BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Programs for the Period From June 1, 2023 Through May 31, 2027	:	Docket Nos. P-2021-3030012 P-2021-3030013 P-2021-3030014 P-2021-3030021

REBUTTAL TESTIMONY OF

TRAVIS KAVULLA

ON BEHALF OF
RETAIL ENERGY SUPPLY ASSOCIATION
AND NRG ENERGY, INC.

TOPICS:

Competitive Market Issues

MARCH 24, 2022

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

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

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

A. Yes. On February 25, 2022, I submitted Direct Testimony on behalf of the Retail Energy Supply Association[1] ("RESA") and NRG.

Q. HAVE YOU REVIEWED DIRECT TESTIMONY SUBMITTED BY OTHER PARTIES IN THIS PROCEEDING?

A. Yes.

Q. BASED UPON YOUR REVIEW OF THE OTHER PARTIES' DIRECT TESTIMONY, HAVE YOU CHANGED YOUR POSITION ON ANY OF THE ISSUES ADDRESSED BY YOUR DIRECT TESTIMONY?

A. No. I stand behind my Direct Testimony, including the observations and recommendations set forth therein. Merely because I am electing to not respond to all of the other parties' testimony that addresses issues affecting the competitive electric retail market that are of interest to RESA and NRG should be not be viewed as acceptance of their positions on those topics. To the contrary, I continue to believe that Pennsylvania is at a point that the Commission needs to assume its prior national leadership role to

[1] The comments expressed in this filing represent the position of the Retail Energy Supply Association (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 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 at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

address the flaws that are preventing customers from realizing the benefits of a properly functioning retail electric market.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my Rebuttal Testimony is to briefly respond to the Direct Testimony of Harry Geller on behalf of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA")[2] and the Direct Testimony of Barbara R. Alexander on behalf of the Office of Consumer Advocate ("OCA").[3]

II. RESPONSES TO CAUSE-PA AND OCA WITNESSES

Q. PLEASE IDENTIFY AN ISSUE RAISED BY MR. GELLER TO WHICH YOU ARE RESPONDING THROUGH THIS TESTIMONY.

A. Mr. Geller refers to data obtained by CAUSE-PA through discovery in this proceeding to compare electric supply prices paid to electric generation suppliers ("EGSs") by the distribution customers of the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, "the Companies") to the prices that those consumers would have paid the Companies for default supply service.[4] I disagree fundamentally with the methodology that Mr. Geller uses, which omits essential considerations that would be necessary to arrive at a proper cost-benefit analysis.

Q. DO YOU DISAGREE WITH OTHER ASPECTS OF MR. GELLER'S TESTIMONY?

A. Yes. Mr. Geller makes a series of recommendations designed to deprive customers of choices in the marketplace. I disagree with at least three of the proposals he makes:

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2 CAUSE-PA Statement No. 1.

3 OCA Statement No. 2.

4 CAUSE-PA Statement No. 1 at 7-13.

1. Preventing low-income customers enrolled in the Customer Assistance Program ("CAP") from being allowed to shop in the market, regardless of their reasons for finding this approach beneficial to them or their families;[5]
2. Preventing these same customers from selecting the time-of-use rate ("TOU") offered as a default service, despite a desire they may have to shift usage in a way that saves money on their monthly electric bills; and
3. Terminating the customer referral program, even though it gives consumers an opportunity to lock in a fixed generation price for 12 months that is *less* than the default service pricing at time of contracting.[6]

Q. HOW DO YOU RESPOND TO MR. GELLER'S COMPARISONS OF DEFAULT SERVICE RATES AND EGS SUPPLY CHARGES?

A. Comparisons between the Companies' default service rates and prices charged for electric supply in the competitive market are misleading. This exercise fails to take into account a number of real-life issues for consumers, including their preferences to purchase renewable energy products at a premium, to opt for the certainty of a long-term fixed price being offered by EGSs, and to obtain value-added services from EGSs, such as donations to charitable organizations, free subscriptions to Amazon Prime and rewards for energy conservation. Mr. Geller has not attempted to impute a value for even a single of these value-added products, which are widely present in the EGS market. Without an imputation of value for these considerations, his cost-benefit analysis is missing an essential element that renders a comparison meaningless.

[5] Ms. Alexander's Direct Testimony also seeks to prevent low-income customers from participating in the electric retail market. OCA Statement No. 2 at 12-13.

[6] Ms. Alexander's Direct Testimony offers the same proposal. OCA Statement No. 2 at 7-9.

Q. YOU HAVE STATED THAT MR. GELLER'S ANALYSIS IGNORES CERTAIN VALUES THAT WOULD ADD TO A CALCULATION OF THE BENEFITS OF EGS SERVICE, RELATIVE TO THEIR COST. DOES HE ALSO IGNORE CERTAIN COSTS OF DEFAULT SERVICE?

A. Yes. As I noted in my earlier testimony, the Companies' default service rates do not account for all the costs incurred to provide default service.[7] Mr. Geller appears satisfied to let all customers, including those who made a decision to shop, to pay those costs through distribution rates. However, these costs have to be added to any credible cost-benefit analysis, like the one Mr. Geller has attempted. He has not attempted a quantification of those costs of default supply service, just as he has not attempted a quantification of the additional value of EGSs' products.

Q. PLEASE ADDRESS MR. GELLER'S RECOMMENDATIONS AIMED AT LOW-INCOME CUSTOMERS.

A. None of his recommendations take into consideration what the consumer wants. Pennsylvania has a competitive retail electric market established by the General Assembly, which is premised on customer choice. Yet, Mr. Geller prefers that low-income customers have <u>no</u> choices. Because they are low-income, Mr. Geller believes that: (i) they should not have the ability to choose an EGS that is offering a product that would benefit them; (ii) they should not have access to a TOU rate that would give them the power to reduce energy costs by shifting usage to off-peak times; and (iii) they should be deprived of an opportunity to obtain a 7% discount off the Companies' prevailing default service rate through a utility-led program that reduces the transaction costs and other marketing of EGS contracting. I do not see how any of these recommendations are

[7] RESA/NRG Statement No. 1 at 42-53.

consistent with the underlying premise of customer choice, and I recommend that they be rejected.

Q. MR. GELLER SPECIFICALLY SUGGESTS THAT TIME-OF-USE RATES MAY DISADVANTAGE LOW-INCOME CUSTOMERS. HOW DO YOU RESPOND?

A. I disagree. Let's first be clear about what Mr. Geller is proposing. In arguing both that low-income customers in the CAP program *not* be allowed to shop for service through an EGS and also that these customers *not* be allowed to be served under a default-service TOU tariff, Mr. Geller is proposing that customers have no ability whatsoever to select a time-varying rate plan that may better correspond to their usage. His approach would deny agency to ordinary consumers on the basis of their socioeconomic status. Indeed, although Mr. Geller has selectively chosen to cite one of the authorities he relies upon for his recommendation, it is worth heeding what else the report in question concludes about the benefits of a time-varying rate plan: "Research in most jurisdictions has shown that on average lower income customers use less electricity, and use proportionately less electricity during peak periods. Such lower usage customers would thus benefit from a change in rate design from a flat rate to either an inverted tier rate or a TOU rate."[8] Under either my proposed approach or the Companies' approach to TOU, consumers would have a choice for a TOU rate. Under Mr. Geller's approach, they would not.

[8] Colgan, John T. *et al.* "Guidance for Utilities Commissions on Time of Use Rates: A Shared Perspective from Consumer and Clean Energy Advocates" (July 15, 2017) at 27. Available at: https://uspirg.org/sites/pirg/files/reports/TOU-Paper-7.17.17.pdf (accessed March 24, 2022). *Compare to* Cause-PA Statement No. 1 at 41.

Q. DO YOU HAVE ANY OTHER OBSERVATIONS ABOUT MR. GELLER'S TESTIMONY?

A. Yes. In some ways, it seems both Mr. Geller and I agree that the status quo about the competitive retail market is *not* working as it should, albeit for very different reasons. I believe the mutual dissatisfaction provides support for my position in Direct Testimony that the Commission undertake a statewide investigation that examines whether the structure of the default service provider role, and its provision through electric distribution companies, is appropriate.[9]

III. <u>CONCLUSION</u>

Q. DOES THAT COMPLETE YOUR REBUTTAL TESTIMONY?

A. Yes; however, I reserve the right to supplement this testimony as may be appropriate.

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[9] RESA/NRG Statement No. 1 at 12-16.

Verification

I, Travis Kavulla**,** state that I am Vice President, Regulatory Affairs for NRG Energy, Inc. and providing the foregoing Rebuttal Testimony of the Retail Energy Supply Association and NRG Energy, Inc. I hereby state that the facts contained in the foregoing Interrogatory Responses are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

March 24, 2022

/Travis Kavulla/

Travis Kavulla, Vice President
Regulatory Affairs, NRG Energy, Inc.