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PUCO **BEFORE**
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Columbus Southern Power Company for)	Case No. 08-917-EL-SSO
Approval of its Electric Security Plan; an)	
Amendment to its Corporate Separation)	
Plan; and the Sale or Transfer of Certain)	
Generation Assets.)	
In the Matter of the Application of Ohio)	
Power Company for Approval of its)	Case No. 08-918-EL-SSO
Electric Security Plan; and an Amendment)	
to its Corporate Separation Plan.)	

DIRECT TESTIMONY
of
WILSON GONZALEZ

ON BEHALF OF THE
OFFICE OF THE OHIO CONSUMERS' COUNSEL
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October 31, 2008

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1 **I. INTRODUCTION**

2 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

3 ***A1.*** My name is Wilson Gonzalez. My business address is 10 West Broad Street,
4 Suite 1800, Columbus, Ohio, 43215-3485. I am employed by the Office of the
5 Ohio Consumers' Counsel ("OCC") as a Principal Regulatory Analyst.

6
7 ***Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND***
8 ***PROFESSIONAL EXPERIENCE.***

9 ***A2.*** I have a Bachelor of Arts degree in Economics from Yale University and a Master
10 of Arts degree in Economics from the University of Massachusetts at Amherst. I
11 have also completed coursework and passed my comprehensive exams towards a
12 Ph.D. in Economics at the University of Massachusetts at Amherst. I have been
13 employed in the energy industry since 1986, first with the Connecticut Energy
14 Office (Senior Economist, 1986-1992), then Columbia Gas Distribution
15 Companies ("Columbia Gas"), (Integrated Resource Planning Coordinator, 1992-
16 1996) and American Electric Power ("AEP" or "the Company") (Marketing
17 Profitability Coordinator and Market Research Consultant, 1996-2002). I have
18 been spearheading the Resource Planning activities within OCC since 2004.

19

**Q3. PLEASE DESCRIBE YOUR EXPERIENCE DIRECTLY RELATED TO
UTILITY DEMAND-SIDE MANAGEMENT PROGRAMS AND RATE
DESIGN, COST-BENEFIT ANALYSIS AND PROGRAM MONITORING
AND EVALUATION.**

A3. I have been involved with many aspects of demand-side management ("DSM") programs since 1986. While at the Connecticut Energy Office, I represented the office in one of the first DSM collaborative processes in the country (Connecticut Department of the Public Utilities Commission Docket No. 87-07-01). There, I analyzed the performance and cost-effectiveness of many efficiency programs for Connecticut's electric and gas utilities that led to demonstration projects, policy recommendations, DSM programs (including rate design) and energy efficiency standards. I also performed all the analytical modeling for United Illuminating's first integrated resource plan filed before the DPUC in 1990. At Columbia Gas, I was responsible for coordinating that company's Integrated Resource Plan within the corporate planning department and DSM program development activities in the marketing department. I designed and managed residential DSM programs in Maryland and Virginia. At AEP, I conducted numerous cost benefit analyses of programs being sponsored by AEP's corporate marketing department, including their residential load control water heater program. For the past 4 years at OCC I have:

- Been involved in DSM negotiations resulting in over \$140 million in Energy Efficiency programs with Ohio's investor owned utilities;
- Prepared DSM testimony in six Public Utility Commission of Ohio cases;

- 1 • Testified before the Ohio House Alternative Energy Committee in
- 2 support of Energy Efficiency; and
- 3 • Assisted in the preparation of Energy Efficiency and Renewable
- 4 Energy testimony and amendments for S.B. 221, H.B. 357, and
- 5 H.B. 487.

6

7 ***Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***

8 ***PUBLIC UTILITIES COMMISSION OF OHIO?***

9 ***A4.*** Yes. I submitted testimony in the following cases before the Public Utilities

10 Commission of Ohio (“Commission” or “PUCO”): Vectren Energy Delivery of

11 Ohio, Case No. 04-571-GA-AIR; Dominion East Ohio, Case No. 05-474-GA-

12 ATA; Dominion East Ohio, Case No. 07-829-GA-AIR; Vectren Energy Delivery

13 of Ohio, Case No. 05-1444-GA-UNC; Columbus Southern Company/Ohio Power

14 Company (“AEP”), Case No. 06-222-EL-SLF; Duke Energy of Ohio (“Duke

15 Energy Ohio”), Case No. 07-589-GA-AIR, Cleveland Electric Illuminating/Ohio

16 Edison/Toledo Edison (“FirstEnergy EDUs”), Case Nos. 07-551-EL-AIR, et al.

17 (“Distribution Rate Cases”), Case No. 08-936-EL-MRO and Case No. 08-935-

18 EL-SSO; and Vectren Energy Delivery of Ohio, Case No. 07-1080-GA-AIR.

1 **Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF**
2 **YOUR TESTIMONY?**

3 **A5.** I have reviewed the DSM relevant testimony in the Electric Security Plan (“ESP”)
4 Application filed by the Columbus Southern Power Company and the Ohio Power
5 Company (collectively, “the Companies” or “AEP Ohio”), the testimony of AEP
6 Ohio witnesses Hamrock, Castle, Godfrey, Roush, Sloneker, and Assante. I have
7 also reviewed the relevant responses to OCC discovery and Commission Staff
8 data requests pertaining to DSM.

9

10 **II. PURPOSE OF TESTIMONY**

11 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 **A6.** I make recommendations to some of AEP Ohio’s DSM program designs and
13 address the proposed level of administrative cost. Finally, I recommend that
14 AEP Ohio develop a standard Renewable Energy Credit (“REC”) purchase
15 contract for customer-sited renewable energy.

16

17 **III. THE COMPANIES’ DSM PROPOSAL**

18 **Q7. PLEASE DESCRIBE AEP OHIO’S DSM PROPOSAL.**

19 **A7.** AEP has proposed to meet the Amended Substitute Senate Bill No. 221 (“SB
20 221”) DSM¹ requirements with a portfolio of programs contained in the testimony
21 of Company witness Sloneker and specifically in her exhibit KLS-2. They
22 include:

¹ DSM as used throughout my testimony refers to both energy efficiency and peak demand reductions.

- Residential Standard Offer Program, Small Commercial and Industrial Standard Offer Program and Commercial and Industrial Standard Offer Program
- Targeted Energy Efficient Weatherization Program
- Low Income Weatherization Program
- Residential and Small Commercial Compact Fluorescent Lighting Program
- Commercial and Industrial Lighting Program
- State & Municipal Light Emitting Diode (LED) Program
- Energy Star® New Homes Program
- Renewable Energy Technology Program
- Industrial Process Partners Program

Q8. HAS AEP OHIO USED OHIO SPECIFIC INFORMATION TO DETERMINE THE DSM EXPENDITURES CONTAINED IN WITNESS SLONEKER'S TESTIMONY?

A8. No. The Companies have used estimates from ongoing programs in other AEP operating companies, especially in Texas.² AEP Ohio witness Sloneker states that "[at] this time, the Companies do not have program participation, program costs, impacts and other data that are specific for their service territories."³

² Sloneker at 20.

³ Id.

1 ***Q9. HOW MUCH IS AEP OHIO PROPOSING TO SPEND ON DSM TO MEET***
2 ***THE SB 221 REQUIREMENTS?***

3 ***A9.*** The Companies are proposing to spend a total of \$177,749,800 on DSM from
4 2009 through 2011.⁴

6 ***Q10. WHAT ARE THE NEW STATE DSM REQUIREMENTS UNDER SB 221?***

7 ***A10.*** The energy efficiency requirements for the next three years are “at least three-
8 tenths of one per cent of the total, annual average, and normalized kilowatt-hour
9 sales of the electric distribution utility during the preceding three calendar
10 years...”⁵ For 2010 the figure is an additional five-tenths of one per cent and for
11 2011, seven tenths of one per cent for a cumulative 1.5 per cent over the three
12 years.⁶ The peak demand reductions are 1% in 2009 and an additional 0.75%
13 reduction each year thereafter through 2018.⁷

15 ***Q11. IS AEP OHIO’S PROPOSED DSM SPENDING LIKELY TO RESULT IN***
16 ***THE COMPANIES MEETING THE NEW STATE DSM BENCHMARKS***
17 ***DURING THE THREE YEAR ESP PERIOD?***

18 ***A11.*** Generally speaking and based on my experience of reviewing electric and natural
19 gas DSM spending, I believe that the level of DSM funding that the Companies
20 are proposing is at a level that should allow them to be successful in meeting the

⁴ Sloneker at 25.

⁵ ORC. SEC. 4928.66(A)(1)(a).

⁶ Id.

⁷ ORC. SEC. 4928.66(A)(1)(b).

1 state's DSM standards. Obviously, their DSM spending level will need to be
2 refined to include Ohio specific cost data and any new or modified programs that
3 come out of the Companies' DSM collaborative process.
4

5 ***Q12. DO YOU HAVE ANY OTHER CONCERNS CONCERNING AEP OHIO'S***
6 ***PROPOSED TIMING FOR MEETING THE STATE'S DSM***
7 ***REQUIREMENTS?***

8 ***A12.*** Yes. In the testimony of witness Castle, the Companies appears to want to meet
9 only 50% of the calendar year state DSM requirement, and instead are proposing
10 a program year starting mid-year 2009.⁸ AEP Ohio should be responsible for
11 meeting the energy efficiency and peak demand reduction requirements in
12 calendar year 2009, as specified in Revised Code section 4928.66(A)(1)(a) and
13 (A)(1)(b), and not in some self-defined program year.
14

15 ***Q13. DO YOU HAVE ANY PRELIMINARY CONCERNS CONCERNING AEP***
16 ***OHIO'S PROPOSED DSM PROGRAM EXPENDITURES?***

17 ***A13.*** Yes. While AEP Ohio presents only non-Ohio estimates at this time (estimates
18 that should undergo DSM collaborative scrutiny going forward), I am concerned
19 with the relatively high levels of administrative cost projected in all of the
20 Companies' programs. According to Ms. Sloneker's Exhibit KLS-2, the
21 percentage of administrative costs as a percentage of program costs range from
22 25.8 percent to 48.3 percent for residential programs and from 26 percent to 43.4

⁸ Castle at 3.

1 for commercial and industrial programs. For comparison purposes, the Columbia
2 Gas of Ohio ("COH") energy efficiency filing approved by the Commission on
3 July 23, 2008, kept total administrative, education, and marketing costs for
4 residential programs to less than 8.3 percent for five of its six programs.⁹ For
5 commercial customers, three of COH's five programs have administrative,
6 education, and marketing costs below 17.4 percent.¹⁰ Similarly, in Duke Energy
7 of Ohio's 2006 DSM filing, the overall administrative and marketing costs for
8 their residential and small business customer programs averaged 23.0 percent.¹¹
9

10 ***Q14. DO YOU HAVE ANY RECOMMENDATIONS CONCERNING THE***
11 ***APPROPRIATE LEVEL OF DSM PROGRAM ADMINISTRATIVE,***
12 ***EDUCATION, AND MARKETING EXPENDITURES?***

13 ***A14.*** Yes. While different DSM programs will require different levels of
14 administrative dollars to implement, as a rule, I recommend that ratepayer funding
15 of administrative, educational and marketing expenses be determined in the
16 Companies' DSM collaborative and should not exceed in total, 25 percent of
17 program cost, unless modified for a specific program by the DSM collaborative
18 group. Limiting the administrative expenditures assures that the bulk of program
19 dollars go directly to customers to implement energy efficiency measures.

20 Finally, a more detailed dollar breakdown of the \$15 million that AEP Ohio is

⁹ Case No. 08-0833-GA-UNC, Application of Columbia Gas of Ohio, Inc. to Establish Demand Side Management Programs for Residential and Commercial Consumers, pages 21-33.

¹⁰ Id., at pages 34-48. Two small informational programs are at 100 percent but they represent only 6 percent of the total commercial program budget, see page 59 of filing.

¹¹ Case No. 06-91-EL-UNC, Appendix A, page 2 of 7 and Appendix B, page 7b of 7.

1 budgeting in its General Energy Education Program should be made available and
2 any dollars that can be attributed to specific programs should be accounted for in
3 those specific program budgets.
4

5 ***Q15. WHAT OTHER PROGRAM RECOMMENDATIONS DO YOU HAVE***
6 ***REGARDING AEP OHIO'S DSM PROGRAMS?***

7 ***A15.*** I have several preliminary recommendations:

- 8 • Although AEP Ohio has proposed a comprehensive Home Performance type
9 home diagnostic audit and incentive program for low income customers, OCC
10 recommends that such a program be made available to all residential customers.
- 11 • AEP Ohio should work with COH to implement a joint gas and electric "one-stop
12 shop" Home Performance program for customers by year two.
- 13 • Any programs serving populations above the 175% of the poverty line should be
14 competitively bid out and should incorporate a sliding scale payment so
15 customers pay according to their means.¹²
- 16 • All programs should be reviewed for cost-effectiveness, using at a minimum, the
17 Total Resource Cost test.¹³
18

¹² See Columbia Gas of Ohio's Home Performance program description in pages 21-23 of their DSM filing.

¹³ See 2002 "CALIFORNIA STANDARD PRACTICE MANUAL: ECONOMIC ANALYSIS OF DEMAND-SIDE PROGRAMS AND PROJECTS."

1 ***Q16. DO YOU RECOMMEND THAT EFFICIENCY IMPROVEMENTS IN AEP***
2 ***OHIO'S GENERATION FLEET BE COUNTED IN MEETING THE***
3 ***STATE'S ENERGY EFFICIENCY REQUIREMENTS?***

4 ***A16.*** No. As part of AEP Ohio's internal energy efficiency program, they include "any
5 method or any modification or replacement of any property, process, device,
6 structure, or equipment that increases the generation output of an electric
7 generating facility to the extent such efficiency is achieved without additional
8 carbon dioxide emissions by that facility."¹⁴ While I generally support cost-
9 effective energy efficiency improvements to generation, I have been informed by
10 OCC counsel that generation efficiency projects are not eligible to count towards
11 the efficiency standard by Ohio law, only transmission and distribution efficiency
12 improvements are eligible.¹⁵

13
14 ***Q17. DO YOU HAVE A RECOMMENDATION REGARDING CUSTOMER-SITED***
15 ***RENEWABLE ENERGY?***

16 ***A17.*** Yes. From a public policy perspective, in order to promote the development of
17 customer-sited renewable energy and help AEP Ohio meet its renewable energy
18 requirements, the Companies should develop by the first quarter of 2009, a
19 standard Renewable Energy Credit or Certificate ("REC") purchase contract
20 based on a percentage of the Alternate Compliance provisions of ORC Section
21 4928.64 (C)(2)(a) and (b). Such a standard purchase contract would need to be

¹⁴ Sloneker at 19.

¹⁵ ORC. Sec. 4928.66 (A)(2)(d).

1 approved by the Commission and would complement the Companies' proposed
2 Renewable Energy Technology Program.¹⁶ The Companies should make available
3 to customers a "one stop" process whereby any customer interested in onsite
4 customer generation receives information on interconnection, net-metering and
5 the sale of its RECs.

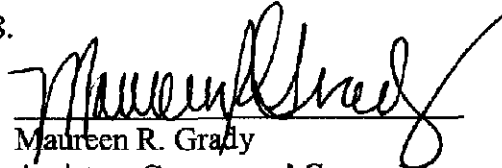
6
7 **Q18. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A18.** Yes. However, I reserve the right to incorporate new information that may
9 subsequently become available. I also reserve the right to supplement my
10 testimony in the event that AEP Ohio submits new or corrected financial or other
11 data in connection with this proceeding.

¹⁶ Sloneker, Exhibit KLS-2, page 11 of 27.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Direct Testimony of Wilson Gonzalez on behalf of the Office of the Ohio Consumers' Counsel*, has been served upon the following parties via regular U.S. Mail service, postage prepaid (and a courtesy copy via electronic transmission) this 31st day of October, 2008.


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