

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**PREPARED TESTIMONY**

Of

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

Staff Exhibit \_\_\_\_\_

November 7, 2008

PUCO

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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  
3 Broad 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  
17 environmental matters.  
18  
19 4. Q. Have you testified in prior proceedings before the Commission?  
20 A. Yes.  
21  
22 5. Q. What is the purpose of your testimony in this proceeding?

1           A.    My testimony focuses on the companies plans for complying with the  
2                   alternative energy portfolio standard (AEPS) requirements as contained in  
3                   Ohio Rev. Code § 4928.64. I will first very briefly discuss a couple of  
4                   federal environmental regulations that are relevant to this proceeding.

5  
6    6.    Q.    You are not an attorney, are you?

7           A.    No, I am not. My discussion of both the environmental regulations and  
8                   Ohio Rev. Code § 4928.64 reflects my layman's understanding of these  
9                   issues. I am not offering a legal opinion of any sort.

10

11   7.    Q.    To what environmental regulations did you refer previously, and why are  
12                   they pertinent to this proceeding?

13           A.    According to Exhibit PJN-9 (AEP Witness Nelson), the companies have  
14                   invested in multiple environmental projects with the expectation that such  
15                   investments will continue during 2009 – 2011. The testimony of Staff  
16                   Witness Soliman addresses the companies requested recovery of carrying  
17                   costs on these environmental investments. The companies indicated in  
18                   response to Staff Data Request 14 that at least some of these  
19                   environmental projects were planned in response to the Clean Air  
20                   Interstate Rule (CAIR) and the Clean Air Mercury (Rule (CAMR).

21

22   8.    Q.    Can you briefly describe CAMR and CAIR, and provide an assessment of  
23                   the current status of these regulations?

1           A.     CAMR was issued by the U.S. EPA in March 2005 and was designed to  
2                 reduce mercury emissions nationwide from coal-fired electric generating  
3                 facilities during two phases beginning in 2010. On February 8, 2008, the  
4                 U.S. Court of Appeals for the District of Columbia issued a decision in  
5                 Case No. 05-1097 that vacated the CAMR.

6  
7           CAIR was also issued by the U.S. EPA in March 2005. It was intended to  
8                 reduce emissions of nitrogen oxides (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) from  
9                 twenty-eight eastern states and the District of Columbia. The Phase I  
10                CAIR program for NO<sub>x</sub> was to start in 2009, while Phase I of the CAIR  
11                program for SO<sub>2</sub> was to start in 2010. On July 11, 2008, the U.S. Court of  
12                Appeals for the District of Columbia issued a decision in Case No. 05-  
13                1244 that vacated the CAIR. The US EPA has filed a petition for  
14                rehearing in the CAIR case.

15  
16        9.     Q.     Given these recent Court decisions, is it possible to determine with  
17                 certainty what will come of the emission reductions envisioned under  
18                 CAMR and CAIR?

19           A.     No, not at this point. However, based on their petition for rehearing in  
20                 Case No. 05-1244, the U.S. EPA appears committed to implementing  
21                 regulations that result in further reductions in NO<sub>x</sub> and SO<sub>2</sub> emissions  
22                 from current levels.

1 10. Q. What is your layman's understanding of what Ohio Rev. Code § 4928.64  
2 requires for AEPS?

3 A. Ohio Rev. Code § 4928.64 establishes an AEPS comprised of  
4 requirements for both renewable and advanced energy resources. Ohio  
5 Rev. Code § 4928.64(B)(2) introduces specific annual benchmarks for  
6 renewable energy resources and solar energy resources beginning in 2009.

7  
8 11. Q. Has the PUCO issued rules to implement Ohio Rev. Code § 4928.64?

9 A. The PUCO Staff-proposed rules in Case No. 08-888-EL-ORD issued for  
10 public comment. Initial and reply comments have been received. The  
11 Commission, however, has not yet issued final rules to implement the  
12 AEPS.

13

14 12. Q. Have the companies detailed how they plan to comply with the AEPS  
15 requirements during the plan period of 2009 - 2011?

16 A. Not specifically. Options listed in the testimony of company Witness  
17 Godfrey include long-term renewable energy purchase agreements,  
18 renewable energy credit (REC) purchases, and potential self-build of  
19 renewable resource options. Mr. Godfrey's testimony (p. 10) does  
20 indicate that renewable energy purchase agreements would be the primary  
21 means of complying with the benchmarks for 2009, 2010, and 2011.

22

23 13. Q. Do the companies have experience with renewable energy resources?

1           A.     Yes they do. AEP owns over 300 MW of wind capacity in Texas, as well  
2                 as multiple hydroelectric facilities in Ohio and surrounding states. AEP  
3                 has also recently issued several renewable energy RFPs, including one  
4                 issued by AEP-Ohio in May 2008. The recent AEP-Ohio RFP is attached  
5                 to the testimony of company Witness Godfrey as Exhibit JFG-1.

6  
7    14.    Q.     What are the companies ratemaking plans for costs associated with the  
8                 AEPS requirements?

9           A.     Page 5 of the Application indicates that the companies intend to include  
10                the costs of complying with the renewable energy mandates in the fuel  
11                adjustment clause or FAC. The FAC is discussed in greater detail in the  
12                testimony of Staff Witness Strom.

13  
14   15.    Q.     Do you have any concerns associated with the companies plan to include  
15                the compliance costs in its FAC?

16          A.     Yes, although not directly related to the use of the FAC itself. On page 5  
17                of his testimony, company Witness Assante proposes the use of a non-  
18                bypassable FAC phase-in rider to address deferred incremental FAC costs  
19                during the plan period. As the companies are proposing to include AEPS  
20                compliance costs in the FAC, it is conceivable that some portion of the  
21                AEPS compliance costs could appear in this proposed non-bypassable  
22                phase-in rider. This would appear to be inconsistent with Ohio Rev. Code  
23                § 4928.64(E) (2008), which indicates that all costs of complying with the

1 AEPS “shall be bypassable”. This specific provision would presumably  
2 be satisfied if the companies AEPS compliance costs remained in the  
3 bypassable FAC. These compliance costs should not become part of the  
4 proposed non-bypassable rider associated with the proposed FAC.  
5

6 16. Q. Did the Staff seek clarification on this topic in its data requests to the  
7 companies?

8 A. Yes. In response to Staff Data Request 12-1b, the companies indicated  
9 that it was their intention to keep all of the AEPS compliance costs in the  
10 FAC. Such an approach would appear to address any potential  
11 inconsistencies with Ohio Rev. Code § 4928.64(E) (2008).  
12

13 17. Q. Do you have any other concerns with the proposed FAC phase-in rider?

14 A. Ohio Rev. Code § 4928.64(C)(3) (2008) includes language that excuses  
15 electric distribution utilities and electric service companies from  
16 complying with the annual AEPS benchmarks if their respective annual  
17 compliance costs exceed a certain level. While the Commission’s rules on  
18 this cost cap provision have not yet been finalized, it would seem that  
19 reducing the FAC through the use of deferrals could potentially impact the  
20 implementation of Ohio Rev. Code § 4928.64(C)(3) (2008).  
21

22 18. Q. How could a FAC-related deferral impact the calculations pertaining to  
23 Ohio Code Rev. § 4928.64(C)(3) (2008)?

1           A.     Ohio Rev. Code § 4928.64(C)(3) envisions a comparison of expected costs  
2                   of compliance to expected costs of “ ... otherwise producing or acquiring  
3                   the requisite electricity ...”. Depending on how this is ultimately  
4                   interpreted, the use of deferrals could reduce the comparison point,  
5                   thereby reducing the absolute value of a three percent increment that is to  
6                   be available for compliance with the annual renewable energy and solar  
7                   energy resource benchmarks during the plan period.

8  
9       19.    Q.     Are you supporting a recommendation on this topic in your testimony?

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

15  
16       20.    Q.     Have the companies projected compliance costs associated with Ohio Rev.  
17                   Code § 4928.64 in this proceeding?

18           A.     Yes, for 2009. In Mr. Nelson’s testimony, specifically Exhibits PJN-2 and  
19                   PJN-5, projects costs associated with renewable energy credits for  
20                   Columbus Southern Power and Ohio Power of \$919,600 and \$1,170,400,  
21                   respectively.

22  
23       21.    Q.     Did Staff review these cost projections?



1           A.     Yes. Staff conducted a preliminary review of the projected costs for 2009,  
2                     with the expectation that the actual costs would be reviewed more closely  
3                     during annual audits of the FAC.

4  
5   22.    Q.     What did Staff conclude regarding the renewable energy credit (REC) cost  
6                     projections in PJN-2 and PJN-5?

7           A.     The projected costs on line 43 of PJN-2 and PJN-5 respectively are a  
8                     function of the statutory requirements of ORC Section 4928.64(B)(2), the  
9                     companies proposed baselines presented in Mr. Castle's testimony, and  
10                    projected REC costs. The baseline and REC prices are estimates at this  
11                    point, and therefore subject to some uncertainty. Overall, however, Staff  
12                    believes that the projections are reasonable. With that said, Staff would  
13                    expect the companies compliance efforts to be consistent with the  
14                    Commission's final rules on the AEPS, which may impact any underlying  
15                    assumptions in subsequent projections. In addition, Staff would note that  
16                    the proposed baseline methodology is addressed in the testimony of Staff  
17                    Witness Scheck. To the extent Mr. Scheck recommends modifying the  
18                    companies baseline calculation, I would recommend that the companies  
19                    projected 2009 REC costs be adjusted accordingly.

20  
21   23.    Q.     Does your pre-filed testimony presuppose anything with regard to the  
22                     companies compliance with the annual renewable energy and solar energy  
23                     benchmarks during the plan period?

1           A.    No, it does not. Staff assumes that compliance with the annual  
2                    benchmarks would be the focus of annual compliance reviews as required  
3                    by Ohio Rev. Code § 4928.64(C)(1) (2008).

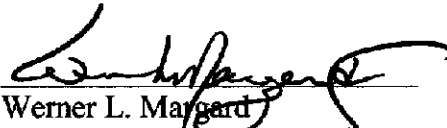
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5   24.   Q.    Does this conclude your testimony?

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 true copy of the foregoing Testimony 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 7<sup>th</sup> day of November, 2008.



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