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EXHIBIT NO.____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus
Southern Power Company for Approval of
Electric Transition Plan and Application for
Receipt of Transition Revenues

Case No. 99-1729-EL-ETP

In the Matter of the Application of Ohio
Power Company for Approval of
Electric Transition Plan and Application for
Receipt of Transition Revenues

Case No. 99-1730-EL-ETP

SUPPLEMENTAL DIRECT TESTIMONY OF
JOHN M. MCMANUS
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY

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JOHN M. MCMANUS
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1 A. Yes. In particular, there have been two developments that are directly relevant to
2 the environmental control cost exposure faced by the two companies in the
3 coming years. On January 18, 2000, U.S. EPA published in the Federal Register
4 (Vol. 65, No. 12, p. 2674) its rule on Findings of Significant Contribution and
5 Rulemaking on Section 126 Petitions for Purposes of Reducing Interstate Ozone
6 Transport. That final rule establishes unit by unit nitrogen oxide (NOx) emissions
7 limitations for almost 400 electric generating units and industrial facilities. All of
8 Ohio Power and Columbus Southern Power coal-fired generating units are
9 included in this new rule. The deadline to comply with this rule is the May-
10 September ozone season in 2003. In addition, on March 3, the U.S. Court of
11 Appeals for the District of Columbia issued its decision on an appeal of U.S.
12 EPA's 1998 NOx SIP Call rule. The Court ruled in favor of U.S. EPA on all
13 significant issues of the appeal and upheld the Agency's stringent regional NOx
14 control program. All Ohio Power and Columbus Southern Power coal-fired units
15 are affected by the NOx SIP Call rule. U.S. EPA has requested that a previously
16 issued stay of the SIP Call rule state filing deadline be lifted in order to maintain
17 the original May, 2003 compliance deadline for this program.

18 Q. What are the implications of these developments for pollution control
19 requirements at Ohio Power and Columbus Southern Power facilities?

20 A. An appeal of the Section 126 rule has been filed. An appeal of the March 3
21 Court of Appeals decision on the NOx SIP Call rule will be filed this week. If
22 these appeals are not successful, then Ohio Power and Columbus Southern Power
23 facilities will have to comply with the stringent NOx limitations by the applicable

1 compliance deadline. The NOx emission reductions called for in these rules are
2 roughly equivalent to an 85% reduction in emissions compared to 1990 levels.
3 Meeting such a stringent control level will require the retrofit of NOx control
4 technology on a significant portion of the Companies' coal-fired units.

5 Q. How does this compare to the control assumptions used in the analysis submitted
6 with the Company's transition plan filing?

7 A. That analysis was based on two environmental control scenarios. The base case
8 assumed that the Companies' coal-fired units would have to meet a 65% NOx
9 reduction requirement beginning in the ozone season in 2003. If these rules are
10 upheld, the control requirement will be considerably more stringent. The
11 alternative environmental case assumed that all units would have to install NOx
12 control technology and operate it on a year round basis.

13 Q. Do these developments suggest that the environmental control cost exposure
14 faced by the Companies' coal-fired units may be understated?

15 A. Yes, in the base case. While the Companies are still evaluating NOx control
16 strategies in light of these developments, an 85% reduction requirement will be
17 significantly more costly than the 65% reduction requirement assumed in the base
18 case. The alternative environmental case analysis is not affected by these
19 developments.

20 Q. Does this conclude your supplemental testimony?

21 A. Yes.