

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company :
for Approval of Its Default Service Program : Docket No. P-2020-3019290
for the Period From June 1, 2021 Through :
May 31, 2025 :

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

TOPICS:

General Observations About Competitive Retail Market
Recovery of Network Integration Transmission Costs

JULY 9, 2020

1 Connecticut and the District of Columbia. I am responsible for providing this testimony on
2 behalf of Calpine Retail and its retail subsidiaries, including Calpine Solutions.

3 **Q. Please describe Calpine Retail.**

4 A. Calpine Retail is an independent, national provider of retail electric service across 20
5 states. Through its subsidiaries it operates as a licensed Electric Generation Supplier (EGS) in
6 Pennsylvania. Calpine Retail is also a Load Serving Entity (LSE) and member of PJM
7 Interconnection LLC. Calpine Retail is actively serving and soliciting customers throughout
8 Pennsylvania, including in PECO's territory. Calpine Retail currently offers a wide variety of
9 demand-related and energy-related products and services beyond simple energy procurement,
10 including load and risk management as well as renewable energy and sustainability solutions.
11 Our products and services are designed to meet the individualized needs and demands of Calpine
12 Retail's customers and capture the benefits of the competitive wholesale energy environment and
13 bring those benefits forward into to Pennsylvania's competitive retail electric market.

14 **Q. Have you ever provided testimony before the Pennsylvania Public Utility
15 Commission ("PUC" or "Commission")?**

16 A. Yes. I testified in a similar docket regarding the First Energy companies' default service
17 plans in 2018, in Docket P-2017-2637855 *et al.*

18 **Q. Which Direct Testimony in this proceeding are you addressing?**

19 A. I have reviewed and am addressing here the Direct Testimony of Travis Kavulla on
20 behalf of the Electric Supplier Coalition.

21 **Q. What is the purpose of your Rebuttal Testimony?**

22 A. My rebuttal testimony opposes the recommendation of Mr. Kavulla in part VI of his
23 testimony to shift the Network Integration Transmission Services, or "NITS," costs incurred by

1 competitive retail electric EGS's, into PECO's existing charge for Non-Bypassable
2 Transmission, or "NBT" costs.

3 **Q. Why do you object to Mr. Kavulla's proposal?**

4 A. Mr. Kavulla is looking to shed retail business risk and move it from the competitive retail
5 market to all customers of the utility, regardless of existing market, contracts and products and
6 services. When it comes to servicing customers who do not take default service, but who instead
7 rely on Third Party Suppliers (TPS) such as Calpine Retail, such cost shifting would
8 simultaneously limit existing and potential customers' product and service choices. Not only
9 would this harm the competitive retail market, it would remove any incentive and opportunity to
10 create customized products and services that are, or potentially might be formulated, to assist
11 TPS customers in addressing these costs

12 **Q. Do you agree with Mr. Kavulla's contention that circumstances have changed since**
13 **the Commission last considered this issue?**

14 A. There has been no change that would justify a different outcome with regard to NITS. I
15 agree that transmission rates now change using a formula that is subject to FERC approval, but
16 there is a regulatory process in place at FERC for determining those rates as well as the ability to
17 challenge those rates. This process at FERC does not negate the ability of TPS companies to
18 manage their loads and manage their NITS costs.

19 **Q. Please summarize your position.**

20 A. The members of the Electric Supplier Coalition, which represent a subset of the
21 marketplace, are looking for ways to not take responsibility for their own business decisions,
22 level of risk management expertise and associated management decisions, valuation of risk, and
23 products they choose to offer. In brief, they are trying to shed and shift market risk associated

1 with their own demand-driven costs. Rather than using expertise to manage these costs and
2 associated risks, they are asking for PECO's DSP customers to bail them out. As a result, one of
3 the principal benefits of moving to retail competition would be eliminated, by removing products
4 and services and any competitive discipline for a specific LSE demand based cost in the
5 marketplace.

6 Furthermore comparing retail electric market products and services to a fully regulated
7 default service is an apples to oranges comparison. The default service is based on a uniform
8 master supply agreement with no individually negotiated terms of service. It is essentially one
9 size fits all. In contrast, Pennsylvania has afforded its competitive Electric Generation
10 Suppliers a market that has worked in the past and is working today. EGS's have the freedom to
11 choose the products and services they offer into the marketplace. Each EGS has the freedom to
12 build, establish and promote innovative products and services to meet its individual customers'
13 needs, as well as the structure and timing of those services based on the EGS's own business and
14 management decisions.

15 **CONCLUSION**

16 **Q. Does this conclude your Rebuttal Testimony?**

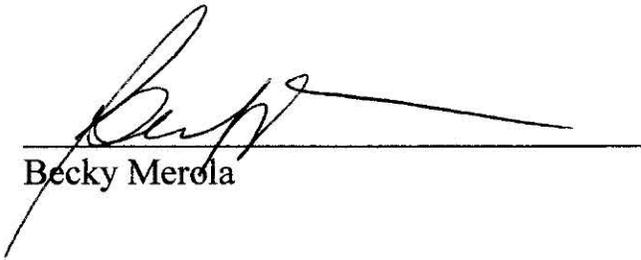
17 A. Yes. I would, however, specifically reserve the right to offer additional testimony or
18 supplement my testimony to address other matters or proposals which might arise.

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VERIFICATION

I, Becky Merola, Director of Government & Regulatory Affairs at Calpine Energy Solutions, LLC, hereby state that the facts set forth in my Rebuttal Testimony, Calpine Retail Statement No. 1, are true and correct to the best of my knowledge, information and belief, and that I would be prepared to affirm and defend such Rebuttal Testimony at the hearing to be held in this matter. I understand that false statements made herein are made subject to the penalties of 18 Pa. C.S. Section 4904, relating to unsworn falsifications to authorities.



Becky Merola

DATED: July 28, 2020