

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of the	)	
Ohio Power Company for Authority to	)	
Establish a Standard Service Offer	)	Case No. 23-23-EL-SSO
Pursuant to Section 4928.13, Revised	)	
Code, in the Form of an Electric Security	)	
Plan.	)	

In the Matter of the Application of Ohio	)	
Power Company for Approval of Certain	)	Case No. 23-24-EL-AAM
Accounting Authority.	)	

**Supplemental Direct Testimony of Travis Kavulla**

On Behalf of  
Direct Energy Business LLC  
And  
Direct Energy Services LLC

Dated: September 11, 2023

1 **BACKGROUND**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Travis Kavulla and I am Vice President, Regulatory Affairs for NRG Energy,  
4 Inc. ("NRG"). My business address is 1825 K. St. NW, Suite 1203, Washington, D.C.  
5 20006.

6 **Q2. HOW LONG HAVE YOU BEEN IN THIS POSITION?**

7 A. I have been in this position since September 2019.

8 **Q3. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.**

9 A. Together with my team, I lead the company's engagement on regulatory policy concerning  
10 both retail markets and wholesale markets. My professional experience and educational  
11 background are fully described in my curriculum vitae, which was attached to my Direct  
12 Testimony.

13 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

14 A. I am testifying on behalf of Direct Energy Business, LLC and Direct Energy Services, LLC  
15 (collectively, "Direct Energy"), both of which are affiliates of NRG.

16 **Q5. WHAT IS THE NATURE OF DIRECT ENERGY'S BUSINESS?**

17 A. Direct Energy Business, LLC ("DEB") and Direct Energy Services, LLC ("DES") are  
18 affiliates of NRG and are active Competitive Retail Electric Service ("CRES") providers  
19 in the AEP Ohio service territory. DEB and DES have been offering electricity products of  
20 varying durations and serving residential and commercial customers in the AEP Ohio  
21 service territory since 2000 and 2004 respectively. DES is also an active Competitive Retail  
22 Natural Gas Service provider throughout Ohio. DEB and DES operate in numerous  
23 jurisdictions throughout the Eastern U.S., California, and Canada in addition to Ohio. They

1 are part of the NRG corporate family, which includes other natural gas and electricity retail  
2 suppliers that collectively serve over six million electricity and natural customers across  
3 24 U.S. states, the District of Columbia, and eight provinces in Canada. In 2022, the NRG  
4 companies supplied approximately 155 TWH of electricity and 1,918 MMDth of natural  
5 gas.

6 **Q6. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

7 **A.** The purpose of my testimony is to explain how the smart thermostat demand response  
8 program set forth in the Stipulation is designed to improve AEP Ohio's distribution  
9 reliability without interfering with competitive products and services offered by CRES  
10 providers. In order to ensure that the program functions as designed with appropriate  
11 collaboration between AEP Ohio and CRES providers, the Stipulation establishes a  
12 working group that will meet semi-annually to discuss the program progress, funding, and  
13 details. Additionally, the Stipulation includes a working group to discuss time-of-use rates,  
14 which expressly includes discussions on potential SSO TOU options. Through that  
15 working group, we will have the opportunity to continue the discussion about my  
16 recommendation to move SSO customers to a TOU rate, such as a retail rate design where  
17 all residential and small commercial SSO customers are billed on-peak and off-peak rates.  
18 As a result of the benefits of these working groups and the potential for the programs  
19 established in the Stipulation to spur more competitive offers by suppliers without  
20 interference from AEP Ohio, I believe the Stipulation constitutes a reasonable settlement  
21 of these issues in the case.

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1 **SMART THERMOSTAT DEMAND RESPONSE PROGRAM**

2 **Q7. CAN YOU EXPLAIN THE SMART THERMOSTAT DEMAND RESPONSE**  
3 **PROGRAM SET FORTH IN THE STIPULATION?**

4 **A.** Yes, the program is found in Paragraph 34 of the Stipulation. The program is a demand  
5 response program designed to reduce stress on the distribution grid. That is to say, the  
6 essential purpose of the program is to improve AEP Ohio's distribution reliability while  
7 spurring additional demand response offerings by CRES providers. Program funding will  
8 be capped at \$5 million per year for the term of the ESP, which includes funding for  
9 marketing and administering the program, incorporation of other in-home demand-  
10 response-capable devices, and funding to optimize CRES participation in the program.

11 **Q8. HOW WILL THE PROGRAM FUNCTION?**

12 **A.** Functionally, the program will provide AEP Ohio with the ability to call events and adjust  
13 the temperature on smart thermostats for participating residential customers. AEP Ohio can  
14 adjust thermostats by up to 3 degrees for no more than 4 hours, with the temperature  
15 adjusted based upon the seasonal need (that is, warmer in summer months and cooler in  
16 winter months). AEP Ohio will not subject a customer to more than 16 demand response  
17 events in a calendar year, excluding CRES events noticed through AEP Ohio's system.  
18 AEP Ohio will not bid the associated demand response into the PJM markets. Customers,  
19 however, reserve the ability to engage in PJM demand response programs through a CRES  
20 provider.

21 **Q9. HOW WILL THIS DEMAND RESPONSE PROGRAM WORK FROM THE**  
22 **PERSPECTIVE OF A CRES PROVIDER?**

1     A.     There are two sets of costs that demand response programs may avoid, or value they may  
2           provide. The first set of costs/values are those that are the responsibility of the utility that  
3           provides distribution and/or transmission service, or which is allocated the costs of certain  
4           services by PJM.<sup>1</sup> The smart thermostat demand response program would give AEP Ohio  
5           the ability to call a limited number of events in order to avoid costs or provide value in  
6           relation to these services. Additionally, the second set of costs/values that demand response  
7           programs may provide are associated with products that are competitively traded in the  
8           market, such as energy, capacity, and ancillary services. To this end, the smart thermostat  
9           demand response program would also give CRES providers the ability to call events to  
10          secure these values and avoided costs.

11          It is important that smart thermostats be able to be efficiently used to capture both value  
12          pools, and I am hopeful that this program can achieve that outcome. From the CRES  
13          provider perspective, the program is designed for AEP Ohio to improve distribution  
14          reliability in a manner that is compatible or even co-optimized with the value of residential  
15          demand response offerings that CRES providers may make, which are associated with the  
16          costs and value opportunities that the competitive side of the market faces. The program  
17          will certainly require collaboration between AEP Ohio and CRES providers, which is  
18          where the collaborative working group will step in. The Stipulation creates a collaborative  
19          working group expressly for the purpose of maximizing the benefits of the program and  
20          implementing changes necessary to preserve CRES provider communication channels with

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<sup>1</sup> Uniquely among PJM states, in Ohio, PJM's transmission rates do not pass down to the CRES that serves residential customers, but instead are allocated to the distribution utility that collects them from all customers regardless of the load profiles of those sets of customers served by individual CRES providers. In most PJM states that have restructured, the CRES provider would be charged for transmission, and it would be within its capability—and not that of the distribution utility—to avoid costs associated with transmission for their own set of customers.

1           their CRES customers relative to programming initiated pursuant to market-based  
2           activities. Additionally, the collaborative working group will explore solutions for any  
3           potential limitations to CRES provider offered programs that could be impacted or limited  
4           due to physical or technology capabilities with smart thermostats and the vendors running  
5           the smart thermostat demand response operations. This working group will be instrumental  
6           in ensuring that the program is successful on a going forward basis while spurring  
7           additional demand response offerings by CRES providers. Further, the working group will  
8           determine how much of the \$5 million annual funding cap should be allocated to CRES  
9           providers to optimize CRES participation in the program.

10   **Q10. IS THE COLLABORATIVE WORKING GROUP LIMITED IN SCOPE?**

11   A.     The scope of the collaborative working group is broadly defined. I believe that this will  
12           allow the group to identify obstacles to program success and work through those obstacles.

13   **Q11. DO YOU BELIEVE THE SMART THERMOSTAT DEMAND RESPONSE**  
14           **PROGRAM IS REASONABLE?**

15   A.     Yes. The smart thermostat demand response program constitutes a reasonable resolution  
16           of this issue, with further details to be worked out in a collaborative working group.

17   **TIME-OF-USE RATE WORKING GROUP**

18   **Q12. DOES THE STIPULATION INCLUDE TOU PROVISIONS?**

19   A.     It does. As part of the Electric Transportation Plan at Paragraph 12 of the Stipulation, AEP  
20           Ohio would establish on-peak and off-peak hours for customers with plug-in electric  
21           vehicles (PEV). There would be two programs for customers with a PEV: a whole house  
22           service PEV Rate and a separately metered PEV TOD tariff. While these provisions are

1           only available to customers with an electric vehicle, they still send appropriate pricing  
2           signals to the customers capable of participating in the program.

3   **Q13. DOES THE STIPULATION INCLUDE AN OPPORTUNITY TO EXPAND TOU**  
4   **OFFERINGS TO CUSTOMERS?**

5   **A.**    Yes. In Paragraph 13, AEP Ohio commits to data sharing associated with PEV rates and to  
6           establish a working group that will meet semi-annually with interested parties to discuss  
7           and analyze cost of service impacts in advance of AEP Ohio's forthcoming distribution  
8           rate case. Additionally, the working group will consider additional TOU rate offerings,  
9           including potential SSO TOU options. Therefore, the Stipulation expressly recognizes that  
10          the working group may discuss the possibility of billing all residential and small  
11          commercial SSO customers on-peak and off-peak rates. Through this working group, we  
12          can analyze the data from customers on the whole house service PEV rate to determine if  
13          it would be appropriate for AEP Ohio to amend its tariff to bill all residential and small  
14          commercial SSO customers on-peak rates from 1:00pm-11:00pm in the summer and  
15          6:00am-10:00am and 4:00pm-10:00pm in the winter (consistent with Paragraph 12 of the  
16          Stipulation).

17   **Q14. CAN YOU EXPLAIN YOUR RECOMMENDATION FOR TIME-OF-USE RATES**  
18   **IN MORE DETAIL?**

19   **A.**    My proposal in direct testimony is for AEP Ohio to bill all residential and small commercial  
20          standard service offer ("SSO") customers an on-peak and off-peak rate. This would not  
21          impact the competitive bidding process to obtain wholesale full-requirements service but  
22          would instead be a change to the retail rate design in AEP Ohio's tariffs for all residential  
23          and small commercial SSO customers. The benefits of such a program would be the same

1 as the Smart Thermostat Demand Response Program, except instead of reducing peak  
2 demand when called, customers would have an economic incentive to use more at night  
3 when demand is lower and less during the day when demand is higher. This would  
4 empower and incentivize non-shopping residential and small commercial customers to  
5 control their energy usage with the added benefit of better utilizing AEP Ohio's advanced  
6 metering infrastructure ("AMI").

7 **Q15. WHAT ARE THE BENEFITS OF YOUR PROPOSAL?**

8 **A.** Experience in other jurisdictions has shown default service TOU rates can empower  
9 customers, reduce peak load, bring savings to customers, spur innovation, and realize more  
10 of the benefits of AMI meters. Further, the TOU rate signals can be as mild as a small rate  
11 difference between the on-peak and off-peak rate, or more extreme such as a real-time rate.  
12 My proposal for consideration in the working group is for AEP Ohio to take the whole  
13 house PEV Rates, which include an on-peak and off-peak rate, and apply it to all residential  
14 and small commercial SSO customers. This proposal will be discussed in the working  
15 group established in Paragraph 13 of the Stipulation and considered by AEP Ohio for its  
16 forthcoming distribution rate case.

17 **Q16. DO YOU BELIEVE THE TOU PROVISIONS OF THE STIPULATION ARE**  
18 **REASONABLE?**

19 **A.** Yes, these provisions are a step in the right direction, which is why I believe the Stipulation  
20 constitutes a reasonable resolution of this issue. However, I think TOU pricing should not  
21 be applied just to electric vehicle owners but to all customers as a matter of appropriate  
22 retail rate design. I believe that all residential and small commercial SSO customers should  
23 be somewhat responsive to pricing signals, such that when prices are higher customers pay



1 a bit more and when prices are lower customers pay a bit less. This would result in a more  
2 holistic approach to reducing peak demand on AEP Ohio's distribution system, which  
3 would work in combination with the smart thermostat demand response program to  
4 efficiently manage distribution demand on the grid. While the Stipulation does not do this,  
5 it does create a working group for further consideration of this proposal before AEP Ohio's  
6 forthcoming distribution rate case.

7 **CONCLUSION**

8 **Q17. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

9 **A.** Yes. For the reasons set forth above, I believe that the Stipulation represents a reasonable  
10 settlement of these issues.

## **CERTIFICATE OF SERVICE**

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing was sent by, or on behalf of, the undersigned counsel to the following parties of record on September 11, 2023, via email.

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