

FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio for Authority to Establish a)
Standard Service Offer Pursuant to Section)
4928.143, Revised Code, in the Form of) Case No. 14-841-EL-SSO
an Electric Security Plan, Accounting)
Modifications and Tariffs for Generation)
Service.)

In the Matter of the Application of Duke)
Energy Ohio for Authority to Amend its) Case No. 14-842-EL-ATA
Certified Supplier Tariff, P.U.C.O. No. 20.)

DIRECT TESTIMONY OF

JONATHAN L. BYRD

ON BEHALF OF

DUKE ENERGY OHIO, INC.

May 29, 2014

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I. INTRODUCTION

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

2 A. My name is Jonathan L. Byrd, and my business address is 400 South Tryon
3 Street, Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Carolinas, LLC, (Duke Energy Carolinas) as
6 Manager, Renewable Strategy and Compliance.

7 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND**
8 **PROFESSIONAL EXPERIENCE.**

9 A. I received a Bachelor of Science degree in Mechanical Engineering from the
10 University of North Carolina (UNC) at Charlotte, a Master of Engineering degree
11 from North Carolina State University, and a Master of Business Administration
12 degree from UNC-Chapel Hill.

13 I joined Duke Energy Corporation (Duke Energy) in 2005 and have
14 worked in various roles providing products and services to our large business
15 customers, as well as in corporate finance. In July of 2010, I began providing
16 analytic support for Duke Energy's renewable compliance portfolio efforts. In
17 November of 2012, I was promoted to my current position, where I am
18 accountable for renewable energy strategy and compliance for Duke Energy
19 Carolinas, as well as Duke Energy Progress, Inc. (Duke Energy Progress). In
20 April 2013, I assumed responsibility for management of the Alternative Energy
21 Portfolio Standard (AEPS) for Duke Energy Ohio, Inc. (Duke Energy Ohio or
22 Company).

JONATHAN L. BYRD DIRECT

1 **Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGER, RENEWABLE**
2 **STRATEGY AND COMPLIANCE.**

3 A. I am responsible for the development and execution of strategies and compliance
4 plans related to renewable energy for Duke Energy Ohio, Duke Energy Progress,
5 and Duke Energy Carolinas. This includes evaluation of renewable generation
6 initiatives, customer programs, and compliance with renewable energy portfolio
7 standard requirements.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
9 **UTILITIES COMMISSION OF OHIO?**

10 A. No.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
12 **PROCEEDINGS?**

13 A. The purpose of my testimony is to address how the Company's plans for
14 complying with the renewable energy requirements are consistent with and
15 advance certain state policies, as is required under O.A.C 4901:1-35-03(C)(8).

II. DISCUSSION

16 **Q. PLEASE DESCRIBE HOW THE COMPANY CURRENTLY ADDRESSES**
17 **ITS ANNUAL ALTERNATIVE ENERGY COMPLIANCE**
18 **OBLIGATIONS.**

19 A. To date, the Company has utilized renewable energy certificate (REC) purchases
20 as the primary means of meeting its alternative energy resource (AER)
21 compliance obligations and has developed a portfolio of transactions of varying
22 tenures with various parties to best assure that compliance can be achieved. The

1 RECs that the Company has acquired for purposes of compliance have been
2 obtained from multiple sources, including brokers, aggregators, and owners of
3 renewable energy resources. The Company has endeavored to pursue a method of
4 assuring compliance that is the most responsive to the expectations and
5 requirements of the sellers of RECs; the most responsive to changes in market
6 conditions; the most mindful of the regulatory and market risks associated with
7 REC compliance; and the most likely to result in meeting the compliance
8 requirements given the nature of the renewable energy market in Ohio and
9 surrounding jurisdictions.

10 **Q. HOW DOES DUKE ENERGY OHIO RECOVER COSTS ASSOCIATED**
11 **WITH FULFILLING ITS ALTERNATIVE ENERGY COMPLIANCE**
12 **OBLIGATIONS?**

13 A. Duke Energy Ohio recovers its alternative energy compliance costs through Rider
14 AER-R. Specifically, this bypassable rider enables recovery of all reasonable and
15 prudently incurred costs for the acquisition of RECs, including brokerage fees,
16 REC tracking participation expenses, gains and losses realized from the sale of
17 RECs, and carrying costs at the long-term cost of debt. Rider AER-R was
18 approved in Duke Energy Ohio's current electric security plan (ESP) proceeding,
19 filed under Case No. 11-3549-EL-SSO, *et al.*¹ The long-term cost of debt was

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service, Case No. 11-3549-EL-SSO, et al., Stipulation and Recommendation, at Section VI.A. (October 24, 2011) and Opinion and Order, at pg. 51 (November 22, 2011).*

1 adjusted in Duke Energy Ohio's most recent electric distribution rate case, filed
2 under Case No. 12-1682-EL-AIR, *et al.*²

3 **Q. DOES THE COMPANY'S CURRENT ESP PROVIDE FOR THE**
4 **CONTINUATION OF RIDER AER-R, AFTER THE ESP EXPIRES?**

5 A. Yes. As approved by the Public Utilities Commission of Ohio, Rider AER-R will
6 not expire upon the termination of the current ESP on May 31, 2015. Rather,
7 Rider AER-R will continue so as to enable ongoing recovery of costs associated
8 with the Company's acquisition of RECs in respect of its AER compliance
9 obligations.³

10 **Q. CONSISTENT WITH THE CONTINUATION OF RIDER AER-R, DOES**
11 **DUKE ENERGY OHIO INTEND TO FULFILL ITS AER**
12 **REQUIREMENTS USING THE PROCUREMENT METHOD YOU**
13 **DESCRIBED PREVIOUSLY?**

14 A. Yes. Given that Rider AER-R will persist – thereby enabling the ongoing
15 recovery of REC acquisition costs – Duke Energy Ohio will continue to procure
16 RECs consistent with the methodology I have discussed in my testimony and
17 which formed the basis for the prior approval of the rider.

18 **Q. HAS THE COMPANY'S PROCUREMENT STRATEGY BEEN**
19 **SUCCESSFUL IN ENABLING COMPLIANCE WITH ITS AER**
20 **REQUIREMENTS?**

² *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 12-1682-EL-AIR, *et al*, Stipulation and Recommendation, pg. 6 (April 2, 2013) and Opinion and Order, at p. 16 (May 1, 2013).

³ See footnote 1, *supra*.

1 A. Yes. To date, the Company has performed quite well in terms of meeting its
2 alternative energy portfolio standards compliance requirements and it remains
3 committed to future compliance in furtherance of state policy.

4 **Q. PLEASE EXPLAIN HOW DUKE ENERGY OHIO'S AER COMPLIANCE**
5 **PLAN ADVANCES OF STATE POLICY.**

6 A. The plan advances of state policy, as defined within R.C. 4928.02, with particular
7 relevance to divisions C, J, and M. As stated in R.C. 4928.02(C), it is the policy
8 of the state to:

9 Ensure diversity of electricity supplies and suppliers, by giving
10 consumers effective choices over the selection of those supplies and
11 suppliers and by encouraging the development of distributed and
12 small generation facilities[.]

13 This division highlights two important objectives of state policy: customer choice
14 and the development of distributed and small generation facilities. The
15 Company's plan to meet its AER requirements is supportive of both of these
16 objectives.

17 First, with regard to customer choice, customers will retain the option of
18 obtaining generation resources through the Company's standard service offer
19 (SSO) or through alternative suppliers. If a customer elects service through the
20 Company's SSO, Duke Energy Ohio must procure the RECs associated with that
21 customer's usage, and it will do so through the methods described previously. If,
22 however, the customer elects service from an alternative supplier, that alternative
23 supplier would assume the responsibility to meet the AER requirements that
24 correspond to that customer's usage.

1 Second, the Company's plan is also supportive of the state policy to
2 promote the development of distributed and small generation facilities. Most
3 renewable resources are both distributed and small in nature, so it should be
4 evident that procurement of the requisite RECs to meet the Company's
5 compliance obligations, which is the Company's plan and intent, will support this
6 state policy. All RECs are linked to specific renewable energy assets and the
7 Company's efforts to purchase RECs will inherently stimulate the development of
8 these resources. R.C. 4928.02(J) identifies a policy to:

9 Provide coherent, transparent means of giving appropriate incentives
10 to technologies that can adapt successfully to potential
11 environmental mandates[.]

12 The Company's plan is also supportive of this state policy. It should be evident
13 that renewable energy resources are among the best qualified generation
14 technologies to thrive under potential environmental mandates. As such, the
15 Company's plan to purchase RECs from customer-generators or owners of
16 renewable generating assets provides a clear, coherent, and market-based
17 economic signal in the form of direct cash payments in exchange for RECs, which
18 is consistent with the stated objective of this division. It is also a policy of the
19 state, as set forth in R.C. 4928.02(M) to:

20 Encourage the education of small business owners in this state
21 regarding the use of, and encourage the use of, energy efficiency
22 programs and alternative energy resources in their businesses[.]

23 As a buyer of RECs, the Company's plan stimulates investment in renewable
24 energy projects because it provides for a reliable outlet for RECs at market prices
25 in return for monetary payment. In this way, the plan encourages small business

1 owners to learn about and utilize renewable energy resources in their businesses
2 because of the financial benefit to install these systems (in addition to tax credits,
3 accelerated depreciation and the value of the displaced energy). Renewable
4 energy and energy efficiency are linked, as the installation of renewable
5 generating resources often follows thorough assessments of a business facility's
6 overall energy efficiency, with actions taken to reduce usage. In essence, the
7 value of the RECs generated provides an additional financial incentive to
8 businesses.

III. CONCLUSION

9 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

10 **A. Yes.**