

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke	)	
Energy Ohio, Inc., for Approval of its Energy	)	Case No. 13-431-EL-POR
Efficiency and Peak Demand Reduction	)	
Portfolio of Programs.	)	

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**DIRECT TESTIMONY OF  
TIMOTHY J. SEELAUS  
ON BEHALF OF  
EMC DEVELOPMENT COMPANY, INC.**

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August 27, 2013

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

2 **A.** My name is Timothy J. Seelaus. My business address is 6011 University Boulevard,  
3 Suite 400, Ellicott City, Maryland 21043.

4 **Q. BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?**

5 **A.** I am the President and founder of EMC2 Development Company, Inc. (EMC  
6 Development Company or EMC). EMC Development Company is a privately-owned  
7 small business that qualifies energy efficiency projects for participation in the PJM  
8 capacity market on behalf of its customers, aggregates the capacity resources from those  
9 energy efficiency projects, and bids those resources into various PJM capacity auctions,  
10 returning the proceeds of these auctions to its customers, net of costs. EMC  
11 Development Company operates in multiple states across the entire PJM region. In my  
12 role as President, I direct and participate in each of these activities on behalf of EMC  
13 Development Company's numerous customers.

14 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
15 **QUALIFICATIONS.**

16 **A.** I received a BS in civil and environmental engineering from Cornell University, an MS in  
17 civil and environmental engineering from Colorado State University and an MBA in  
18 finance from MIT's Sloan School of Management. I am a registered Professional  
19 Engineer and have more than 30 years of experience in the utility infrastructure markets  
20 in North America, Asia, Europe, and Latin America. For the last three years, my  
21 business has focused exclusively on energy efficiency as a capacity resource in PJM.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES**  
23 **COMMISSION OF OHIO?**

1    **A.**    No, I have not previously testified before this Commission. This case is the first matter  
2           before the Commission in which EMC Development Company has filed testimony.

3    **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

4    **A.**    The purpose of my testimony is to discuss the negative outcomes that will likely result  
5           from Duke Energy Ohio's proposal in its Application to bid Program Portfolio energy  
6           efficiency resources into PJM capacity auctions.

7    **Q.    WHAT IS DUKE ENERGY OHIO'S PROPOSAL IN ITS APPLICATION**  
8           **REGARDING ITS PROGRAM PORTFOLIO ENERGY EFFICIENCY**  
9           **RESOURCES?**

10   **A.**    While the proposal in its Application is unclear, it appears that Duke Energy Ohio is  
11           proposing to take on the responsibility of qualifying energy efficiency resources that are  
12           included in its Portfolio Program as eligible for use in PJM markets and bidding those  
13           resources into PJM capacity auctions on behalf of its customers.

14   **Q.    DO YOU BELIEVE THAT DUKE ENERGY OHIO OR ANY ELECTRIC**  
15           **DISTRIBUTION UTILITY (EDU) SHOULD TAKE ON THE RESPONSIBILITY**  
16           **OF QUALIFYING ENERGY EFFICIENCY RESOURCES AS ELIGIBLE FOR**  
17           **USE IN PJM MARKETS AND BIDDING THOSE RESOURCES INTO PJM**  
18           **CAPACITY AUCTIONS ON BEHALF OF ITS CUSTOMERS?**

19   **A.**    No. The capacity rights associated with energy efficiency resources remain with a  
20           customer who has undertaken an energy efficiency project, unless the customer  
21           voluntarily and explicitly agrees to commit the energy efficiency capacity rights  
22           associated with its energy efficiency project to an EDU for purposes of bidding the  
23           resource into PJM capacity auctions. Further, urging or directing EDUs to bid ratepayer

1 energy efficiency resources into PJM capacity auctions is not a sound approach by which  
2 to convey additional energy efficiency resources into the market. The expenses  
3 associated with acquiring, qualifying, measuring and verifying, bidding, and clearing  
4 energy efficiency resources into PJM capacity auctions are significant. EMC generally  
5 does not support EDUs bidding energy efficiency resources into PJM capacity auctions.  
6 Speculation by an EDU in offering energy efficiency resources into capacity auctions can  
7 create undue risks for ratepayers and may also create costly penalties for the EDU, in this  
8 case, Duke Energy Ohio, which will be passed onto Ohio ratepayers. The forward nature  
9 of capacity auctions requires bidders to take risks on energy efficiency resources which  
10 may not be completed at the time of the capacity auction. Any failure by a bidder to  
11 deliver these resources by the applicable delivery year could lead to substantial penalties.  
12 In light of these circumstances, EMC and other qualified third-party aggregators are  
13 better positioned than Duke Energy Ohio and other EDUs to take on these risks, as EMC  
14 can only look to itself to address the costs of such risks, in stark contrast to EDUs, which  
15 may potentially look to ratepayers to absorb penalties in the event that the risks  
16 materialize. Moreover, in its current form and existing circumstances, the PJM capacity  
17 market functions as a transparent, competitive market. There is no reason to disrupt this  
18 effective market construct.

19 **Q. TO THE EXTENT THAT EDUs ARE REQUIRED BY THE COMMISSION OR**  
20 **ARE AUTHORIZED TO BID A CERTAIN PERCENTAGE OF ENERGY**  
21 **EFFICIENCY RESOURCES FROM THEIR PORTFOLIO PROGRAMS INTO**  
22 **PJM CAPACITY AUCTIONS, SHOULD EDUs BE REQUIRED TO**  
23 **COMPETITIVELY PROCURE THESE SERVICES?**

1    **A.**    If directed or authorized to bid a portion of their energy efficiency resources from their  
2           Portfolio Program into PJM capacity auctions, EDUs should be required to issue RFPs to  
3           secure the best qualified and most cost effective third-party administrator to render the  
4           services associated with bidding Portfolio Program resources into PJM capacity auctions.  
5           These services include, but are not limited to, performing evaluation, measurement, and  
6           verification activities associated with PJM eligibility standards that are more strict than  
7           those adopted under Ohio laws and regulations, qualifying, and bidding the energy  
8           efficiency resources themselves into the PJM capacity auctions.

9    **Q.    WHAT ARE THE BENEFITS OF UTILIZING A QUALIFIED THIRD-PARTY**  
10       **ADMINISTRATOR RATHER THAN HAVING AN EDU PERFORM THESE**  
11       **SERVICES ITSELF?**

12   **A.**    A third-party administrator that has experience qualifying these types of resources for use  
13           in PJM markets and bidding them into PJM capacity auctions may have the ability, like  
14           EMC Development Company, to aggregate smaller-scale resources for bidding purposes,  
15           effectively maximizing the quantity of resources that may be bid into capacity auctions  
16           on behalf of ratepayers. Maximizing the eligible, cost-effective resources that are bid  
17           into PJM capacity auctions will result in greater returns to ratepayers, better  
18           compensating customers for their investments and, to an extent, refunding their  
19           investments through an offset to Rider EE-PDR. Further, experienced third-party  
20           aggregators like EMC Development Company who are actively aggregating these types  
21           of resources have developed an expertise in qualifying resources and adhering to PJM  
22           measurement and verification standards. This expertise allows third-party aggregators  
23           like EMC Development Company to minimize the costs associated with qualifying

resources, which can be and, in the case of EMC Development Company, are, in fact, incorporated into their PJM sell offers. Finally and, perhaps uniquely compared to other aggregators and most certainly EDUs, EMC Development Company has a large portfolio which is spread across the entire PJM footprint. This large portfolio allows EMC Development Company to achieve significant economies of scale that will reduce costs and spread the administrative costs associated with qualifying resources and participating in the PJM market across a greater pool of resources, further reducing the cost on a per-resource basis, allowing EMC Development Company to more aggressively offer these resources.

**Q. WOULD THE USE OF AN EXPERIENCED AGGREGATOR BY DUKE ENERGY OHIO AS A THIRD-PARTY ADMINISTRATOR TO QUALIFY AND BID ENERGY EFFICIENCY RESOURCES INTO PJM CAPACITY AUCTIONS IN ANY WAY SHIFT THE RISKS THAT YOU PREVIOUSLY DISCUSSED?**

**A.** Yes. Quite simply, EMC Development Company, as the third-party administrator, would bear all of the performance risk at PJM, recovering its costs from the competitive market construct. Unlike EDUs, EMC does not recover its just and prudent costs from ratepayers, but instead earns revenue by minimizing costs in an efficient and effective manner. If EMC fails to perform, it would incur the cost of any penalties, which would not be passed along as program costs to Ohio ratepayers. This alternative properly incentivizes EMC Development Company or any other experienced aggregator to perform by successfully qualifying, bidding, and clearing these resources in a responsible, cost-effective manner. By using the services of a third-party administrator, the risk of performance is placed on the aggregator, as opposed to Ohio ratepayers. A

1 third-party administrator will also be able to take on the risk of participating in PJM Base  
2 Residual Auctions, which historically have higher capacity pricing than PJM Incremental  
3 Auctions. This construct provides a greater value to the Ohio ratepayer than would the  
4 EDU participating itself. Any deficiency penalties incurred for not meeting the  
5 obligations of clearing resources in the Base Residual Auction will be shouldered by the  
6 aggregator, while Duke Energy Ohio would pass these deficiency penalties on to its  
7 ratepayers. It would not be prudent to allow Duke Energy Ohio to speculate in those  
8 future auctions and pass on these types of risks to ratepayers.

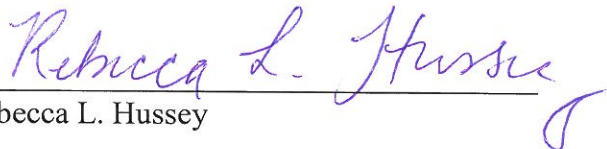
9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes, it does.



**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and accurate copy of the foregoing was served this 27th day of August, 2013, by electronic mail if available or by regular U.S. mail, postage prepaid, upon the persons listed below.

  
Rebecca L. Hussey

Amy B. Spiller  
Elizabeth H. Watts  
Duke Energy Ohio, Inc.  
155 E. Broad St., 21<sup>st</sup> Floor  
Columbus, Ohio 43215  
Amy.spiller@duke-energy.com  
Elizabeth.watts@duke-energy.com

David F. Boehm  
Michael L. Kurtz  
Jody Kyler Cohn  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202  
dboehm@BKLawfirm.com  
mkurtz@BKLawfirm.com  
jkylercohn@BKLawfirm.com

Trent A. Dougherty  
Cathryn N. Loucas  
The Ohio Environmental Council  
1207 Grandview Avenue, Suite 201  
Columbus, Ohio 43212-3449  
TDougherty@theOEC.org  
CLoucas@theOEC.org

Colleen L. Mooney  
Ohio Partners for Affordable Energy  
231 West Lima Street  
Findlay, OH 45839-1793  
cmooney@ohiopartners.org

Michael J. Schuler  
Kyle L. Kern  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215-3485  
schuler@occ.state.oh.us  
kern@occ.state.oh.us

Nicholas McDaniel  
Environmental Law & Policy Center  
1207 Grandview Avenue, Suite 201  
Columbus, OH 43212  
NMcDaniel@elpc.org



J. Thomas Hodges  
708 Walnut Street, Suite 600  
Cincinnati, OH 45202  
tom@jthlaw.com

Todd M. Williams  
Williams, Allwein and Moser, LLC  
Two Maritime Plaza, Third Floor  
Toledo, Ohio 43604  
toddm@wamenergylaw.com

William Wright  
Devin Parram  
Ryan O'Rourke  
Office of the Ohio Attorney General  
Public Utilities Section  
180 E. Broad St., 6th Fl.  
Columbus, OH 43215  
William.wright@puc.state.oh.us  
Devin.parram@puc.state.oh.us  
Ryan.orourke@puc.state.oh.us

Kimberly W. Bojko  
Mallory M. Mohler  
Carpenter Lipps & Leland LLP  
280 Plaza, Suite 1300  
280 North High Street  
Columbus, OH 43215  
Bojko@carpenterlipps.com  
Mohler@carpenterlipps.com

Christopher J. Allwein  
Williams, Allwein and Moser, LLC  
1500 West Third Avenue, Suite 330  
Columbus, Ohio 43212  
callwein@wamenergylaw.com

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