

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company for Authority to)	
Establish a Standard Service Offer))	Case No. 13-2385-EL-SSO
Pursuant to §4928.143, Revised Code,)	
in the Form of an Electric Security Plan)	

In the Matter of the Application of)	
Ohio Power Company for Approval of)	Case No. 13-2386-EL-AAM
Certain Accounting Authority)	

**DIRECT TESTIMONY OF
LOUIS M. D’ALESSANDRIS
ON BEHALF OF FIRSTENERGY SOLUTIONS, CORP.**

TABLE OF CONTENTS

I.	INTRODUCTION & BACKGROUND	1
III.	THE PROPOSED ESP SHOULD BE MODIFIED	2
IV.	THE PROPOSED ASSIGNMENT OF RESPONSIBILITY FOR A PJM BILLING LINE ITEM SHOULD BE MODIFIED	3
V.	THE POR PROGRAM SHOULD BE MODIFIED	4
VI.	THE OPTION FOR EARLY TERMINATION OF THE ESP SHOULD BE MODIFIED	6
VII.	AEP OHIO’S INTEREST IN OVEC	7
VIII.	CONCLUSION	7

1 **I. INTRODUCTION & BACKGROUND**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

3 A. My name is Louis M. D'Alessandris. My business address is 341 White Pond Drive,
4 Akron, Ohio 44320. I am employed by FirstEnergy Solutions Corp. ("FES") as an
5 Advisor, State & EDC Competitive Market Policies.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
7 **PROFESSIONAL QUALIFICATIONS.**

8 A. I have a Bachelor of Arts degree in Business Administration from Washington and
9 Jefferson College, and a Master of Business Administration degree from the University
10 of Cincinnati. I joined FES in early 2006. I have been in my current position since
11 August 2013. Prior to that I held various positions in the Competitive Market Policies
12 Group and its predecessor group. From mid-1994 to late-1995 I was a contract
13 employee performing load research and evaluation of demand side management
14 programs for the Cincinnati Gas & Electric Company. From late 1995 to late 1997 I
15 was a Demand Side Management Analyst with the Ohio Edison Company. From late
16 1997 to early 2006 I worked in the marketing department at a chemical company in the
17 Akron area.

18 **Q. WHAT ARE YOUR RESPONSIBILITIES AS ADVISOR, STATE & EDC**
19 **COMPETITIVE MARKET POLICIES?**

20 A. As an Advisor, State & EDC Competitive Market Policies, I am responsible for
21 coordinating initiatives involving state public utility commissions where FES operates,
22 including the Public Utilities Commission of Ohio (the "Commission"). As part of this

1 role, I am responsible for representing FES's interests in Ohio Electric Security Plan
2 ("ESP") and Market Rate Offer ("MRO") proceedings.

3 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

4 A. I am testifying on behalf of FES. FES is a licensed competitive retail electric service
5 ("CRES") provider in Ohio and an energy supplier serving residential, commercial
6 and industrial customers in the Midwest and Mid-Atlantic regions, including Ohio
7 Power Company's ("AEP Ohio's") territory. FES supplies electricity to customers in
8 Illinois, Maryland, Michigan, New Jersey, Ohio and Pennsylvania.

9 **Q. CAN YOU DESCRIBE FURTHER FES'S EXPERIENCE IN THE**
10 **COMPETITIVE ELECTRIC MARKETS IN OHIO?**

11 A. Yes. FES owns and operates competitive generation in Ohio and elsewhere. FES offers
12 a range of energy and energy-related products and services to wholesale and retail
13 customers across Ohio, including the generation and sale of electricity. It also serves
14 customers in all of the Ohio electric distribution utilities' ("EDUs") service territories.
15 FES also has substantial experience as a supplier at the wholesale level, including
16 competitive bid procurements ("CBPs") in Ohio and other states.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

18 A. I am providing testimony regarding certain aspects of AEP Ohio's proposed ESP that
19 should be modified as identified below and described in further detail in my testimony.

20 **III. THE PROPOSED ESP SHOULD BE MODIFIED**

21 **Q. PLEASE SUMMARIZE FES'S OVERALL POSITION REGARDING AEP**
22 **OHIO'S PROPOSED ESP.**

1 A. The proposed ESP should be modified as described below to ensure that AEP Ohio's
2 ESP better conforms to state law and policy:

- 3 • The EDU should be responsible for the Generation Deactivation charge, and the
4 Master Supply Agreement should be modified accordingly.
- 5 • The POR program should be modified to ensure that it does not create any
6 barriers to effective competition.
- 7 • The option for early termination of the ESP should be modified.

8 FES also provides additional considerations for the Commission regarding AEP
9 Ohio's interest in OVEC.

10 **IV. THE PROPOSED ASSIGNMENT OF RESPONSIBILITY FOR A PJM**
11 **BILLING LINE ITEM SHOULD BE MODIFIED**

12 **Q. DO YOU AGREE WITH AEP OHIO'S PROPOSAL TO SPLIT THE**
13 **TRANSMISSION RIDER INTO MARKET-BASED ("MB") AND NON-**
14 **MARKET-BASED ("NMB") COMPONENTS?**

15 A. Generally, yes. AEP Ohio is the last of the Ohio EDUs to treat transmission and
16 ancillary components in this manner, and this change allows for greater consistency
17 across the state. However, FES disagrees with how one component was classified in
18 Exhibit CL-2, Attachment F. Specifically, FES disagrees with the treatment of line
19 item 1930. As a participant in both wholesale and retail markets, FES believes it is
20 good policy to attempt to standardize the assignment of responsibility of this PJM
21 billing line item across all Ohio EDUs. The Cleveland Electric Illuminating Company,
22 Ohio Edison Company, The Toledo Edison Company (collectively, "FEOUs"), Duke
23 Energy Ohio ("Duke"), and Dayton Power & Light ("DP&L") all include the PJM
24 billing item assignment for line item 1930 in their Master Supply Agreements.

1 **Q. HOW SHOULD LINE ITEM 1930 BE TREATED?**

2 A. Line item 1930 represents Generation Deactivation charges, which are commonly
3 referred to as Reliability Must Run (“RMR”). AEP Ohio proposes this line item as a
4 MB charge. However, this line item is recognized as NMB by FEOUs, Duke, and
5 DP&L. If these RMR charges are treated as MB charges, then bid prices for the
6 Competitive Bid Process (“CBP”) auction products and retail service offers must
7 include a risk premium to address this charge. Since the future RMR charges are not
8 known to CBP auction participants or CRES providers, the risk premium could
9 potentially be larger than the actual RMR charge. As a result, all customers are subject
10 to increased prices, whether they shop or not. FES recommends that the RMR charge
11 be a NMB charge and therefore the responsibility of AEP Ohio. FES’s
12 recommendation will benefit customers and facilitate retail competition in AEP Ohio’s
13 service territory.

14
15 **V. THE POR PROGRAM SHOULD BE MODIFIED**

16 **Q. DOES FES SUPPORT AEP OHIO’S PROPOSAL TO IMPLEMENT A POR**
17 **PROGRAM?**

18 A. FES takes no position on whether or not AEP Ohio should implement a POR
19 program. FES does not base decisions on whether to enter a market on the
20 availability of a POR program, and evaluates participation in each EDU’s POR
21 program independently. FES does believe it is important to ensure that any POR
22 program does not discriminate against suppliers who have invested in credit and

collection procedures. FES has a proficient credit and collections team, and POR discounts are not always less expensive than FES's own collection efforts.

Q. WHAT ARE FES'S PROPOSED MODIFICATIONS TO THE POR PROGRAM?

A. First and foremost, participation in the POR program should not be tied to consolidated billing. Under AEP Ohio's proposal, all CRES providers who enroll a customer in consolidated billing will be required to participate in the POR program. Suppliers who do not wish to participate in the POR program would therefore be forced to dual bill customers. In our experience, utilization of consolidated billing provides the most customer-friendly experience. CRES providers who choose not to participate in the POR program should not be penalized by losing access to a service that AEP Ohio provides without discrimination to all CRES providers today.

Second, FES proposes that as long as the Bad Debt Rider ("BDR") exists, the discount rate should remain 0%. AEP Ohio Witness Gabbard indicated that there is a possibility of a non-zero discount rate in the future, in the event that AEP Ohio incurs future costs to modify the POR program functionality not already recovered in rates. FES does not object to the possibility of future changes under the following conditions: 1) program costs are the only factor that may cause the rate to vary; 2) the requested increase is handled through a separate proceeding in which the costs are audited and the proper method of cost recovery is determined; and 3) any per bill or non-zero discount is eliminated when program costs are fully recovered.

Third, the \$0.77 per bill yearly administration fee should be eliminated. The Commission recently ordered DP&L to remove any billing fees to bring it in alignment

1 with the other Ohio EDUs.¹ AEP Ohio has never charged CRES providers for
2 consolidated billing, and it should not use the POR program to start now.

3 Finally, customers should not be assessed an additional deposit upon entering the
4 POR program. Given that customers will likely enter the program upon shopping, this
5 will be viewed as a disincentive to shop and is likely to negatively affect a customer's
6 shopping experience. Duke is the only other Ohio EDU with a POR program, and they
7 do not engage in this practice.

8 **VI. THE OPTION FOR EARLY TERMINATION OF THE ESP SHOULD**
9 **BE MODIFIED**

10 **Q. WHAT IS AEP OHIO'S PROPOSAL REGARDING THE ESP TERM?**

11 A. The ESP term is to be from June 1, 2015 to May 31, 2018, with express retention of
12 right to terminate one year early if there is a major change in federal or state law. Notice
13 of termination must be provided by October 1, 2016.

14 **Q. DOES FES HAVE CONCERNS ABOUT THIS PROPOSAL'S IMPACT ON**
15 **AEP'S SSO AUCTIONS?**

16 A. Yes. The reopener provision could result in changes to the auction after load is procured
17 for the final year of the plan. The fifth auction, which procures supply for June 1, 2016
18 through May 31, 2017 delivery, is scheduled for September 2016, before the ESP could
19 be potentially be terminated. Therefore, any wholesale contract from the fifth auction
20 would potentially be at risk. Such uncertainty unnecessarily risks driving potential

¹ Case No. 12-0426-EL-SSO, *In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan*, Second Entry on Rehearing, p. 22 (March 19, 2014).

1 bidders away, and may have a negative impact on auction pricing if bidders that do
2 participate are concerned that the auction results may not be honored.

3 **Q. WHAT IS FES'S RECOMMENDATION REGARDING THE OPTION FOR**
4 **EARLY TERMINATION?**

5 A. The Commission should modify AEP Ohio's reopener such that any winning bidders
6 would be made financially whole for their commitment to serve load obtained from the
7 last auction. This modification would remove uncertainty and risk from that auction,
8 and preserve AEP Ohio's option to terminate the ESP early.

9 **VII. AEP OHIO'S INTEREST IN OVEC**

10 **Q. DOES FES HAVE CONCERNS WITH AEP OHIO'S PROPOSAL FOR A**
11 **RIDER TO RECOVER COSTS RELATED TO ITS OVEC INTEREST AND**
12 **POTENTIALLY OTHER POWER PURCHASE AGREEMENTS?**

13 A. There is insufficient information for FES to take a position at this time, however, the
14 Commission should take steps to ensure that the rider mechanism is structured such that
15 the goals of the Mercury and Air Toxics Standards (MATS) are realized. For example,
16 the mechanism should not be utilized to keep open generation resources that were
17 previously scheduled to close.

18 **VIII. CONCLUSION**

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

20 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served this 6th day of May 2014, via e-mail upon the parties below.

/s/ Scott J. Casto

One of the Attorneys for FirstEnergy Solutions Corp.

Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
stnourse@aep.com
mjsatterwhite@aep.com

Daniel R. Conway
Porter Wright Morris & Arthur
Huntington Center
41 S. High Street
Columbus, Ohio 43215
dconway@porterwright.com

Samuel C. Randazzo
Frank P. Darr
Mathew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

William Wright
Attorney General's Office
Public Utilities Commission of Ohio
180 E. Broad St., 6th Fl.
Columbus, OH 43215
William.wright@puc.state.oh.us

Kimberly W. Bojko
Mallory Mohler
Carpenter Lipps & Leland LLP
280 Plaza, Suite 1300
280 North High Street
Columbus, Ohio 43215
bojko@carpenterlipps.com
mohler@carpenterlipps.com

Barth E. Royer
Bell & Royer Co., LPA
33 South Grant Avenue
Columbus, OH
BarthRoyer@aol.com

Gary A. Jeffries
Dominion Resources Services, Inc.
501 Martindale Street, Suite 400
Pittsburgh, PA 15212
Gary.A.Jeffries@dom.com

Rocco O. D'Ascenzo
Duke Energy Ohio
139 East Fourth Street
1303-Main
Cincinnati, Ohio 45202
Rocco.D'Ascenzo@duke-energy.com

Mark A. Whitt (Counsel of Record)
Andrew J. Campbell
Gregory L. Williams
WHITT STURTEVANT LLP
The KeyBank Building, Suite 1590
88 East Broad Street
Columbus, Ohio 43215
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
williams@whitt-sturtevant.com

Vincent Parisi
Lawrence Friedeman
Matthew White
INTERSTATE GAS SUPPLY, INC.
6100 Emerald Parkway
Dublin, Ohio 43016
vparisi@igsenergy.com
lfriedeman@igsenergy.com
mswhite@igsenergy.com

Trent A Dougherty
Ohio Environmental Council
1207 Grandview Ave. Suite 201
Columbus OH 43212
tdougherty@theOEC.org

John Finnigan
Environmental Defense Fund
128 Winding Brook Lane
Terrace Park, Ohio 45174
jfinnigan@edf.org

Colleen L Mooney
Cathryn N. Loucas
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay OH 45840
cmooney@ohiopartners.org
cloucas@ohiopartners.org

Philip B. Sineneng
THOMPSON HINE LLP
41 South High Street, Suite 1700
Columbus, Ohio 43215
Philip.Sineneng@ThompsonHine.com

Richard L. Sites
General Counsel & Senior Director of Health
Policy
OHIO HOSPITAL ASSOCIATION
155 East Broad Street, 15th Floor
ricks@ohanet.org

Thomas J. O'Brien
Dylan F. Borchers
BRICKER & ECKLER LLP
100 South Third Street
Columbus, OH 43215-4291
tobrien@bricker.com
dborchers@bricker.com

Mark Yurick
Zachary D. Kravitz
Taft Stettinuis & Hollister LLP
65 E. State Street Suite 1000
Columbus OH 43215
myurick@taftlaw.com
zkravitz@taftlaw.com

Nicholas McDaniel
Environmental Law & Policy Center
1207 Grandview Avenue, Suite 201
Columbus, OH 43212
NMcDaniel@elpc.org

Tyler A. Teuscher
The Dayton Power and Light Company
1065 Woodman Dr.
Dayton OH 45432
Tyler.teuscher@dplinc.com

Marissa J. Bach
Hess Energy Marketing, LLC
One Hess Plaza
Woodbridge NJ 07030
mbach@hess.com

Michael R. Smalz
Ohio Poverty Law Center
555 Buttles Avenue
Columbus OH 43215
msmalz@ohiopovertylaw.org

Joseph Clark
21 E. State Street, 19th Floor
Columbus, OH 43215
joseph.clark@directenergy.com

Maureen R. Grady (0020847)
Assistant Consumers' Counsel
OFFICE OF THE OHIO CONSUMERS' COUNSEL
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
grady@occ.state.oh.us

Peggy P. Lee (0067912)
SOUTHEASTERN OHIO LEGAL SERVICES
964 E. State Street
Athens, Ohio 45701
plee@oslsa.org

Howard Petricoff
Vorys, Sater, Seymour, and Pease LLP
52 E. Gay Street P.O. Box 1008
Columbus, OH 43216-1008
mhpeticoff@vorys.com

Cynthia Fonner Brady
Assistant General Counsel
EXELON BUSINESS SERVICES COMPANY
4300 Winfield Road
Warrenville, IL 60555
cynthia.brady@constellation.com

Derrick Price Williamson
SPILMAN THOMAS & BATTLE, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com

Samantha Williams
NATURAL RESOURCES DEFENSE COUNCIL
20 N. Wacker Drive, Suite 1600
Chicago, IL 60606
swilliams@nrdc.org

Stephanie M. Chmiel (0087555)
THOMPSON HINE LLP
41 S. High Street, Suite 1700
Columbus, Ohio 43215
Stephanie.Chmiel@ThompsonHine.com

Gregory J. Poulos (0070532)
ENERNOC, INC.
471 E. Broad Street, Suite 1520
Columbus, Ohio 43215
gpoulos@enernoc.com

J. Thomas Siwo (0088069)
BRICKER & ECKLER LLP
100 South Third Street
Columbus, Ohio 43215-4291
tsiwo@bricker.com

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