

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Power Company for Authority to Establish) Case No. 16-1852-EL-SSO
a Standard Service Offer Pursuant to R.C.)
4928.143, in the Form of an Electric)
Security Plan.)

In the Matter of the Application of Ohio)
Power Company for Approval of Certain) Case No. 16-1853-EL-AAM
Accounting Authority.)

DIRECT TESTIMONY OF

GLEN THOMAS

ON BEHALF OF THE PJM PROVIDERS GROUP

AND THE ELECTRIC POWER SUPPLY ASSOCIATION

Filed: May 2, 2017

1 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Glen Thomas and my business address is 101 Lindewood Drive, Suite 225,
3 Malvern, PA.

4 **Q. BY WHOM ARE YOU EMPLOYED?**

5 A. I am the president of my consulting firm, GT Power Group. I am the president of the
6 PJM Power Providers Group (“P3”), a non-profit organization made up of power
7 providers with the mission of promoting competitive wholesale electricity markets in the
8 13-state region and the District of Columbia served by PJM Interconnection LLC
9 (“PJM”).

10 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

11 A. I received my Juris Doctorate from Dickinson School of Law in 1994 and my Bachelor of
12 Arts in philosophy/religion and political science from Colgate University in 1991. I also
13 attended the Terry Sanford Institute of Public Policy at Duke University in 1996, and the
14 John F. Kennedy School of Government, and the Program for Senior Executives in State
15 and Local Government at Harvard University in 1997. I am the former chairman of the
16 Pennsylvania Utility Commission (“PUC”), where I oversaw the restructuring of
17 Pennsylvania’s electricity, natural gas, and local telephone markets. As part of my duties
18 on the PUC, I established the rules for Pennsylvania’s Provider of Last Resort (“POLR”)
19 auctions and oversaw several utility procurements for default power. Before my
20 appointment to the PUC, I served as deputy director of Governor Ridge’s Policy Office,
21 where I advised the governor on energy and environmental issues – including the
22 development and passage of the Electric Generation Customer Choice and Competition

1 Act of 1996. In addition, I was appointed by California Gov. Arnold Schwarzenegger to
2 serve on the governor’s transition team for energy-related issues in 2003.

3 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

4 A. I am testifying on behalf of P3 and the Electric Power Supply Association (“EPSA”).

5 **Q. CAN YOU PLEASE DESCRIBE P3 AND EPSA?**

6 A. P3 is a non-profit organization whose members are energy providers in the PJM region,
7 conduct business in the PJM balancing authority area, and are signatories to various PJM
8 agreements. Altogether, P3 members own over 84,000 megawatts (“MWs”) of
9 generation assets (including renewable generation assets), produce enough power to
10 supply over 20 million homes, and employ over 40,000 people in the PJM region,
11 representing 13 states and the District of Columbia. EPSA is a national trade association
12 representing leading competitive power suppliers, including generators and marketers.
13 EPSA members own or operate nearly 40 percent of all the installed generation capacity
14 in the United States including renewable generation capacity. Many of EPSA’s members
15 own or operate facilities in Ohio and are market participants in PJM. Member companies
16 of P3 and EPSA also provide ancillary services in the PJM region as well as own and
17 operate battery storage facilities. My testimony represents the position of P3 and EPSA
18 as organizations, but not necessarily the views of any particular member with respect to
19 any issue addressed herein.

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 A. This testimony is offered on behalf of P3 and EPSA to respond to AEP Ohio’s proposal
22 to serve its Standard Service Offer (“SSO”) load using its entitlement from the Ohio
23 Valley Electric Corporation (“OVEC”) units.

1 **Q. DO P3 AND EPSA MEMBERS OWN GENERATION UNITS WITHIN PJM?**

2 A. Yes.

3 **Q. DO THOSE MEMBERS COMPETE WITH AEP OHIO?**

4 A. Yes. P3's and EPSA's member companies operate along with AEP Ohio in the PJM
5 wholesale energy and capacity markets, which are competitive markets overseen by PJM
6 and its Independent Market Monitor ("IMM").

7 **Q. ARE YOU FAMILIAR WITH AEP OHIO'S PROPOSAL IN THIS PROCEEDING
8 TO USE ITS OVEC ENTITLEMENT TO SERVE SSO LOAD?**

9 A. Yes.

10 **Q. DO P3 AND EPSA HAVE CONCERNS WITH AEP OHIO'S PROPOSAL?**

11 A. Yes. As background, P3 and EPSA have opposed and continue to maintain their
12 opposition to the Public Utilities Commission of Ohio ("Commission" or "PUCO")
13 current grant of authority allowing AEP Ohio to use its OVEC contractual entitlement as
14 a non-bypassable financial hedging mechanism that is implemented through a Power
15 Purchase Agreement ("PPA") Rider. P3 and EPSA are equally concerned and opposed to
16 AEP Ohio's new proposal, contained in its Amended Application in this case, that seeks
17 to transition the non-bypassable OVEC PPA Rider to using the OVEC entitlement as a
18 load-serving generation supply for the SSO ("PPA Rider Replacement") and to recover
19 its OVEC costs through bypassable SSO rates.

20 **Q. WHAT ARE YOUR MAIN CONCERNS WITH AEP OHIO'S OVEC PPA RIDER
21 REPLACEMENT PROPOSAL?**

22 A. P3/EPSA have two principal concerns with the proposed PPA Rider Replacement: 1)
23 automatically "awarding" AEP Ohio tranches of the SSO auction would fundamentally

1 undermine the very concept of the SSO auction and unnecessarily and myopically
2 diminish the cost benefit to consumers of these competitive auctions, and 2) guaranteeing
3 recovery of what is, in essence, utility-owned generation in SSO auctions is contrary to
4 sound regulatory policy. The PPA Rider Replacement would be anticompetitive in what
5 is supposed to be a competitively-neutral and fairly administered SSO process in the state
6 that uses a 100% competitive bidding to procure power for SSO customers. By
7 selectively designating a certain amount of “tranches” from the SSO market to be
8 dedicated to one supplier, in this case AEP Ohio, the Commission would be actively
9 discriminating against all other generation suppliers to the SSO market. The suppliers
10 that participate in the SSO market are wholesale generation providers competing against
11 each other to provide default power to consumers. Selectively pre-awarding AEP Ohio a
12 guaranteed set of tranches at a cost-based price defeats the very nature of a competitive
13 SSO market to the financial detriment of all other suppliers. Further, reducing the
14 amount of competitive generation procured in a SSO auction will ultimately reduce the
15 competition-based cost benefit that consumers enjoy from these auctions.

16 Moreover, approval of the AEP Ohio proposal would set the precedent that utility-owned
17 generation can participate in SSO auctions and would run completely counter to Ohio
18 policy. The State of Ohio affirmatively decided that competition for the procurement of
19 generation services is in Ohio’s best interest. Allowing utility-owned generation to
20 “participate” in the competitive SSO auction completely turns that policy on its head. As
21 AEP Ohio Witness Weiss describes, if the Commission approves the AEP Ohio proposal,
22 AEP Ohio, a utility, will be supplying energy, capacity and ancillary services as a Load
23 Serving Entity (Weiss Direct Testimony at 10). Equally troubling, this utility-owned

1 generation would not even have to compete for tranches in the auction under the proposal
2 – the utility would simply be “awarded” those tranches.

3 **Q. WILL AEP OHIO’S PROPOSAL CREATE DISCRIMINATORY SSO**
4 **AUCTIONS?**

5 A. Yes. Absolutely. The PUCO requires that SSO auctions are competitively and non-
6 discriminatorily operated. That is the reason why the Commission ensures that AEP
7 Ohio’s auctions are managed by NERA Economic Consulting, a third-party consultant,
8 and the results of every auction are also reviewed by the Commission Staff and Bates
9 White, a separate consultant who is employed by the Staff. No one supplier in the
10 wholesale markets, either operated by PJM or operated by the State of Ohio in its SSO
11 auction process, should be singled out and placed at a distinct advantage – in terms of
12 provisioning and/or price. Such favorable treatment would be clearly discriminatory
13 towards all other similarly situated wholesale generation providers.

14 **Q. WHY DOES AEP OHIO’S PROPOSAL HARM COMPETITION AND HURT**
15 **CUSTOMERS?**

16 A. Simply stated, the AEP Ohio proposal will reduce the competition-based cost benefit that
17 Ohio consumers receive from competitive SSO auctions. As a point of reference, in
18 2016, AEP Ohio received 105 bids from 15 registered bidders competing for 17 tranches
19 of power from June of 2016 through May of 2018. This intense competition led to a
20 clearing price of \$46.24.¹ AEP Ohio, in its current proposal, is seeking to reduce the
21 number of tranches that are procured via this competitive method. For example, if AEP
22 Ohio’s proposal had been accepted early by the Commission, suppliers would not have

¹ <https://dis.puc.state.oh.us/DocumentRecord.aspx?DocID=bec43cab-693e-46ac-983f-7626b4be896c>

1 competed for 17 tranches of power in March 2017.² Instead, competitive suppliers would
2 only have been able to acquire 5 tranches of power while a whopping 12 tranches would
3 have been “awarded” to AEP Ohio. This blatant assault on competition hurts consumers,
4 will have a chilling effect on participation in the auctions and could drive competitive
5 suppliers away from Ohio. Putting these subsidized megawatts into the SSO is
6 counterproductive to a full and competitively neutral SSO and makes no more sense than
7 putting renewable energy or any other subsidized resources in the SSO. Furthermore, the
8 PPA Rider Replacement proposal adds price instability and inappropriately shifts risk to
9 SSO customers due to the fact that if OVEC does not run, AEP Ohio is seeking to recover
10 its shortage from the market. Therefore, according to AEP Ohio’s proposal, SSO
11 customers would pay even more for replacement power.

12 **Q. DO YOU HAVE A RECOMMENDATION TO THE COMMISSION ON AEP**
13 **OHIO’S PPA RIDER REPLACEMENT PROPOSAL?**

14 A. Yes. The proposal should be rejected in full. AEP Ohio is already recovering its OVEC
15 costs through the non-bypassable PPA Rider. While P3/EPISA still oppose that collection
16 mechanism, the fact of the matter is that AEP Ohio has shown no cost recovery issue that
17 is broken, so nothing needs to be fixed. At the very least, this proposed “fix” would be
18 anticompetitive and harmful to the state’s competitive SSO auctions.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, although I reserve the right to supplement if necessary.

² AEP Ohio requested that the Proposed PPA Rider Replacement begin in 2017, prior to the start of the requested extension period (Amended Application at 5). On March 1, 2017, AEP Ohio withdrew its request for an expedited ruling on this issue, but continues to maintain its proposal for a formulaic allocation of tranches to AEP Ohio (Correspondence dated and filed March 1, 2017).

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 2nd day of May 2017 upon all persons/entities listed below:

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