

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service.)	Case No. 14-841-EL-SSO
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In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Amend its Certified Supplier Tariff, P.U.C.O. No. 20.)	Case No. 14-842-EL-ATA
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DIRECT TESTIMONY OF MATTHEW WHITE

On behalf of Interstate Gas Supply, Inc.

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please introduce yourself.**

3 A. My name is Matthew White. I am employed by Interstate Gas Supply, Inc. (“IGS”
4 or “IGS Energy”) as Manager, Legal and Regulatory Affairs. My business
5 address is 6100 Emerald Parkway, Dublin, Ohio 43016.

6 **Q. Please describe your educational background and work history.**

7 A. I have a Juris Doctor (J.D.) and Masters in Business Administration (M.B.A.) from
8 the College of William & Mary. I also have a Bachelor of Arts (B.A.) from Ohio
9 University. I started my legal career working at the law firm of Chester, Wilcox &
10 Saxbe as an energy and utilities lawyer. At Chester Wilcox, I participated in
11 numerous regulatory proceedings relating to utility matters, including natural gas
12 and electric rate cases and electric power siting cases. I also have worked on
13 power and gas sales transactions. At the beginning of 2011, I was hired into IGS
14 Energy’s rotation program where I spent the next 16 months working in various
15 different departments throughout the company learning IGS’ entire business,
16 including the gas supply and risk departments. In 2012 I began full-time as an
17 attorney in IGS’ Regulatory Affairs Department. In 2014 I was promoted to
18 Manager, Legal and Regulatory Affairs at IGS. In my current position I manage
19 the legal activities for IGS Energy at utilities commissions and other regulatory
20 bodies throughout the United States. My team is responsible for electric and
21 natural gas litigation for IGS Energy, including electric and natural gas rate cases
22 and other proceedings that relate to energy.

1 **Q. Have you submitted testimony at any regulatory bodies before?**

2 A. Yes. I have submitted written testimony in the Duke Natural Gas Distribution
3 Rate Case, (Public Utilities Commission of Ohio "PUCO" Case No. 12-1685-GA-
4 AIR); the DTE 2013-2014 Gas Cost Recovery Case (Michigan Public Service
5 Commission Case No. U-17131); the Columbia Gas of Kentucky 2013
6 Distribution Rate Case (Kentucky Public Service Commission Case No. 2013-
7 00167); the AEP Ohio Electric Security Plan Proceeding (PUCO Case No. Case
8 No. 13-2385-EL-ORD; The Commonwealth Edison ("ComEd") Formula Rate
9 Case Proceeding (Illinois Commerce Commission Case No. 14-0312); and the
10 Dayton Power & Light Company Electric Security Plan Proceeding (PUCO Case
11 No. 12-426-EL-SSO).

12 **Q. What is the nature of IGS' business?**

13 A. IGS Energy has over 25 years' experience serving customers in Ohio's
14 competitive markets. IGS Energy serves over 1 million customers nationwide
15 and sells natural gas and electricity to customers in 11 states and in over 40
16 utility service territories. In Ohio, IGS currently serves electric customers in the
17 AEP Ohio, Duke Energy Ohio, FirstEnergy and the Dayton Power & Light service
18 territories. The IGS family of companies (which include IGS Generation, IGS
19 Home Services and IGS CNG Services) also provides customer focused energy
20 solutions that compliment IGS Energy's core commodity business including
21 distributed generation, demand response, CNG refueling, back-up generation
22 and utility line protection.

1 **Q. What is the purpose of your testimony?**

2 A. Duke makes a number of proposals in its electric security plan application (“ESP
3 Application”) that do not comply with Ohio law, and that are otherwise
4 discriminatory against competitive retail electric service (“CRES”) suppliers and
5 shopping customers. Consequently, the Commission should not approve the
6 ESP Application unless certain modifications are made to the application.
7 Specifically:

- 8 • In the ESP Application Duke unreasonably proposes to amend its tariff to
9 prohibit CRES suppliers from including non-electric charges on the utility bill.
10 However, Duke currently places non-electric charges for itself and its
11 unregulated affiliate on the utility bill. Duke’s proposal to prohibit CRES
12 suppliers from billing for non-electric products, while at the same time billing
13 for its affiliate’s non-electric products is discriminatory and contrary to Ohio
14 law. Further, Duke’s proposal would allow it to provide an undue preference
15 and competitive advantage to its affiliate in violation of R.C. 4928.17(A)(2)
16 and (3). As Ohio’s competitive markets progress, it is even more important
17 for CRES suppliers to be able to offer value added products and services,
18 beyond the electric commodity. Thus, Duke’s proposal to restrict CRES
19 supplier billing will greatly diminish a customer’s ability to receive value added
20 products and should be rejected.
- 21 • While Duke continues to bill for unregulated non-commodity products and
22 services, Duke fails to provide any detail as to how it is allocating costs of
23 these products and services. What is known is that Duke is utilizing

1 distribution assets to support its unregulated non-commodity products and
2 services. As part of the ESP application, Duke must demonstrate that it is in
3 compliance with Ohio's corporate separation requirements. Duke has not met
4 this requirement as Duke has not demonstrated that distribution ratepayers
5 are not unduly subsidizing Duke's affiliate or unregulated products and
6 services.

- 7 • I recommend that the Commission direct Duke in this proceeding to allow
8 competitive suppliers to bill for non-commodity services on the utility bill.
9 However, the Commission should also direct Duke to expeditiously develop
10 the capabilities to allow CRES suppliers to provide supplier consolidated
11 billing. As more fully explained in my testimony, supplier consolidated billing
12 would enable CRES suppliers to provide customers with a single bill that
13 includes utility distribution charges.
- 14 • Duke's proposed SSO does not reflect the full cost of providing SSO service
15 in the SSO price. Rather, there are a number of costs incurred to support the
16 SSO that are recovered through distribution rates. The utilization of
17 distribution rates to subsidize SSO service violates Ohio's statutes that
18 prohibit subsidies flowing from distribution rates to SSO service. Moreover,
19 R.C. 4928.02(A) and (B) provides that it is the state policy to "[e]nsure the
20 availability to consumers of adequate, reliable, safe, efficient,
21 *nondiscriminatory unbundled and comparable retail electric services.*"
22 (emphasis added). As such, I recommend that the Commission unbundle the
23 costs recovered through distribution rates required to support the SSO and

1 include those costs in the SSO price. My recommendation would address the
2 current disparity in pricing structure of the SSO and CRES products, which is
3 non-comparable and discriminates against shopping customers.

4 **II. UTILITY BILLING**

5 **Q. Can you please explain the proposal Duke has made that would prohibit**
6 **CRES suppliers from billing non-commodity services on the utility bill?**

7 A. Yes. On page 8 of his testimony, Witness Daniel Jones states that in the ESP
8 Application Duke is proposing to amend its tariff to prohibit CRES suppliers from
9 using the bill-ready function to bill for non-electric charges.

10 **Q. Why is it important that CRES providers have the ability to offer non-**
11 **commodity products and services to customers?**

12 A. One of the major benefits of competition is that it encourages the development
13 of innovative products and services that add value to customers beyond the
14 electric commodity. As competitive markets and technology evolve, customers
15 will start seeing electricity as more than just the commodity, but rather a package
16 of products and services that include the electric commodity. CRES suppliers
17 such as IGS are starting to develop new products and services that add value to
18 customers. The most basic value added products and services include fixed or
19 hedged electricity prices and renewable electric products. The market is evolving
20 to offer even more sophisticated electric products and services including
21 electricity bundled with energy efficiency, demand response, direct load control,
22 smart thermostats, distributed solar generation and other forms of on-site

1 generation, micro-grids, battery storage technology, products bundled with loyalty
2 rewards and products bundled with home protection, to name a few. These value
3 added products and services not only add value to customers, but also many of
4 these products enable customers to use electricity more efficiently, reduce
5 customer's energy costs and enhance electric reliability on the grid.

6 **Q. Is Duke's proposal to prohibit billing for CRES non-electric products**
7 **reasonable?**

8 A. No. The markets that enable CRES suppliers to offer value added products and
9 services are the markets most likely to see a proliferation of these products and
10 services to customers. Duke's proposal would limit CRES suppliers' ability to
11 offer value added products and service to customers. Thus, Duke's proposal
12 would be a regressive step backwards for customers and competition.

13 **Q. Why does Duke claim it needs to prohibit CRES suppliers from billing for**
14 **non-commodity products and services on the EDU bill?**

15 A. Duke's Witness Jones claims that Duke needs to prohibit CRES suppliers from
16 billing for non-commodity charges because Duke does not want CRES suppliers
17 to be able to include those charges in the purchase of receivables program
18 ("POR").

19 **Q. Is Duke's rational for prohibiting CRES suppliers from billing for non-**
20 **commodity charges reasonable?**

1 A. No. If the Commission does not wish Duke to include non-electric charges in the
2 POR program, it could simply order Duke to file a modified tariff that excludes
3 non-electric charges from its POR program but still allow CRES suppliers to bill
4 for non-electric charges.

5 **Q. Does Duke currently bill for non-electric products and services?**

6 A. Yes. I am aware of two unregulated non-electric products offered through Duke's
7 affiliate that Duke currently places on the utility bill. Those products are
8 StrikeStop service and Underground Protection service. StrikeStop service is an
9 insurance service that provides coverage for damage caused to the customer's
10 home from electric surges. Underground Protection service is an insurance
11 service that covers damage to the customer's underground electric lines. Duke
12 advertises these services on its website and advertises that these services are
13 billed on the utility bill.¹

14 **Q. Who is the provider of StrikeStop and Underground protection?**

15 A. Duke's affiliate Duke Energy One, Inc. ("Duke Energy One") is the provider of
16 StrikeStop and Underground Protection service. The Terms of Sale linked to
17 Duke's website indicate that Duke Energy One is the provider of StrikeStop and
18 Underground Protection. Attached as Exhibit (MW-1) is a copy of StrikeStop
19 Terms of Service. Also, Duke Exhibit MEH-2 on page 30 lists Duke Energy One
20 as an affiliated company of Duke.

¹ See <http://www.duke-energy.com/strikestop/>; <http://www.duke-energy.com/underground/>

1 **Q. Does the fact that Duke already bills for unregulated non-electric charges**
2 **on its bill for an affiliate indicate that Duke already has the ability to**
3 **exclude non-electric charges from the POR program, and otherwise**
4 **ensures non-commodity charges do not trigger customer shut off?**

5 A. Yes. In discovery RESA asked Duke how it treats the uncollectible expense for
6 its StrikeStop and Underground Protection services. In its response to these
7 questions, Duke indicates that it excludes these charges from its uncollectible
8 expense rider and that these charges cannot trigger customer disconnect. Since
9 Duke already does not recover the uncollectible expense from all distribution
10 customers and does not disconnect customers for failing to pay its non-
11 commodity charges, it would indicate Duke has the ability to differentiate
12 between unregulated non-electric charges and electric commodity charges.

13 **Q. Do you know if Duke bills for any other non-electric products and services?**

14 A. Yes. In discovery, Duke indicated that it bills for a service that provides
15 maintenance of customer sited lighting. Duke indicates that it provides this non-
16 electric service to customers directly.

17 **Q. Is it reasonable that Duke is seeking to prohibit CRES suppliers from billing**
18 **non-electric charges while at the same time allowing itself and its**
19 **unregulated affiliate to bill for non-electric charges on the utility bill?**

20 A. No. It is unreasonable and discriminatory that Duke is willing to bill unregulated
21 non-electric charges for itself and its affiliate, but at the same time, seeking to
22 prohibit CRES providers from placing non-electric charges on the utility bill.

1 **Q. Do you recommend that the Commission accept Duke’s proposal to modify**
2 **its tariff to prohibit CRES suppliers from billing non-commodity charges on**
3 **the utility bill?**

4 A. No. I recommend that the Commission reject Duke’s proposal to modify its tariff
5 to prohibit CRES suppliers from offering non-electric charges on the utility bill.
6 Duke’s proposal will significantly restrict CRES suppliers’ ability to differentiate
7 their electric commodity products with value added products and services.
8 Ultimately this will limit the number of value added products and services
9 available to customers in the Duke market, to the detriment of all Duke
10 customers. The Commission should also reject Duke’s proposal given that Duke
11 grants preferential access to the utility bill for its affiliate’s unregulated products
12 but now is attempting to exclude other competitive products from the bill.

13 **Q. Are there any other recommendations you have with respect to non-electric**
14 **billing?**

15 A. The Commission should also require that Duke update its tariff to explicitly allow
16 CRES providers to use the bill-ready function to bill for non-electric charges and
17 to exclude non-electric charges from Duke’s POR program. The Commission
18 should also direct Duke to update its tariffs to treat CRES non-electric charges
19 with respect to payment priority in the same manner Duke treats the non-electric
20 charges for its affiliate Duke Energy One.

21 **III. CORPORATE SEPARATION**

1 **Q. Why is it important that Duke provide information about the non-electric**
2 **charges it is currently billing on the utility bill?**

3 A. First, Duke's willingness to place affiliate non-electric charges on the utility bill is
4 directly relevant to the reasonableness of Duke's proposal to prohibit CRES
5 providers from placing non-electric charges on the utility bill. Second, R.C.
6 4928.17 requires that Duke demonstrate in its ESP Application that it is in
7 compliance with Ohio's corporate separation statutes and Duke's corporate
8 separation plan. However, in discovery, Duke has indicated that it does not have
9 any billing agreements with Duke Energy One to bill for StrikeStop and
10 Underground Protection service, nor is it clear whether Duke is allocating costs
11 for billing for these services. What *is* known though is that 1) Duke currently bills
12 for non-electric products and services for its affiliate, 2) the non-electric products
13 and services Duke bills are unregulated, 3) Duke is leveraging regulated
14 distribution ratepayer assets to offer un-regulated non-electric products and
15 services for its affiliate 4) there are costs Duke incurs to offer these unregulated
16 products and services to customers and 5) Ohio's corporate separation statute.

17 **Q. Is there any Ohio law or Commission rule that prohibits preferential**
18 **treatment to a utility affiliate?**

19 A. Yes. R.C. 4928.17(A)(2), Rule 4901:1-37, OAC, and Duke's corporate
20 separation plan prohibit Duke from providing a competitive advantage or
21 preference to its affiliate or internal business unit. Further, R.C. 4928.17(A)(3),
22 (Ohio's Corporate Statute) and Duke's corporate separation plan require Duke to

1 allocate fully embedded costs for any services or resources Duke provides to its
2 affiliate (or internal business unit) engaged in the business of providing retail
3 electric service or products or services other than retail electric service.

4 **Q. Has IGS asked Duke how it allocates costs to StrikeStop and Underground**
5 **Protection service?**

6 A. Yes. IGS asked Duke in discovery for the specific sections in Duke's cost
7 allocation manual ("CAM") that relate to StrikeStop and Underground Protection.
8 Also, in discovery, RESA asked Duke for the contracts that relate to the billing for
9 StrikeStop and Underground Protection. Duke, however, was unwilling to
10 provide any answers to the questions asked by IGS and RESA. Accordingly,
11 Duke has not offered any evidence to demonstrate that it is allocating costs to its
12 affiliates in compliance with its corporate separation plan and Ohio's corporate
13 separation statutes.

14 **Q. Has IGS asked Duke how it allocates costs to the unregulated products and**
15 **services it provides to customers?**

16 A. Yes. Duke was asked in discovery how it allocated costs to the unregulated non-
17 electric products and services it offers to customers directly and Duke responded
18 that it did not know how it was going to allocate costs to the services it provides
19 to customers directly. However, as I already testified, Duke providing
20 maintenance service for customer sited lighting that it offers directly to
21 customers. Thus, it appears Duke is providing unregulated service to customers
22 without even determining how it will allocate costs to that service.

1 **Q. Why is it important that Duke allocate costs appropriately to its**
2 **unregulated products and services?**

3 A. First, Duke is leveraging distribution ratepayer's assets to offer unregulated
4 products and services to customers. Duke must allocate costs appropriately to
5 these services, because if it does not, distribution ratepayers would be
6 subsidizing the unregulated products and services Duke provides. It is
7 unreasonable for distribution ratepayers to subsidize an unregulated product and
8 service. Second, the unregulated products and services Duke is currently
9 providing are competitive products. The unregulated products Duke is offering
10 are not "natural monopoly" products like electric distribution service. There are
11 numerous competitors that are able to offer these products to customers. Thus,
12 if Duke is able to subsidize these products through distribution rates, it would
13 amount to an anti-competitive and unlawful advantage provided to Duke's
14 unregulated products and services, to the detriment of all other products and
15 services in the market.

16 **Q. What information must Duke provide in order for the Commission to make**
17 **a reasonable determination about whether Duke is in compliance with its**
18 **corporate separation requirements?**

19 A. In order for the Commission to make a meaningful determination as to whether
20 Duke is in compliance with Duke's corporate separation plan and the corporate
21 separation requirements set forth in 4928.17 the Commission must know 1) all of
22 the unregulated non-electric products and services Duke or its affiliates are

1 providing to customers and 2) how Duke is allocating costs to the non-electric
2 products and services to customers including the fully embedded costs to provide
3 its unregulated services to customers and 3) whether Duke's unregulated
4 affiliates that provide non-electric service are getting preferential access to EDU
5 customer information including account numbers and customer lists.

6 **Q. Has Duke filed testimony in this proceeding regarding their corporate**
7 **separation plan?**

8 A. Yes. Duke witness Hollis provide testimony on the corporate separation plan
9 ("CSP") attempting to demonstrate Duke's compliance with its CSP. Mr. Hollis
10 attached Duke's CSP to his testimony as Duke Exhibit MEH-2.

11 **Q. Does Duke Mention StrikeStop or Underground Protection services in its**
12 **CSP?**

13 A. No. Duke makes no reference to StrikeStop or Underground protection. Duke
14 merely lists Duke Energy One as one of dozens of Duke's affiliates. However,
15 the CSP does not describe how Duke Energy One is being allocated costs nor
16 does the CSP describe the services that Duke is providing to Duke Energy One.
17 The CSP, however, refers to Duke's CAM claiming that Duke is allocating costs
18 to its affiliates in accordance to Duke's CAM. In discovery, both IGS and RESA
19 asked for information from Duke's CAM but Duke has refused to provide its CAM
20 to IGS and RESA claiming that Duke's CAM is not relevant to this proceeding.

21 **Q. Has Duke demonstrated in its ESP Application that it is in compliance with**
22 **its CSP?**

1 A. No. Given that Duke has provided limited information that relates to how it
2 allocates costs to non-electric products and services which Duke offers either
3 through itself or its affiliates, Duke has not demonstrated that it is in compliance
4 with its corporate separation requirements.

5 **IV. SUPPLIER CONSOLIDATED BILLING**

6 **Q. Why is it important for CRES providers to have flexibility when billing for**
7 **electric service?**

8 A. As I note already, more and more customers are demanding value added
9 products and services with their electric commodity. Therefore, it is important to
10 be able to bill for value added products and services in a way that is convenient
11 for customers. For instance, if a customer enrolls in a product with a CRES that
12 includes the electric commodity, a smart-thermostat, energy monitoring, energy
13 efficiency and demand response, the customer does not want separate bills for
14 each individual component of that product. Further, customers may not even
15 want a separate price for each service, but rather may want a bundled all-in
16 price. Therefore, in order for CRES providers to offer value added products and
17 services that customers prefer it is important to have billing flexibility for electric
18 service.

19 **Q. You have already requested that the Commission require Duke to allow**
20 **CRES providers to bill for non-electric charges on the utility bill. Is there**
21 **another option that will give CRES providers the flexibility to bill for non-**
22 **electric charges?**

1 A. Yes. The Commission should also require that Duke take steps necessary to
2 allow all CRES providers to have the option of supplier consolidated billing.

3 **Q. Are you recommending supplier consolidated billing as an alternative to**
4 **rejecting Duke’s proposal to exclude non-electric charges on the utility**
5 **bill?**

6 A. No. I am recommending the Commission reject Duke’s proposal for excluding
7 CRES non-electric charges for utility consolidated billing *and* that the
8 Commission order Duke to implement supplier consolidated billing. It is
9 important the Commission adopt both recommendations because it may take
10 time for Duke to implement supplier consolidated billing. In the meantime CRES
11 providers should be able to use the Duke bill-ready option to bill for non-electric
12 charges.

13 **Q. How does supplier consolidated billing differ from utility consolidated**
14 **billing?**

15 A. Supplier consolidated billing would enable CRES suppliers to provide customers
16 with a single bill for all the components of electric service, including the non-
17 electric components. Supplier consolidated billing is similar to utility consolidated
18 billing in that the customer will receive only one bill for electric distribution and
19 generation service. However, with supplier consolidated billing model, the CRES
20 supplier issues the bill to the customer instead of the utility.

21 **Q. How does supplier consolidated billing work?**

1 A. Under the supplier consolidated billing model, the CRES supplier purchases the
2 receivables from the utility for the utility distribution charges upfront, making the
3 utility whole for all electric distribution charges and other regulated charges the
4 utility may be authorized to collect from customers. After the CRES purchases
5 the receivables from the utility, the CRES supplier is then responsible for
6 collecting and billing all electric distribution and generation charges from the
7 customer. Under the supplier consolidated billing model, the customer does not
8 receive a bill from the utility.

9 **Q. Currently can CRES suppliers issue bills to Duke customers?**

10 A. Currently CRES suppliers can bill for their electric generation charges, but they
11 must do so under the dual billing option. Under the dual billing option, CRES
12 providers must issue a separate bill for electric generation charges, and Duke
13 would still issue a bill for distribution charges. However, very few CRES
14 suppliers elect dual billing for residential customers because under this option
15 customers receive two separate bills which is inconvenient for the customer.
16 Most, if not all, CRES providers utilize utility consolidated billing for residential
17 customers.

18 **Q. Under supplier consolidated billing, would non-payment of non-electric
19 commodity charges trigger disconnection protocols toward a customer?**

20 A. No. While CRES providers would be able to bill non-electric charges on the
21 customer's bills, with supplier consolidated billing, failure to pay non-electric
22 charges would not trigger disconnection for the customer. Disconnect would only
23 be applicable to electric charges and be subject to the same laws and

1 procedures as today. Further, it would still be the utility's responsibility to initiate
2 the physical disconnect for the customer.

3 **Q. Would CRES suppliers still have to abide by the same billing rules and**
4 **billing format as the EDUs if supplier consolidated billing is adopted?**

5 A. Yes. Currently Ohio has rules that govern how utilities must bill customers, and
6 have specific requirements for each utility bill. Under supplier consolidated
7 billing, CRES providers would still be subject to the same billing requirements in
8 the rules and statutes today.

9 **Q. How do you recommend that Duke's Application be modified to allow for**
10 **supplier consolidated billing?**

11 A. I recommend that the Commission modify the ESP Application to require Duke to
12 expeditiously develop the supplier consolidated billing option for CRES suppliers
13 and order Duke to make any IT updates and changes to its tariffs and billing
14 manuals.

15 **Q. Are you recommending that Duke discontinue the utility consolidated**
16 **billing option?**

17 A. No. Duke should still make the utility consolidated billing option available to
18 CRES providers. CRES providers should have the option to choose between
19 supplier consolidated billing and utility supplier billing. This will allow for the most
20 billing flexibility for customers.

21 **V. UNBUNDLING OF COSTS**

1 **Q. Has IGS in previous ESP proceedings advocated for proposals that would**
2 **encourage customers to engage in Ohio's competitive retail electric**
3 **markets?**

4 A. Yes. IGS continues to advocate for moving Ohio's competitive retail electric
5 markets forward in a way that encourages customer engagement. In order for
6 customers to be more willing to adopt value added products and services that
7 enable them to use and consume energy more efficiently, customers must be
8 engaged in the competitive retail electric market. Unfortunately, the current SSO
9 service discourages customer engagement and encourages customers to view
10 electric service as a commodity only product over which they have no control. As
11 such, IGS has made a number of proposals over the years that would encourage
12 customers to affirmatively choose a retail electric product based on the
13 preferences of the customer.

14 **Q. Are customers currently engaging in the Duke retail electric market?**

15 A. The retail electric switching statistics paint a mixed picture for customer
16 engagement in the Duke service territory. Certainly, with respect to Commercial
17 and Industrial sales in the Duke service territory there appears to be a significant
18 number of customers engaged in the market, with 82.5% and 96% of the load for
19 those customers, respectively, being served by a CRES supplier. However, the
20 residential switched load in Duke is much less with only 49.6% of residential load
21 being served by a CRES supplier. Attached as Exhibit (MW-2) is the most recent
22 PUCO switching statistics.

1 **Q. How much of the switched load in Duke's service territory is being served**
2 **by aggregation?**

3 A. IGS asked Duke in discovery what was the percentage of switched residential
4 load being served by aggregations and like almost every discovery response IGS
5 asked Duke, Duke refused to provide an answer to that question claiming the
6 information is not relevant to the ESP Application. With that said, the most
7 recent aggregation report published by the Commission indicates that 59% of the
8 residential switched load in Ohio is a result of community aggregation. Attached
9 as Exhibit (MW-3) is the most recent Ohio aggregation report. Thus applying the
10 Ohio aggregation percentage to the number of residential switched load in Duke
11 would indicate that only about 20% of the residential retail customers in Duke
12 have affirmatively enrolled in a competitive product with a CRES. It also should
13 be noted the City of Cincinnati -by far the largest city in the Duke service territory-
14 has elected for an opt-out aggregation; therefore, the percentage of customers
15 affirmatively enrolled with a CRES may be even less than 20%.

16 **Q. What can be concluded about the level of customer engagement in the**
17 **Duke service territory?**

18 A. It can be concluded that the Ohio competitive electric markets have done a good
19 job encouraging opt-out aggregation and shopping for commercial and industrial
20 classes. However, the level of customer engagement for the residential class is
21 lacking. To put this in perspective, at the time of this testimony, there are 30
22 suppliers listed on the PUCO Apples to Apples site offering 76 electric products

1 in the Duke service territory, yet the SSO retains over 50% of the residential
2 market share. I have created a chart below for illustrative purposes:

Duke Residential Market Share	
SSO Default Rate Product	50.4%
Aggregation	29.6%
Affirmatively Elected Products	20%

3
4 The percentages above are estimates based on the publicly available data that I
5 have access to at the time of the testimony. However, I think it is undisputable
6 that one single product (the SSO product) retains a disproportionate amount of
7 market share for residential customers, particularly given that there are so many
8 other available CRES competitive products in the market.

9 **Q. Has IGS made proposals in other ESP proceedings to encourage customer**
10 **engagement in Ohio?**

11 A. Yes. In the most recent AEP ESP proceeding (Case No. 13-2385-EL-SSO), IGS
12 has proposed that the Commission either conduct a retail auction to procure SSO
13 service so that CRES suppliers would serve SSO customers directly. Further,
14 IGS has proposed a retail price adder (“RPA”) which is a fee charged to suppliers
15 of SSO service that reflects the cost of providing retail electric service in the
16 market. The Commission is yet to make a determination on those proposals.

17 **Q. Does IGS recommend that the Commission adopt these proposals for the**
18 **Duke SSO as well?**

1 A. Yes. Just like for the AEP SSO service, I recommend that the Commission adopt
2 a retail auction or an RPA proposal for the Duke SSO service. Both of these
3 proposals will encourage customers to engage in the retail market and tilt the
4 anti-competitive advantage away from the SSO service. Further, as I note in my
5 testimony in the AEP ESP proceeding, the Commission has the authority under
6 Ohio law to make these modifications to Duke's SSO service.

7 **Q. Are there other measured steps that the Commission could take to**
8 **encourage residential customer engagement in Duke's retail electric**
9 **markets?**

10 A. Yes. At a minimum, the Commission should unbundle the costs Duke incurs in
11 distribution rates that are required to support SSO service. Currently, Duke's
12 SSO price is simply a pass-through of wholesale capacity and electric costs with
13 just a de-minimis charge added on to cover the cost paid to the wholesale
14 auction manager to conduct SSO auctions. However, Duke incurs a number of
15 other actual costs required to support SSO service, but those costs are not
16 reflected in the SSO price; instead they are recovered through Duke's distribution
17 rates. Ohio law requires that the SSO price be comparable and non-
18 discriminatory to other products and services in the market. Further, Ohio law
19 prohibits subsidies flowing from distribution rates to SSO service. Thus, Duke's
20 SSO price should reflect all of the costs required to support SSO service, and
21 those costs should not be recovered through distribution rates.

1 **Q. Can you please give examples of costs Duke incurs to support SSO**
2 **service, but are recovered through distribution rates?**

3 A. Yes. There are a number of costs Duke incurs required to support SSO service
4 including legal expenses incurred to establish the SSO price; an allocation of
5 Duke employee costs for the time Duke employees work to make the SSO rate
6 available to customers; Duke infrastructure costs, including IT costs used to
7 support the SSO and SSO customers; the cost of working capital Duke incurs to
8 purchase SSO supply up-front, but bill SSO customers later; customer call center
9 costs incurred when customers inquire about their SSO generation service; and
10 allocation of a portion of overhead expense, because the SSO could not be
11 made available to customers without the use of Duke's overhead. All of these
12 costs are not reflected in the SSO price but rather recovered through distribution
13 rates.

14 **Q. How should the Commission treat the costs Duke incurs for procuring SSO**
15 **service for customers that are currently being recovered through**
16 **distribution rates?**

17 A. The Commission should start allocating these costs to the SSO price. As any
18 supplier can attest to, the cost of providing retail electric service consist of more
19 than just a pass-through of wholesale energy prices. As noted above, there are
20 a number of non-electric costs that are required to offer SSO service to
21 residential electric customers that are currently being recovered through
22 distribution rates.

1 **Q. Are there other examples of disparity of costs allocated to the SSO price**
2 **vs. the costs allocated to CRES providers?**

3 A. Yes. Duke's supplier tariff sheet 52.3 lists a multitude of charges that Duke
4 places on CRES providers that offer retail electric service in the Duke service
5 territory. Those charges include:

- 6 • CRES registration fees;
- 7 • customer switching fees;
- 8 • customer list fees;
- 9 • fees for submitting market monitoring reports for CRES suppliers;
- 10 • fees to receive customer interval data;
- 11 • hourly charges for technical support provided to CRES suppliers;
- 12 • fees for bill preparation request.

13 None of these charges are required of SSO customers or allocated to SSO
14 service.

15 **Q. Why do these fees demonstrate the subsidies provided to SSO service?**

16 A. Presumably Duke charges CRES suppliers, or CRES customers, these fees in
17 order to recover costs to make CRES products available to customers. Yet Duke
18 makes available SSO service to customers for free, and does not charge SSO
19 customers comparable fees. Rather, all of the costs to offer SSO service are
20 recovered through distribution rates. One particularly poignant example is the \$5
21 switching fee applied to a customer every time the customer switches to a CRES
22 provider but not charged whenever a customer switches to SSO service. This

1 switching fee continues to exist although there is no legitimate rationale for
2 applying it the CRES customers only.

3 **Q. Are other states unbundling costs required to support SSO service?**

4 A. Yes. There are a number of other states and utility Commissions that have
5 begun to unbundle costs recovered through distribution rates that are required to
6 support SSO service. In fact, many of the markets with any level of residential
7 electric shopping have unbundled some costs required to support default service
8 from distribution rates and began recovering those costs through the default
9 service price. Those states include, but are not limited to, New York, Maryland,
10 Pennsylvania, Illinois and Texas. Ohio is behind given that it still continues to
11 treat default service price as just a pass-through price for wholesale electric
12 costs, and other costs required to support SSO service are not included in the
13 default rate.

14 **Q. Why is it important that the SSO price reflect all of the cost required to**
15 **support the SSO?**

16 A. First, it is a requirement in Ohio law that the SSO price be an unbundled
17 comparable price to a *retail* electric product in the market. Second, if the SSO
18 price does not reflect the full costs required to support that service, it will
19 discourage competition, (particularly for the residential class) in Ohio's retail
20 electric markets. As I noted already, Duke's SSO service contains a
21 disproportionately high market share, given the numerous other competitive
22 products that are available to customer. By encouraging customers to remain on

1 SSO service, the Commission is effectively adopting a policy that discourages
2 engagement in the retail electric markets. In the long run, a disengaged market
3 with miss out on the multitude of innovative products and technologies that will
4 enhance Ohio's electric reliability and enable customers to use energy more
5 efficiently.

6 **Q. What do you recommend the Commission require Duke to do with respect**
7 **to unbundling of the costs required to support SSO service?**

8 A. I recommend that the Commission require Duke to start the process of
9 unbundling costs required to support SSO service. The Commission should
10 direct Duke in the earlier of its next ESP Application or distribution rate case to
11 make a proposal that will unbundle the direct costs required to support SSO
12 service and allocate those costs to the SSO price. Those costs should include,
13 but are not limited to an allocation of:

- 14 • Duke employee costs;
- 15 • Working capital costs;
- 16 • IT and other infrastructure costs;
- 17 • Customer care costs; and
- 18 • Legal costs

19 **Q. Are there recommendations you make with respect to the customer**
20 **switching fees?**

21 A. Yes. The Commission should order Duke to stop applying customer switching
22 fees to customers that switch to CRES service, or at a very minimum, require

1 Duke to start charging switching fees to customers that return to SSO service.
2 There is no justifiable reason why switching fees only apply to CRES customers
3 but not SSO customers.

4 **V. SUMMARY**

5 **Q. Can you please summarize the recommendations you make in your**
6 **testimony?**

7 A. Yes. I recommend that the Commission:

- 8 • reject Duke's proposal to prohibit CRES suppliers from using the bill ready
9 function to bill for non-electric charges, and order Duke to make the
10 necessary changes to its tariffs to enable CRES suppliers to place non-
11 electric charges on the utility bill;
- 12 • find that Duke is not in compliance with its corporate separation plan;
- 13 • require that Duke implement supplier consolidated billing
- 14 • require that Duke begin unbundling the actual costs Duke recovers through
15 distribution rates and require that those costs be recovered through the SSO
16 price;
- 17 • require that Duke stops charging customer switching fees to customers that
18 switch to a CRES provider

19 **Q. Does this conclude your testimony?**

20 A. Yes it does.

21

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *IGS Energy's Second Set of Discovery on Duke Energy Ohio* was served this 26 day of September 2014 via electronic mail upon the following:

/s/ Joseph Oliker

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Duke Energy One StrikeStop® Terms of Sale

Duke Energy One, Inc. ("Duke Energy One") agrees to provide the StrikeStop device on the following terms. By purchasing a StrikeStop unit, the customer hereby agrees to these terms. These terms may be changed at any time in Duke Energy One's sole discretion. The most recent version of these terms is posted on Duke Energy's website at www.duke-energy.com/strikestop.

Damage to StrikeStop Units

If the Duke Energy One StrikeStop unit is defective or damaged by an electrical surge (i.e., the LED indicator light no longer lit), a new one will be installed at no cost to the customer as long as the unit is under the 10 year manufacturer warranty. StrikeStop surge protectors damaged by customer negligence or events other than electrical surge are not covered under the manufacturer's warranty.

Refunds for StrikeStop Units

If the customer purchases a StrikeStop unit and would like to cancel the sale within 60 days of purchase, a refund will be granted in the form of a credit to the customer's electric bill. The customer will be charged a removal fee of \$35 (meter-based surge protector) or \$75 (hard-wired 400amp surge protector).

No credit refunds will be given after 60 days from the date of purchase. If the customer would like the unit removed after 60 days from the date of purchase, the customer will be charged a removal fee of \$35 (meter-based surge protector) or \$75 (hard-wired 400amp surge protector). If the customer wants the unit is to be reinstalled at a new address in a Duke Energy utility service territory, a transfer fee of \$70 (meter-based surge protector) or \$150 (hard-wired 400amp surge protector) will be charged for this service.

StrikeStop Monetary Coverage

The minimum term of coverage which a customer may purchase is twelve (12) months. There are NO REFUNDS for the monthly StrikeStop Monetary Coverage charge. See *StrikeStop® Monetary Coverage from Duke Energy One* for full terms and conditions.

Installment Payments

If a customer participates in the StrikeStop unit installment payment plan, title to the StrikeStop surge protector shall pass to the customer upon receipt of final payment. If the customer fails to pay and to cure such failure within 30 days of notice of such failure, Duke Energy One shall have the right to access the customer's premises during normal business hours to remove the StrikeStop unit. In such an event, the customer will be charged a removal fee of \$35 (meter-based surge protector) or \$75 (hard-wired 400amp surge protector).

StrikeStop Payments and the Utility Bill Regulations

Although the billing for StrikeStop (including all monthly charges, fees, and credits) appears on the utility bill, it is done so as a convenience to the customer and is not a service offered by your local utility. Therefore partial payments of the utility bill and arrearages for utility service may result in funds not being applied to the StrikeStop program and may result in loss of coverage.

State utility regulatory agencies govern the priority and method of allocation for customer payments made to a utility. Utility charges (electric and/or gas), taxes and late fees are credited first before any funds are applied to StrikeStop products or services. If a utility bill is not paid in full, the deficiency may result in some portion of the StrikeStop products and service charges not being paid. Electric service will not be disconnected for failure to pay the StrikeStop portion of the utility bill. If an overpayment is made on the utility bill resulting in a credit balance, the overpayment amount may be applied to any outstanding balance which may include StrikeStop products and service charges.

Indemnity

Customer shall indemnify and hold harmless Duke Energy Corporation, its affiliates and subsidiaries, and its employees, representatives, agents and subcontractors (“Duke Energy”) for any liability, damages or expenses related to or arising out of any hazardous substance, contaminant or pollutant that is on the Customer’s property through no fault of Duke Energy, its employees, representatives, agents or subcontractors. Further, Customer shall indemnify and hold harmless Duke Energy for any liability or expenses related to any damages, injuries (including death), any claims, costs and expenses whatsoever, that result from the act or omission of Customer or any other party except where the same is the a result of the sole act or omission of Duke Energy.

Rev 04/12

**Summary of Switch Rates from EDUs to CRES Providers in Terms of Sales
For the Month Ending March 31, 2014
(MWh)**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Cleveland Electric Illuminating Company	CEI	31-Mar	2014	115445	51738	59469	238232
CRES Providers	CEI	31-Mar	2014	444316	529732	485334	1459707
Total Sales	CEI	31-Mar	2014	559761	581470	544803	1697939
EDU Share	CEI	31-Mar	2014	20.62%	8.90%	10.92%	14.03%
Electric Choice Sales Switch Rates	CEI	31-Mar	2014	79.38%	91.10%	89.08%	85.97%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Duke Energy Ohio	DUKE	31-Mar	2014	338953	87853	16876	450066
CRES Providers	DUKE	31-Mar	2014	334510	414005	398761	1259313
Total Sales	DUKE	31-Mar	2014	673463	501858	415637	1709379
EDU Share	DUKE	31-Mar	2014	50.33%	17.51%	4.06%	26.33%
Electric Choice Sales Switch Rates	DUKE	31-Mar	2014	49.67%	82.49%	95.94%	73.67%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
AEP - Ohio	AEP	31-Mar	2014	1032075	222053	245607	1503970
CRES Providers	AEP	31-Mar	2014	397526	936242	939536	2279890
Total Sales	AEP	31-Mar	2014	1429601	1158295	1185143	3783860
EDU Share	AEP	31-Mar	2014	72.193%	19.171%	20.724%	39.747%
Electric Choice Sales Switch Rates	AEP	31-Mar	2014	27.807%	80.829%	79.276%	60.253%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
The Dayton Power and Light Company	DPL	31-Mar	2014	281145	57010	6522	378460
CRES Providers	DPL	31-Mar	2014	235272	235057	271106	810719
Total Sales	DPL	31-Mar	2014	516417	292067	277628	1189179
EDU Share	DPL	31-Mar	2014	54.44%	19.52%	2.35%	31.83%
Electric Choice Sales Switch Rates	DPL	31-Mar	2014	45.56%	80.48%	97.65%	68.17%

Source: PUCO, Energy & Environment

Note1: Total sales includes residential, commercial, industrial and other sales.

Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio.

Appropriate calculations made for other purposes may be based on different data, and may yield different results.

Note3: "Total Sales" include "Other Sales" (e.g. street lighting).

Note4: CSP and OP have merged into AEP-Ohio

**Summary of Switch Rates from EDUs to CRES Providers in Terms of Sales
For the Month Ending March 31, 2014
(MWh)**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Ohio Edison Company	OEC	31-Mar	2014	272448	57516	145947	486904
CRES Providers	OEC	31-Mar	2014	678747	530374	581109	1790981
Total Sales	OEC	31-Mar	2014	951195	587890	727056	2277885
EDU Share	OEC	31-Mar	2014	28.64%	9.78%	20.07%	21.38%
Electric Choice Sales Switch Rates	OEC	31-Mar	2014	71.36%	90.22%	79.93%	78.62%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Toledo Edison Company	TE	31-Mar	2014	77827	18177	110292	210525
CRES Providers	TE	31-Mar	2014	191087	162668	368586	722398
Total Sales	TE	31-Mar	2014	268914	180845	478878	932923
EDU Share	TE	31-Mar	2014	28.94%	10.05%	23.03%	22.57%
Electric Choice Sales Switch Rates	TE	31-Mar	2014	71.06%	89.95%	76.97%	77.43%

Source: PUCO, Energy & Environment

Note1: Total sales includes residential, commercial, industrial and other sales.

Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio.

Appropriate calculations made for other purposes may be based on different data, and may yield different results.

Note3: "Total Sales" include "Other Sales" (e.g. street lighting).

Note4: CSP and OP have merged into AEP-Ohio

Aggregation Activity in Ohio

		Residential Customers
Year	Month	Percent Switching thru Aggregation
2013	Jun	72.50%
2013	Sep	71.18%
2013	Dec	61.09%
2014	Mar	58.95%
		Commercial Customers
Year	Month	Percent Switching thru Aggregation
2013	Jun	71.29%
2013	Sep	45.78%
2013	Dec	69.79%
2014	Mar	36.34%
		Industrial Customers
Year	Month	Percent Switching thru Aggregation
2013	Jun	0.01%
2013	Sep	0.00%
2013	Dec	0.20%
2014	Mar	0.18%

Source: Form MM1-2B, MM1-3, and Form MM1-4

*Preliminary Information; aggregators will submit updates to data

The percentages above represent the number of customers who are taking generation service from a CRES as of the end of the quarter.

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Case No(s). 14-0841-EL-SSO, 14-0842-EL-ATA

Summary: Testimony electronically filed by Helen Sweeney on behalf of IGS Energy