BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

COMMENTS BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL AND THE VOTE SOLAR INITIATIVE

Respectfully submitted,

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), on behalf of the residential utility consumers of the Columbus Southern Power Company ("CSP") and the Ohio Power Company ("OP") (together "AEP" or "Companies"), submits these comments along with the Vote Solar Initiative ("VSI") after having reviewed AEP's Application for its Renewable Energy Technology Program ("RET") filed on November 30, 2009. These comments are being filed in response to the Public Utilities Commission of Ohio's ("PUCO" or "Commission") Entry issued on September 24, 2010. OCC and VSI jointly file these comments to reflect our view as to how AEP should revise the RET program as filed in order to benefit its residential utility consumers.

The framework of a satisfactory incentive program that will place a specific value on Renewable Energy Credits ("RECs") generated by existing customer-sited solar photovoltaic and small wind facilities, presented in these cases, was developed from discussions between the Companies and the parties. In accordance with Section V. paragraph 2 of the Stipulation and Recommendation ("Stipulation") pending in Case Nos. 09-1089-EL-POR and 09-1090-EL-POR,[1] OCC and VSI present their recommendations to improve specific components of AEP's proposed RET Program contract that, as presented by the Utility, diminish the value of customer-generated RECs. The Stipulation reserved parties the right to file opposition to any of the aspects of the Companies' proposal that were not consistent with their position.[2]

OCC, VSI and AEP (along with other parties) have engaged in substantive and productive discussions to construct an incentive program that would appropriately encourage residential and small business customers to install distributed generation equipment. Our comments reflect the outcomes of these dialogues. Most of the proposed elements in the RET program further Ohio's goal of encouraging distributed generation renewable energy facilities.[3] Furthermore, the program creates opportunities for the Companies to purchase RECs that may be applied towards the required statutory benchmarks presented in R.C. 4928.64. However, the PUCO should make some modifications, as presented in the comments below: to ensure the incentive paid to customers to install distributed generation and allocate their RECs to AEP is adequate; to ensure that the length of the program is sufficient; and to ensure that all residential customers have an opportunity to participate.

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[1] *In the Matter of the Application of Columbus Southern Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration*, Case Nos. 09-1089-EL-POR, et al, Application at 5 (November 12, 2009).

[2] Id.

[3] R.C. 4928.02(C)

II. COMMENTS

A. Incentive Amounts

The proposed incentive amounts listed in the Application must be adjusted by the PUCO in order for customers to receive an adequate incentive amount. The proposed incentive amount for residential solar systems is $1.50/watt.[4] The proposed small wind system incentive amount is $.0275/kWh.[5] Both incentives would extend through 2011. The Commission should adjust these amounts upward. The incentive amount for residential solar systems should be changed to $1.80/watt. The incentive amount for small wind systems should be changed to $0.29/kWh.

These incentives levels are required to persuade customers to invest in renewable distributed generation and to assist customers in obtaining the financing they need to make that investment as these levels bring the REC value closer to 75% of the alternative compliance payment ("ACP"). In case number 09-551-EL-UNC, a case establishing REC purchase prices to be paid to FirstEnergy Ohio distributed generation customers for RECs, the Commission approved this value to be employed when no market price could be established through an RFP.[6] The utilities' application noted that the default purchase price would be "an established alternative payment."[7] This alternative payment value, presented in the Application, was 80% of the ACP.[8] The Commission approved the

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[4] *In the Matter of the Application of Ohio Power Company for Approval of its Renewable Energy Credit Purchase Offer Program*, Case No. 09-1871-EL-ACP, et al, Application at 5 (November 30, 2009).

[5] Id.

[6] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for Approval of Residential Renewable Energy Credit Purchase Program Agreement,* Case No. 09-551-EL-REN, Second Amended Application at 3 (Sept. 14, 2009).

[7] Id.

[8] Id. at Attachment B. Using the price stated in the attachment for 2009 ($36) and dividing by the 2009 value of the ACP ($45), the value of the RECs is 80% of the current ACP.

Application, including the alternative payment schedule, noting that the schedule, coupled with the utilization of a market-based price when available, "should generally be reflective of existing market conditions."[9] In addition, the Commission stated that the program as a whole, which included the default REC schedule, is "reasonable and consistent with Sections 4928.64 and 4928.65, Revised Code."[10]

In another similar case, the utility proposed, and the Commission Staff recommended the use of 75% of the ACP value for solar REC purchases.[11] In the Finding and Order, the PUCO noted that the Utility agreed to purchase customer-generated RECs "at a price equal to 75 percent of the penalty set forth in Section 4928.64(C)(1)(a), Revised Code…."[12] Thus, using 75% of the ACP is a practice which has been employed by the Commission in recent cases, and should be employed here. These modified incentive amounts will provide a more equitable reimbursement for customer-generated RECs.

The upfront rebate of $1800 for a typical output of 1KW of solar energy over 15 years equates to a REC price of $210.[13] Purchasing Solar RECs at this price is quite competitive with Solar REC public price data for Ohio and PJM.

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[9] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for Approval of Residential Renewable Energy Credit Purchase Program Agreement*, Case No. 09-551-EL-UNC, Finding and Order at 4 (Sept. 23, 2009).

[10] Id., Finding and Order at 4.

[11] *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of a Residential Solar Renewable Energy Credit Purchase Program Agreement and Tariff*, Case No. 09-934-EL-ACP, Finding and Order at 3 (July 29, 2010).

[12] Id., Finding and Order at 1.

[13] Assuming an initial production output of 1150kWh/year based on PVWatts with a 0.5% annual degradation and a future discount of REC income at 8.5%.

B. Eligibility Requirements

1. Shopping Customers Should be Eligible.

The Commission should provide clarification that the Program is open to customers who take service from AEP either under its standard service offer or under its open access distribution schedules who purchase their generation from an alternative supplier. Any customer participating in the Program should still be able to shop for an alternative generation supplier as that option becomes available in the Companies' service territories. Otherwise, this requirement acts as a barrier to competition. Whether or not the customer takes service under a Standard Service schedule, in which the Applicants supply generation, or under one of the Companies' Open Access Distribution schedules, that permit shopping, the PUCO must ensure that all AEP distribution customers are eligible to participate in the Program. This clarification would be consistent with the Commission's order in a similar program filed by Duke Energy Ohio.[14]

2. Customer Who Lease the Renewable Distributed Generation Facilities From Installers Should Be Eligible.

In order to adequately jump-start the renewable distributed generation facilities in the residential sector and to expand renewable distributed generation related employment in Ohio, the Commission should permit residential customers who lease the facilities from installers to participate in the program. OCC and VSI have had communications with renewable distributed generation installation companies that have indicated that they

[14] *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of a Residential Solar Renewable Energy Credit Purchase Program Agreement and Tariff*, Case No. 09-934-EL-ACP, Finding and Order (July 29, 2010).

will not enter the Ohio market to install facilities unless such a leasing provision is accepted by the Commission.

OCC and VSI understand that, in the event of a system failure, AEP would need to have a contractual obligation with the immediate customer to recover any incentive paid for which the RECs were not received. This contractual obligation could be created between the customer and AEP if the customer retains ownership for the RECs produced, while the installer would retain ownership of the facilities. Therefore, we recommend a change from the customer being required to be the owner of the *system* to the customer must be the owner of the *RECs.*

C. Program Length And Reporting Requirements

Because AEP has not been able to implement this program as early as originally proposed, on January 1, 2010, AEP should be required to implement the initial program no later than 30 days from the Commission's decision in this case. The initial program should be offered until December 31, 2011 or until the total $2.5 million allocated towards this program per utility is expended, whichever comes later.

During the initial period of the program, AEP should be required to file quarterly updates regarding the success of the program with the Commission. The Commission should order AEP to implement a follow-up program designed to address the results of the initial program results including input from other interested parties no later than August 31, 2011 so as to avoid any potential stoppage of the program.

If the Commission is reluctant to order AEP to implement a follow-up program at this time, the Commission should, at a minimum, order AEP to maintain the initial program for at least a period of two years after the starting date as it was originally stipulated to implement a full two year REC purchase program for residential and non-residential customers in the Stipulation.[15]

D. Conditions of the Renewable Energy Technology Program Rider

As part of the Stipulation filed in AEP's portfolio plan case, AEP agreed to file a "Renewable Energy Technology Program" that would be an "incentive-based REC program for solar photovoltaic and small wind resources to encourage residential and non-residential customers to install renewable energy resource facilities on the customer premises, subject to Commission approval of design and cost recovery."[16] This RET program provided for in the Stipulation and approved by the Commission, is a separate and distinct program from the REC purchase program, also provided for in the Stipulation.[17] Simply allowing for a REC purchase program will not provide for an "incentive-based REC program." An incentive-based REC program clearly implies the offering of incentives prior to the installation of a renewable generation system.

OCC agrees with AEP's proposed program that provides an up-front incentive to residential customers who install a certifiable 2kW or greater solar photovoltaic project or a certifiable 3,000kWh/year(ac) or greater wind project. In order to obtain the incentive, the customers must be willing to assign the RECs produced by the projects to AEP for the first 15 years of the project life. Without the up-front payment, customers will not have

[15] Stipulation at Section V., paragraph 3.

[16] *In the Matter of the Application of Columbus Southern Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration*, Case Nos. 09-1089-EL-POR, et al, Stipulation and Recommendation at Section V., paragraph 2 (November 12, 2009).

[17] The RET program is provided for under Section V., paragraph 2, while the REC program is provided for under Section V., paragraph 3.

sufficient incentive or financial backing to encourage participation in the renewable energy technology program.

E. The Risk of the Up-front Payment is Small and the Experiential Opportunities the Pilot Program Will Provide Justify the Minimal Risk.

The "up-front payment" provision may appear to have a small modicum of risk, should a renewable project fail or become inaccessible, however upfront payments are widely used with success in states with solar programs across the country. Moreover, whatever risk is involved is off-set by the significant experiential learning opportunities provided by the pilot program. The Commission should facilitate the utilities efforts in developing and testing these pilot programs. The Commission has already approved "pay-as-you-go" programs. With an "up-front payment" program, the Commission AEP and the OCC will be able to compare the results of the two different types of pilots, to best design future renewable energy credit programs.

The total incentive funding cap for residential solar photovoltaic projects is limited to $400,000 per year or $ 800,000 for the two years of the program.[18] The total incentive funding cap for residential wind projects is $187,500 per year or a total of $375,000 during the two years of the program.[19] These amounts are very small compared to the risk that has been imposed on residential customers by electric security plan provisions. For these reasons, the RET program should provide an up-front payment.

[18] Application at 5.

[19] The Commission should allow AEP to adjust program incentive caps as needed based on program participation levels so as to most effectively spend the money allocated to this program.

Without an up-front payment, the RET program will not provide for the "incentive-based REC program" contemplated in the Commission approved Stipulation.

The significant difference in program design from the REC purchase programs offered by other utilities will allow the Commission and interested parties to measure which design is more successful. We believe that the upfront incentive design will result in the greatest customer participation and associated local grid and economic benefits.

III. CONCLUSION

OCC and VSI jointly file these comments as provided for by the Commission's Entry in this case on September 24, 2010. OCC and VSI approve of the general structure of the AEP RET program. However, the Commission should adjust the proposed incentive amounts for the Program as recommended in order to provide customer generators incentives to produce RECs through distributed generation. The Commission should also clarify that shopping and non-shopping customers of the AEP service territory should be permitted to participate, along with 3rd party leasing customers as described above, and that the RET program is available to residential and small business customers for a full two years. Finally, the Commission should ensure that AEP provides participating customers with an up-front payment as a necessary incentive for residential customers to invest in distributed generation.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these *Comments by the Office of the Ohio Consumers' Counsel and the Vote Solar Initiative*, was served on the persons stated below *via* regular U.S. Mail Service; postage prepaid this 8th day of October 2010.

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