

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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PUCO

In the Matter of the Application of Ohio Edison :
Company, The Cleveland Electric Illuminating : Case No. 08-935-EL-SSO
Company and The Toledo Edison Company for :
Authority to Establish a Standard Service Offer :
Pursuant to R.C. 4928.143 in the Form of an :
Electric Security Plan. :

**PREFILED TESTIMONY
OF
STUART M. SIEGFRIED
FACILITIES, SITING, AND ENVIRONMENTAL ANALYSIS DIVISION
ENERGY AND ENVIRONMENT DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

October 6, 2008

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1 1. Q. Please state your name and business address.

2 A. My name is Stuart M. Siegfried, and my business address is 180 East Broad
3 Street, Columbus OH 43215.

4

5 2. Q. By whom are you employed and what is your position?

6 A. I am employed as a Utility Specialist 2, in the Facilities, Siting, and
7 Environmental Analysis division of the Energy and Environment
8 Department.

9

10 3. Q. Please summarize your educational background and work experience.

11 A. I received a B.S. degree, International Business, from Bowling Green State
12 University. I am currently pursuing an additional degree from The Ohio
13 State University in Wildlife Sciences.

14

15 I have been continuously employed by the PUCO since November 1990.
16 My responsibilities during this time have primarily involved environmental
17 matters.

18

19 4. Q. Have you testified in prior proceedings before the Commission?

20 A. Yes.

21

1 5. Q. What is the purpose of your testimony in this proceeding?

2 A. My testimony focuses on the Company's plans for complying with the

3 alternative energy portfolio standard (AEPS) requirements as contained in

4 Section 4928.64, Ohio Revised Code (ORC).

5

6 6. Q. You are not an attorney, are you?

7 A. No, I am not. My discussion of R.C. 4928.64 reflects my layman's

8 understanding of what the statute requires. I am not offering a legal

9 opinion of any sort.

10

11 7. Q. Can you very briefly describe the requirements in 4928.64, ORC?

12 A. Section 4928.64, ORC, establishes an AEPS comprised of requirements for

13 both renewable and advanced energy resources. Section 4928.64(B)(2)

14 introduces specific annual benchmarks for renewable energy resources and

15 solar energy resources beginning in 2009.

16

17 8. Q. Has the PUCO issued rules to implement Section 4928.64, ORC?

18 A. The PUCO issued for public comment Staff-proposed rules in Case No. 08-

19 888-EL-ORD. At the time of this writing, initial and reply comments have

20 been received. The Commission, however, has not yet issued final rules to

21 implement the AEPS.

22

1 9. Q. What are the Company's ratemaking plans for costs associated with the
2 AEPS requirements?

3 A. On page 11 of its application, the Company indicated that its proposed base
4 generation prices include " ... all of the costs associated with the
5 Companies' renewable energy resource requirements during the Plan
6 period, and/or the equivalent cost for renewable credits."
7

8 10. Q. In its Application, did the Company detail how it expects to comply with
9 the AEPS requirements during the Plan period?

10 A. No.
11

12 11. Q. Do you have any concerns with the Company's plan to include the
13 compliance costs in its proposed base generation prices?

14 A. Yes, I have two concerns with this proposed approach, specifically as it
15 pertains to the Company's proposed use of a generation "phase-in", which,
16 according to page 11 of the Application, would result in a deferral and
17 subsequent recovery via a non-bypassable rider.
18

19 12. Q. Please discuss your first concern.

20 A. Section 4928.64(E), ORC, indicates that all costs of complying with the
21 AEPS "shall be bypassable". This specific provision would seemingly be
22 satisfied if the Company's AEPS compliance costs remained in the

1 proposed base generation prices. However, if AEPS compliance costs
2 ultimately become part of the proposed non-bypassable rider associated
3 with the proposed generation phase-in, then I believe this treatment of
4 AEPS compliance costs would not be consistent with 4928.64(E).

5
6 13. Q. Has the Company provided additional information on this topic?

7 A. In response to the sixth question on Staff Data Request #6, the Company
8 indicated that "... the portion of the generation costs that are deferred due
9 to 'generation phase-in' will not include any costs associated with
10 complying with R.C. 4928.64." Such an approach would resolve my initial
11 concern.

12
13 14. Q. And what is your second concern with the Company's proposed generation
14 phase-in approach?

15 A. Section 4928.64(C)(3), ORC, includes language that excuses electric
16 distribution utilities and electric service companies from complying with
17 the annual AEPS benchmarks if their respective annual compliance costs
18 exceed a certain level. While the Commission's rules on this cost cap
19 provision have not yet been finalized, it would seem that reducing the base
20 generation prices through the use of deferrals could potentially impact the
21 implementation of Section 4928.64(C)(3), ORC.

1 15. Q. How could a generation-related deferral impact the calculations pertaining
2 to Section 4928.64(C)(3)?

3 A. Section 4828.64(C)(3) envisions a comparison of expected costs of
4 compliance to expected costs of “otherwise producing or acquiring the
5 requisite electricity ...”. Depending on how this is ultimately interpreted,
6 the use of deferrals could reduce the comparison point thereby reducing the
7 absolute value of a three percent increment that is to be available for
8 compliance with the renewable energy and solar energy resource
9 benchmarks during the plan period.
10

11 16. Q. Are you supporting a recommendation on this topic in your testimony?

12 A. No, I am not. Absent final Commission rules on the AEPS, it is not
13 possible to identify the impacts, if any, that generation-related deferrals
14 may have on the cost cap calculations. Therefore, I am simply highlighting
15 this as an issue that the Commission may need to address in its Order in this
16 proceeding.
17

18 17. Q. Does your pre-filed testimony presuppose anything with regard to the
19 Company’s compliance with the annual renewable energy and solar energy
20 benchmarks during the plan period?

1 A. No, it does not. Staff assumes that compliance with the annual benchmarks
2 would be the focus of annual compliance reviews as required by
3 4928.64(C)(1), ORC.

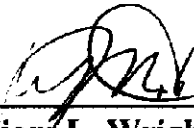
4

5 18. Q. Does this conclude your testimony?

6 A. Yes. However, I reserve the right to submit supplemental testimony as
7 described herein, as new information subsequently becomes available or in
8 response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Stuart M. Siegfried, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 6th day of October, 2008.



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