

FILE

PUCO EXHIBIT FILING

Date of Hearing: 10/6/11

Case No. 10-2376-EL-LUX

PUCO Case Caption: Ohio Power and
Columbus Southern ~~Sea~~ Power

List of exhibits being filed:

IEU Ex 5 & 6
OCC Ex 2-5
Paulding Wind Farm Ex 1
ORM Ex 4-12

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PUCO

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RECEIVED-DOCKETING DIV

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

1	In the Matter of the	:	
2	Application of Ohio Power	:	
3	Company and Columbus Power:	:	
4	Company for Authority to	:	Case No. 10-2376-EL-UNC
5	Merge and Related	:	
6	Approvals.	:	
7	In the Matter of the	:	
8	Application of Columbus	:	
9	Southern Power Company	:	
10	and Ohio Power Company	:	
11	for Authority to Establish:	:	
12	a Standard Service Offer	:	Case No. 11-346-EL-SSO
13	Pursuant to §4928.143,	:	Case No. 11-348-EL-SSO
14	Ohio Rev. Code, in the	:	
15	Form of an Electric	:	
16	Security Plan.	:	
17	In the Matter of the	:	
18	Application of Columbus	:	
19	Southern Power Company	:	Case No. 11-349-EL-AAM
20	and Ohio Power Company	:	Case No. 11-350-EL-AAM
21	for Approval of Certain	:	
22	Accounting Authority.	:	
23	In the Matter of the	:	
24	Application of Columbus	:	
25	Southern Power Company to	:	Case No. 10-343-EL-ATA
26	Amend its Emergency	:	
27	Curtailment Service	:	
28	Riders.	:	
29	In the Matter of the	:	
30	Application of Ohio Power	:	
31	Company to Amend its	:	Case No. 10-344-EL-ATA
32	Emergency Curtailment	:	
33	Service Riders.	:	
34	In the Matter of the	:	
35	Commission Review of the	:	
36	Capacity Charges of Ohio	:	Case No. 10-2929-EL-UNC
37	Power Company and Columbus:	:	
38	Southern Power Company.	:	

1 In the Matter of the :
Application of Columbus :
2 Southern Power Company for:
Approval of a Mechanism to: Case No. 11-4920-EL-RDR
3 Recover Deferred Fuel :
Costs Ordered Under Ohio :
4 Revised Code 4928.144. :
:

5 In the Matter of the :
Application of Ohio Power :
6 Company for Approval of a :
Mechanism to Recover : Case No. 11-4921-EL-RDR
7 Deferred Fuel Costs :
Ordered Under Ohio Revised:
8 Code 4928.144. :
:

9 - - -

10 PROCEEDINGS

11 before Ms. Greta See and Mr. Jonathan Tauber,
12 Attorney Examiners, at the Public Utilities
13 Commission of Ohio, 180 East Broad Street, Room 11-A,
14 Columbus, Ohio, called at 9 a.m. on Thursday,
15 October 6, 2011.

16 - - -

17 VOLUME III

18 - - -

19
20
21 ARMSTRONG & OKEY, INC.
22 222 East Town Street, Second Floor
Columbus, Ohio 43215-5201
23 (614) 224-9481 - (800) 223-9481
Fax - (614) 224-5724
24
25

- - -

Capacity

	2012	2013	2014	2015
Connected Load (GWh)	47,676	47,896	47,843	19,688
Market Price at Full Capacity Cost	\$ 77.03	\$ 81.04	\$ 84.06	\$ 86.22
Market Price @ \$255/MW-d	\$ 70.53	\$ 74.66	\$ 77.69	\$ 79.85
Market Price @ RPM	\$ 57.16	\$ 58.68	\$ 66.64	\$ 72.32
Discount for Shopping Customers w/ RPM Set-Aside	\$ 19.87	\$ 22.36	\$ 17.43	\$ 13.90
Assumed Shopping Level	21%	31%	41%	41%
Shopping Load (GWh)*	9,875	14,848	19,616	8,072
Value of Discounted Capacity Provided to CRES Providers	\$ 196,213	\$ 331,996	\$ 341,802	\$ 112,200

* For 2012 the assumed shopping load was based upon 21% of 47,023 GWh

IEU
Exhibit 6

ESP Price Benefit - Additional Analysis

	2012	2013	2014	2015
Connected Load (GWh)	47,676	47,896	47,843	19,688
Expected MRO Price	\$ 58.13	\$ 59.79	\$ 62.07	\$ 63.70
ESP Price	\$ 59.71	\$ 60.91	\$ 62.41	\$ 62.41
ESP Price Benefit (\$/MWh)	\$ (1.58)	\$ (1.12)	\$ (0.34)	\$ 1.29
Assumed Shopping Level	21%	31%	41%	41%
Non-Shopping Load (GWh)	37,801	33,048	28,227	11,616
2012 MTR Charge	\$ (24,000)			
ESP Price Benefit for Non-Shopping Customers	\$ (83,726)	\$ (37,014)	\$ (9,574)	\$ 14,984

* For 2012 the assumed shopping load was based upon 21% of 47,023 GWh

OCC

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
RESPONSES TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
IN PUCO CASE NOS. 11-346-EL-SSP AND 11-348-EL-SS0
SIXTEENTH SET**

INTERROGATORIES

STIP-OCC-INT-370.

Please identify the post-2000 investment, up through present, which is the basis for the Distribution Investment Rider, by plant account, amount, and year of investment.

RESPONSE

The Companies have not completed such a calculation. The requested information can be calculated based on the information contained in the Companies' FERC Form 1s.

Prepared By: William A. Allen

**COLUMBUS SOUTHERN POWER COMPANY
AND OHIO POWER COMPANY
RESPONSE TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
DISCOVERY REQUEST
IN PUCO CASE NOS. 11-346-EL-SSO AND 11-348-EL-SSO
SEVENTEENTH SET**

INTERROGATORY

STIP-OCC-INT-431.

Please identify the latest known "gross plant in service incurred post-2000, adjusted for growth in accumulated depreciation" as identified in the testimony of William Allen at page 10.

RESPONSE

See STIP-OCC-INT-17-431 Attachments 1 and 2.

Prepared by: William A. Allen

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2011/Q2
---	---	---------------------------------------	---

ELECTRIC PLANT IN SERVICE AND ACCUMULATED PROVISION FOR DEPRECIATION BY FUNCTION

1. Report below the original cost of plant in service by function. In addition to Account 101, include Account 102, and Account 106. Report in column (b) the original cost of plant in service and in column(c) the accumulated provision for depreciation and amortization by function.

Line No.	Item (a)	Plant in Service Balance at End of Quarter (b)	Accumulated Depreciation and Amortization Balance at End of Quarter (c)
1	Intangible Plant	61,613,200	52,578,184
2	Steam Production Plant	2,408,384,765	957,628,964
3	Nuclear Production Plant		
4	Hydraulic Production - Conventional		
5	Hydraulic Production - Pumped Storage		
6	Other Production	403,470,252	133,079,619
7	Transmission	673,066,675	248,813,575
8	Distribution	1,817,746,081	767,578,214
9	Regional Transmission and Market Operation		
10	General	97,480,501	46,475,898
11	TOTAL (Total of lines 1 through 10)	5,461,761,474	2,206,154,454

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
RESPONSES TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
IN PUCO CASE NOS. 11-346-EL-SSP AND 11-348-EL-SS0
SIXTEENTH SET**

INTERROGATORIES

STIP-OCC-INT-373.

What specific distribution assets would be replaced under the DIR proposed in the Stipulation?

RESPONSE

The Company has not determined what specific assets would be replaced under the DIR. See the testimony of Company witness Allen for a description of the DIR.

Prepared By: William Allen

0005



Customer Choice

[Service Requests](#) / [Electric Choice](#) / Competitive Retail Electric Service (CRES) Providers

Logged Out / Log In

Switch to: Business Customer

Register With AEP Ohio

Aggregation Registration

Provider Handbook

AEP Ohio Transmission

PUCO Certification

EDI Testing And Certification

EDI Test Schedules

Load Profiles

Meter Reading Schedule And Codes

Metering And Usage History

Provider Support

Proxy Day Selection

Service Territory Maps

AEP PJM FRR Capacity

Calculation Filing (Docket No. ER11-2183-000)

Tariffs And Tariff Codes

Affidavit of CRES Contract

CRES Providers

Welcome to AEP Ohio's web pages for companies interested in providing competitive services in AEP Ohio's service territory. Please remember that information contained here pertains only to Ohio customers served by AEP Ohio.

RPM-Priced Allotment Status Notifications as of September 7, 2011 – This notification is being issued on September 23, 2011

In recognition of the Stipulation and Recommendation filed in Case Nos. 10-2929-EL-UNC et al (Stipulation), AEP Ohio is providing the following information that may be informative to CRES providers and customers while the Public Utilities Commission of Ohio (Commission) reviews the Stipulation. Paragraph IV.2.b.3 and Appendix C of the Stipulation provide for a set-aside of RPM priced-capacity (e.g., 21% of AEP Ohio's retail load in 2012). Additionally, the Stipulation provides that the RPM-priced capacity shall initially be allocated on a pro rata basis among the residential, commercial and industrial classes and that if the allotment to any customer class as of September 7, 2011 exceeds 21%, then the allocation to the remaining classes shall be reduced on a pro rata basis such that the total allotment does not exceed 21%.

Values expressed in units of MWh	Pro Rata Allocation of RPM Set-aside	Initial RPM Set-aside	Allotments Awarded as of September 7, 2011*	Unallocated Allotments as of September 7, 2011
Residential	3,071,897	2,535,599	103,387	2,432,211
Commercial	3,033,579	4,227,965	4,227,965	-
Industrial	3,769,500	3,111,413	2,570,094	541,319
Total	9,874,976	9,874,976	6,901,446	2,973,530

* The Allotments Awarded as of September 7, 2011 included all customers classified per Appendix C of the Stipulation as Group 1, 2 and 4.

Please be aware that the above values may change as a result of final data validation.

Based upon preliminary current information compiled by AEP Ohio, it is likely that all of the available RPM priced-capacity allotments for 2012 have also been awarded for the Industrial class. After that data is further validated, an additional notification will be issued.

RPM Set-Aside Allotment Rules Meeting, September 19th, 2011

In accordance with the Stipulation and Recommendation (filed on September 7, 2011), AEP Ohio hosted a meeting among Interested Parties, including the Signatory Parties, to discuss the RPM Set-Aside Allotment Rules. Attached is the presentation from this meeting for your reference:

[RPM Set-Aside Presentation to Interested Parties \(PDF\), Columbus, Ohio, September 19, 2011](#)

[Frequently Asked Questions Regarding RPM Set-Aside](#)

[September 7th, 2011 Stipulation](#)

AEP Ohio welcomes your questions on Appendix C. Please email your questions to ohiochoiceoperation@aep.com

If you have any questions or need assistance regarding Ohio Choice, please contact:

Anita Adams
AEP Ohio
Ohio Choice Operations
Phone: 614-883-6990

Doug Hinkle
AEP Ohio
Ohio Choice Operations
Phone: 614-883-6991

Email: ohiochoiceoperation@aep.com

Email: ohiochoiceoperation@aep.com

More information for Competitive Retail Electric Service (CRES) Providers on AEP Ohio Customer Choice is available [here](#) including:

[Registering with AEP Ohio.](#)

[The complete Provider handbook.](#)

[Information on certification with the Public Utilities Commission of Ohio.](#)

[Service territory maps.](#)

American Electric Power Co., Inc.

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Columbus)	
Southern Power Company and Ohio Power Company)	
for Authority to Establish a Standard Service Offer)	Case No. 11-346-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code, in the Form)	Case No. 11-348-EL-SSO
of an Electric Security Plan.)	

In the Matter of the Application of Columbus)	
Southern Power Company and Ohio Power Company)	Case No. 11-349-EL-AAM
for Approval of Certain Accounting Authority.)	Case No. 11-350-EL-AAM

**DIRECT TESTIMONY IN SUPPORT OF
THE JOINT STIPULATION AND RECOMMENDATION OF**

Steve Irvin

on behalf of

Paulding Wind Farm II LLC

September 13, 2011

1 **BACKGROUND, EXPERIENCE AND PURPOSE**

2
3 1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4
5 A. My name is Steve Irvin. My business address is 808 Travis Street, Suite 700,
6 Houston, TX 77002.
7

8 2. Q. BY WHOM ARE YOU EMPLOYED?
9

10 A. I am employed by EDP Renewables North America LLC (formerly known as
11 Horizon Wind Energy LLC) ("EDPR NA").
12

13 3. Q. CAN YOU BRIEFLY DESCRIBE EDPR NA?
14

15 A. Based in Houston, EDPR NA, through its subsidiaries, develops, constructs, owns
16 and operates wind farms throughout North America. It is a subsidiary of EDP
17 Renovaveis, S.A., which is owned by Energias de Portugal, S.A., headquartered in
18 Lisbon, Portugal. EDPR NA owns and operates twenty-eight (28) wind farms
19 across the United States totaling more than 3,500 megawatts ("MW") of capacity,
20 ranking EDPR NA third in the country in terms of net installed capacity. EDPR
21 NA subsidiary Paulding Wind Farm II LLC ("Paulding Wind") owns and operates
22 the 99 MW Timber Road II Wind Farm ("Timber Road II") in Northwest Ohio.
23

24 4. Q. WHAT IS YOUR POSITION WITH HORIZON?
25

26 A. I am Chief Commercial Officer.
27

28 5. Q. HOW LONG HAVE YOU HELD THIS POSITION?
29

30 A. I have held this position since August 2010. Prior to that time I was Director of
31 Power Marketing from June 1, 2005 – August 2010.
32

33 6. Q. WHAT IS THE NATURE OF YOUR DUTIES WITH HORIZON?
34

35 A. As Chief Commercial Officer, I lead both the Power Marketing and Origination
36 and Market Operations departments at EDPR NA. My responsibilities include
37 expanding and maintaining EDPR NA's customer relationships, overseeing the
38 marketing and negotiation of renewable energy purchase agreements and
39 managing the scheduling and hedging of EDPR NA's merchant assets. In my
40 prior role as Director of Power Marketing, I was also responsible for overseeing
41 the marketing and negotiation of renewable energy purchase agreements and
42 managing customer relationships.
43

1 7. Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.
2

3 A. I have a Bachelor of Science degree in Mathematics from Vanderbilt University
4 and a Master of Business Administration degree from Thunderbird School of
5 Global Management.
6

7 8. Q. ARE YOU FAMILIAR WITH THE APPLICATIONS OF COLUMBUS
8 SOUTHERN POWER COMPANY AND OHIO POWER COMPANY FOR
9 APPROVAL OF AN ELECTRIC SECURITY PLAN IN THIS CASE?
10

11 A. Generally, yes. I have reviewed the applications of Columbus Southern Power
12 Company and Ohio Power Company (collectively "AEP Ohio" or the "Company")
13 for approval of an electric security plan ("ESP Case"). I am not an Ohio utility
14 law expert. I specialize in the economics of wind farm development.
15

16 9. Q. ARE YOU FAMILIAR WITH THE JOINT STIPULATION AND
17 RECOMMENDATION (THE "STIPULATION") FILED SEPTEMBER 7,
18 2011, WITH THE PUBLIC UTILITIES COMMISSION OF OHIO
19 ("PUCO" OR THE "COMMISSION") THAT WOULD SETTLE THE ESP
20 CASE AND A NUMBER OF OTHER CASES?
21

22 A. Generally, yes. I have reviewed the Stipulation. However, Paulding Wind is not a
23 party to the other cases and its involvement in the ESP Case is limited to
24 protecting its interests in its twenty (20)-year Renewable Energy Power Purchase
25 Agreement with AEP Ohio for the electrical output of Paulding Wind's Timber
26 Road II wind project (the "Timber Road REPA"). I have not evaluated the merits
27 of the other provisions in the Stipulation and do not take a position on issues
28 outside the scope of the Timber Road REPA.
29

30 10. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?
31

32 A. The purpose of my testimony is twofold. First, I will discuss how the
33 Stipulation's treatment of the Timber Road REPA addresses AEP Ohio's need to
34 enter into long-term contracts with wind energy providers to ensure it meets the
35 obligations of Ohio's renewable portfolio standard ("RPS"), set forth in Ohio
36 Senate Bill 221.¹ Second, I will discuss how the Timber Road REPA benefits
37 AEP Ohio ratepayers, the state's economy, and energy policy more generally.
38

¹ SB 221 created an alternative energy portfolio standard for the State of Ohio, which included separate benchmarks for renewable energy (e.g., wind, solar, biomass) and advanced energy (e.g., clean coal, nuclear). For purposes of this testimony, I focus on the renewable energy benchmarks, which I refer to as the renewable portfolio standard, or RPS.

1 **BENEFITS OF THE STIPULATION'S TREATMENT OF THE TIMBER ROAD REPA**

2
3 11. Q. **HOW DOES THE STIPULATION ADDRESS THE NEED FOR LONG-**
4 **TERM CONTRACTS TO SUPPORT RENEWABLE ENERGY**
5 **DEVELOPMENT IN OHIO AND HELP AEP OHIO MEET THE SB 221**
6 **RPS BENCHMARKS?**

7
8 A. As I mentioned in my direct testimony in the ESP Case², a commercial-scale wind
9 farm is a significant capital investment like any other large-scale power plant. To
10 obtain lowest-cost financing for such projects, developers must demonstrate to
11 investors and lenders the availability of a long-term revenue stream to repay the
12 substantial upfront costs. This requires regulatory certainty regarding recovery of
13 the costs for the duration of the long-term power purchase agreements.

14
15 Without regulatory certainty on the question of cost recovery, wind energy
16 investments today are becoming increasingly difficult, if not impossible, to
17 finance. As the renewable energy requirements under Ohio's RPS escalate,
18 Commission-sanctioned cost recovery for long-term contracts will play a critical
19 role in the utilities' ability to cost-effectively satisfy those requirements and fulfill
20 the promise of SB 221.

21
22 The Stipulation establishes a framework that guarantees cost recovery through
23 May 31, 2015, and then anticipates a new mechanism for cost recovery following
24 corporate separation. In anticipation of that new mechanism for cost recovery,
25 AEP Ohio has agreed in the Stipulation to terminate the "regulatory out"
26 provision in the Timber Road REPA—subject to corporate separation occurring
27 as planned—that allows AEP Ohio to cancel the REPA if cost recovery is denied
28 by the Commission. AEP Ohio's decision to terminate the REPA's "regulatory
29 out" provision inspires lender and investor confidence in the availability of a
30 revenue stream for the full twenty (20)-year term of the REPA. Commission
31 approval of the Stipulation will provide critical regulatory certainty for the
32 Timber Road II project, and recognize long-term contracts as an essential element
33 in the development of Ohio's advanced energy marketplace.

34
35 12. Q. **HOW DOES THE STIPULATION ADDRESS THE COMMISSION'S**
36 **PRUDENCY REVIEW OF THE TIMBER ROAD REPA?**

37
38 A. The Stipulation anticipates a one-time, thorough, transparent Commission process
39 for assessing the prudence of the Timber Road REPA. Costs of the Timber Road

² See *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case Nos. 11-346-EL-SSO *et al.*, Direct Testimony of Steve Irvin on behalf of Paulding Wind Farm II LLC (July 25, 2011).

REPA through May 31, 2015, will be recovered through the Alternative Energy Rider ("AER"). Costs will be reviewed through the annual Fuel Adjustment Clause ("FAC") proceedings through May 31, 2015. Additionally, the initial FAC proceeding under the new ESP will include a determination of the methodology for valuation of renewable energy credits ("RECs") for bundled purchases of RECs and electricity, such as those in the Timber Road REPA.

13. Q. SHOULD THE COMMISSION APPROVE THE STIPULATION?

A. Yes. The Commission's approval of the Stipulation, and with it, the approval of the Timber Road REPA, will bring direct benefits to Ohio ratepayers through lower prices, to Ohio's economy through increased private investment, and to Ohio's advanced energy policy through successful implementation of a large-scale generation project.

BENEFITS OF THE TIMBER ROAD REPA

14. Q. HOW WILL THE TIMBER ROAD REPA BENEFIT AEP OHIO'S CUSTOMERS?

A. The twenty (20)-year length of the agreement facilitates long-term financing, which amortizes the cost of the project over a longer period, lowers interest rates and the cost of equity, and reduces upfront costs. The REPA will ultimately benefit customers by creating the kind of price certainty and lower rates that would be much less likely under short-term or spot-market REC purchases. Additionally, the Timber Road II project will have the benefit of existing federal incentives, which help to buy-down the cost of energy to AEP Ohio and its customers. Such federal incentives, which are currently set to expire on December 31, 2012, may not be available in the future.

Importantly, the twenty (20)-year term of the Timber Road REPA poses no undue risk to ratepayers. Wind farms are capital-intensive but have the advantage of no fuel costs. Therefore, there are no significant cost variables that present long-term risk to ratepayers. Additionally, the Timber Road REPA presents no risk to customers who switch to another electric supplier. The costs of the REPA are fully bypassable, meaning customers who choose another electric supplier will not have to pay the per-customer charge associated with the REPA.

15. Q. HOW WILL THE TIMBER ROAD REPA BENEFIT OHIO'S ECONOMY?

A. The Timber Road REPA supports a \$175 million investment by EDPR NA in Ohio's economy in a region of the state that has historically not attracted investment at these levels, the creation of more than 1,000 construction jobs, nearly \$900,000 in annual tax revenues for the local county, and the training of a work force in wind installation and maintenance. This investment and the

potential for future investments rely on regulatory certainty surrounding the Timber Road REPA.

16. Q. HOW WILL THE TIMBER ROAD REPA BENEFIT OHIO'S ADVANCED ENERGY POLICY?

A. While some utilities have suggested a reluctance to enter into long-term renewable energy contracts because of regulatory uncertainty, AEP Ohio has shown leadership and a commitment to RPS compliance by entering into the Timber Road REPA and supporting the REPA in the Stipulation. For AEP Ohio, the REPA will provide a more definite, cost-effective means than short-term or spot-market REC purchases to satisfy the in-state portion of its non-solar renewable energy requirements.

For the advanced energy market in Ohio more broadly, the Timber Road REPA serves as an example of the type of long-term contract that can spur development of additional, large-scale generation projects, ultimately increasing the likelihood of utility compliance, and the realization of the market's full potential promised by SB 221. Significant, new advanced energy generation resources are unlikely to be built in Ohio without the support of long-term contracts. The Commission has an opportunity in this case to provide regulatory certainty by making a definitive statement in support of the Stipulation and the Timber Road REPA.

CONCLUSION

15. Q. DO YOU HAVE RECOMMENDATIONS REGARDING APPROVAL OF THE STIPULATION?

A. Yes.

16. Q. WHAT ARE THOSE RECOMMENDATIONS?

A. I recommend the Commission approve the Stipulation. Approval of the Stipulation will provide critical regulatory certainty for the Timber Road REPA, and will also provide an important measure of support for the state's advanced energy market and help ensure the success of SB 221. More generally, I recommend the Commission use all tools available to it to remove regulatory risk associated with long-term cost recovery in Ohio for AEP Ohio and the advanced energy market as a whole.

18. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing DIRECT TESTIMONY was served upon the parties of record listed below this 13th day of September 2011 via electronic mail.


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in

Case No(s). 11-0346-EL-SSO

**Summary: Testimony of Steve Irvin electronically filed by Teresa Orahood on behalf of
Paulding Wind Farm II LLC**

THE PUBLIC UTILITIES COMMISSION OF OHIO

**In the Matter of the Application of
Columbus Southern Power Company
and Ohio Power Company for Authority
to Establish a Standard Service Offer
Pursuant to § 4928.143, Ohio Rev. Code,
In the Form of an Electric Security Plan**

Case No. 11-0346-EL-SSO

Case No. 11-0348-EL-SSO

**OHIO ENERGY GROUP RESPONSES TO
ORMET PRIMARY ALUMINUM CORPORATION'S
FIRST SET OF DISCOVERY**

INTERROGATORIES

ORM-OEG-1-1 In his Direct Testimony filed July 25, 2011 in Case No. 11-346-EL-SSO et al., with regard to the rate proposal initially made by AEP Ohio in this case, Mr. Baron states at p. 8, lines 16-20:

One main result of AEP's proposed new rate design is that customers with poor load factors are benefited and customers with good load factors are punished. That is why the industrial base which operates on an around the clock basis is hurt by AEP's proposal.

Does Mr. Baron still agree with this statement?

RESPONSE:

Yes.

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OHIO ENERGY GROUP RESPONSES TO

ORM-OEG-1-2 Does Mr. Baron agree with the following statement made by Wal-Mart witness Steve W. Chriss at p. 10, lines 1-9 of Mr. Chriss' Direct Testimony filed July 25, 2011 in Case Nos. 11-346-EL-SSO et al., regarding AEP Ohio's initial rate proposal in this case?

Collecting revenues related to fixed costs, which are customer-related or demand-related, on a variable energy charge violates cost causation principles and fails to produce rates that send proper price signals and minimize price distortions. Additionally, the shift of these costs from per kW demand charges to per kWh variable energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Company to serve them.

If Mr. Baron does not agree with the above statement, please explain why he does not agree.

RESPONSE:

Mr. Baron agrees with this statement.

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ORM-OEG-1-3 Please identify the load factor riders of Toledo Edison, Ohio Edison and Cleveland Electric Illuminating Company referenced at p. 7, lines 7-9 of Mr. Baron's testimony. Do any of these riders contain restrictions on their applicability based upon a customer's monthly peak load factor? If so, what are those restrictions?

RESPONSE:

The riders referenced at p. 7, lines 7-9 of Mr. Baron's testimony are referred to as the "General Service- Transmission (Rate GT) Provision" in each of the above-referenced utilities' tariffs. These riders do not contain restrictions on applicability based on a customer's monthly peak load factor.

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OHIO ENERGY GROUP RESPONSES TO ORMET PRIMARY ALUMINUM CORPORATION'S FIRST SET OF DISCOVERY

ORM-OEG-1-8 With regard to the following passage of Mr. Baron's Stipulation Testimony at p. 6, lines 13-18:

The LFP recognizes the lower relative cost of serving high load factor customers (whether they are large or small; industrial or commercial) compared to lower load factor customers. By definition, high load factor customers use fixed generation assets more efficiently than lower load factor customers. Consequently, high load factor customers are less costly to serve. As a result, utility rates have traditionally been designed in order to recognize this difference in the cost of service for high load factor customers versus lower load factor customers.

- (a) What is the highest load factor of any of the OEG represented member facilities?
- (b) If Ormet is excluded from the LFP, which customers realize the benefits of the relative cost savings that result from Ormet's high load factor?

RESPONSE:

(a) Objection. The above interrogatory seeks discovery of competitively-sensitive, confidential information. OEG's members compete, or may compete in the future, with Ormet for goods and services (including electric service) required for manufacturing operations. OEG will not provide competitively sensitive information regarding its members' electric usage (such as load factor information) to Ormet.

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(b) Objection. The above interrogatory seeks discovery of competitively-sensitive, confidential information. OEG's members compete, or may compete in the future, with Ormet for goods and services (including electric service) required for manufacturing operations. OEG will not provide competitively sensitive information regarding its members' electric usage (such as load factor information) to Ormet.

BEFORE

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OHIO ENERGY GROUP RESPONSES TO

With regard to the following statement at p. 7, lines 14-19 of Mr. Baron's Stipulation Testimony:

If the LFP was applicable to Ormet, the intended purpose of the LFP would be defeated.

- (a) Please state what you believe to be the “intended purpose of the LFP.”
- (b) Did Mr. Baron consider any alternative methods of accomplishing this intended purpose? Please describe any such alternatives evaluated.

RESPONSE:

- (a) The LFP provides rate certainty and stability to high load factor industrial and commercial customers during the transition to market rates contemplated by the Stipulation. This further promotes economic development. The LFP also encourages energy efficiency and peak demand reduction by rewarding the efficient use of generation resources.
- (b) As stated in Mr. Baron's testimony, he did not directly participate in the negotiations which led to the Stipulation. The purpose of his testimony is to support the Stipulation which resulted from those negotiations. Mr. Baron did not evaluate other alternatives.

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OHIO ENERGY GROUP RESPONSES TO

REQUESTS FOR ADMISSION

ORM-OEG-1-11 With regard to the following passage of Mr. Baron's Stipulation Testimony at p. 6, lines 13-18:

The LFP recognizes the lower relative cost of serving high load factor customers (whether they are large or small; industrial or commercial) compared to lower load factor customers. By definition, high load factor customers use fixed generation assets more efficiently than lower load factor customers. Consequently, high load factor customers are less costly to serve. As a result, utility rates have traditionally been designed in order to recognize this difference in the cost of service for high load factor customers versus lower load factor customers.

Admit that as a high load factor customer, Ormet is less costly to serve than lower load factor customers.

RESPONSE:

Mr. Baron admits that in general higher load factor customers are less costly to serve, per unit of energy, than lower load factor customers.

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OHIO ENERGY GROUP RESPONSES TO ORMET PRIMARY ALUMINUM CORPORATION'S FIRST SET OF DISCOVERY

ORM-OEG-1-12 With respect to the following passage of Mr. Baron's Stipulation Testimony at p. 6, line 23 to p. 7, line 3:

The LFP provides rate certainty and stability to high load factor industrial and commercial customers during the transition to market rates contemplated by the Stipulation. This further promotes economic development. The LFP also encourages energy efficiency and peak demand reduction by rewarding the efficient use of generation resources.

- (a) Admit that the LFP will provide no rate certainty or stability to Ormet, or any customer with a monthly peak load of greater than 250 MW.
- (b) Admit that the LFP will not encourage any customer with a monthly peak load of greater than 250 MW to locate in the state of Ohio.
- (c) Admit that the LFP will not encourage energy efficiency or peak demand reduction for any customer with a monthly peak load of greater than 250 MW.
- (d) Admit that the LFP will not reward Ormet, or any customer with a monthly peak load greater than 250 MW, for efficient use of generation resources.

RESPONSE:

- (a) Mr. Baron admits. The LFP will not have any effect on Ormet's rates.**
- (b) Mr. Baron admits. The LFP will be inapplicable to any new customer with a monthly peak load greater than 250 MW.**

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(d) Mr. Baron admits. The LFP will be inapplicable to any customer with a monthly peak load greater than 250 MW.

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ORMET PRIMARY ALUMINUM CORPORATION'S
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ORM-OEG-1-13 With respect to the following passage of Mr. Baron's Stipulation Testimony at p. 10, lines 12-19:

Economists classify industrial companies that compete in national and international markets as "export industries" since these companies primarily serve customers outside of the state. Such companies have the option to move production to any location with features that may be attractive to the company, including lower electric rates. These industrial companies typically provide a large number of well-paying, household-sustaining jobs. Employees of such companies spend their wages on local goods and services, further bolstering the state's economy. In contrast, lower load factor customers generally include smaller commercial customers like local service and retail companies.

Admit that Ormet is an "export industry" with the option to move production to any location that provides a large number of well-paying household-sustaining jobs, and whose employees spend their wages on local goods and services.

RESPONSE:

Mr. Baron admits.

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ORM-OEG-1-14 With respect to the following statement in Mr. Baron's Stipulation Testimony at p. 11, lines 5-8:

Providing lower electric rates is one incentive Ohio can use to attract and retain industrial customers, benefitting [sic] the state's economic development. Accordingly, it is appropriate to include provisions in the Stipulation that address economic development concerns by benefitting [sic] large, high load factor customers.

Admit that the proposed LFP does not benefit Ormet or any potential new large, high load factor customers with a monthly peak load greater than 250 MW.

RESPONSE:

Mr. Baron admits. The LFP will be inapplicable to any customer with a monthly peak load greater than 250 MW.