BEFORE
THE PUBLIC U TILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan.	))))))	Case No. 14-1297-EL-SSO

DIRECT TESTIMONY OF STEPHEN E. BENNETT
ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION

December 22, 2014

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INTRODUCTION

Q1. Please state your name and business address.

A1. My name is Stephen E. Bennett. My business address is Two North Ninth Street (GENPL8), Allentown, PA 18101-1179.

Q2. By whom are you employed and in what capacity?

A2. I am employed by PPL EnergyPlus, LLC as Senior Manager, Markets & Regulatory Policy.

Q3. How long have you been employed in your current position?

A3. I have been in my present position for approximately twenty-one months.

Q4. Please explain the job responsibilities and duties in your current position.

A4. In this role, I am responsible for analyzing and implementing regulatory and legislative policies for PPL EnergyPlus' retail markets. My regulatory policy assignment includes the State of Ohio.

Q5. Please describe your educational background and relevant work experience.

A5. I earned a Bachelor of Science in Civil Engineering from the University of Maryland-College Park in 1996. I have almost 15 years of experience in the competitive wholesale and retail energy industry with a focus on retail market policy and structure, compliance, and RTO/ISO market rules and settlements. In my previous position, I was Retail Policy Manager – East for Exelon Energy responsible for directing and implementing Exelon Energy's regulatory policies for the competitive retail market in Ohio, Illinois, Pennsylvania, Michigan, New Jersey, and Maryland. Prior to joining Exelon, I worked for The Structure Group providing software and consulting services focused on RTO/ISO market rules and settlements in PJM Interconnection LLC ("PJM") and ISO New England.

Q6. Please describe the Retail Energy Supply Association ("RESA").

A6. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive energy retail markets deliver a more efficient, customer-oriented outcome than regulated utility structure. Several RESA members are certificated as competitive retail electric service ("CRES") providers and active in the Ohio retail market. Specifically, some of RESA's members currently provide CRES to customers in the FirstEnergy area. The testimony that I am presenting may represent the position of RESA as an organization, but may not represent the views of any particular RESA member. RESA's members include: AEP Energy, Inc.; Champion Energy Services, LLC; Consolidated Edison Solutions, Inc.; Constellation NewEnergy, Inc; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Interstate Gas Supply, Inc. dba IGS Energy; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG Energy, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd.; and TriEagle Energy, L.P.

Q7. Have you ever testified before a regulatory agency?

A7. Yes. I have testified before in several electric security plan proceedings – PUCO Case Nos. 12-1230-EL-SSO; 12-426-EL-SSO, et al.; and 13-2385-EL-SSO, et al.

PURPOSE OF TESTIMONY

Q8. What is the purpose of your testimony?

A8. My testimony will address five issues in the joint application by Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively "Distribution Utilities" or "FirstEnergy"). Those issues are: (1) the Economic Stability Program and the Retail Rate Stability Rider ("Rider RRS"); (2) proposed changes to the Distribution Utilities' Electric Generation and Supplier Coordination Tariff; (3) the absence of a purchase of receivables program ("POR") proposal; (4) the need for the Distribution Utilities to allow CRES suppliers to bill for non-commodity charges on the Electric Distribution Utility ("EDU") bill; and (5) a recommendation for a stakeholder process for a variety of technical issues related to the supplier web portal proposed by the Distribution Utilities in this case.

Q9. Can you please summarize what you are recommending in this proceeding?

A9. Yes. As I explain below in my testimony, I recommend the following:

- The Commission should reject the Distribution Utilities' anti-competitive Rider RRS proposal outright;
- The Commission should order the Distribution Utilities to develop a POR program;
- With respect to the Distribution Utilities' proposed tariff changes that relate to CRES providers:
  - The Commission should reject the Distribution Utilities' proposal to modify the bill-ready tariff to narrow the charges that CRES providers can place on the EDU bill; and further, the Commission should affirm that CRES providers can use the bill-ready function to bill for non-commodity charges;
  - The Commission should reject the Distribution Utilities' proposal to modify its tariff to eliminate CRES providers' ability to request non-summary customer-specific usage data; rather, the Commission should modify the Distribution Utilities' tariffs to require that the customers' information be provided to CRES providers free of charge;
  - The Commission should reject the Distribution Utilities' proposal to modify its tariff that relates to unaccountable energy;
  - The Commission should approve the Distribution Utilities' request to make certain PJM-related charges non-bypassable except for PJM Billing Line Item 1375; and

- The Commission should approve the Distribution Utilities' proposed CRES supplier portal, but order a stakeholder process to ensure the development of the portal is done appropriately and in a timely manner.

A. NON-BYPASSABLE GENERATION RIDERS SUCH AS RIDER RRS SHOULD BE REJECTED

Q10. Please describe your understanding of the Distribution Utilities' Economic Stability Program and Retail Rate Stability (RRS) Rider.

A10. The Economic Stability Program proposed by the Distribution Utilities consists of a fifteen-year Federal Energy Regulatory Commission-jurisdictional power purchase agreement ("PPA") between the Distribution Utilities and their affiliate, FirstEnergy Solutions Corp. ("FES"). The PPA between the affiliates would transfer more than 3,200 megawatts ("MW") of generation from FES to the Distribution Utilities. The generation assets transferred in the PPA include the Davis-Besse Nuclear Power Station ("Davis-Besse") and the W.H. Sammis Plant ("Sammis"), (collectively, the "Plants"), as well as FES's 4.85% entitlement to the output of the Kyger Creek and Clifty Creek units owned by the Ohio Valley Electric Corporation ("OVEC"). The PPA requires the Distribution Utilities to purchase the capacity and generation output of the Plants at a price that not only fully reimburses FES for all of its generation-related costs but also provides an 11.15% return on equity ("ROE"). The Distribution Utilities will purchase the OVEC output from FES at the OVEC-calculated cost. The Distribution Utilities will then be required to offer the generation transferred through the PPA into the PJM market. If the PJM market revenues do not meet or exceed the PPA-related costs, all of the Distribution Utilities' distribution customers, whether those customers have affirmatively selected a CRES provider for their generation service or remain on the Standard Service Offering ("SSO"), will be required to reimburse the Distribution Utilities for their generation-related revenue shortfall. If the market revenues exceed the PPA-related costs, those same customers will receive a credit for the difference. Testimony sponsored by the Distribution Utilities predicts a revenue shortfall and customer charge for the entirety of the ESP term.[1]

Q11. How do the Distribution Utilities plan to implement Rider RRS?

A11. The Distribution Utilities propose Rider RRS as a non-bypassable generation-related charge. Rider RRS will be applicable to all of the Distribution Utilities' distribution customers. This includes customers who have affirmatively selected a CRES provider to meet the entirety of their generation supply needs through a product of the customer's choice. Rider RRS will effectively be a distribution charge.

Q12. Please describe a "non-bypassable generation-related charge."

A12. A non-bypassable generation-related charge is a fee or charge for generation services or supply that is collected from all utility distribution customers regardless of whether the customer has selected a CRES provider or remains on SSO for that generation supply. Non-bypassable generation-related charges are a throwback to monopoly-based utility structures in that they negate some or all of the value derived from restructured retail markets and customer choice.

Q13. Should all charges in a well-structured competitive retail market for energy be bypassable when a customer selects a CRES provider?

A13. No. A fundamental tenant of well-structured competitive retail markets is the separation of generation and related competitive services and distribution-related services. Restructuring a market does not remove the need for distribution infrastructure and supporting services. It is completely appropriate for a utility to recover costs for those distribution and non-competition related services through a non-bypassable charge. However, for the long-term viability and competitive neutrality of a restructured market, generation and other competitive services that are market-based and transparent need to be unbundled from the utility and offered on a

[1] Ruberto Direct Testimony at 7, at Attachment JAR-1, and at November 14, 2014 Errata.

bypassable basis for those customers that select a CRES provider. When generation or other competitive supply charges are recovered on a non-bypassable basis it creates the potential for the customer to incur redundant costs for supply or services that they did not choose, do not need, and do not want.

Q14. How could Rider RRS impact generation and the market for that generation in Ohio?

A14. If the Commission requires shopping customers to pay the Distribution Utilities for generation related services that the shopping customers have not voluntarily requested, both the restructured retail and the restructured wholesale markets will be adversely impacted. A fifteen-year PPA would saddle Ohio customers with an obligation that stretches well beyond the limits of market transparency as well as beyond what anyone can reasonably be expected to forecast or predict with any accuracy. Ohio's Utica Shale natural gas resources are bringing generation developers to the state. In fact, the Commission has already issued Ohio Power Siting Board certificates[2] to a number of proposed natural gas generation plants. It is likely that other merchant generation developers are looking to Ohio and its shale assets as they assess where best to deploy their capital for new capacity additions. If the certificated capacity comes on line and does so at a lower price point than that of the PPAs and/or merchant developers are dissuaded from investing in Ohio because of subsidies or advantages extended to the Distribution Utilities, Ohioans will miss out on a significant portion of the value that those shale assets bring to the state. In addition, if the PPAs displace lower cost generation, Ohio companies will be disadvantaged by unnecessarily higher energy costs that result from the Commission-mandated PPAs. Further, Rider RRS may also provide an undue advantage to FES by transferring the market risk of the PPA-related generation from FES shareholders to the

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[2] See, Ohio Power Siting Board Annual Report, 2013, pages 14-17, available at http://www.opsb.ohio.gov/opsb/index.cfm/information/opsb-annual-reports/.

Distribution Utilities' distribution customers. Relieved of that risk, FES may derive an advantage in comparison to other wholesale and CRES providers that do not have an in-state affiliate so readily available for a PPA that provides an 11.15% ROE.

Q15. Is Rider RRS structured to optimize customer benefits?

A15. Even setting aside the significant departure from appropriate competitive market structure and the potential disruption and negative impacts inherent to Rider RRS, it is difficult to support the idea that Rider RRS is optimized for customer benefit. By the Distribution Utilities' own admission, the generation assets that the affiliated companies agreed to include in the PPA are economically challenged and are not expected to result in customer credits for the entire length of the ESP.[3] To ensure the customer benefits purportedly derived from the PPAs, the Distribution Utilities and FES would have included only fully profitable generation assets with no economic challenges that would result in only customer credits. In fact, if the Distribution Utilities really wanted to optimize the purported customer benefits, they would have branched out beyond only those assets owned by its affiliate and would have held a competitive selection or procurement process to include only the most profitable and beneficial generation assets in the PPA. By not including profitable plants in the Rider RRS proposal, FES will keep those profitable plants and the profits for themselves. By only including plants that are economically stressed, the risk associated with the economically stressed assets is shifted away from FE and FES and onto Ohio consumers.

B. TARIFF CHANGES

Q16. Do you have concerns about the proposed changes in the Electric Generation Supplier Coordination Tariff, as proposed for the respective Distribution Utilities?

A16. Yes. I have specific concerns as described below.

[3] Direct Testimony of Donald Moul, pgs. 2-4. Direct Testimony of Jay Ruberto at 7 and at JAR-1, as revised via errata filed November 14. 2014.

Q17. The Distribution Utilities propose adding the word "generation" to the definition of Bill Ready (Application Attachment 5, 1st Revised Page 3 of 52). Do you have concerns about the proposed addition?

A17. Yes. The new definition would read "Bill Ready – when a Certified Supplier that employs the Consolidated Billing option calculates its Customer's generation charges and provides the Company the Customer's Certified Supplier charges to be billed." The Distribution Utilities have provided no details as to why this change is needed. Specifically, whether the purpose of the change is to exclude generation-related charges such as demand resource charges, or non-directly billed PJM administrative fees. RESA and its member companies also previously opposed efforts by Duke Energy Ohio[4] and Ohio Power Company[5] to unreasonably narrow what those utility companies would bill and collect as part of consolidated billing. The proposed language would appear to also raise questions about CRES providers offering demand response or energy efficiency types of products. The Commission should not allow the Distribution Utilities to limit these types of products and services available to customers.

The Distribution Utilities currently bill for protection and repair plans by HomeServe, disaster protection plans by ACE American Insurance Company, and surge protection services.[6] Further, the Distribution Utilities are billing for a myriad of other unregulated non-commodity charges on the EDU bill, including tree removal service, outdoor lighting services and electric-

[4]*See In the Matter of the 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*, Direct Testimony of Teresa Ringenbach on behalf of Direct Energy Services, LLC, Direct Energy Business, LLC and the Retail Energy Supply Association at 5-8, Case No. 14-841-EL-SSO (September 26, 2014).

[5]*See In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO, *et al.*, Initial Brief of Direct Energy Services, LLC and Direct Energy Business, LLC at 7-11 (July 23, 2014).

[6]https://www.firstenergycorp.com/content/customer/products/protect_your_home.html (last referenced on December 21, 2014).

technician service.[7] Additionally, the Distribution Utilities just filed an application for tariff approval for a new service related to "offering of insurance products and related services to customers by insurance companies and insurance producers" and noting that the Distribution Utilities will not be the entities offering such services.[8] The proposed addition of "generation" to the consolidated billing tariff language should not be permitted to exclusively allow the Distribution Utilities or other service providers that are not CRES providers to benefit from the consolidated billing of these home protection services. Consolidated billing for home wire service protection ought to be offered equally to all under uniform terms established in the tariff.

Q18. How do you propose the Commission handle the Distribution Utilities' request to modify its Bill-Ready tariff?

A18. I recommend the Commission reject the Distribution Utilities' proposal that would narrow the charges that CRES providers can bill for on the EDU bill. Further, I propose that the Commission specifically make a determination that CRES providers can use the bill-ready function to bill for non-commodity charges. As competitive markets evolve, it is becoming increasingly more important to enable CRES providers to bill for a diverse range of products and services that add value to customers. Further, FirstEnergy has already demonstrated that it can, and does, bill for non-commodity charges for a select group of competitive unregulated businesses. Accordingly, the Commission should allow CRES providers to do the same.

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[7]See, https://www.firstenergycorp.com/content/customer/products/improve_your_home/professional_treeservices.html; https://www.firstenergycorp.com/content/customer/products/improve_your_home/post_lamps.html; https://www.firstenergycorp.com/content/customer/products/improve_your_home/electrical_services.html (last referenced on December 21, 2014).

[8]*In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of a New Service*, Case Nos. 14-1980-EL-ATA, *et al.*, Application at 1 (November 11, 2014).

Q19. The Distribution Utilities also propose (Application Attachment 5, 1st Revised Page 21 of 52 at Section G.) to restrict the meter data they will provide to a CRES provider. Do you oppose this change?

A19. Yes. The proposed tariffs eliminate the option for a CRES provider to request (and pay for) non-summary information, such as detailed hourly or sub-hourly metering information. It is bad enough that the Distribution Utilities charge CRES providers for customers' meter data. It makes it even worse if the Distribution Utilities will not provide it at all under the proposed tariff. This information can be important for a CRES provider helping a customer with their energy usage and habits as well as for pricing purposes. The Distribution Utilities provide no explanation for this change. Instead, the Commission should modify the Distribution Utilities' tariffs to require the Distribution Utilities to provide customers' information free of charge to CRES providers until the Commission approves a tariff by the Companies dealing with interval customer energy usage data, as required in the Commission's May 21, 2014 Entry on Rehearing (at page 19, paragraph 29) in the 12-3151-EL-COI docket.

Q20. The Distribution Utilities propose to modify the tariff provision related to Unaccounted for Energy ("UFE") (Application Attachment 5, 1st Revised Page 30 of 52 at Section E). Do you oppose this change?

A20. Yes. The proposed changes negatively and unfairly affect CRES providers by removing any responsibility from the Distribution Utilities and placing the UFE risk solely on CRES providers. All load serving entities, including the Distribution Utilities, are responsible for UFE. The Distribution Utilities provide no explanation for this deletion or why they should no longer be responsible for the standard service bundled generation customers they serve.

Q21. In Appendix A to the Electric Generation Supplier Coordination Tariff, the Distribution Utilities propose to make several different PJM charges (Application Attachment 5, 1st

Revised Pages 49-52) the responsibility of the Distribution Utilities for billing and collection instead of CRES providers. Does RESA support the Distribution Utilities' proposals?

A21. Yes. Generally speaking, RESA supports efforts to move PJM billing line items that are not market based and that are set through administrative means, lack transparency, and/or are unhedgeable to a non-bypassable charge from the EDU. These types of charges, which are not for generation supply, are often unknowable until the FERC, PJM, or some other entity calculates and publishes them. As such, these charges are not based on supply and demand fundamentals, but rather on regulatory fiat or through administrative formulas and confidential or proprietary inputs to those formulas. While many wholesale and CRES providers have extensive commodity and risk management capabilities, the lack of a market for these particular charges render those capabilities less effective in predicting and mitigating the risks associated with these charges. Faced with charges that lack transparency and market-based hedging mechanisms, market-based participants like wholesale and CRES providers are often forced to include risk premiums to address input cost uncertainty when attempting to generate fixed price products for customers. As such, when these particular charges are moved to a non-bypassable charge, customers may be able to avoid the additional costs associated with those risk premiums. It should be noted that, unlike the non-bypassable Rider RRS as proposed by the Distribution Utilities, non-bypassable treatment of these particular charges does not subject customers to redundant payments for services they otherwise receive from the CRES provider. Once these particular charges are moved to non-bypassable treatment, the customer pays for them only once and does so without the addition of any kind of risk premium.

Q22. What is RESA's view regarding the billing responsibility for Balancing Operating Reserve Charges (PJM Line Item 1375)?

A22. RESA opposes moving Balancing Operating Reserve (PJM Billing Line Item 1375) to a non-bypassable charge from the Distribution Utilities, as they have proposed in Application Attachment 5, 1st Revised Page 50. Specifically, RESA believes responsibility for Balancing Operating Reserve (PJM Billing Line Item 1375) should remain with CRES providers because of its special purpose in cost allocation. Balancing Operating Reserves are charged to those that deviate from what they promised to produce or consume in the day-ahead market. These reserve charges help ensure the market works by incenting entities to be as accurate as possible in the day-ahead financial market.

C. PURCHASE OF RECEIVABLES

Q23. What is a purchase of receivables ("POR") program and how does it work?

A23. Currently, in FirstEnergy's service territory when a customer under contract with a CRES provider consumes power, an account receivable is created that is associated with that customer in an amount equal to the amount the customer owes the CRES provider for the power consumed. The CRES provider has the collection risk associated with whether the customer will pay the amount owed to the CRES provider. Consideration for the risk that the customer may not pay their bill is a factor that goes into the price ultimately offered by the CRES provider and accepted by the customer. In addition, while the CRES provider charges may appear on a single consolidated utility bill, ultimately the customer must deal separately with the utility and the CRES provider for collection of unpaid amounts.

Under a POR program, the electric utility enters into an agreement to purchase a CRES provider's customer accounts receivable. The POR program may include a discount rate at which the electric utility pays less than the full amount owed to the CRES provider to accommodate the risk that not all CRES customers will pay for their CRES charges. A POR program then pays the CRES provider a total discounted amount regardless of what the customer pays, which removes the need to provide data to CRES providers on the total amount paid by the customer and how it was applied to the bill. In addition, this creates a single collection point for customers with the entity that holds the complete data on payments received and processed. Customers without payment problems also benefit from increased competition for supply, with many suppliers each offering plans and programs. Finally, this reduces the uncollectible risk for the CRES provider by leveling the playing field between the utility and the CRES provider because the utility now has the authority to shut off for the CRES charges even after service to the customer by the CRES provider has been discontinued. The utility then keeps whatever portion of the CRES charges it collects through its ordinary billing and collection procedures. Utilities either have an amount for bad debt built into their rates or some have bad debt trackers which allow only recovery of the actual bad debt as a business expense from paying customers.

Q24. How critical is a POR program to enhancing the competitive marketplace in FirstEnergy's respective service territories?

A24. A POR program would be one of the most significant steps the Commission could take to encourage more CRES providers to enter into the FirstEnergy market and help remedy one of the barriers to competition that does not comport with the regulatory principles or practices that guide the Commission. A POR program would allow for a single bill for customers – wire service, capacity and energy – with a single collection entity. Additionally, the POR program makes it easier for the CRES providers to verify that payments are accurate and is simply easier on the customer when it comes to avoiding collection and remaining current on their utility bill.

Q25. Does the Staff of the Commission recognize the importance of POR programs?

A25. Yes, in 2013, during the comment and workshop processes associated with the Commission's investigation of the retail electric service market,[9] the Staff chaired a subcommittee to discuss POR with industry stakeholders. During that time, extensive discussions about POR took place. In January 2014, the Commission Staff issued its Market Development Work Plan which stated "a POR program would resolve the CRES providers' inability to efficiently and effectively process [their] bad-debt collections, which will eliminate a market barrier and result in an increase in the number of active suppliers, a diversity of the suppliers, and an increase in the number of products available in the market."[10] Moreover, Staff noted an additional benefit from POR -- a POR program will reduce customer confusion for the following three reasons: (1) it would eliminate multiple entities attempting to collect on overdue supplier and EDU accounts, (2) it will eliminate the posting of charges from more than one supplier if a customer elects to switch and (3) it will alleviate confusion when partial payment allocation is applicable. Staff's endorsement went even further. Staff recommended that the Commission order all electric utilities that currently do not offer a POR program to file an application to implement a POR program. Staff supports the implementation of POR programs in all electric distribution utility service territories.

Q26. Has the Commission demonstrated supported POR in the past?

A26. Yes. In its March 26, 2014 Finding and Order in *In the Matter of the Commission's Investigation of Ohio's Retail Electric Service Market*, at Finding 20, the Commission agreed that POR should be encouraged. To that end, it expressly encouraged each electric distribution utility to include in its next distribution rate case or SSO an application to implement a POR program or equivalent.

Q27. Does FirstEnergy propose a POR program or equivalent as part of this ESP proposal?

[9] *In the Matter of the Commission's Investigation of Ohio's Retail Electric Service Market*, Case No. 12-3151-EL-COI, Finding and Order (March 26, 2014) and Entry on Rehearing (May 21, 2014).
[10] *Retail Electric Service Market*, *supra*, Staff Report of Investigation at 16-17 (filed January 16, 2014),

A27. No. No proposal is made, despite the Commission's encouragement less than five months earlier. FirstEnergy also provides no explanation as to why no POR program is included in its ESP application.

Q28. Have any other EDUs recently proposed a POR program consistent with the above-cited Commission and Staff conclusions?

A28. Yes, Ohio Power Company proposed a POR program as part of its pending ESP proceeding (Case No. 13-2385-EL-SSO et al.). RESA supported Ohio Power Company's proposal in those proceedings. A decision on the POR program and the case as a whole is pending.

Q29. Is there currently a significant difference in the number of suppliers actively soliciting residential customers in service territories with POR programs and those in the FirstEnergy Ohio service territories?

A29. Yes. POR is offered in parts of Ohio and in other competitive states. In fact, all of the FirstEnergy electric distribution companies in Pennsylvania offer POR programs, as do the FirstEnergy electric distribution companies in Maryland and New Jersey. Other competitive states with purchase of receivables include: Illinois, New York, New Jersey, and Maryland. POR programs in other electric utility service territories have led to significant increases in the number of competitive suppliers and competitive offers to customers. A simple comparison of public websites including Ohio's Apples-to-Apples chart and papowerswitch.com on December 13th showed the following:

State	Suppliers Making Res. Offers
Ohio	
AEP – POR pending	26
FirstEnergy – no POR	20
DP&L – no POR	18
Duke – has POR	37
Pennsylvania	

PPL – has POR	34
PECO – has POR	38

Q30. How are payments from a consolidated bill currently allocated between the Distribution Utilities and the CRES providers?

A30. In 2003, a settlement between a limited number of CRES suppliers and FirstEnergy was reached to establish a four-point payment priority plan for the allocation of customer payments on an EDU consolidated bill. Under the four-point payment priority plan, the CRES provider's past due amounts were paid first, then the utility's past due amounts, then the utility's present invoice, and then the CRES provider's present invoice. On its face, the four-point system seems balanced, but it does not comport with the reality of how past due collections interface with the Distribution Utilities' ability to shut off for nonpayment. Unless the CRES power charges are purchased by the utility, the money owed for CRES power is not counted for purposes of shut off. To avoid a shut-off, a customer who enters into a payment plan or faces disconnection can have the payment priority shifted whereby the EDU charges are paid first avoid shut off.

Under the current Commission rules, a customer cannot be disconnected for CRES charges. To avoid disconnection, any payment by a customer in arrears would need to first satisfy utility past due amounts before being applied to CRES arrearages. Thus, customers pay the utility, not suppliers, for past due first. This pattern may continue until the CRES returns the customer to EDU service for non-payment to avoid an ever increasing CRES arrearage.

Q31. Will the operation of the payment priority or a customer's entering a payment plan mean the CRES charges will eventually be paid?

A31. Not necessarily. Since a customer can avoid shut off by paying just the utility portion of the bill, it is the CRES provider who ultimately is at risk if the customer does not meet the payment plan. Further, if there is a disconnect, the CRES provider is at great disadvantage in trying to collect the remaining CRES past due amounts because the CRES provider has not been doing the billing and because the customer has to pay only the utility arrearage to be reconnected.

Q32. Are there any other problems with the existing payment priority?

A32. Yes. When customers begin to make partial payments the CRES is not made aware of these. A CRES only receives information on the payment amount applied to the CRES portion of the bill and the Electronic Data Interchange ("EDI") transaction with the utility only shows the amount paid by the customer attributable to CRES charges. Further, there is no EDI transaction which shows the total amount paid on the bill and the amount of that payment applied to the CRES charges. This creates multiple problems. First, without being able to see how much the customer actually paid each month, a CRES provider has no ability to verify if the customer's payment was properly applied. Unless a CRES provider is willing to contact individual customers one-by-one each month, the CRES provider is at the mercy of the information the EDU provides. Second, while a CRES provider is made aware of which customers are placed on a deferred payment plan, the CRES provider has no say in the payment amount, which could result in little to no funds being paid to the CRES provider.

Q33. Has the Commission recognized these shortcomings?

A33. Yes. As part of the Commission's ruling in *Retail Electric Service Market*, *supra*, Case No. 12-3151-EL-COI, the Commission required the EDUs to develop proper procedures for providing to CRES providers the total customer payment amount, the amount billed by the CRES provider, the amount of payment allocated to the CRES provider, and the date payment was applied. The Commission also concluded that the EDUs should flag customers that are on a payment plan. This information was to be received within six months from that decision, which was late November 2014.

RESA notes that, on November 14, 2014, the Distribution Utilities filed a waiver request[11] to allow them to provide this very information to CRES providers. While RESA supports the requested waiver, and urges the Commission to approve it, the additional information provided by the Distribution Utilities is not the optimal solution.

Q34. Even though the Distribution Utilities are required to share more billing/payment information with CRES providers and have expressed a willingness to do so once that waiver request is approved, would POR be a better overall resolution?

A34. Yes, the additional billing/payment information sharing does not solve the major competitive problem of FirstEnergy not having a POR program. Under POR, the CRES provider has the ability to accurately check and verify the amount being paid by the EDU is correct. In addition, the CRES provider no longer has a concern regarding the amount of the deferred payment plan because this is now an EDU debt and the EDU will be incented to collect the full bill amount not just the EDU charges. Also, POR turns the CRES past due amounts into a utility-owed receivable. Therefore, the utility would have the ability to disconnect for non-payment of the entire bill and require total arrearage payment for reconnection, not just the distribution-side arrearages. The ever-increasing CRES past due amounts would be limited as the customer must pay the entire bill. Furthermore, under POR, if a customer switches between CRES providers, the customer will not need to pay off a past CRES amount before the new CRES provider would be paid. Customers will have more flexibility in choosing the best plan for them without being sent back to the utility for non-payment even though they are fulfilling payment plans intended to help them catch up.

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[11] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for a Waiver with Regard to Rule 4901:1-37-04(D)(1), Ohio Administrative Code*, Case No. 14-2049-EL-WVR.

D. STAKEHOLDER PROCESS FOR FIRSTENERGY'S PROPOSED SECURE SUPPLIER WEB PORTAL

Q35. Have the Distribution Utilities proposed to a secure supplier web portal to provide customer information to CRES providers?

A35. Yes, as explained in FirstEnergy witness Smialek's Direct Testimony (pages 4-7), the Distribution Utilities propose a secure web portal in response to the Commission's directive in *Retail Electric Service Market, supra,*. The Distribution Utilities include a list of the type of information that is envisioned at this time to be available through the portal. They propose to have the portal available at the commencement of the ESP IV, which is June 1, 2016. Also, they propose that the costs of this portal be recovered through Rider GDR.

Q36. What is RESA's response to this proposal in the Distribution Utilities' ESP?

A36. RESA supports the development and installation of a secure supplier web portal to provide customer information to CRES providers. RESA has advocated for similar web portals in other EDU ESP proceedings[12] and recognizes the value that such portals provide. Moreover, RESA supports the customer information that will be included as part of the portal as listed in Ms. Smialek's testimony (page 4-5).

Q37. Does RESA have any concerns with the FirstEnergy's portal as proposed?

A37. Yes, based on experiences with the development and implementation of other supplier web portals, RESA recommends that the Distribution Utilities be ordered to establish a stakeholder or collaborative process so that the details of the portal can be discussed prior to implementation.

[12] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. §4928.143 in the Form of an Electric Security Plan,* Case No. 12-1230-EL-SSO, RESA Ex. 2 (Bennett Direct Testimony) at 3-9; and *In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan,* Case No. 12-426-EL-SSO, RESA Ex. 6 (Bennett Direct Testimony) at 4-8.

The stakeholder process will help insure that the information available to CRES providers through the portal is useful, accurate, and comprehensive and that the FirstEnergy portal establishes consistency and standardization with other existing portals. To that end, and through the collaborative process, stakeholders can help assure that the Distribution Utilities leverage the positive aspects of the Duke Energy Ohio and Ohio Power Company portals. Further, RESA seeks to ensure that the data that CRES providers currently receive through EDI remains in place. The new supplier web portal should not be developed as a replacement for the provision of data through EDI but rather as an alternative and enhancement to that data provision.

Finally, the stakeholder process will help ensure the success, cost-effectiveness and timely implementation of FirstEnergy's portal.

Q38. Did the Commission address the issue of standardization and electronic data interchange in its RMI?

A38. Yes. In its March 26, 2014 Finding and Order in *Retail Electric Service Market*, *supra*,, the Commission, at Finding 10, agreed with the Staff's recommendation that efforts should be taken to standardize the practices, processes and market rules of the Ohio electric distribution utilities in order to streamline CRES market policies, increase competition, cost efficiency and potential savings for customers. RESA's recommended stakeholder process for the supplier portal is intended to incorporate those very goals .

CONCLUSION

Q39. Does this conclude your testimony?

A39. Yes, it does, but I reserve the right to supplement my testimony.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio e-filing system will electronically serve notice of the filing of this document on the parties referenced in the service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served upon the persons below via electronic mail this 22nd day of December, 2014.

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