

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Ohio Power Company to Establish )  
A Competitive Bidding Process for ) Case No. 12-3254-EL-UNC  
Procurement of Energy to Support its )  
Standard Service Offer )

REBUTTAL TESTIMONY  
OF  
DAVID M. ROUSH  
ON BEHALF OF  
OHIO POWER COMPANY

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DAVID M. ROUSH

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
DIRECT TESTIMONY OF  
DAVID M. ROUSH  
ON BEHALF OF  
OHIO POWER COMPANY

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is David M. Roush. My business address is 1 Riverside Plaza, Columbus, Ohio  
3 43215.

4 **Q. ARE YOU THE SAME DAVID M. ROUSH WHO FILED DIRECT TESTIMONY**  
5 **IN THIS PROCEEDING?**

6 A. Yes.

7 **PURPOSE OF TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to address the crediting mechanism proposed in  
10 the June 14, 2013 Direct Testimony of Jonathan A. Lesser in his testimony on behalf of  
11 Constellation New Energy, Inc. and Exelon Generation Company, LLC (“Constellation”).  
12 Specifically, I will only address the crediting mechanism as described beginning on page  
13 21, line 1 through page 24, line 9 of his testimony.

14 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

15 A. I am sponsoring the following exhibit:

16 Exhibit DMR-R1 Record Excerpts from Case No. 10-2929-EL-UNC

17

1 **FLAWS WITH THE ENERGY CREDIT PROPOSAL**

2 **Q. HAVE YOU REVIEWED THE ENERGY CREDIT PROPOSAL OF**  
3 **CONSTELLATION WITNESS DR. LESSER?**

4 A. Yes. Since the June 24<sup>th</sup> hearing, I have reviewed pages 21 through 24 of the testimony  
5 of Constellation witness Dr. Lesser and the transcripts of his cross-examination on June  
6 25<sup>th</sup>. Basically, the proposal is to credit all customers any amounts determined by  
7 multiplying the auctioned load times the amount by which the auction clearing price  
8 exceeds the FAC, if it does.

9 **Q. DO YOU AGREE WITH THE ENERGY CREDIT PROPOSAL OF**  
10 **CONSTELLATION'S WITNESS DR. LESSER?**

11 A. No. There are a number of fundamental flaws in the proposal that make it inappropriate  
12 at best and impossible to implement at worst.

13 **Q. PLEASE DISCUSS THE FLAWS.**

14 A. First, the proposal requires a comparison of the auction clearing price to the FAC. As I  
15 discussed in my direct testimony and will not repeat herein, the auction clearing price and  
16 the current FAC are not directly comparable.

17 Second, once 100% of the non-shopping customer energy is auctioned for January  
18 through May 2015, no variable FAC costs will exist to make the comparison required by  
19 Constellation witness Dr. Lesser's proposal. To the extent his proposal relates only to the  
20 period through the end of 2014, it is flawed for the other reasons I discuss herein.

21 Third, even if there were variable FAC costs during the entire period, it would not be the  
22 appropriate comparative value. The FAC is generally based upon economic dispatch,

1 wherein the lowest cost generation is allocated to meet customer load. Therefore the  
2 resources displaced by auction purchases, like traditional economic market purchases,  
3 would be the higher cost resources. Any such comparison should be to the actual  
4 resources displaced which, by definition, would be at a higher cost than the FAC.

5 Fourth, Constellation witness Dr. Lesser's proposal assumes that all freed up resources  
6 will be sold. This unsupported assumption is not a given. During low cost and/or off-  
7 peak hours the freed up energy may not be sold.

8 Fifth, Constellation witness Dr. Lesser's proposal assumes that the auction clearing price  
9 is the same as the price that the freed up resources will receive. While that might be the  
10 case to the extent that the freed up resources (through AEP Ohio's Genco affiliate)  
11 participate in and win tranches in the auction, that is not a given for any tranches, let  
12 alone all of the tranches. It cannot be the case for the entirety of the freed up resources  
13 since there is a limitation on the percentage of tranches won by any one bidder as part of  
14 the proposed rules for AEP Ohio's energy-only auctions.

15 Sixth, Constellation witness Dr. Lesser's proposal assumes that if the AEP Genco wins  
16 any tranches, their winning bid will be supported by the same physical assets that  
17 currently support AEP Ohio's SSO. In reality, a winning bid may be supported by  
18 financial transactions or market purchases that would not produce the same margins  
19 being assumed by Dr. Lesser.

20 Seventh, Constellation witness Dr. Lesser's proposal arithmetically appears to be an  
21 unjustified transfer of funds from non-shopping customers to all customers.

1 Eighth, Constellation witness Dr. Lesser’s proposal arithmetically appears to be a transfer  
2 of funds from a corporately-separate generation affiliate to the regulated wires company.

3 Lastly, I have been advised by counsel that Staff witness Medine acknowledged during  
4 cross examination in Case No. 10-2929-EL-UNC (10-2929) that implied margins from  
5 sales to all non-shopping customers already were included in her proposed energy credit  
6 [the pertinent excerpt from Volume X of the 10-2929 hearing transcript, along with Staff  
7 witness Medine’s Exhibit ESM-1 and AEP Ohio Ex. 132 which were discussed and  
8 admitted in conjunction with Ms. Medine's cross examination in this regard, are attached  
9 to my testimony as Exhibit DMR-R1] and that Staff’s proposed energy credit, adjusted  
10 downward by \$5/MW-day, was used by the Commission to establish the \$188.88/MW-  
11 day capacity charge for shopping customers in its 10-2929 Opinion and Order at pages  
12 34-35.

13 **Q. SHOULD THE COMMISSION ADOPT CONSTELLATION WITNESS DR.**  
14 **LESSER’S ENERGY CREDIT PROPOSAL?**

15 A. No. Dr. Lesser’s energy credit proposal is flawed and inappropriate.

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 A. Yes it does.

# Exhibit DMR-R1

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

- - -

PROCEEDINGS

before Ms. Greta See and Ms. Sarah Parrot, Attorney  
Examiners, and Commissioner Andre Porter, at the  
Public Utilities Commission of Ohio, 180 East Broad  
Street, Room 11-A, Columbus, Ohio, called at 10:00  
a.m. on Wednesday, May 9, 2012.

- - -

VOLUME X

- - -

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1 A. Correct.

2 Q. Okay. And then that result was used to  
3 reduce the gross margin to the retained margin,  
4 correct?

5 A. Correct.

6 Q. Okay.

7 MR. NOURSE: Your Honor, I would like to  
8 mark Exhibit 132, AEP Exhibit 132.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. Ms. Medine, you have the document I just  
11 handed you.

12 A. Yes.

13 Q. Okay. Find my copy. Okay. So let's --  
14 let's go through this chart a little. It's a diagram  
15 attempting to illustrate how staff's energy margin  
16 credit was calculated relative to the issue I was  
17 just exploring in the MLR. So on the left side we  
18 have the bar with three components?

19 A. Yes.

20 Q. And the shopping load that you assumed in  
21 your modeling was 26 percent, correct?

22 A. Correct.

23 Q. Okay. So that leaves 74 percent for  
24 nonshopping load, correct?

25 A. Correct.

1 Q. And you assumed in your modeling, did you  
2 not, that the 26 percent, the energy associated with  
3 the 26 percent shopping, was additional off-system  
4 sales. It would be MLR, correct?

5 A. I don't think so.

6 Q. What's incorrect?

7 A. So the way it was, as you know, there was  
8 some proprietary data in the analysis and the  
9 proprietary data was the hourly load that was  
10 provided by AEP. And the hourly load curve was  
11 adjusted by the 26 percent and then the generation.  
12 So some of that generation potentially went to  
13 off-system sales and some of it didn't. So it was  
14 the hourly load curve that was adjusted.

15 Q. Okay. So you're saying a portion of that  
16 26 percent adjustment went to additional off-system  
17 sales?

18 A. It could be, it could be a portion, I  
19 can't you exactly, but basically the methodology was  
20 to reduce the hourly load curve to run the  
21 generation, reduce the hourly and system  
22 requirements, and the difference was off-system  
23 sales. Whether that went to shopping or to some  
24 other type of off-system sale, I can't speak to.

25 Q. Okay. Well, would it have been retained

1 in the nonshopping load, or would it be part of an  
2 off-system sales?

3 A. This would be part of the off-system  
4 sales but I can't say it's the entire 26 percent,  
5 which is what you're reflecting on this table.

6 Q. Okay. Well, and then in the top bar this  
7 is traditional off-system sales margin which --

8 A. I'm saying we can't differentiate  
9 between -- all -- I can affirm the way the shopping  
10 was handled. I can't affirm that this turned out to  
11 be actually the split in generation.

12 Q. That's fair. Okay. So let's just -- we  
13 can mark out the 26 percent right there, okay, if  
14 that makes you more comfortable. The top two bars  
15 are the -- are the total of what you're considering  
16 off-system sales in your model.

17 Part within -- part of the capacity  
18 basket was filled with traditional off-system sales  
19 and part of the basket was filled with these  
20 additional off-system sales related to your shopping  
21 assumption.

22 A. Right. And we can't differentiate on the  
23 off-system sales what is related to shopping and what  
24 is related to off-system sales.

25 Q. Okay. So the top -- the top portion both

1 categories of off-system sales, in other words,  
2 everything above the 74 percent that was retained for  
3 nonshopping and attributable to retail nonshopping  
4 load would be off-system sales margins under your  
5 model, correct?

6 A. Correct, but, again, there is no  
7 guarantee that the generation works out to be 74/26.

8 Q. Well, I understand you're saying the 26  
9 is maybe a different number, but the 74 is correct,  
10 is it not?

11 A. The 74 is correct. So, again, how it was  
12 done, you got the load from you by hour, by utility.

13 Q. Okay.

14 A. And basically reduced it by 26 percent,  
15 rounded the generation demand, the portion that  
16 wasn't required for load was assumed to be off-system  
17 sales.

18 Q. So the margin in the top two boxes, the  
19 total off-system sales, that's what you MLRed back to  
20 the retained margins, correct?

21 A. Correct.

22 Q. So for an AEP-Ohio basis 40 percent of  
23 the -- of the off-system sales were retained and  
24 that's -- that's shown in your ESM-1 exhibit under  
25 the "Retained" column, right, retained margin?

1 A. Well, the retained margin includes both.

2 Q. Yes. That's what I will get to next.

3 A. Okay.

4 Q. That does include all the off-system  
5 sales which you show in this example for 2012, June  
6 through December, 822,462 megawatt hours for Columbus  
7 Southern is -- that would represent the top two  
8 positions, the 822,000 for Columbus Southern for that  
9 period, right?

10 A. I'm sorry, where is the 822,000?

11 Q. In ESM-1 in the top line of numbers, June  
12 through December, 2012?

13 A. Yes, I see. Sorry. Yes.

14 Q. So the 822,000 megawatt hours would be --  
15 for that period Columbus Southern would be the top  
16 two boxes, right?

17 A. Right. But, again, the merged numbers  
18 are slightly different.

19 Q. Okay. Fair enough. And I'm just using  
20 that just to understand the math in your chart and  
21 try to illustrate it with this picture, okay?

22 A. Fair enough.

23 Q. Okay. So then the other thing that's in  
24 retained margin and also in gross margin and not  
25 taken out is the margin associated with nonshopping

1 load, correct?

2 A. Correct.

3 Q. Okay. So you've attributed a  
4 market-based margin in your modeling to not all the  
5 nonshopping load and then you've --

6 A. MLRed.

7 Q. -- put that in the energy credit,  
8 correct?

9 A. Yes.

10 Q. I'm sorry, we may have talked over each  
11 other. And you MLRed the bottom part?

12 A. No.

13 Q. Okay. Because we were talking about --  
14 let me finish -- the 74 percent nonshopping load  
15 you've taken a -- your modeling you've taken a  
16 market-based margin and taken 100 percent of that for  
17 the nonshopping load and included that in the energy  
18 credit.

19 A. And what I was trying to say, yes, that  
20 plus the 40 percent of the off-system sales.

21 Q. That's why both errors -- errors --  
22 arrows, excuse me, Freudian slip, both arrows go into  
23 the box called "CRES," right?

24 A. Okay.

25 Q. And that means that both categories of

1 margins were used in your energy credit to offset the  
2 net capacity charge that CRES providers pay for --  
3 for their shopping load, correct?

4 A. Correct.

5 Q. Okay. Now, you assumed 26 percent  
6 shopping throughout the entire three-year period?

7 A. Correct.

8 Q. How does that compare to current shopping  
9 levels? Do you know?

10 A. That was the current -- that is the  
11 current number is our understanding.

12 Q. You believe that is the current one as  
13 you sit here today?

14 A. That was the number that -- that was the  
15 information the company provided to EVA as the  
16 current number. I can't tell you as we sit here.

17 Q. Recently but not today.

18 A. Probably not today.

19 Q. Okay. So do you expect as a forecasting  
20 analyst that the shopping levels are going to stay  
21 right where they're at for the whole three-year  
22 period?

23 A. I can guarantee you they won't.

24 Q. Okay. Do you think they will go up or  
25 down?



1 would be too high, correct.

2 MR. NOURSE: I was going to ask you to do  
3 another calculation but you've been very kind so  
4 thank you, Ms. Medine, that's all I have.

5 EXAMINER PARROT: Any redirect?

6 MR. JONES: If I could just have a  
7 minute, please.

8 EXAMINER PARROT: Sure.

9 (Off the record.)

10 EXAMINER PARROT: Let's go back on the  
11 record.

12 Any redirect, Mr. Jones?

13 MR. JONES: Your Honor, I have no  
14 redirect questions.

15 EXAMINER PARROT: Thank you very much.  
16 Thank you very much, Ms. Medine, you're  
17 excused.

18 Mr. Jones, would you like to move your --

19 MR. JONES: At this time I move for the  
20 admission of Staff Exhibit 105.

21 EXAMINER PARROT: Are there objections to  
22 Staff Exhibit 105?

23 MR. NOURSE: No, your Honor.

24 EXAMINER PARROT: Hearing none, Staff  
25 Exhibit 105 is admitted.

1 for capacity factor.

2 She agreed, subject to check, and stated  
3 that they're all higher than the ones based in the  
4 actual data. So we had a little discussion about  
5 that and she addressed her perspective on it, so I  
6 think it's perfect for inclusion in the record.

7 Did I miss any? Okay, thank you, your  
8 Honor.

9 EXAMINER PARROT: Thank you.

10 All right. At this time AEP Exhibits 132  
11 through 137 and 141 are admitted into the record.

12 (EXHIBITS ADMITTED INTO EVIDENCE.)

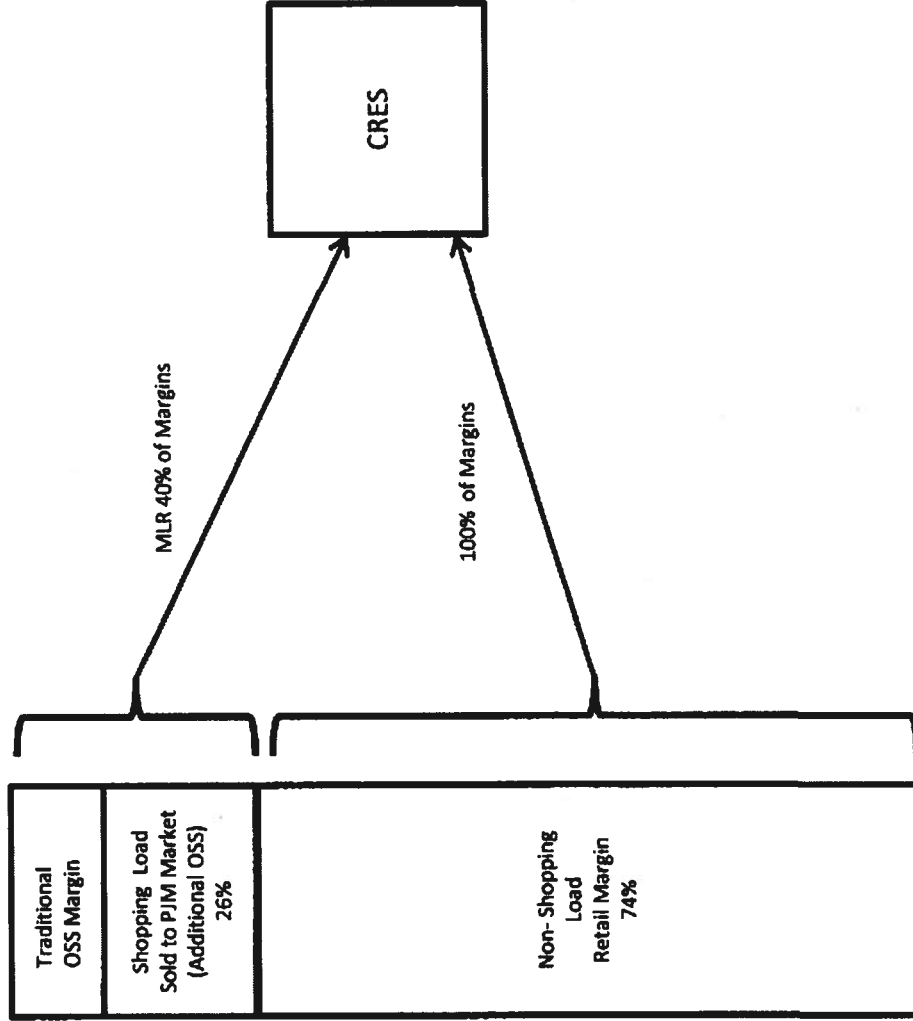
13 MR. NOURSE: Thank you, your Honor.

14 EXAMINER PARROT: Is there anything else  
15 to come before us today?

16 MR. JONES: Your Honor, I do have a  
17 motion to strike an exhibit that's already been  
18 admitted into evidence, AEP Exhibit 118, and the  
19 basis for the motion to strike that exhibit is based  
20 on Ms. Medine's testimony that she actually went back  
21 and checked the site SNL Energy for the information  
22 AEP Dayton Hub that was provided on that exhibit.

23 Of course, at the time when this was  
24 originally presented to Mr. Harter, he didn't have  
25 the computer in front of him where he could verify

### Diagram of Staff's Energy Margin Credit



**Exhibit ESM-1**

**Energy and Ancillary Service Credits for CSP, OPCo and AEP Ohio  
Credits Provided by Year and as a Fixed Rate for the 6/1/2012-5/31/2015 Period**

**Energy Credits**

CSP	Year	Total Generation (MWh)	Off System Sales (MWh)	Gross Margin (2012 \$)	MLR <sup>1</sup>	Retained Margin (2012 \$)	Energy Credit (\$/MWh) <sup>2</sup>
June-Dec	2012	9,238,414	822,462	57,483,325	19%	50,921,910	\$57.67
	2013	19,051,169	3,609,324	121,142,148	19%	98,376,727	\$65.32
	2014	16,603,470	2,041,381	119,843,987	19%	105,812,482	\$70.26
Jan-May	2015	5,515,974	59,094	52,957,091	19%	52,411,263	\$84.12
	<b>Total</b>						<b>\$68.07</b>

OPCo	Year	Total Generation (MWh)	Off System Sales (MWh)	Gross Margin (2012 \$)	MLR <sup>1</sup>	Retained Margin <sup>1</sup> (2012 \$)	Energy Credit (\$/MWh) <sup>2</sup>
June-Dec	2012	21,868,821	9,152,981	250,626,361	22%	170,178,962	\$161.14
	2013	25,629,397	3,857,070	426,080,707	22%	385,838,009	\$214.20
	2014	25,654,769	3,970,787	432,393,371	22%	391,453,715	\$217.32
Jan-May	2015	11,281,816	2,296,000	188,181,389	22%	162,069,500	\$217.49
	<b>Total</b>						<b>\$205.32</b>

Merged	Year	Total Generation (MWh)	Off System Sales (MWh)	Gross Margin (2012 \$)	MLR <sup>1</sup>	Retained Margin <sup>1</sup> (2012 \$)	Energy Credit (\$/MWh) <sup>2</sup>
June-Dec	2012	31,107,235	8,373,663	308,109,685	40%	254,734,719	\$131.37
	2013	44,680,567	5,987,661	547,222,855	40%	504,342,136	\$152.50
	2014	42,258,239	4,016,475	552,237,359	40%	521,922,064	\$157.81
Jan-May	2015	16,797,789	1,155,836	241,138,479	40%	231,196,780	\$168.98
	<b>Total</b>						<b>\$152.41</b>

**AS Payments**

	CSP	OPCO	Merged
2011 AS Credits	\$10,037,014	\$12,004,155	\$22,041,169
CP-5 (MW)	4126	4935	9061
AS Credit \$/MWhDay	\$6.66	\$6.66	\$6.66

1: The MLR is applied only to off system sales.

2: This calculation uses the 5 CP Demand numbers presented in KDP-5 and reprinted below.

	CSP	OPCO	Merged
CP-5 (MW)	4126	4935	9061

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of Ohio Power Company's Rebuttal Testimony of David M. Roush has been served upon the below-named counsel and Attorney Examiners by electronic mail to all Parties this 2<sup>nd</sup> day of July, 2013.

/s/ Steven T. Nourse

Steven T. Nourse

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Summary: Testimony - of David M. Roush electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company