 **III. CONCLUSION**

16 **Q12. WHAT CONCLUSIONS HAVE YOU REACHED ABOUT AEP-OHIO'S**
17 **PROPOSAL AND THE IMPACT ON YOUR COMPANY?**

18 **A12.** As a long-standing customer of AEP-Ohio, Belden Brick needs reliable service.
19 We also understand that AEP-Ohio needs to be fairly compensated for the
20 service it provides. However, when AEP-Ohio's proposal is viewed in the larger
21 context, we feel like AEP-Ohio charged market rates for capacity when the
22 market rates were above AEP-Ohio's costs but, now, when the market prices are
23 at historic lows, AEP-Ohio is using "costs" to justify rate increases. Worse yet,

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1 AEP-Ohio will revert to market prices in 2015, when, as I understand it, market
2 prices are predicted to increase again. In other words, we think AEP-Ohio's
3 proposal lacks balance and fairness. This is particularly true when the proposal
4 undermines our ability to manage the risk of rate impacts by shopping with a
5 competitive supplier.

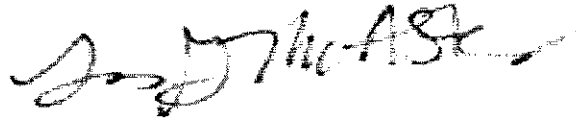
6 For these reasons, on behalf of Belden Brick and OMAEG, I respectfully request
7 that the Commission reject AEP-Ohio's proposal and revert back to using the
8 PJM market rate as the state capacity cost compensation mechanism.

9 **Q14. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A14.** Yes, it does. I'd like to thank the Commission for the opportunity to provide
11 information about the impact on Belden Brick for the Commission's
12 consideration.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail, and by first-class postage prepaid mail, to all parties on this 5th day of April, 2012.



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