

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Application of</b>	)	
<b>Columbus Southern Power Company</b>	)	<b>Case No. 09-1872-EL-ACP</b>
<b>for Approval of its Renewable Energy</b>	)	
<b>Technology Program</b>	)	
	)	
<b>In the Matter of the Application of</b>	)	
<b>Ohio Power Company for Approval</b>	)	<b>Case No. 09-1871-EL-ACP</b>
<b>of its Renewable Energy Technology</b>	)	
<b>Program</b>	)	

**AEP OHIO REPLY COMMENTS**

Columbus Southern Power Company (CSP) and Ohio Power Company (OP), collectively the “Companies” or “AEP Ohio,” initiated these cases by submitting an application that sought approval of the Companies’ Renewable Energy Technology (RET) Program. On January 14, 2010, OCC filed comments in partial opposition to the Companies’ application. As noted by OCC, AEP Ohio has engaged stakeholders including OCC in productive discussions with respect to the proposed program; however, some differences of opinion remain. In response to the comments submitted by OCC, the Companies submit these reply comments in further support of their application.

AEP Ohio is strongly supportive of providing robust programs that encourage customer-sited distributed generation with renewable resources. The Companies face the challenge of determining program prices that will achieve this goal while simultaneously providing electric service to all of their customers at the lowest reasonable cost. AEP Ohio believes the RET Program, as filed, allows AEP Ohio to achieve a win-win for all of its customers. AEP Ohio acknowledges that the recommendations of the OCC would

likely increase the installation of customer-sited renewable resources; however, there are countervailing concerns that should be considered.

First, in its Electric Security Plan (ESP) filing, AEP Ohio indicated that its compliance plan for meeting the 2009-2011 Alternative Energy Portfolio benchmarks would be to enter into Purchased Power Agreements (PPAs) and to purchase Renewable Energy Credits (RECs). Through its solar PPA with Wyandot Solar LLC, AEP Ohio will adequately meet our 2010 and 2011 benchmarks and at a cost to all customers that will be well below the OCC's recommendation that is based on 80% of the statutory alternative compliance penalty or "ACP". AEP Ohio recognizes that its proposed program would involve RECs created beyond 2011, as does its PPA with Wyandot Solar LLC.

AEP Ohio fully anticipates that its primary strategy will be to either own or facilitate development of future utility-scale PPAs or take other similar measures to primarily meet its aggressive Alternative Energy Portfolio benchmarks, in order to maintain the lowest reasonable cost. Similarly, through AEP Ohio's 2009 non-solar REC purchases to date, the costs incurred are more comparable to the Companies' proposed program for small wind as opposed to the 80% of the ACP recommended by the OCC. In pursuing that strategy, AEP Ohio firmly believes those cost will be below 80% of the ACP and more comparable to the cost of its proposed program. It should also be noted that AEP Ohio believes the OCC's price per kWh may be incorrect, unless they used different discount rates.

As for the term of AEP Ohio's proposed contract being 20 years, the application explained that the analysis was kept simple for a break-even outcome and selected 20 years since that is the projected life expectancy of these systems. That said, AEP Ohio

understands the concern that 20 years may be perceived as a barrier by residential customers. If the term were lowered to 15 years and were applied in AEP Ohio's analysis, it would further reduce the incentive amounts. Taking such action could reduce customer participation. AEP Ohio also recognizes that, in the final 5 years, degradation of the generation from these systems along with the greater likelihood of maintenance of the systems, home ownership, and other various issues could make this burdensome to the participating customers and potentially increase the administrative cost of the program. With all things considered, AEP Ohio believes it would be reasonable to lower the term to 15 years and retain the same incentive amounts and would not be opposed to the Commission adopting this change.

The OCC's recommendation to pay the incentive to a third-party most likely would generate more problems that, in the long run, would not be in the best interest to all customers. In general, many small businesses do not survive for 20 years or even for 15 years. It is AEP Ohio's belief that there is an even greater-than-average likelihood of failure for firms in the renewable resources industry, since it is in its infancy and not well established. As a result, AEP Ohio has great concerns that, should systems owned by third parties fail to perform under the terms of the contract, AEP Ohio would be in a position of having to seek recovery of monies due to its ratepayers. At this time, the risks appear to be too great and AEP Ohio is opposed to this recommendation.

Making this program available to customers receiving their generation from an alternative supplier also does not appear to be appropriate. The cost of this program will be recovered through AEP Ohio's fuel adjustment clause, a bypassable charge that is not paid by shopping customers. Under AEP Ohio's proposal, the customers receiving the

incentive would pay their fair share only if they receive their generation from AEP Ohio. We realize this fair share spread across all of its customers is a very small amount; however, AEP Ohio submits that customers taking their generation from an alternative supplier would have no opportunity or obligation to pay for those generation-related compliance costs.

AEP Ohio believes that it is important to maintain the maximum incentive limits. A condition of this program is for the customer to take service under the Companies' Schedule NEMS, which is required so the customer would maximize the financial opportunities for utilizing a distributed generation renewable resource. Schedule NEMS specifies such generators are intended to offset part or all of the customer's electricity needs. This means their generation cannot exceed their electricity needs. For each 1 kW of solar PV, it is estimated that the potential energy generated could be 1,085 – 1,254 kWh. This would indicate that for a system with the 8 kW cap there could be 10,032 kWh generated annually. In 2009, the average annual usage for residential customers was approximately 10,968 kWh for CSP and 12,121 kWh for OP. Allowing anything greater than 8 kW may disqualify a customer from Schedule NEMS and its financial benefits. In addition, with installations greater than 8 kW there is a higher possibility that changes to the Companies' facilities may be needed. The full costs of such changes would be the responsibility of customers, which they may perceive as a barrier. Finally, for simplicity of the program we aligned it with the State's grant program which sets a limit at 8 kW. For these reasons the caps should be retained as submitted.

As indicated earlier, in order to reliably ensure that the aggressive statutory Alternative Energy Portfolio benchmarks are met in the long term, AEP Ohio will

primarily accomplish this through large utility scale PPAs, facility ownership or similar means. In turn, the Companies anticipate those costs per kWh would be far less than the costs per kWh for small distributed generation systems. Although it is very important to make sure customers have an opportunity to utilize renewable resources, AEP Ohio needs to use caution and set incentive limits so the overall costs to all customers are accepted and remain reasonable. In other states with portfolio standards that have utilized incentive programs, it has been considered a prudent business practice to set limits. AEP Ohio believes that there must be limits to an incentive program. However, AEP Ohio is not opposed to initially raising the limit or allowing the program to be opened for additional funding should the funds become rapidly expended, provided the Commission grants full recovery of such amounts.

## CONCLUSION

For the foregoing reasons, AEP Ohio requests that the Commission approve the Companies' application consistent with the application and the above comments.

Respectfully submitted,

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Steven T. Nourse, Trial Attorney  
Marvin I. Resnik  
Matthew J. Satterwhite  
American Electric Power Service Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, Ohio 43215  
Telephone: (614) 716-1608  
Fax: (614) 716-2950  
Email: [stnourse@aep.com](mailto:stnourse@aep.com)  
[miresnik@aep.com](mailto:miresnik@aep.com)  
[mjsatterwhite@aep.com](mailto:mjsatterwhite@aep.com)

Counsel for Columbus Southern Power Company  
and Ohio Power Company

## **PROOF OF SERVICE**

I certify that Columbus Southern Power Company's and Ohio Power Company's Reply Comments were served by First-Class U.S. Mail upon counsel for all parties of record identified below this 27<sup>th</sup> day of January, 2010.

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Steven T. Nourse

Janine L. Migden-Ostrander  
Consumers' Counsel  
Christopher J. Allwein, Counsel of Record  
Ann M. Hotz  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215-3485

Richard Cordray  
Ohio Attorney General  
Duane W. Luckey  
Section Chief  
Asst. Attorney General  
180 East Broad Street  
Columbus, Ohio 43215

Samuel C. Randazzo  
Lisa G. McAlister  
Joseph M. Clark  
McNees, Wallace & Nurick, LLC  
21 East State Street  
Columbus, Ohio 43215

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Summary: Comments --AEP OHIO Reply Comments electronically filed by Mr. Steven T Nourse on behalf of Columbus Southern Power Company and Ohio Power Company