

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2018 Long-Term :
Forecast Report on behalf of Ohio Power : Case No. 18-0501-EL-FOR
Company and Related Matters. :

**PREFILED TESTIMONY
OF
TIMOTHY W. BENEDICT**

Office of the Federal Energy Advocate
ON BEHALF OF THE STAFF OF THE
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EX. _____

January 8, 2018

1 1. Q. Please state your name and business address.

2 A. My name is Timothy W. Benedict. I am employed by the Public Utilities
3 Commission of Ohio (PUCO). My business address is 180 E. Broad St,
4 Columbus, Ohio 43215.

5

6 2. Q. What is your current position at the Commission?

7 A. I am a Senior Utility Specialist in the Office of the Federal Energy
8 Advocate. My responsibilities include economic analysis of wholesale and
9 retail competitive markets, energy demand forecasting, and advocacy on
10 regional and federal issues as they pertain to the state of Ohio.

11

12 3. Q. Please summarize your educational background and work experience.

13 A. I received a Bachelor of Arts degree in Economics from the University of
14 Vermont and a Master of Arts degree in Economics from Cleveland State
15 University. I had been employed by TrustCo Bank in Glenville, New York
16 and AmTrust Bank in Cleveland, Ohio prior to joining the Staff of the
17 Commission in December 2009. Specific to resource planning, I have
18 attended a *Forecasting For Regulators* workshop offered by Michigan
19 State University's Institute for Public Utilities in July 2010. I have also
20 received *Decision Making Under Uncertainty and Risk Assessment*
21 *Training* from Duke University's Nicholas Institute for Environmental
22 Policy Solutions in April 2014.

1 4. Q. Have you testified in prior proceedings before the Public Utilities
2 Commission of Ohio?

3 A. Yes.
4

5 5. Q. What is the purpose of your testimony in this proceeding?

6 A. My testimony addresses whether a resource planning need exists for at least
7 900 megawatts (MWs) of renewable generation resources located in Ohio
8 and deliverable to Ohio Power Company's (Ohio Power or the Company)
9 service territory.
10

11 6. Q. In general, what is Staff's understanding of the concept of resource
12 planning as it exists in Ohio?

13 A. The concept of traditional resource planning has largely become obsolete in
14 Ohio, due to the restructured nature of the state's utility industry. As of
15 January 1, 2016, all investor owned electric distribution utilities (EDUs)
16 have been fully sourcing their generation needs for non-shopping customers
17 via competitive auctions, and no longer directly procure generation services
18 to meet native load. However, R.C. 4928.143(B)(2)(c) allows an EDU to
19 seek nonbypassable cost recovery for new generation facilities, contingent
20 upon several factors, including a need determination within the context of a
21 forecast filing. Ohio Power has made such a filing, having amended their

1 2018 Long-Term Forecast Report on September 19, 2018 to seek a need
2 determination for 900 MWs of in-state renewable projects.
3

4 7. Q. What process does Staff follow in establishing whether a resource planning
5 need exists?

6 A. The first step in the process is to examine whether the Company's energy
7 and demand forecasts are reasonable. Once this is established, Staff then
8 seeks to determine whether sufficient resources exist, including an adequate
9 reserve margin, to meet the projected load. If it is determined that there are
10 insufficient resources to satisfy the projected load, then Staff would
11 consider the extent to which new resources must be attained to re-establish
12 resource adequacy and what type of resources would be best suited to meet
13 that need, subject to a number of important considerations. Staff would
14 then make a recommendation to the Commission, along with any interested
15 parties in the context of a forecast hearing, to allow the Company to source
16 such resources and recover from ratepayers the associated costs, subject to
17 the same prudence and accuracy review that Staff would apply to any
18 utility investment that seeks recovery from ratepayers.
19

20 8. Q. What factors would Staff consider in evaluating the type of resource
21 needed, should it be determined that a resource deficiency is likely to occur
22 within the forecast time horizon?

1 A. The primary objective would be to minimize total costs. Staff would
2 consider all cost effective resource options, both on the supply side and the
3 demand side, in a fair and nondiscriminatory manner. This approach is
4 typically referred to as “least-cost integrated resource planning.” However,
5 simply minimizing cost is inadequate. Resource planning must also
6 account for whether the resource plan is flexible and robust enough to
7 ensure resource adequacy under a variety of scenarios. There are a number
8 of factors that must also be considered, such as environmental attributes,
9 dispatchability, portfolio fuel diversity, siting considerations, and economic
10 impact analyses.

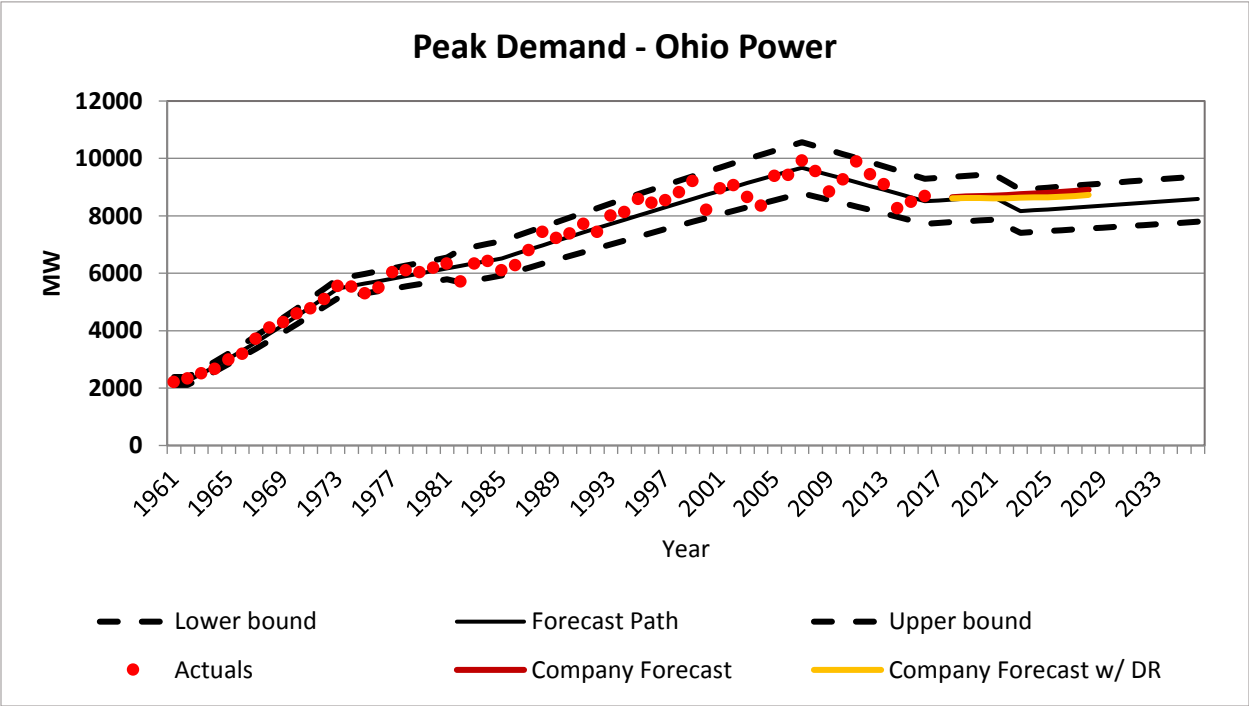
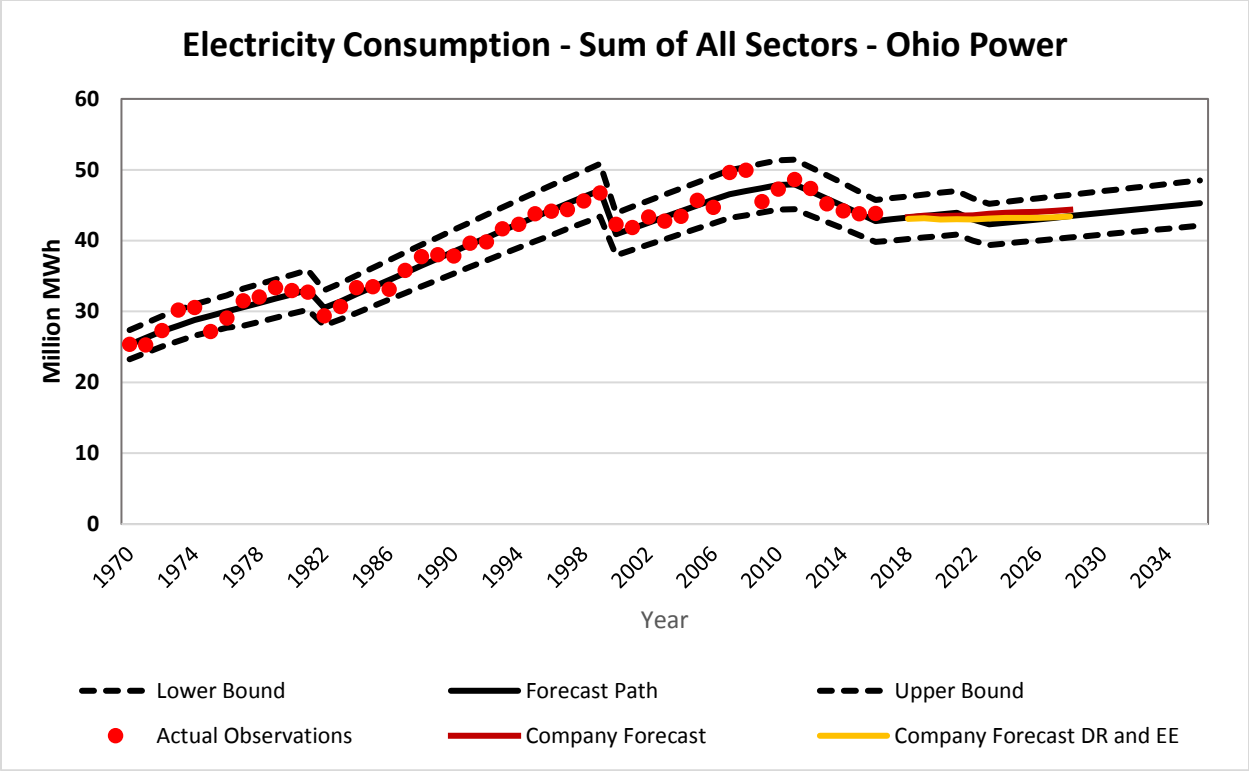
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12 9. Q. Has Staff reviewed Ohio Power’s load forecast?

13 A. Yes. I am a member of a team that reviews each utility’s annual forecast
14 filing, including the forecasts provided by Ohio Power. Staff also produces
15 internally its own long term forecast for energy requirements in Ohio and
16 formally publishes this report every third year. The most recent version of
17 this report is available on the Commission’s website.¹ As part of its annual
18 review of utility forecast filings, Staff compares its own forecasts for
19 energy consumption and peak demand to those forecasts conducted by the
20 Company. We have found that Ohio Power’s forecasts fall within the

¹ <https://www.puco.ohio.gov/industry-information/statistical-reports/ohio-long-term-energy-forecast/>.

1 confidence interval of our own forecasts over the required ten-year period
2 for both electricity consumption and peak demand. As part of its review,
3 Staff periodically evaluates the methodology that each utility utilizes in its
4 annual forecast filing. We have found that Ohio Power's forecast
5 trajectories are reasonable and their methodologies to be adequate. Staff
6 also compares utility forecasts to the PJM Interconnection, LLC (PJM) load
7 forecast report, which PJM utilizes for its own planning purposes. The
8 most recent version of this report is available on PJM's website.² It is
9 important to note that PJM's forecasts are conducted for American Electric
10 Power (AEP) East, which includes all of AEP's east operating companies,
11 rather than for Ohio Power exclusively. Graphs comparing Staff's
12 independent consumption and demand forecasts to those of the Company
13 appear below.

² 2018 PJM Load Forecast Report, (December 2017), available at <https://www.pjm.com/-/media/library/reports-notice/load-forecast/2018-load-forecast-report.ashx?la=en>.



1 10. Q. Has Staff reviewed whether sufficient resources exist to meet Ohio Power's
2 projected load?

3 A. Yes. PJM is responsible for ensuring resource adequacy across its
4 footprint, including Ohio Power and all of the state of Ohio. In May of
5 2018, PJM conducted its most recent Base Residual Auction (BRA) to
6 procure the capacity needed to ensure reliability through the 2021/2022
7 delivery year. This auction resulted in a reserve margin of 21.5%, well in
8 excess of the target reserve margin of 15.8%. PJM's reliability construct,
9 known as the Reliability Pricing Model (RPM), has consistently procured
10 capacity at levels that exceed the standards that are set to ensure resource
11 adequacy is maintained. The Company, in its Amendment to the 2018
12 Long-Term Forecast Report, concedes that "PJM wholesale markets are
13 adequately supplying capacity and energy to the AEP Ohio load zone."³ A
14 table of PJM Base Residual Auction reserve margins since inception
15 appears below.⁴

³ *In the Matter of the 2018 Long-Term Forecast Report of Ohio Power Company and Related Matters*, Case No. 18-501-EL-FOR, et al., Amendment to the 2018 Long-Term Forecast Report of Ohio Power Company at 3 (September 19, 2018).

⁴ PJM 2021/2022 RPM Base Residual Auction Results, at 6, (May 23, 2018), available at <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2021-2022/2021-2022-base-residual-auction-report.ashx>.

Delivery Year	Auction Results		
	Resource Clearing Price	Cleared UCAP (MW)	Reserve Margin
2007/2008	\$ 40.80	129,409.2	19.1%
2008/2009	\$ 111.92	129,597.6	17.4%
2009/2010	\$ 102.04	132,231.8	17.6%
2010/2011	\$ 174.29	132,190.4	16.4%
2011/2012 ¹	\$ 110.00	132,221.5	17.9%
2012/2013	\$ 16.46	136,143.5	20.5%
2013/2014 ²	\$ 27.73	152,743.3	19.7%
2014/2015 ³	\$ 125.99	149,974.7	18.8%
2015/2016 ⁴	\$ 136.00	164,561.2	19.3%
2016/2017 ⁵	\$ 59.37	169,159.7	20.3%
2017/2018	\$ 120.00	167,003.7	19.7%
2018/2019	\$ 164.77	166,836.9	19.8%
2019/2020	\$ 100.00	167,305.9	22.4%
2020/2021 ⁶	\$ 76.53	165,109.2	23.3%
2021/2022	\$ 140.00	163,627.3	21.5%

11. Q. Given its findings on the Company's projected demand and the sufficiency of supply, has Staff made a determination as to whether a resource planning need exists for at least 900 MWs of renewable generating resources?

A. Having determined that supply is sufficient to meet the needs of Ohio Power's customers and to ensure that resource adequacy is maintained, Staff therefore finds that the Company has not demonstrated a need to construct any additional resources at this time. Given the fact that our finding is of no need, Staff does not believe it is necessary at this time to evaluate the specific merits of the Company's proposed facilities.

If Staff had found that additional resources are necessary, we would have continued to the next step of evaluating the types of resources that would be

1 best suited to meet the identified need. As previously described, Staff's
2 evaluation would include all cost effective alternatives, on both the supply
3 and the demand side of the equation. Our evaluation would not be limited
4 to only considering 500 MWs of nameplate wind capacity and 400 MWs of
5 nameplate solar capacity. Staff reserves the right to address issues
6 pertaining to the cost and recovery of any renewable energy purchase
7 agreements included in the renewable generation rider, should the
8 Commission find a need for such an agreement, in the second phase of the
9 consolidated proceedings, consistent with the attorney examiner entry on
10 October 22, 2018.

11
12 12. Q. Has Staff reviewed Navigant Consulting, Inc.'s (Navigant) formal study
13 of customer attitudes toward renewable energy?

14 A. Yes. Staff recognizes that customers increasingly have preferences about
15 the resources from which their electricity is sourced, both environmental
16 and otherwise. As evidenced by the *PowerForward* initiative, the Ohio
17 Commission and its Staff are committed to facilitating an environment
18 where customers are fully empowered to engage with the market to produce
19 outcomes that are consistent with their preferences. However, Staff
20 believes that Ohio Power is conflating customer preferences with customer
21 needs. The Company provides insufficient evidence that customer

1 preferences are not being adequately met, even as these preferences
2 increase and change over time.

3
4 Staff observes that under Ohio's current regulatory structure, environmental
5 preferences can be acted upon in a number of ways. Ohio Power currently
6 has over 1,500 customers on net metering tariffs, who have chosen to install
7 distributed generating facilities at their own premises.⁵ For customers who
8 do not wish to own their own generating facilities, the Commission's
9 *Apples to Apples* website consistently demonstrates the existence of a
10 multitude of CRES provider offerings that are, in whole or in part,
11 renewable products. As of November 8, 2018, residential customers in the
12 Ohio Power service territory had twenty-nine CRES provider offerings to
13 choose from on the *Apples to Apples* website that were 100% renewable
14 content. Small commercial (GS-1) customers had fourteen offers to choose
15 from that were 100% renewable content.

16
17 In addition to these offerings available in the marketplace, Staff also notes
18 that government aggregations are capable of sourcing renewable resources
19 for their participants, such as the one that currently serves Ohio's third
20 largest city.

⁵ U.S. Energy Information Administration, Form EIM 861-M, August 2018 data release, (October 29, 2018) available at <https://www.eia.gov/electricity/data/eia861m/#netmeter>.

1 Therefore, Staff concludes that a demonstration of customer preferences
2 that are increasingly shifting towards renewable energy is insufficient to
3 establish a need for utility scale wind and solar investments to be owned
4 and/or operated by the utility and recovered from all ratepayers through a
5 nonbypassable rider. Furthermore, Staff is concerned that the existence of
6 such a directive could potentially serve to crowd out the other types of
7 programs described above.
8

9 13. Q. The Company's amended forecast report describes a number of benefits of
10 the proposed renewable projects, such as reducing electricity imports,
11 promoting economic development in the state, maintaining fuel diversity,
12 and providing price stability, *inter alia*. Does Staff take a position with
13 respect to these purported benefits?

14 A. Staff believes that the purported benefits associated with the proposed
15 projects do not relate to need as Staff would define the term. However, Staff
16 certainly recognizes that various parties, including the Company, may define
17 what constitutes a need in a different manner than Staff and may find these
18 benefits compelling. It will be the Commission who will ultimately decide
19 whether or not to broaden the definition of need.
20
21
22

1 14. Q. Does this conclude your testimony?

2 A. Yes it does. However, I reserve the right to submit supplemental testimony
3 as described herein, as new information subsequently becomes available or
4 in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Timothy W. Benedict, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the below parties.

/s/Thomas W. McNamee

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Assistant Attorney General

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Summary: Testimony of Timothy Benedict electronically filed by Ms. Tonneta Scott on behalf of PUC