

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of the Market)	
Development Working Group and)	Case No. 15-1507-EL-EDI
AEP's Purchase of Receivables Program)	

**THE INITIAL COMMENTS
ON BEHALF OF CALPINE ENERGY SOLUTIONS, LLC**

December 8, 2016

I. Information Regarding Calpine Energy Solutions, LLC

On October 9th of this year, Calpine Corporation, America's largest generator of electricity from natural gas and geothermal resources, announced that it had entered into an agreement to purchase Noble Americas Energy Solutions LLC. Noble Americas Energy Solutions LLC is the nation's largest independent supplier of power to commercial and industrial retail customers. Calpine Corporation and the Noble Group of companies then closed that transaction on the 1st of December, 2016

Noble Americas Energy Solutions will continue to conduct its business as an independent operating unit within the Calpine family with a continued focus on serving the electricity needs of commercial and industrial customers. At the December 1, 2016 closing of Calpine's purchase of Noble Americas Solutions, LLC, Noble Americas immediately began doing business using the name Calpine Energy Solutions (Calpine Solutions), and has begun the processes of formally changing its name to Calpine Energy Solutions, LLC everywhere it does business.

II. The Background To The Comments of Calpine Energy Solutions, LLC.

Calpine Solutions does not utilize a purchase of receivables (POR) program, given that commercial and industrial customers we serve prefer to use, and are satisfied with existing "dual billing" in which Calpine Solutions bills for the electric power and ancillary services that it provides, and electric distribution utilities (EDUs) bill the same customer for the service they provide. Several mass market CRES providers favor POR programs, in which EDUs will acquire the CRES receivables and issue a single bill to the joint customer, given their adherence to a "one size fits all" mass market approach or due to their lack of the framework to generate customer invoices. In Ohio, such providers have urged EDUs to adopt POR programs since at least the EDU's second standard service offer (SSO) filings.

Ultimately, this Commission encouraged the EDUs, including the Ohio Power Company (Ohio Power), to propose some form of POR program in their respective companies' third SSO filings. Consistent with this Commission's direction, Ohio Power proposed a POR program in its ESP 3 case (Case No. 13-2385). In that case, the Commission approved the concept of a POR program, and expressly found that acceptable POR programs should at a minimum provide that:

- 1) Receivables must be purchased at a single discount rate that applies to all CRES providers;
- (2) Only commodity related-charges should be included in the POR program; and
- (3) Participation in the POR program must not be mandatory.

The Commission further directed that implementation details should be discussed and proposed by a working group composed of Ohio Power, interested stakeholders, and the Commission Staff. This case was opened as a vehicle for the Commission to consider the working groups' recommendations. The Staff filed its report discussing the group's recommendations for cost recovery and program design. The Commission recently directed that a case management schedule be issued in this case, and invited interested parties to file comments.

III. Calpine Energy Solutions, LLC's Comments Regarding The POR Proposal.

Calpine Solutions will not oppose a POR program if it is designed properly and its guiding principles are recognized and observed. In Calpine Solutions' view, a "properly designed" POR program is based upon the concept that only the CRES Suppliers that choose to use this option bear all costs attributable to the POR program. Calpine Solutions *will* object to a POR program to the extent that the costs of the POR program are to be borne by all CRES suppliers, even those who choose not to participate in the POR program. Calpine Energy Solutions makes the following additional comments regarding the proposed POR program.

First, Calpine Energy Solutions believes that customers must have the right to choose between dual billing and consolidated billing. Respecting this right aligns with the State of Ohio's policy of consumer choice in the electric market. CRES suppliers must therefore have the corresponding right choose to participate in a POR program or to dual bill. The proposal appears to preserve these rights.

Second, Calpine Solutions agrees with the working group recommendations that a properly designed POR program will allocate implementation costs to the suppliers who make use of it. Calpine Solutions understands this recommendation to specifically mean, by implication, that those providers that do NOT make use of the POR program will incur no costs related to implementation of the POR program and those making use of the program are responsible for all costs associated with the program.

Third, any costs and corresponding rates this Commission may approve should directly reflect the uncollectible receivable attributable to the customer class served by the particular POR program and apply to only those customers/suppliers who elect to utilize POR programs. Industrial customers should not, for example, subsidize other classes of customers that will, presumably, have different rates of default. Likewise, residential customers should not be made to subsidize industrial or commercial customers, whose defaults could conceivably be larger in absolute dollars.

Calpine Solutions believes Staff's proposal to start with an industrial and commercial discount rate near zero is inappropriate as it is unjust and unreasonable to assume that is it near zero. Subsequently, this approach could likely shift the burden of large default costs to residential customers. Moreover, Calpine Solutions does not believe that the bad debt exposure for those serving commercial and industrial customers is zero, because it has to include into its

own competitively-provided products those receivables costs. Calpine Solutions does not support a POR discount that does not reflect the uncollectible risk of the service that is being provided from those who employ, and thereby benefit from, that service.

Fourth, any BDR should be designed so that each customer and class using the POR program bears its portion of the bad debt. Again, CRES customers not participating in the POR program should not be made to pay the BDR, because they are not contributing to that cost. To the extent that Staff's recommendation regarding the BDR as a "last resort" remedy available to Ohio Power is not explicit, Calpine urges the Commission to Order that the BDR rider be applied solely to those customers using the POR program, and even then only to the customer specific class that created the expense.

Calpine Solutions is aware that this Commission has previously stated that a POR program should involve commodity-related charges alone. Still, Calpine Solutions understands that many CRES providers continue to ask for the addition of on-bill financing activities in support of their own individual private business marketing strategies.

Calpine Solutions is concerned with individual market channel strategy subsidization. Calpine believes the Commission was correct to approach such proposals with caution, and Calpine urges the Commission to thoroughly investigate the potential for increased scale and scope for non-payment amounts attributable to such a program, before it permits on-bill financing of non-electricity commodity items. Calpine Solutions therefore agrees with the Staff position that on-bill financing is beyond the scope of this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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Summary: Comments Initial Comments of Calpine Energy Solutions, LLC electronically filed by Mr. Michael D. Dortch on behalf of Calpine Energy Solutions, LLC