

**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. 23-23-EL-SSO
Pursuant to Section 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. 23-24-EL-AAM
Certain Accounting Authority	)	

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**DIRECT TESTIMONY OF  
BECKY MEROLA  
ON BEHALF OF CALPINE RETAIL HOLDINGS, LLC**

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Calpine Retail Holdings, LLC Exhibit\_\_\_\_\_

June 9, 2023

1 **TESTIMONY OF BECKY MEROLA**

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

3 **Q. Please state your name and business address.**

4 A. My name is Becky Merola. My business address is 19 Ridge Rd. Beaufort, SC 29907.

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by Calpine Energy Solutions, LLC (“Calpine Solutions”). My title is  
7 Director, Regulatory/Government Affairs.

8 **Q. How long have you held this position?**

9 A. Including my time at a predecessor company, I have held this position for approximately  
10 15 years.

11 **Q. Please summarize your relevant experience.**

12 A. I have worked in the energy field for more than 33 years. Since 1994 I have actively  
13 participated in, collaborated, testified, and worked on market restructuring proceedings  
14 and legislation, as well as negotiated settlements, relating to unbundling natural gas  
15 and/or electricity in 20 states including Ohio. I have represented and participated in  
16 proceedings regarding the formation of Regional Transmission Organizations (RTOs) as  
17 well as actively participated in RTO stakeholder proceedings and meetings on behalf of  
18 load-serving entity (LSE) members<sup>1</sup> of the ISO New England, PJM and the New York  
19 ISO.

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<sup>1</sup> LSEs are companies that provide electric energy to customers within the relevant geographic territory. The term encompasses any entity (including a load aggregator or power marketer) serving end-users with the PJM region. A Load Serving Entity can also include an end-user customer that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

1   **Q.     What are your current duties as Director of Government and Regulatory Affairs?**

2   A.     I represent and advocate the regulatory and government affairs policies and positions of  
3           Calpine Solutions and its parent Calpine Retail Holdings LLC (“Calpine Retail”). My  
4           territory includes not only Ohio but also Pennsylvania, Virginia, Maryland, New Jersey,  
5           New York, Connecticut, North Carolina, South Carolina and the District of Columbia. I  
6           am responsible for providing this testimony on behalf of Calpine Retail and its retail  
7           subsidiaries, including Calpine Solutions.

8   **Q.     Please describe Calpine Retail.**

9   A.     Calpine Retail is an independent, national provider of retail electric service across 20  
10          states. Through its subsidiaries it operates as a licensed provider of Competitive Retail  
11          Electric Service (“CRES”) in Ohio. Like AEP, Calpine Retail subsidiaries are also LSEs  
12          and members of PJM Interconnection LLC and have signed the Reliability Assurance  
13          Agreement behind PJM that establishes obligations and standards for maintaining the  
14          reliable operation of the electric grid as well as ensuring adequate capacity resources and  
15          providing assistance during emergencies for future needs of the system. Calpine Retail  
16          subsidiaries have also signed the PJM Operating Agreement as a member of PJM.  
17          Calpine Retail subsidiaries currently offer a wide variety of demand-related and energy-  
18          related products and services beyond very basic and simple energy procurement,  
19          including load and risk management as well as state-of-the art renewable and sustainable  
20          energy solutions in the majority of the PJM footprint. All of these products and services  
21          are designed to meet the individualized needs and demands of Calpine Retail’s  
22          customers, capture the benefits of the centrally dispatched competitive organized

1 wholesale market<sup>2</sup>, and bring those benefits forward into competitive retail electric  
2 markets.

3 **Q. Have you ever provided testimony before the Ohio Public Utility Commission**  
4 **(“PUCO” or “Commission”) or other state regulatory commissions?**

5 A. I have not previously testified before PUCO, but I have testified in proceedings in  
6 Illinois, Virginia and Pennsylvania.

7 **Q. Which Direct Testimony in this proceeding have you reviewed?**

8 A. I have reviewed the Direct Testimony of Jaime Mayhan (“Mayhan”), Curtis Heitkamp  
9 (“Heitkamp”), Michael McCulty (“McCulty”) and Brian Billing (“Billing”) on behalf of  
10 the Applicant.

11 **Q. What is the purpose of your Testimony?**

12 A. My testimony covers the following topics:

- 13 • Continuation of the Basic Transmission Cost Rider (BTCR) as a non-bypassable  
14 charge
- 15 • Continuation and expansion of the BTCR Pilot
- 16 • Continuation of the Energy Efficiency and Peak Demand pilot and the related  
17 rider (EE/PDR) as a non-bypassable charge
- 18 • The new Energy Efficiency pilot and the related rider (EER) as a non-bypassable  
19 charge.

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<sup>2</sup> State of the Market Report for PJM 1<sup>st</sup> Quarter 5.11.23 by Monitoring Analytics, LLC  
***Independent (emphasis added)*** Market Monitor for PJM also referred to as the Market  
Monitoring Unit. The report, available at  
[https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2023.shtml](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2023.shtml), assesses  
the competitiveness of the markets managed by PJM in the first three months of 2023, including  
market structure, participant behavior and market performance.

1 **Q. What is your concern about the BTCR as a non-bypassable charge?**

2 A. The continued imposition of the BTCR as a non-bypassable charge creates an unlevel  
3 playing field and market power. It unfairly rewards certain market participants' business  
4 plans and limits other participants' service offerings, as well as removing customers'  
5 choices. At a time when it is estimated that transmission spending from investor-owned  
6 utilities is rapidly growing,<sup>3</sup> there needs to be more competition in managing these costs,  
7 not less. Not only does the BTCR limit the current competitive choices in the market, it  
8 removes any incentive and opportunity to create customized products and services that  
9 are, or potentially could be, formulated to assist Ohio's businesses in addressing these  
10 ever changing transmission costs without burdening all non-participating customers with  
11 needless additional costs to insulate the monopolist utility. Competitive discipline for  
12 Transmission costs is removed and CRES providers are disincentivized to risk their own  
13 capital to meet the wholesale transmission needs of their customers.

14 **Q. What is your concern about the BCTR Pilot?**

15 A. The application says that "Company witness Mayhan further addresses the BTCR Pilot".  
16 Unfortunately, the only place she addresses it, however, is at page 24 for her testimony,  
17 as follows: "The Basic Transmission Cost Rider Pilot cap will be 1,000 MW each year,  
18 excluding new customer loads, through the ESP term." There is no discussion of costs,  
19 or an in-depth fully transparent examination and lessons learned from the pilot versus the

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<sup>3</sup> See <https://www.virginiamercury.com/2022/12/05/as-utilities-spend-billions-on-transmission-support-builds-for-independent-monitoring/> Per the US Energy Information Agency, electric utility spending on transmission costs surged from \$9.1 billion (2019 dollars) in 2000 to approximately \$40 billion in 2019. <https://www.eia.gov/todayinenergy/detail.php?id=47316>. The PJM total transmission investment by investor-owned utilities and transmission companies continues at high levels with little sign of slowing down and is driving earnings. See data available at <https://www.pjm.com/planning/project-construction>

1 lost opportunity due to limiting all customers' ability choose who manages their PJM  
2 demand-based billing charges as an LSE.

3  
4 I am also concerned about the current treatment of PJM Transmission Charges. Prior to  
5 the Pilot, the costs and risks were borne and managed by CRES providers, where AEP's  
6 affiliate as well as *all* CRES providers could participate on an equal footing. The Pilot,  
7 as currently structured, removes competitive products and services from the marketplace  
8 and allowed the incumbent utility, who is not similarly situated, to compete directly with  
9 the marketplace using cross subsidies to entice support for the program.

10 The proposed continuance of the BTCR Pilot as previously established without any  
11 evaluation would also continue to shift to ratepayers that do not participate in the Pilot  
12 the wholesale business risk and costs that should be incurred by market participants based  
13 on their individual business plans and management decisions and their own independent  
14 valuation of financial and operational risk. Discriminatorily, certain CRES providers that  
15 wished to shed the wholesale market risk for charges that can be managed as LSEs  
16 behind PJM (and that these CRES providers have been unsuccessful attempting to do so  
17 in other states) were also rewarded for going along.

18  
19 A lot has changed since the BTCR Pilot was first formulated, including FERC Order  
20 841 in 2018 directing the RTOs to remove barriers to the participation of energy storage  
21 resources and FERC's Order 2222 in 2020 requiring RTOs to amend their tariffs to allow  
22 Distributed Energy Resources to fully participate in the wholesale electricity markets.  
23 Contrary to several watershed FERC's Orders which created more completion in the

1 wholesale market, CRES providers in Ohio have lost their ability to participate fully on  
2 behalf of their load behind AEP. Unfortunately, this creates market power and  
3 remonopolizes and rebundles transmission products into a vertically integrated incumbent  
4 utility. It is a retrogressive return to where transmission was managed primarily by one  
5 vertically integrated or utility.

6 **Q. What is your recommendation?**

7 A. The BTCR pilot should follow cost causation principles and all costs associated with the  
8 pilot should become bypassable going forward if a customer decides to use a CRES  
9 provider (including an AEP affiliate) to manage and bill for its Transmission costs.  
10 CRES providers should not be mandated to sign Principle Agent Declarations of  
11 Authority or execute Bill Line Item transfers of their demand-based PJM charges to AEP,  
12 which removes their ability as an LSE to manage and control and bill for their own PJM  
13 demand-based costs as a LSE under PJM's Open Access Transmission Tariff in order to  
14 serve their load behind AEP.<sup>4</sup>

15  
16 Commercial and Industrial businesses are even more engaged and sophisticated in their  
17 ability to manage not only their generation load but also such products as energy  
18 efficiency, the use of distributed energy and demand side management as well as  
19 wholesale transmission risk management.

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<sup>4</sup>In a competitive market every business must measure their own individual risks. Not every business assigns the same value to those risks in the wholesale market. In Ohio, unlike the majority of PJM, LSEs/CRES licensed suppliers are precluded from effectively managing NITS costs based on their own unique customer load that is specific to each LSE's customer base, accounts and sub accounts and contribution to the zone's metered annual peak load. This is true as well for Transmission Enhancement charges which again are settled on customer specific demand, as are Reactive Supply and Generation Deactivation charges and other PJM Demand-based charges

1 Ohio's businesses should not be effectively held captive to a monopoly utility. This  
2 removes customer choice, creates a one size fits all utility model once again and removes  
3 competitive discipline at a transitional time when it is needed most.

4  
5 If AEP wishes to offer products and services that compete with products and services in  
6 the competitive electricity marketplace, its shareholders should bear the business risk and  
7 costs related to the development of products and services. Accordingly, AEP should  
8 compete through an affiliate with a full corporate separation plan with standards of  
9 conduct to prevent monopolist self-dealing or market abuse.<sup>5</sup>

10 **Q. How should the current BTCR Rider be changed?**

11 A. Any charges or costs associated with the BTCR Pilot should become bypassable going  
12 forward.

13 **Q. What are your concerns regarding the Energy Efficiency Pilot?**

14 A. The Applicant has similarly proposed to continue the pilot and related EE/PDR without  
15 any analysis of how well it is working, or whether an alternative market-based structure  
16 would be better. This is a problem to the extent these services could be available in the  
17 marketplace through CRES providers. If the Applicant is interested in continuing to  
18 provide competitive services, it should do so through its structurally separated corporate  
19 affiliate.

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<sup>5</sup> Interestingly AEP Energy offers to manage nits cost as a PJM LSE except in Ohio.  
<https://www.aepenergy.com/blog/the-future-of-transmission-costs-and-how-it-impacts-your-organization/>



1   **Q.     What is the Applicant’s proposal regarding the new Energy Efficiency Rider?**

2   A.     The Applicant is not only seeking to maintain its existing EE/PDR rider, but to expand it  
3           with another pilot that is offering services already available in the marketplace. As with  
4           EE/PDR, if the Applicant is interested in providing these new services, it should do so  
5           through its structurally separated corporate affiliate. C&I customers have energy  
6           managers and look to the competitive market for demand response, peak shaving, energy  
7           efficiency as well as sustainability and renewable products and services.

8   **Q.     Please summarize your position.**

9   A.     Thousands of customers have realized that having customer choice and alternatives to a  
10          monopoly produces greater access to more products, services and innovation and is  
11          superior to provision of a service via the vertically integrated monopoly. Regulation is  
12          still required for non-competitive services but removing competitive services to  
13          remonopolize what has become unbundled removes competitive discipline, market  
14          reflective price signals, transparency and services that match consumer preferences and  
15          choice. Certain CRES providers including utility affiliates need to take responsibility for  
16          their own business decisions, level of risk management expertise, build out of operations  
17          including billing and IT development and valuation of risk, and to develop products they  
18          choose to offer. They should not be allowed to shed and shift market risk associated with  
19          their own demand-driven costs and business decisions. Rather, they should use expertise  
20          to manage their costs as a market participant and its associated risks based on their  
21          individual business plans and management decisions. One of the principal benefits of  
22          moving to retail competition is to rely on competitive discipline for a specific LSE to  
23          control its demand-based costs in the wholesale marketplace.

1 Ohio created a marketplace to produce more efficient and cost-effective allocation of  
2 resources than what could be obtained by relying on a regulated monopoly. Transmission  
3 is clearly becoming the largest part of an Ohio Commercial and Industrial (C&I)  
4 customer's bill. All C&I customers should be allowed to have their full customer choice  
5 back without strapping them with non-bypassable charges that create a barrier to entry to  
6 create cross subsidies to remonopolize. Business customers should have more, not less,  
7 access to products and services that are subject to an open free market that bears the  
8 capital costs and operational, billing and systems costs to provide market services.  
9 Relying on competition avoids needless cross-subsidies and inefficiencies. Ohio should  
10 decline going backwards to anti-competitive rent-seeking behavior from utilities that  
11 were granted franchise service territories decades ago and instead should allow customers  
12 choices in light of the all the changes that have recently occurred and are occurring,  
13 which encourage customers to take control of their total energy costs. AEP should not be  
14 the gatekeeper nor create market power by allowing it to compete as a monopolist for  
15 what will be new service opportunities that result from the rapidly changing wholesale  
16 electricity market.

17 **Q. Does this conclude your Testimony?**

18 A. Yes. I would, however, specifically reserve the right to offer additional testimony or  
19 supplement my testimony to address other matters or proposals which might arise.  
20  
21

## CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Direct Testimony of Becky Merola on Behalf of Calpine Retail Holdings, LLC* was served via electronic transmission to the persons listed below on this 9th day of June 2023.

/s/ Robert Dove  
Robert Dove

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Summary: Text Direct Testimony of Becky Merola electronically filed by Mr. Robert Dove on behalf of Calpine Retail Holdings, LLC.