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**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio :  
Power Company for Approval of its :  
Renewable Energy Technology Programs. : Case No. 09-1871-EL-ACP

In the Matter of the Application of :  
Columbus Southern Power Company for :  
Approval of Its Renewable Energy : Case No. 09-1872-EL-ACP  
Technology Programs. :

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**REPLY COMMENTS  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**Richard Cordray**  
Ohio Attorney General

**Rebecca L. Hussey**  
Assistant Section Chief  
**Thomas W. McNamee**  
Assistant Attorney General  
Public Utilities Section  
180 East Broad Street  
Columbus, OH 43215-3793  
614.466.4397 (telephone)  
614.644.8764 (fax)  
[rebecca.hussey@puc.state.oh.us](mailto:rebecca.hussey@puc.state.oh.us)  
[thomas.mcnamee@puc.state.oh.us](mailto:thomas.mcnamee@puc.state.oh.us)

**October 15, 2010**

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On November 30, 2009, as amended on December 7, 2009, Ohio Power Company (OP) and Columbus Southern Power Company (CSP) (jointly, AEP-Ohio, or the Companies) filed an application for approval of their renewable energy technology (RET) programs. The attorney examiner granted motions to intervene submitted by Industrial Energy Users-Ohio (IEU-Ohio), the Office of the Ohio Consumers' Counsel (OCC), and the Vote Solar Initiative (VSI) on September 24, 2010. By means of the same entry, the Attorney Examiner set a deadline for the filing of comments on AEP-Ohio's applications, as well as reply comments.

On October 8, 2010, Staff of the Public Utilities Commission of Ohio (Staff) filed comments on the application. On the same day, OCC and VSI jointly filed comments on the application, as did IEU-Ohio. The attached reply comments respond to those comments, and reiterate the themes in Staff's October 8, 2010 comments.

## **IEU-Ohio**

IEU- Ohio concludes that the application should be denied, in part because AEP-Ohio already expects to have sufficient solar RECs (S-RECs) to comply with the 2010 and 2011 solar mandates. Therefore, IEU-Ohio argues, there is no immediate need for the additional S-RECs that may be obtained through this proposed program.<sup>1</sup>

While Staff does not contest the premise of IEU-Ohio's position, Staff would note that RECs can be banked for a certain period of time<sup>2</sup> – and therefore, RECs obtained through this program, as well as the RECs obtained from Wyandot Solar, LLC, to which IEU-Ohio refers, need not be used immediately to be considered a viable compliance tool.

IEU-Ohio further recommends that, rather than approving this application, the Commission should direct AEP-Ohio to discuss the proposed program with interested parties in the context of the next SSO application.<sup>3</sup> The Staff is not opposed to continued discussions on a potential incentive-based program in the context of AEP Ohio's next SSO application.

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<sup>1</sup> IEU-OH Initial Comments, p. 2

<sup>2</sup> OAC, 4901:1-40-04(D)(3)

<sup>3</sup> IEU-OH Initial Comments, p. 5

## OCC/VSİ

OCC/VSİ asserts that the proposed program entails minimal risk to ratepayers, based on the incentive funding caps.<sup>4</sup> However, the dollar figures advanced in the OCC/VSİ comments present only a portion of the program costs. In fact, per the application, the funding for this proposed program thru December 31, 2011, would be capped at \$5 million dollars, with that amount evenly split between Ohio Power and Columbus Southern<sup>5</sup>. Therefore, the potential financial exposure associated with this proposed program is up to \$2.5 million for Ohio Power and Columbus Southern Power respectively.

OCC/VSİ also argues that “upfront payments are widely used with success in states with solar programs across the country”.<sup>6</sup> OCC/VSİ does not, however, define “success” in this context. If their argument is simply that upfront incentive payments are successful in prompting additional installations of distributed renewable generating facilities, then Staff finds that to be a plausible argument. But when considering the overall cost effectiveness of such a program, and the impact to ratepayers as a whole, Staff continues to question the potential “success” of such a program design.

OCC/VSİ also argues that the Commission “should order AEP to implement a follow-up program.” Staff does not believe that it is appropriate to require such a

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<sup>4</sup> OCC/VSİ Initial Comments, p. 8

<sup>5</sup> AEP Ohio Application, p. 3

<sup>6</sup> OCC/VSİ Initial Comments, p. 8

<sup>7</sup> OCC/VSİ Initial Comments, p. 6

measure at this stage, as that essentially predetermines the effectiveness of the program. If the Commission decides that the proposed Renewable Energy Technology program should be implemented, the program should be evaluated over time in light of actual program results. Such results may or may not support a proposal for the program's continuation for the Commission's consideration.

In the event that the Commission does not order a follow-up program, OCC/VSI recommends that the initial program should be maintained for a minimum of two years after the starting date.<sup>8</sup> Staff does not contest this recommendation, provided the proposed maximum funding caps for the program remain in place. Staff mentions, however, that such a program length would presumably extend into the next SSO proceeding, and therefore may necessitate some consideration in that context.

OCC/VSI seek a requirement that AEP file quarterly updates during the term of the program<sup>9</sup>, a request that Staff supports in the event that the program is implemented. Such reports should provide useful insights into the effectiveness of the program, insights which may be beneficial when considering any similar programs in the future.

OCC/VSI also contend that eligibility should not be limited to customers taking AEP-Ohio's standard service offer, but rather should be extended to AEP customers supplied by alternative suppliers as well.<sup>10</sup> Staff agrees with this position, as the RECs would be recognized as viable compliance tools, regardless of actual generation provider.

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<sup>8</sup> OCC/VSI Initial Comments, p. 6

<sup>9</sup> OCC/VSI Initial Comments, p. 6

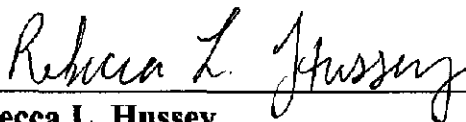
<sup>10</sup> OCC/VSI Initial Comments, p. 5

## **Staff's Comments—October 8, 2010**

Staff reiterates by reference the content of its Initial Comments in this proceeding, as submitted on October 8, 2010. Specifically, Staff is generally more supportive of programs in which compensation is directly tied to performance than those in which compensation occurs upfront, as is the case in this application. Further, Staff is concerned about the implications of any failure to perform on the contracts, especially where, as here, compensation occurs on the front end of the program. Moreover, Staff believes that specific procedures, outlined in its October 8, 2010 comments, must be utilized in order for rate recovery to proceed in a responsible fashion and in order to ensure that the programs comply with all Commission rules.

Respectfully submitted,

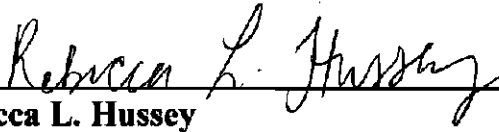
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Columbus, OH 43215-3793  
614.466.4397 (telephone)  
614.644.8764 (fax)  
[rebecca.hussey@puc.state.oh.us](mailto:rebecca.hussey@puc.state.oh.us)  
[thomas.mcnamee@puc.state.oh.us](mailto:thomas.mcnamee@puc.state.oh.us)

## CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Reply Comments**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the parties listed below this 15<sup>th</sup> day of October, 2010.

  
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**Rebecca L. Hussey**  
Assistant Section Chief

### **PARTIES OF RECORD:**

Steven T. Nourse  
Matthew J. Satterwhite  
American Electric Power Service Corp.  
1 Riverside Plaza  
29<sup>th</sup> Floor  
Columbus, OH 43215  
[stnourse@aep.com](mailto:stnourse@aep.com)  
[mjsatterwhite@aep.com](mailto:mjsatterwhite@aep.com)

Christopher J. Allwein  
Ann Hotz  
Assistant Consumers' Counsel  
Office of the Ohio Consumers' Counsel  
10 West Broad Street  
Suite 1800  
Columbus, OH 43215  
[allwein@occ.state.oh.us](mailto:allwein@occ.state.oh.us)  
[hotz@occ.state.oh.us](mailto:hotz@occ.state.oh.us)

Sam Randazzo  
Joe Clark  
McNees Wallace & Nurick  
21 East State Street  
17<sup>th</sup> Floor  
Columbus, OH 43215  
[sam@mwncmh.com](mailto:sam@mwncmh.com)  
[jclark@mwncmh.com](mailto:jclark@mwncmh.com)

Todd M. Williams  
Williams & Moser  
P.O. Box 6885  
Toledo, OH 43612  
[toddm@williamsandmoser.com](mailto:toddm@williamsandmoser.com)