

**BEFORE
THE PUBLIC UTILITIES 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) Case No. 14-1297-EL-SSO
for a Standard Service Offer Pursuant to)
R.C. § 4928.143 in the Form of an Electric)
Security Plan.)

**DIRECT REHEARING TESTIMONY OF
BRENDA CROCKETT-McNEW
ON BEHALF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION**

June 22, 2016

1 **Q1. Please introduce yourself.**

2 A1. My name is Brenda Crockett-McNew. I am Vice President, New Market Development
3 and Regulatory Affairs, for Champion Energy Services, LLC (“Champion”). My
4 business address is 1500 Rankin Rd., Suite 200, Houston, TX 77073.

5
6 **Q2. What is Champion’s business?**

7 A2. Champion is one of the largest and fastest-growing retail electricity providers in the
8 United States. Champion currently serves residential, governmental, commercial and
9 industrial customers in 12 competitive retail electric energy markets – Connecticut,
10 Delaware, Illinois, Maine, Maryland, Massachusetts, New Jersey, New York, Ohio,
11 Pennsylvania, Texas, and Washington DC. In particular, Champion serves more than 2
12 million residential customer equivalents, with a peak load near 4,500 megawatts.

13
14 **Q3. How long have you worked for Champion?**

15 A3. I have worked for Champion for ten years. I was employed by Champion in 2005, first
16 as Director of Retail Operations, and I implemented and lead retail power operations—
17 customer enrollment, regulatory, billing, accounts receivable and collections to support
18 marketing and sales organization in Texas and Illinois. I then held the position of Vice
19 President of the Wholesale Operations. In that position, I was responsible for
20 management of the supply and risk management requirements for Texas and Illinois
21 (PJM) deregulated markets. I oversaw day-ahead and long-term supply needs in both
22 physical and financial markets to optimize portfolio and risk positions. I moved into my
23 current position in October 2009.

24

1 **Q4. What are your current job responsibilities?**

2 A4. I am responsible for implementing Champion's entry into new markets and for ongoing
3 regulatory oversight.

4
5 **Q5. What is your educational background?**

6 A5. I hold a Bachelor of Business Administration in Accounting from Texas A&M
7 University.

8
9 **Q6. What was your training and experience prior to being employed by Champion?**

10 A6. I started in the energy industry nearly 30 years ago, first as an accountant with Enron
11 Corp. in 1986. I moved into natural gas marketing with Enron, and became involved
12 with purchasing and negotiating natural gas pipeline supplies and rates. In 1997, I took a
13 position with Dynegy, managing its natural gas trading and assets in its Rocky Mountain
14 region and then its entire western region. I directed and implemented Dynegy's retail
15 power operations in Texas, Illinois, and New York. I also led a team responsible for
16 forming a retail energy venture in the western United States.

17
18 **Q7. Have you ever testified before a regulatory agency?**

19 A7. No.

20
21 **Q8. On whose behalf are you testifying today?**

22 A8. I am testifying on behalf of the Retail Energy Supply Association ("RESA").¹

23

¹ The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

1 **Q9. Please describe briefly the operations of RESA.**

2 A9. RESA is a non-profit trade association of independent corporations involved in the
3 competitive supply of electricity and natural gas. RESA and its members are actively
4 involved in the development of retail and wholesale competition in electricity and natural
5 gas markets throughout the United States. RESA advocates for vibrant and sustainable
6 competitive retail energy markets as a better alternative for consumers than monopoly-
7 protected utility regulation. Some of the members of RESA have certificates from the
8 Public Utilities Commission of Ohio (“Commission”) to operate as competitive retail
9 electric service (“CRES”) providers in the State of Ohio, including the service territories
10 of The Cleveland Electric Illuminating, The Toledo Edison Company, and Ohio Edison
11 Company (collectively referred to as “FirstEnergy”).

12
13 **Q10. What is the purpose of your testimony?**

14 A10. My testimony will respond to FirstEnergy’s claim that its new Rider RRS proposal is a
15 hedge against increasing market prices. Contrary to FirstEnergy’s claim, the new Rider
16 RRS proposal filed on May 2, 2016, will be harmful to customers served by CRES
17 providers and offers no hedge to those customers.

18
19 **Q11. Is FirstEnergy’s new Rider RRS proposal a hedge for customers?**

20 A11. No. There is nothing in this new Rider RRS proposal that guarantees a set price to a
21 customer or guarantees a fixed offset to a customer’s market risk. This, however, is what
22 a hedge in the retail/wholesale market does. FirstEnergy’s new Rider RRS proposal
23 exposes the customers to market pricing changes and with no option for the customer to
24 avoid that risk.

25

1 **Q12. Can customers avoid the risk without the new Rider RRS proposal?**

2 A12. Yes. Today, the customers in FirstEnergy's service territories have several options.
3 They may voluntarily choose to shop and be fully subject to market prices, and they
4 would make that selection at own their risk. A customer could also choose to blend
5 market prices with a financial hedge they purchase to mitigate that risk. Again, this is the
6 customer in control. Also, a shopping customer could choose to fully avoid the risk of
7 market price changes by choosing a 100% fixed-price product that does not change at all.
8 Alternatively, a customer may elect to remain on the standard service offer, which only
9 changes periodically due to blending the competitive auction results.

10

11 Rider RRS, in all of the above options, places an additional risk on customers and to their
12 bills, based on FirstEnergy's prediction of the market. Therefore, if the customer is
13 benefiting from a low price market, the customer is likely losing with the new Rider RRS
14 proposal because the rider will result in an additional charge on the customer's bill. For a
15 customer with a blended-market option or a fixed-price product, the customer's chosen
16 price protection will be reduced or eliminated by the charges under the new Rider RRS
17 proposal.

18

19 **Q13. Does RESA see a benefit to the new Rider RRS proposal?**

20 A13. No. The new Rider RRS proposal is not designed to recover any incurred costs by the
21 utilities, and is designed to create revenue to the utilities with no benefits to consumers.
22 The new Rider RRS proposal will be a non-voluntary subsidy by the customers with no
23 benefits to customers.

24

1 **Q14. Is there an option that will actually increase customer benefits?**

2 A14. Yes. FirstEnergy should focus on the regulated side of the business that is essential for
3 customers and the competitive market – the distribution meters and wires. RESA would
4 support a revenue mechanism that is tied to improvement and modernization of
5 FirstEnergy’s grid. This would include expansion of smart meters, data access and
6 system design to allow for greater reliability and technically advanced competitive
7 market offers. RESA believes this is an area that is essential to markets and fully within
8 the realm of the regulated utility to achieve. It would an area from which customers
9 would benefit by allowing them greater options over their energy use, rather than a rider
10 which is unavoidable and harmful to those who have already made choices to mitigate
11 market risks.

12
13 **Q15. Does FirstEnergy have smart meter and grid modernization in place?**

14 A15. FirstEnergy currently has a small pilot that is in limited use. There also is generic
15 language in the stipulation calling for an expansion plan. FirstEnergy filed a grid
16 modernization plan business plan with the Commission on February 29, 2016, but it is
17 not a specific plan – its presents three scenarios, offered only as a “starting point” for
18 further discussions. It was docketed as Case No. 16-481-EL-UNC.

19
20 Rather than using Rider RRS (which is now simply a gamble in the market, based on an
21 unreliable prediction) to create unfettered revenue to the utilities, the Commission should
22 focus on the modernization of FirstEnergy’s distribution system, which will result in
23 concrete benefits to all of its customers. As part of the new Rider RRS proposal,
24 FirstEnergy has not committed to use the revenues from Rider RRS for any specific

1 electric distribution utility activity. *See*, Attachment BCM-1 (FirstEnergy’s response to
2 P3-EPSC Set 6 INT-15).

3
4 **Q16. How would a modernized grid with smart meters and data access benefit all of**
5 **FirstEnergy’s customers?**

6 A16. While many commercial and industrial customers in FirstEnergy’s service territories
7 already have interval meters, they nonetheless would benefit from FirstEnergy’s ability to
8 identify, isolate and quickly resolve outages, which will occur with a grid modernization
9 program in place. All other customers without smart meters will likewise benefit from
10 reduced outage times. In addition, customers currently without smart meters would
11 further benefit from greater product options, such as time-of-use or peak-shaving
12 products. There are companies who use the meters within homes and businesses (through
13 device-level analytics) to allow customers to make better-informed energy decisions.
14 This type of grid modernization is changing the face of utility and electricity services to
15 the benefit of all customers.

16
17 **Q17. Should the Commission approve the new Rider RRS proposal?**

18 A17. No. The Commission should use this opportunity to focus FirstEnergy on an area that
19 would warrant improvements. This has been proposed and approved by the Commission
20 in several Electric Security Plan proceedings wherein distribution improvement riders
21 were created and/or were extended. For example, Duke Energy Ohio, Inc.’s approved
22 third ESP included a non-bypassable Distribution Capital Investment Rider, Case Nos.
23 14-841-EL-SSO et al., Opinion and Order at 71-72 (April 2, 2015); Ohio Power
24 Company’s approved second ESP included a non-bypassable Distribution Investment
25 Rider, Case Nos. 11-346-EL-SSO et al., Opinion and Order at 46-47 (August 8, 2012);

1 and Ohio Power Company's approved third ESP continued the Distribution Investment
2 Rider, Case Nos. 13-2385-EL-SSO et al., Opinion and Order at 45-47 (February 25,
3 2015).

4
5 It is not outside the realm of history for an ESP case to approve a distribution
6 infrastructure type of solution. FirstEnergy is the monopoly distribution system owner in
7 its service territories and RESA supports a robust and technologically advanced
8 distribution system. The Commission can use a separate proceeding to allow FirstEnergy
9 to seek a distribution infrastructure rider with a revenue amount, along with a plan and
10 full cost recovery. The Commission has an opportunity to make a decision in this case to
11 help or harm customers to the benefit of all or only FirstEnergy. RESA encourages this
12 Commission to reject the new Rider RRS proposal, and instead use a separate proceeding
13 to allow the FirstEnergy distribution utilities to receive the revenue appropriate for
14 improving the utilities' distribution systems and moving the northern Ohio distribution
15 system into the next century.

16
17 **Q18. Does this conclude your testimony?**

18 A18. Yes, but I reserve the opportunity to supplement my testimony.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 22nd day of June 2016 upon all persons/entities listed below:


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P3-EP SA Set 6
Witness: Eileen M. Mikkelsen
As to Objections: Carrie M. Dunn

Case No. 14-1297-EL-SSO
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

RESPONSES TO REQUEST

P3-EP SA Set 6 As part of the modified Rider RRS proposal presented, are the Companies committing to use the
- INT-15 cash collected under the modified Rider RRS for any specific electric distribution utility activity?

- a. If yes, where specifically in the proposal does FirstEnergy state that commitment?
- b. If yes, where in Ms. Mikkelsen's testimony does she state that commitment?
- c. If yes, what is the commitment?
- d. If yes, is the commitment to use the full cash collected (100%) under the
- e. If yes, when does that commitment begin and end?
- f. If no, why has no commitment been presented to the Commission?
- g. If no, does the modified Rider RRS proposal as presented result in the Companies solely deciding when and how to use the cash collected under the modified Rider RRS proposal?

Response:

Objection. This request is vague and ambiguous in its use of "the cash." In addition, this request seeks an improper narrative response. See Penn Cent. Transp. Co. v. Armco Steel Corp., 271 N.E.2d 877 (Montgomery Co., 1971) (improper use of discovery device or interrogatory to require detailed narrative response). Subject to and without waiving the foregoing objections, no.

- a. N/A
- b. N/A
- c. N/A
- d. N/A
- e. N/A
- f. A commitment is not a part of the Companies' Proposal.
- g. See the Rehearing Testimony of Company Witness Mikkelsen at pages 6-7 and 11-12.

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Case No(s). 14-1297-EL-SSO

Summary: Testimony -- Direct Rehearing Testimony of Brenda Crockett-McNew electronically filed by Mrs. Gretchen L. Petrucci on behalf of Retail Energy Supply Association