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DE-OHIO EXHIBIT _____

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter of the Application of Duke Energy Ohio for Approval of an Electric Security Plan)))	Case No. 08-920-EL-SSO
In the Matter of the Application of Duke Energy Ohio for Approval to Amend Accounting Methods)))	Case No. 08-921-EL-AAM
In the Matter of the Application of Duke Energy Ohio for Approval of a Certificate of Public Convenience and Necessity to Establish an Unavoidable Capacity Charge)))))	Case No. 08-922-EL-UNC
In the Matter of the Application of Duke Energy Ohio for Approval to Amend its Tariffs)))	Case No. 08-923-EL-ATA

DIRECT TESTIMONY OF

JAMES M. LEFELD

ON BEHALF OF

DUKE ENERGY OHIO

July 31, 2008

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is James M. Lefeld, and my business address is 139 E. Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am currently Director, Alternative Energy for Duke Energy Business Services,
6 Inc., which is the service company affiliated with Duke Energy Ohio (DE-Ohio or
7 Company). Effective August 1, 2008, my title will change to Director, Renewable
8 Energy & Carbon Strategy.

9 **Q. PLEASE SUMMARIZE YOUR EDUCATION.**

10 A. I have a Bachelor of Science degree in Business, majoring in Accounting from
11 Bowling Green State University, Bowling Green, Ohio, and a Master of Business
12 Administration from the University of Indianapolis, Indianapolis, Indiana. I also
13 have the designation of Certified Management Accountant.

14 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

15 A. In 1976, I started with the Public Service Company of Indiana, Inc. (PSI) in the
16 Customer Service area, working in the Clarksville, Salem, Corydon and
17 Martinsville, Indiana, offices. From that point, I held a variety of positions of
18 increasing responsibility in the Information Technology, Rates, Accounting,
19 Corporate Development & Strategic Planning, Marketing, Venture Capital, and
20 Environmental Policy areas. In December 2007, I was named to my current
21 position.

1 Over the last several years, I have worked and continue to work directly
2 with the renewable energy field. Specifically, I have, among other things, directed
3 Duke Energy Corporation's (Duke Energy) commissioning and design of the
4 study, "*State of Indiana Wind Power Resource Assessment*," managed the
5 renewable resources request for proposal process for Duke Energy Indiana that led
6 to a long-term contract with the Benton County Wind Farm, investigated and
7 evaluated commercial and new design wind technologies for implementation in
8 Ohio and Indiana, participated in the Ohio Wind Working Group and Indiana
9 Wind Working Group, and recently joined Great Lake Wind Council Steering
10 Committee. I have also met with the National Renewable Energy Labs wind
11 research facility in Golden, Colorado, to review testing capabilities and new
12 turbine designs.

13 I have been involved with the development and planning of several solar
14 projects in the States of Ohio, Kentucky, and Indiana. The projects ranged in size
15 from 2 kW to 20 kW, using ground mount installations, roof installations and
16 tracking on facilities ranging from new U.S. Green Build Council LEED buildings
17 to existing buildings, totaling an installed and planned amount of approximately
18 80 kW.

19 **Q. WHAT ARE YOUR RESPONSIBILITIES AS ALTERNATIVE ENERGY**
20 **POLICY DIRECTOR?**

21 A. My responsibilities include the development and implementation support of
22 regulated renewable energy strategies for Duke Energy's operating companies,

1 with primary focus on the States of Ohio, Indiana and Kentucky. I also support the
2 Business Relations Managers of Duke Energy's operating companies with respect
3 to customer inquiries into renewable energy, and I participate on an internal team
4 of subject matter experts to address renewable energy issues and questions within
5 DE-Ohio.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
7 **UTILITIES COMMISSION OF OHIO?**

8 A No.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. The purpose of my testimony is to discuss DE-Ohio's approach to meeting its
12 renewable requirements described in Amended Senate Bill No. 221 (SB 221)
13 beginning in 2009.

14 **II. COMPLIANCE DISCUSSION**

15 **Q. PLEASE SUMMARIZE DE-OHIO'S CURRENT INVESTMENT IN**
16 **RENEWABLE CAPACITY ASSETS.**

17 A. DE-Ohio recognizes the benefits of renewal energy resources and has a green
18 power tariff that allows customers to purchase power generated by renewable
19 resources. DE-Ohio has installed/enabled several highly visible solar projects,
20 such as the ones at its Fourth and Main headquarters, the Cincinnati Zoo, and the
21 Cincinnati Parks Administration building in Eden Park. DE-Ohio also has a net
22 metering tariff that promotes the installation of customer-owned photovoltaic

1 systems. DE-Ohio increases awareness of renewables through its sponsorship of
2 conferences and educational programs. DE-Ohio was also active in supporting the
3 funding of the renewable energy lab as part of the new associate degree program
4 at Cincinnati State Technical and Community College.

5 **Q. HAS DE-OHIO'S INTENDED FUTURE INVESTMENT IN RENEWABLE**
6 **CAPACITY ASSETS BEEN AFFECTED BY SB 221?**

7 A. As a result of SB 221, DE-Ohio is subject to specific statutory mandates relative
8 the supply of energy generated from renewable capacity assets. DE-Ohio will
9 continue to invest in renewable capacity assets to provide an energy source to
10 meet the renewable energy requirements set forth in SB 221. DE-Ohio may also
11 purchase energy derived from renewable capacity assets through contracts with
12 renewable resource owners. DE-Ohio witness Paul G. Smith testifies regarding
13 the recovery of avoidable renewable energy costs through Rider PTC-FPP and
14 unavoidable renewable capacity costs through Rider SRA-NDC.

15 **Q. WHAT ARE THE STATUTORY MANDATES TO WHICH DE-OHIO IS**
16 **SUBJECT RELATIVE TO RENEWABLE ENERGY?**

17 A. The renewable energy mandates are described in Sections 4928.64 and 4928.65 of
18 the Ohio Revised Code. In particular, R.C. 4928.64(B)(2) sets out the benchmarks
19 for renewable energy resources and solar energy resources requirements from
20 2009 to 2024. Significantly, by 2025, at least 12.5% of the total number of
21 kilowatt hours of electricity sold by DE-Ohio must be from renewable energy
22 resources.

1 **Q. WHAT RENEWABLE RESOURCES DOES DE-OHIO INTEND TO**
2 **SECURE UNDER ITS PROPOSED ELECTRIC SECURITY PLAN?**

3 A. DE-Ohio intends to review eligible renewable resources as described in R.C.
4 4928.01(A)(35), "Renewable energy resource." I would characterize these
5 resources as solar, wind, biomass, methane, hydro, and geothermal.

6 **Q. HOW WILL DE-OHIO ACCOMPLISH THE SOURCING OF**
7 **RENEWABLE CAPACITY?**

8 A. DE-Ohio will investigate and analyze the various renewable energy resources to
9 assure the most prudent sourcing or acquisition is selected. Each project (*e.g.*,
10 DE-Ohio construction of solar), will be conducted, in whole or in part, pursuant to
11 a bid evaluation process. On June 18, 2008, DE-Ohio released a Request for
12 Proposals (RFP) announcing that it was seeking a proposal for renewable energy
13 resources to begin delivering energy from such resources in the 2009 through
14 2012 time period to comply with the requirements under Ohio's new renewable
15 energy portfolio standards.

16 **Q. WHY DID DE-OHIO DEVELOP A BID PROCESS FOR EACH**
17 **RENEWABLE CAPACITY PROJECT IT MAY INITIATE?**

18 A. DE-Ohio is operating the bid process in light of R.C. 4928.143(B)(2)(c) and the
19 sourcing of an electric generating facility through a competitive bid process.

20 **Q. HOW DID DE-OHIO DETERMINE THE AMOUNT OF RENEWABLE**
21 **ENERGY RESOURCES TO SEEK THROUGH THE RFP?**

22 A. This was determined through an Integrated Resources Plan prepared by DE-Ohio

1 witness James Northrup.

2 **Q. WHAT IS THE SIGNIFICANCE OF THE BID PROCESS FOR EACH**
3 **RENEWABLE CAPACITY PROJECT?**

4 A. A bid process is designed to identify the preferred project to be selected for the
5 new source of energy. Preferred projects consider cost, deliverability of the
6 energy, capacity contribution, supply resource portfolio fit, long-term pricing and
7 operations, project location, and community benefits. Capacity purchases or
8 construction may permit DE-Ohio to provide customers with renewable energy
9 from capacity assets dedicated to serve load in DE-Ohio's certified territory for
10 the life of the renewable capacity asset and provide DE-Ohio a reasonable return
11 of and on such assets.

12 **Q. ARE THERE FUEL COSTS ASSOCIATED WITH DE-OHIO'S**
13 **INVESTMENT IN RENEWABLE CAPACITY?**

14 A. Yes, depending on the type of renewable sources selected.

15 **Q. PLEASE IDENTIFY THOSE FUEL COSTS AND EXPLAIN WHETHER**
16 **THEY WILL BE RECOVERED.**

17 A. An example would be a biomass generation purchase power agreement (PPA)
18 where the cost of the fuel would be identified as a separate component in the PPA.
19 The fuel amount associated with renewable resources would be eligible for
20 recovery through Rider PTC-FPP, similar to any other fuel used to produce energy
21 for consumers.

22 **Q. TO YOUR KNOWLEDGE, WILL DE-OHIO PRESENT ANY OTHER**

1 **WITNESSES TO TESTIFY RELATIVE TO RENEWABLE CAPACITY?**

2 A. DE-Ohio witness Paul G. Smith testifies about the capacity price recovery
3 mechanisms through Rider SRA-NDC.

III. SCHEDULES SPONSORED BY WITNESS

4 Q. **PLEASE DESCRIBE THE SCHEDULES RELEVANT TO YOUR**
5 **TESTIMONY.**

6 A. Relevant to my testimony is the RFP for renewable energy resources, which is
7 attached to the testimony of DE-Ohio witness James S. Northrup.

8 Q. **WAS THIS SCHEDULE PREPARED BY YOU OR AT YOUR**
9 **DIRECTION?**

10 A. Yes. It was prepared at my direction and at the direction of Mr. Northrup.

11 **IV. CONCLUSION**

12 Q. **DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY IN**
13 **THIS PROCEEDING?**

14 A. Yes.