

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of)
Columbus Southern Power Company For)
Approval of its Electric Security Plan)
Including Related Accounting Authority;)
an Amendment to its Corporate)
Separation Plan; and the Sale or Transfer)
of Certain Generating Assets)

Case No. 08-917-EL-SSO

and)

In the Matter of the Application of Ohio)
Power Company for Approval of its)
Electric Security Plan Including Related)
Accounting Authority; and an)
Amendment to its Corporate Separation)
Plan)

Case No. 08-918-EL-SSO

Rebuttal Testimony of

Samuel R. Wolfe

On Behalf of Intervener

Integrus Energy Services, Inc.

Dated: November 14, 2008

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

2 **A.**My name is Samuel R. Wolfe. I work for Integrys Energy Services, Inc.
3 ("Integrys") as a Commercial and Industrial Originator. My business address is
4 300 West Wilson Bridge Road, Suite 350, Worthington, Ohio 43085.

5

6 **Q. ARE YOU THE SAME SAMUEL R. WOLFE WHO PREVIOUSLY**
7 **PRESENTED DIRECT TESTIMONY IN THIS PROCEEDING?**

8 **A.**Yes, and I am presenting this rebuttal testimony on behalf of Integrys.

9

10 **Q. AS BACKGROUND, WHAT WAS THE SUBJECT OF YOUR DIRECT**
11 **TESTIMONY FILED IN THIS CASE?**

12 **A.**My direct testimony set forth reasons why retail end-users served by
13 Columbus Southern Power Company ("CSP") and Ohio Power Company
14 ("OPC") should not be barred from participating in the demand response
15 programs offered by PJM Interconnection ("PJM") that customers are attracted to,
16 along with having access to the programs proposed by CSP and OPC.

17

18 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

19 **A.**My rebuttal testimony responds to the direct testimony filed by J. Edward
20 Hess of the Electricity and Accounting Division, Utilities Department, Public
21 Utilities Commission of Ohio. In particular, I am responding to the portion of Mr.
22 Hess' testimony concerning the short-term Electric Security Plan – labeled the
23 January 1, 2009 alternative (the "interim plan") which failed to address the

1 portion of the application in this proceeding in which CSP and OPC request a ban
2 on its customers participating in the regional transmission organization PJM
3 Interconnection ("PJM") demand response programs.

4
5 **Q. WHY ARE YOU CONCERNED ABOUT MR. HESS' FAILURE TO**
6 **ADDRESS IN THE INTERIM PLAN THE ISSUE OF PARTICIPATION IN**
7 **THE PJM DEMAND RESPONSE PROGRAMS?**

8 **A.** The failure to directly address access to and participation in the PJM
9 demand response programs creates uncertainty as to the availability of those
10 programs, as well as uncertainty as to interference with contractual and
11 operational commitments relating to participation in the PJM demand response
12 programs. At present there is no prohibition on the participation of CSP and OPC
13 retail customers in the PJM demand response programs. As I state in my direct
14 testimony, there should not be any prohibition at all; however, if at the end of this
15 case, the Commission determines to limit participation, the limitation has to be
16 implemented in an orderly manner that takes into account and does not interfere
17 with existing contractual and operational commitments. The interim plan must
18 take such considerations into account and provide for certainty to customers,
19 curtailment service providers (such as Integrys), and PJM.

1 **Q. WHAT HAS MR. HESS FAILED TO CONSIDER IN THE INTERIM**
2 **PLAN WITH REGARD TO CUSTOMERS PARTICIPATING IN PJM**
3 **DEMAND RESPONSE PROGRAMS?**

4 **A.**Generally, the interim plan is being proposed to provide for certainty as to
5 CSP and OPC's rates and operations until the underlying CSP and OPC
6 application is fully resolved. In my view, such certainty, on an interim basis,
7 should extend to PJM demand response program participation as well.

8 The current planning period for the PJM Interruptible Load for Reliability
9 ("ILR") program started June 1, 2008, and runs through May 31, 2009 (the 08-09
10 PJM planning period). The next planning period starts June 1, 2009, and will run
11 through May 31, 2010 (the 09-10 PJM planning period). Customers will be
12 committed to participate in the PJM programs for the 09-10 PJM planning period
13 starting January 5, 2009, through March 2, 2009. Once a customer is committed
14 to PJM for the 09-10 planning period, PJM includes the loads of such customers
15 in its operations plan.

16 CSP and OPC's proposed tariff contains a provision to limit participation
17 in "a wholesale demand response program offered by an RTO or other entity,"
18 which apparently includes the PJM demand response programs. Integrys is
19 opposing this proposed tariff provision. Assuming that this proceeding is fully
20 litigated and appealed, Counsel has informed me that given the current litigation
21 schedule, the likely briefing schedule and the statutory period for rehearing, it is
22 reasonable to expect that the final decision in this proceeding may not be
23 available until near or after March 2, 2009, after the commitment period for the

1 09-10 planning period has closed.

2 It would appear that the interim plan proposed by Mr. Hess could be in
3 place during the 08-09 planning period, as well as through the commitment period
4 and the start of the 09-10 planning period. However, the interim plan is silent as
5 to how customers committed in the PJM demand response programs would be
6 treated if the underlying proceeding unfortunately results in limiting participation
7 in those programs.

8
9 **Q. WHAT ARE YOUR SPECIFIC CONCERNS ABOUT THE PJM DEMAND**
10 **RESPONSE PROGRAMS DURING THE INTERIM PERIOD?**

11 **A.** I have two specific concerns. My first concern is that the interim plan is
12 silent as to the treatment of CSP and OPC customers who are currently committed
13 to participating in PJM demand response programs, particularly the ILR program
14 for the 08-09 planning period. My second concern is that the interim plan is also
15 silent as to the treatment of CSP and OPC customers who will start committing,
16 as early as January 5, 2009, to participate in the ILR program for the 09-10
17 planning period during the interim plan period. Of the customers that committed
18 to PJM for the 08-09 planning period, some have already invested in the metering
19 and communication assets necessary to satisfy their commitments to PJM in
20 anticipation of multi-year participation. Additional customers may make similar
21 investments as they commit to PJM for the 09-10 planning period.

22 Customers are committed to PJM for the 08-09 planning period, during the
23 interim plan. Customers will also be committed to PJM for the 09-10 planning

1 period starting as early as January 5, 2009, during the interim plan. During the
2 interim plan period, while the underlying litigation on the issue of barring
3 participation continues, the Commission should provide certainty to customers,
4 PJM, and curtailment service providers that their obligations and commitments
5 will not be interfered with.

6
7 **Q. WHAT CHANGE WOULD YOU RECOMMEND TO THE INTERIM**
8 **PLAN PROPOSED BY MR. HESS?**

9 **A.** I respectfully recommend that the interim plan approved by the
10 Commission at a minimum expressly provide for certainty with regard to
11 participation by customers in PJM demand response programs for the currently
12 ongoing 08-09 planning period and the immediately upcoming 09-10 planning
13 period. Accordingly, the interim plan should provide for the following:

- 14 1. State that customers may continue to participate in PJM demand response
15 programs as currently permitted and
- 16 2. State that any customers currently committed to participate in PJM
17 programs for the 08-09 planning period and those that commit to
18 participate in the 09-10 planning period, starting January 5, 2009, will be
19 entitled to honor their commitments regardless of any final decision on the
20 underlying proceeding with regard to CSP and OPC's proposal to bar
21 participation in the PJM demand response programs.

22 Both of the above explicit directives are necessary to provide for regulatory,
23 contractual, and operational certainty during the interim plan.

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Q. HAS ANY OTHER ELECTRIC DISTRIBUTION COMPANY PROPOSED TO BAR ITS CUSTOMERS FROM PARTICIPATING IN THE PJM DEMAND RESPONSE PROGRAMS, AND WHY IS THIS IMPORTANT WITH REGARD TO THE INTERIM PLAN?

A. No, not to my knowledge. This is important because Ohio customers compete in at least the local and regional marketplace, and as set forth in my direct testimony the inability to participate in the PJM demand response programs creates a competitive disadvantage. Uncertainty with regard to interference with honoring commitments to participate is likely to have the effect of chilling participation by CSP and OPC customers in these programs, while their competitors continue to participate in – and reap the financial benefits of participation in – PJM demand response programs. This elevates the necessity for certainty at least on an interim basis with regard to participation in and satisfying obligations relating to the PJM demand response programs while the underlying issues are either fully settled or litigated and resolved, one way or the other. Until the issue is finally resolved, CSP and OPC customers should be permitted to participate in the PJM demand response programs without such risk of uncertainty.

1 **Q IN CONCLUSION, WHAT WILL HAPPEN IF THE COMMISSION DOES**
2 **NOT EXPRESSLY PROVIDE FOR THE CERTAINTY REQUESTED**
3 **ABOVE THROUGH THE 09-10 PLANNING PERIOD?**

4 **A.** Customers who have committed to participate in PJM demand response
5 programs, such as the ILR program, could potentially be in default, subject to
6 penalties for non-compliance. In addition, customers that participate in these
7 programs have to make operational commitments and may have to invest in
8 measurement and verification equipment, controls, and communication equipment
9 in regards to the PJM requirements. Customers are unlikely to commit to
10 programs if they fear they could be at risk for investment in this equipment or the
11 possibility of defaults and penalties due to interference with their obligation to
12 PJM to reduce load during emergency situations. Therefore, as noted above, the
13 lack of regulatory certainty is likely to chill customer participation in the PJM
14 demand response programs, possibly removing hundreds of megawatts available
15 for demand reduction on the transmission grid. This is the equivalent of a
16 medium-sized power plant being available for reliability purposes prior to voltage
17 reduction and load dump on the transmission system. Should the tariff provision
18 barring participation in PJM demand response programs be approved after a
19 customer is committed to PJM, then PJM would be faced with a decision on
20 whether the customer is in default, and how to replace the lost megawatts
21 available for grid reliability.

22 It is fair and reasonable to eliminate uncertainty with regard to the
23 continued participation in PJM demand response programs prior to a final

1 determination on the actual CSP and OPC proposal to limit participation in the
2 PJM demand response programs. In my view, Ohio customers should not be
3 placed at such a disadvantage, certainly not without having had a fair opportunity
4 to have their issue fully considered by the Commission.

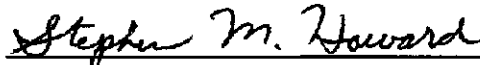
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6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A. Yes.**

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Document was served upon the following parties by E-mail or First-Class U.S. Mail this 14th day of November, 2008.



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