

**PUBLIC – REDACTED VERSION**

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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. )

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**DIRECT TESTIMONY OF WHIRLPOOL CORPORATION  
ON BEHALF OF THE OMA ENERGY GROUP**

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**On behalf of the OMA Energy Group**

1 I. INTRODUCTION

2 Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A1. My name is John P. Siefker. My business address is 4901 North Main Street,  
4 Findlay, Ohio 45840-8847.

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

6 A2. I am employed by Whirlpool Corporation ("Whirlpool") as Manager of Facilities  
7 and Facilities Engineering.

8 Q3. ON WHOSE BEHALF ARE YOU OFFERING TESTIMONY?

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

12 Q4. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

13 A4. I have been employed by Whirlpool as the person responsible for maintenance  
14 and tooling support of the production equipment, facility maintenance  
15 management, and energy/utility cost management for the Findlay Division. I  
16 have been employed by Whirlpool since August 5, 1985, and have over 20 years  
17 experience in various positions involving some or all of these functions, in  
18 corporations related to the manufacturing industry.

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

21 A5. Yes. I testified in Case No. 10-2929-EL-UNC related to the impact of AEP-  
22 Ohio's capacity cost proposal on my company.

23 Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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1 A6. The purpose of my testimony is to discuss the impact on my company of AEP-  
2 Ohio's proposals for pricing capacity and the Retail Stability Rider ("RSR").  
3 Specifically, my testimony describes Whirlpool's impact on the State and local  
4 economy, the estimated impact of the capacity price proposal and the RSR  
5 would have on Whirlpool's electricity rate, how Whirlpool will likely have to  
6 respond, and Whirlpool's ability to proactively mitigate the impact of the capacity  
7 cost and RSR proposals.

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

10 A7. No. I am simply describing the anticipated impact on my company of AEP-  
11 Ohio's capacity proposals and the RSR.

12 **II. CUSTOMER INFORMATION**

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

15 A8. Whirlpool has manufacturing plants in five Ohio communities (Clyde, Findlay,  
16 Greenville, Marion and Ottawa) with a combined total of approximately 10,000  
17 employees. Acquisition of the former WC Wood Facility in Ottawa, Ohio added  
18 400 jobs to Whirlpool. Whirlpool's Ohio plants are the largest appliance  
19 manufacturing centers in the United States.

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

21 A9. Whirlpool's Ohio facilities support an annual payroll of more than \$[REDACTED] million  
22 and spend millions of dollars annually on state and local taxes. Whirlpool also  
23 strives to purchase goods and services from local and Ohio businesses and

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1 does so in excess of \$[REDACTED] million per year. Whirlpool has recently made major  
2 capital investments in its Ohio operations, including nearly \$[REDACTED] million to  
3 modernize its Clyde, Ohio operations and introduce new product platforms. In  
4 addition, Whirlpool has recently launched production of freezers and trash  
5 compactors at a former W.C. Wood manufacturing facility in Ottawa, Ohio, and  
6 hand mixers at a facility in Greenville, Ohio. As one of the largest Ohio  
7 manufacturers, Whirlpool has been a good and long time corporate citizen that  
8 strives to provide high quality products and services and high quality  
9 manufacturing employment in Ohio.

10 **III. IMPACT OF AEP-OHIO'S ESP CAPACITY PRICE PROPOSAL AND RSR.**

11 **Q10. PLEASE DESCRIBE YOUR UNDERSTANDING OF AEP-OHIO'S CAPACITY**  
12 **PRICING PROPOSAL.**

13 A10. It is my understanding that for shopping customers, AEP-Ohio would charge  
14 competitive retail electric service ("CRES") providers one of three prices  
15 depending on the outcome of this case and AEP-Ohio's application for corporate  
16 separation. AEP-Ohio's first option is to charge CRES providers for all shopping  
17 customers \$355 per megawatt-day ("MW-day") for using AEP-Ohio's capacity.  
18 Alternatively, from 2012 through May 31, 2013, AEP-Ohio will charge CRES  
19 providers who supply the first 21% of shopping customers, by class, \$146 per  
20 MW-day and \$255 per MW-day for the remainder of shopping customers, without  
21 any scaling factors, through January 1, 2015. The percentage of customers who  
22 may get the lower, "first tier" capacity pricing increases to 31% on June 1, 2013  
23 through May 31, 2014 and increase to 41% on June 1, 2014 through December

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1 1, 2015. Then, if full corporate separation is achieved, AEP-Ohio will charge  
2 CRES providers the PJM reliability pricing model (“RPM”) price for capacity for  
3 all shopping customers starting on January 1, 2015 at the earliest or June 1,  
4 2015 at the latest.

5 **Q11. DO YOU KNOW WHAT THE PJM RPM PRICES FOR CAPACITY FOR THAT**  
6 **SAME PERIOD ARE?**

7 A11. I am generally aware that they are around \$17 per MW-day for June 1, 2012  
8 through May 31, 2013, \$27 per MW-day for the following 12 months and \$126  
9 per MW-day for the following twelve months. No one knows the price for June 1,  
10 2015 and beyond as the PJM RPM auctions have not been conducted yet, but  
11 my understanding is that the prices are anticipated to increase.

12 **Q12. PLEASE DESCRIBE THE IMPACT OF AEP-OHIO’S CAPACITY PRICING**  
13 **PROPOSAL ON WHIRLPOOL.**

14 A12. Electricity is our largest utility cost, and we have shopped the generation portion  
15 of our electric bills in recent years to take advantage of the attractive market  
16 rates in order to continue to be competitive in our market sector.

17 Under AEP-Ohio’s proposal, our competitive supplier will be compelled to pay  
18 either \$355-MW-day, \$255 per MW-day or \$145 per MW-day for a capacity  
19 charge. The difference between the PJM RPM price and the AEP-Ohio capacity  
20 charge will be passed on to us. For the Whirlpool Findlay Division, we have  
21 determined that the difference between the PJM RPM price for capacity and  
22 AEP-Ohio’s proposed capacity rates are as follows over the next three years:  
23

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Difference between RPM and \$355/MW-D	Difference between RPM and \$255/MW-D	Difference between RPM and \$146/MW-D
\$ 3,456,630.74	\$ 2,256,158.15	\$ 947,643.02

**Q13. PLEASE DESCRIBE YOUR UNDERSTANDING OF AEP-OHIO'S RSR.**

A13. My understanding of the RSP is a that it is designed to ensure AEP-Ohio receives enough revenue to earn a return on equity of 10.5% in spite of AEP-Ohio's claimed losses on capacity costs. In other words, since AEP-Ohio is collecting less than its claimed cost of capacity from CRES providers, AEP-Ohio will charge all customers, whether shopping or not, a per kilowatt-hour ("kWh") charge, in order to make up for the loss. I also understand that there will be a final true-up of the RSR to make sure AEP-Ohio did not under- or over-collect the amount of revenue necessary to hit 10.5% return on equity.

**Q14. PLEASE DESCRIBE THE IMPACT OF AEP-OHIO'S RSR ON WHIRLPOOL.**

A14. Whirlpool uses approximately [REDACTED] kWh on an annual basis. Thus, over a three year ESP, the RSR alone would cost Whirlpool approximately \$[REDACTED], whether Whirlpool is shopping or not.

**Q15. PLEASE DESCRIBE THE COMBINED IMPACT OF AEP-OHIO'S CAPACITY PRICING PROPOSAL AND THE RSR ON WHIRLPOOL.**

A15. Combined, over the three year ESP, depending on the capacity price, the impact on Whirlpool's Findlay operations will be approximately \$[REDACTED] million, \$[REDACTED] million or \$[REDACTED] million.

**Q16. HAS WHIRLPOOL TAKEN ANY STEPS TO PROACTIVELY MANAGE ITS ELECTRIC PRICING?**

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1 A16. Yes. Electricity is our largest utility cost, and we have shopped the generation  
2 portion of our electric bills in recent years to take advantage of the attractive  
3 market rates in order to continue to be competitive in our market sector. We felt  
4 that we needed to do this as a result of the rate increases in 2009, 2010 and  
5 2011, from AEP-Ohio's last ESP that had a compounding and combined impact  
6 on Whirlpool of \$500,000. However, as I understand AEP-Ohio's proposal on  
7 capacity pricing and the RSR, even shopping customers, like Whirlpool, will pay.  
8 In other words, AEP-Ohio's proposal thwarts our efforts to proactively manage  
9 our electricity costs and there are no practical ways to mitigate the increases.  
10 These proposals hold customers captive to higher rates and essentially serve as  
11 a tax on shopping.

12 **Q17. PLEASE DESCRIBE THE IMPACT ON WHIRLPOOL OF AEP-OHIO'S**  
13 **CAPACITY COST PROPOSAL AND THE RSR.**

14 A17. The proposals separately and together create operational strain on Whirlpool as  
15 we typically cannot recover these costs in our product sales. This operational  
16 strain results in reduced competitiveness for our operations in Ohio. We believe  
17 that these increases would give our competitors (LG & Samsung) another step  
18 forward in taking market share from Whirlpool from the resulting increased cost  
19 of manufacturing our products. When Whirlpool loses market share, we have no  
20 choice but to lay people off. Whirlpool looks at projects that take nickels and  
21 dimes out of our cost in order to stay competitive. AEP-Ohio's proposal would  
22 add dollars to our production costs and be counterproductive to all of the  
23 measures Whirlpool takes just to stay competitive in the market. These

continued electric rate increases will also play a large part in Whirlpool's decision making as to which states to invest capital into building new or expanding existing plants.

**III. CONCLUSION**

**Q18. WHAT CONCLUSIONS HAVE YOU REACHED ABOUT AEP-OHIO'S CAPACITY PRICING PROPOSALS?**

A18. As a long-standing customer of AEP-Ohio, Whirlpool needs reliable service. We also understand that AEP-Ohio needs to be fairly compensated for the service it provides. However, when AEP-Ohio's proposal is viewed in the larger context, we feel like AEP-Ohio used the PJM RPM to price capacity when the PJM rates were above AEP-Ohio's costs but, now, when the PJM RPM auction prices are at historic lows, AEP-Ohio is using "costs" to justify rate increases. Worse yet, AEP-Ohio will revert to using the PJM RPM auction to price capacity again in 2015, when, as I understand it, those prices are predicted to increase again. In other words, we think AEP-Ohio's proposal lacks balance and fairness. This is particularly true when the proposal undermines our ability to manage the risk of rate impacts by shopping with a competitive supplier.

Whirlpool also objects to the limit on the percentage of load that can obtain the "first tier" or lower capacity price from a CRES provider. The impact of the proposed capacity rates for shopping customers who are not in the "first tier" effectively creates a monopoly for AEP-Ohio as the capacity rates AEP-Ohio is proposing will make CRES provider pricing unattractive.



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Whirlpool also objects to AEP-Ohio's proposal that mercantile customers be excluded from governmental aggregation programs. This proposal would not only unfairly tie Whirlpool to the utility and higher rates, but could also negatively impact the residents served by the municipal aggregation program if Whirlpool does not have the option of including our load in such a program. AEP-Ohio's plan seems designed to keep customers like Whirlpool with the utility.

**Q19. AEP-OHIO HAS ARGUED THAT THE RSR HAS CUSTOMER BENEFITS, INCLUDING, PROVIDING CUSTOMERS WITH PRICE-TO-COMPARE DATA THAT IS TRANSPARENT, STABLE AND PREDICTABLE, AND PROVIDING FOR PRICING THAT IS MODERATE IN NATURE AND PROTECTS CERTAIN "AT RISK POPULATIONS" AND MANUFACTURING CUSTOMERS. DO YOU AGREE?**

A19. No. While an identical RSR charge for all customers that remains the same over the entire ESP period is stable as it is fixed, because it is the same for shopping and non-shopping customers, it would not be part of the price to compare. More importantly, as I have discussed, the RSR certainly does not provide for pricing that is moderate in nature and hurts, rather than helps, manufacturers.

Specifically, AEP-Ohio appears to be portraying its capacity pricing proposal, which it states provides significantly discounted capacity from what AEP-Ohio would otherwise be willing to charge, as a benefit to customers that would not otherwise be achievable without the RSR. However, the starting point should be the PJM RPM price because it is what customers would otherwise pay or what served as the basis for capacity pricing in the negotiated rate of shopping

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1 customers. Thus, when the issue is properly framed, it is clear that AEP-Ohio's  
2 capacity pricing proposal is actually a significant increase – not a discount.  
3 Piling on the RSR to shopping and non-shopping customers to make AEP-Ohio  
4 whole for its fully loaded capacity costs only serves to make all AEP-Ohio  
5 customers worse off than its above-market capacity pricing proposal alone.  
6 When properly framed that way, I see no way that the combination of the  
7 capacity pricing proposal and the RSR provide pricing that is moderate in  
8 nature.

9 **Q20. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

10 A20. For the reasons I discussed, AEP-Ohio's capacity pricing proposal is not  
11 reasonable and should be rejected. Similarly, AEP-Ohio's RSR is not  
12 reasonable and should be rejected. The Commission should revert back to  
13 using the PJM market rate as the state capacity cost compensation mechanism,  
14 reinforcing the Commission's previous decision. After facing years of increased  
15 rates from AEP-Ohio, the latest ESP seems designed to force customers like  
16 Whirlpool to continue purchasing electricity from AEP-Ohio.

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

18 A21. Yes, it does. I'd like to thank the Commission for the opportunity to provide  
19 information about the impact on Whirlpool Corporation for the Commission's  
20 consideration.

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing Testimony was served upon the parties of record listed below this 4<sup>th</sup> day of May 2012 via electronic mail.



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Summary: Testimony of Whirlpool Corporation (Public - Redacted Version) on behalf of The OMA Energy Group electronically filed by Teresa Orahod on behalf of The OMA Energy Group