

OCC EXHIBIT NO. \_\_\_\_\_

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The	)	Case No. 08-1094-EL-SSO
Dayton Power and Light Company for	)	
Approval of Its Electric Security Plan	)	
	)	
In the Matter of the Application of the	)	Case No. 08-1095-EL-ATA
Dayton Power and Light Company for	)	
Approval of Revised Tariffs	)	
	)	
In the Matter of the Application of the	)	
Dayton Power and Light Company for	)	Case No. 08-1096-EL-AAM
Approval of Certain Accounting Authority	)	
Pursuant to Ohio Rev. Code § 4905.13	)	
	)	
In the Matter of the Application of The	)	Case No. 08-1097-EL-UNC
Dayton Power and Light Company for	)	
Approval of Its Amended Corporate	)	
Separation Plan	)	

**DIRECT TESTIMONY  
of  
WILSON GONZALEZ**

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 PUCO

**ON BEHALF OF THE  
OFFICE OF THE OHIO CONSUMERS' COUNSEL  
10 West Broad St., Suite 1800  
Columbus, OH 43215**

*January 26, 2009*

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1    **I.        INTRODUCTION**

2    ***Q1.    PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

3    ***A1.***    My name is Wilson Gonzalez. My business address is 10 West Broad Street,  
4           Suite 1800, Columbus, Ohio, 43215-3485. I am employed by the Office of the  
5           Ohio Consumers' Counsel ("OCC") as a Principal Regulatory Analyst.

6  
7    ***Q2.    PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND***  
8           ***PROFESSIONAL EXPERIENCE.***

9    ***A2.***    I have a Bachelor of Arts degree in Economics from Yale University and a Master  
10          of Arts degree in Economics from the University of Massachusetts at Amherst. I  
11          have also completed coursework and passed my comprehensive exams towards a  
12          Ph.D. in Economics at the University of Massachusetts at Amherst. I have been  
13          employed in the energy industry since 1986, first with the Connecticut Energy  
14          Office (Senior Economist, 1986-1992), then Columbia Gas Distribution  
15          Companies ("Columbia Gas"), (Integrated Resource Planning Coordinator, 1992-  
16          1996) and American Electric Power ("AEP") (Marketing Profitability Coordinator  
17          and Market Research Consultant, 1996-2002). I have been spearheading the  
18          Resource Planning activities within OCC since 2004.

**Q3. PLEASE DESCRIBE YOUR EXPERIENCE DIRECTLY RELATED TO  
RENEWABLE ENERGY AND UTILITY DEMAND-SIDE MANAGEMENT  
PROGRAMS.**

**A3.** I have been involved with many aspects of demand-side management ("DSM") programs and renewable energy since 1986. While at the Connecticut Energy Office, I represented the office in one of the first DSM collaborative processes in the country (Connecticut Department of the Public Utilities Commission Docket No. 87-07-01). There, I analyzed the performance and cost-effectiveness of many efficiency programs for Connecticut's electric and gas utilities that led to demonstration projects, policy recommendations, DSM programs (including rate design) and energy efficiency standards. I also performed all the analytical modeling for United Illuminating's first integrated resource plan filed before the Connecticut Commission in 1990. I reviewed a number of long term power purchase agreements for renewable energy projects that were approved by the Connecticut Commission. At Columbia Gas I coordinated that company's Integrated Resource Plan within the corporate planning department and DSM program development activities in the marketing department. I designed and managed residential DSM programs in Maryland and Virginia. At AEP, I conducted numerous cost benefit analyses of programs being sponsored by AEP's corporate marketing department, including their residential load control water heater program. For the past 4 years at OCC I have:

- Been involved in DSM negotiations resulting in over \$140 million in Energy Efficiency programs with Ohio's investor owned utilities;

*Direct Testimony of Wilson Gonzalez  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No 08-1094-EL-SSO*

- 1 • Prepared DSM testimony in eight Public Utility Commission of
- 2 Ohio ("PUCO" or "Commission") cases;
- 3 • Worked on the development of the Duke Energy Ohio ("Duke
- 4 Ohio"), FirstEnergy and AEP Ohio Green Pricing Programs;
- 5 • Participated in the Ohio Wind Working Group;
- 6 • Testified before the Ohio House Alternative Energy Committee in
- 7 support of Energy Efficiency; and
- 8 • Assisted in the preparation of Energy Efficiency and Renewable
- 9 Energy testimony and amendments for Amended Substitute Senate
- 10 Bill No. 221 ("S.B. 221"), House Bill 357, and House Bill 487.

11

12 ***Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***

13 ***PUBLIC UTILITIES COMMISSION OF OHIO?***

14 ***A4.*** Yes. I submitted testimony in many cases before the PUCO.<sup>1</sup>

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<sup>1</sup> Vectren Energy Delivery of Ohio, Case No. 04-571-GA-AIR; Dominion East Ohio, Case No. 05-474-GA-ATA; Dominion East Ohio, Case No. 07-829-GA-AIR; Vectren Energy Delivery of Ohio, Case No. 05-1444-GA-UNC; Columbus Southern Company/Ohio Power Company ("AEP"), Case No. 06-222-EL-SLF; Duke Energy of Ohio ("Duke Energy Ohio"), Case No. 07-589-GA-AIR, Vectren Energy Delivery of Ohio, Case No. 07-1080-GA-AIR, Cleveland Electric Illuminating/Ohio Edison/Toledo Edison ("FirstEnergy EDUs"), Case Nos. 07-551-EL-AIR, et al. ("Distribution Rate Cases"), Case No. 08-936-EL-MRO and Case No. 08-935-EL-SSO. Duke Energy of Ohio, Case No. 08-920-EL-SSO; and AEP Case No. 08-917-EL-SSO.

1   ***Q5.   WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF***  
2       ***YOUR TESTIMONY?***

3   ***A5.***   I have reviewed the DSM and renewable energy sections in the Electric Security  
4       Plan (“ESP”) Application (“Application”) filed on October 10, 2008 (and the  
5       supplement) by the Dayton Power and Light Company (“DP&L” or “Company”),  
6       including the testimonies of DP&L witnesses Seger-Lawson, Marrinan, Wagner,  
7       Bupb, Campbell, Garrison, Hall, Kelly, Michaelson, Niemann, Zabors and  
8       Stephenson. I have also reviewed the relevant responses to OCC discovery and  
9       Commission Staff data requests pertaining to DSM and renewable energy.

10

11   ***II.   PURPOSE OF TESTIMONY***

12   ***Q6.   WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

13   ***A6.***   I make recommendations to DP&L’s Customer Conservation and Energy  
14       Management Program’s (“CCEM”) proposed cost-recovery mechanism and  
15       demand response residential rate proposal. I also dispute sections of the  
16       Company’s proposal to meet the renewable energy requirements of S.B. 221.  
17       Finally, I recommend that DP&L develop a standard Renewable Energy Credit  
18       (“REC”) purchase contract for customer-sited renewable energy.

1    **III.    DP&L'S DSM COST-RECOVERY PROPOSAL**

2    ***Q7.    HOW MUCH IS DP&L PROPOSING TO SPEND TO MEET ITS ENERGY***  
3    ***EFFICIENCY AND DEMAND RESPONSE REQUIREMENTS UNDER S.B.***  
4    ***221?***

5    ***A7.***    DP&L is proposing to spend \$118.9 million over seven years on strictly DSM  
6    programs.<sup>2</sup>

7  
8    ***Q8.    PLEASE DESCRIBE DP&L'S DSM COST-RECOVERY PROPOSAL.***

9    ***A8.***    DP&L has proposed to recover its DSM program costs and its program induced  
10    lost revenues.<sup>3</sup> They are also proposing to recover 50% of program benefits  
11    through a shared savings mechanism.<sup>4</sup>

12  
13    ***Q9.    WHAT CONCERNS DO YOU HAVE REGARDING DP&L'S PROPOSED***  
14    ***RECOVERY OF DSM PROGRAM COSTS?***

15    ***A9.***    While I believe that DP&L should be allowed full recovery for prudently incurred  
16    DSM costs, I have the same concerns about portions of those costs as presented  
17    by OCC witness Sawmiller. OCC witness Sawmiller recommends that DP&L be  
18    required to keep marketing and administration costs associated with each of the  
19    various DSM programs below 25% of each program's total expenditures proposed  
20    for the EE and DR programs.

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<sup>2</sup> Bulp at Exhibit MWB-3.

<sup>3</sup> Seger-Lawson, Book II, pages 13.

<sup>4</sup> Seger-Lawson, Book II, pages 10-11.

1   **Q10.   WHAT CONCERNS DO YOU HAVE REGARDING DP&L'S PROPOSAL TO**  
2       **RECOVER LOST REVENUES?**

3   **A10.**   DP&L has indicated that it plans to collect for program induced lost revenues  
4       through its proposed Energy Efficiency Rider ("EER") for a period of no less than  
5       seven years.<sup>5</sup> I have three concerns regarding their proposal in this area.

6  
7       First, DP&L defines lost revenues as lost distribution and generation revenues  
8       minus fuel.<sup>6</sup> While the third set of PUCO rules that will address DSM program  
9       cost recovery have not been finalized, the initial PUCO Staff's proposed rules  
10      correctly states that the electric utility may file to recover "appropriate lost  
11      distribution revenues" and not the net of fuel generation revenues.<sup>7</sup> This makes  
12      imminent sense as DP&L is free to sell in the wholesale market any capacity (and  
13      corresponding energy) freed up through its DSM programs and therefore could be  
14      remunerated twice, once by customers paying the generation portion of lost  
15      revenues and a second time by the buying wholesale party. To the extent that the  
16      PUCO final rules maintain the existing language cited above, the DP&L lost  
17      revenue recovery mechanism would be in violation of the Ohio Administrative  
18      Code. DP&L should not be allowed to recover generation lost revenues.

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<sup>5</sup> DP&L Response to OCC INT-406. Exhibit WG-1.

<sup>6</sup> Book II, Chapter 1: Executive Summary at 34.

<sup>7</sup> Case No. 08-888-EL-ORD, Staff Draft Rules, page 4.



1 Second, even if the final rules allow DP&L to recover more than just its program  
2 induced lost distribution revenues, any such lost generation revenue recovery  
3 should be minus fuel (which the Company has proposed in its filing) and variable  
4 operation and maintenance expenses ("O&M"), including any variable  
5 environmental costs. My recommendation simply stated is that if DP&L avoids a  
6 variable cost because of its DSM programs, it should not recover that avoided cost  
7 from customers.

8  
9 Third, the seven year lost revenue recovery period proposed in the application is  
10 excessive.<sup>8</sup> This is especially the case if one compares DP&L's proposal to Duke  
11 Energy Ohio's and AEP Ohio's ESP applications. In its application, AEP Ohio  
12 does not seek DSM program lost revenue recovery.<sup>9</sup> Duke Energy Ohio tempers  
13 its request for recovery of lost revenues by asking only "for a period of three  
14 years following program implementation in each vintage year."<sup>10</sup> The problem  
15 that arises from DP&L's proposal is that if the lost revenue calculation is not  
16 capped by either a dollar amount or a reasonable time period, the balances can  
17 grow quite large. For example, a 2006 ACEEE study reveals that "Minnesota had  
18 a 'lost-margin recovery mechanism' in place in the 1990s, but because this was  
19 cumulative, utilities were recovering financial incentive amounts greater than

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<sup>8</sup> The open ended nature of this recovery as discussed in the Company's 12/15/2008 technical conference is also troubling.

<sup>9</sup> See AEP Interrogatory Response to OCC No. 3-104, and Response to Staff No. 5-15 in Case No. 08-917-EL-SSO and contained in Exhibit WG-1.

<sup>10</sup> Direct Testimony of Theodore E. Schultz on Behalf of Duke Energy Ohio in Case No. 08-920-EL-SSO, page 7.

1        their actual conservation expenditures (the lost-margin incentives totaled about  
2        \$40 million in 1998). This had the effect of doubling the cost of energy  
3        conservation to ratepayers.”<sup>11</sup> This is in fact what DP&L is proposing in Ohio.  
4        The Company proposes to recover a whopping \$190 million in lost revenues over  
5        seven years, and the annual recovery in year seven (\$55,363,067) is over two  
6        times what they expect to recover from the energy efficiency rider in that year  
7        (\$21,495,408).<sup>12</sup> The 2006 ACEEE study also notes that the electric utilities in  
8        Connecticut are “only allowed recovery of lost revenues if their earnings are  
9        below their allowed rate of return for six months.”<sup>13</sup> Given the above reasons,  
10       and the fact that “The impacts of a loss of revenue due to an energy efficiency  
11       program could be offset by revenue growth from customer growth or by a  
12       reduction in costs,”<sup>14</sup> I recommend DP&L be allowed to recover no more than  
13       three years of lost revenues, or less if a distribution rate case is filed before year  
14       three. The fact that DP&L’s return on average common equity has consistently  
15       been in the 20.0% area over the past five years should also be taken into  
16       consideration when making a determination on the Company’s excessive lost  
17       revenue request.<sup>15</sup>

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<sup>11</sup> Kushler, York, and Witte, “Aligning Utility Interests with Energy Efficiency Objectives: A Review of Recent Efforts at Decoupling and Performance Incentives,” October 2006, ACEEE, page 28.

<sup>12</sup> Book II, Schedules C-1 and C-5.

<sup>13</sup> Op Cit., at 26.

<sup>14</sup> Val Jensen, “Aligning Utility Incentives with Investment in Energy Efficiency, National Action Plan for Energy Efficiency, November 2007, page 2-6.

<sup>15</sup> Testimony of OCC Witness Woolridge, page 88.

**Q11. WHAT RECOMMENDATIONS DO YOU HAVE REGARDING DP&L'S  
PROPOSED DSM SHARED SAVINGS PROPOSAL?**

**A11.** As mentioned earlier, DP&L is proposing to recover 50% of DSM program benefits through a shared savings mechanism. Currently the shared savings amount is set at zero since no DSM programs have been implemented, but future shared savings from the Company's portfolio of programs could total tens of millions of dollars. My recommendation is that the Commission not approve DP&L's shared savings proposal. Generally speaking, I do not believe it is good public policy to provide a utility an incentive to meet a statutory requirement. Furthermore, the fifty percent shared savings threshold is excessive.<sup>16</sup> Unlike Duke Energy of Ohio who filed a multi-year collaboratively developed DSM portfolio of programs before being required to do so, DP&L needed the prodding of the Revised Code to undertake energy efficiency for all its customers. With the current economic distress facing Ohio consumers, now is not the time to provide the Company with a windfall revenues over and above their DSM program cost and reasonable program induced distribution lost revenues.

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<sup>16</sup> In the amended application filed on August 16, 2006 in Case No. 06-91-EL-UNC, Duke Energy Ohio asked for a maximum of 12 percent of the utility shared savings. The Commission in its July 11, 2007 Opinion and Order (on page 4) reduced the maximum shared savings amount to 10 percent for Duke meeting 100 percent of its goals.

**Q12. WHAT RECOMMENDATIONS DO YOU HAVE REGARDING DP&L'S  
PROPOSED ENERGY EFFICIENCY RIDER ("EER")?**

**A12.** I recommend that DP&L's proposed rider be trued up at the end of every year to account for actual DSM program costs and actual lost revenues. Furthermore, these costs should be offset by any federal funding (such as those expected for energy efficiency as part of a stimulus package), and "white tag" energy efficiency or carbon offset revenues the Company accrues over the life of the programs.<sup>17</sup> The actual lost revenues over the first three years will be determined through an impact evaluation study.<sup>18</sup> As argued earlier, no DSM program shared savings should be approved and included in the EER rider.

**IV. DP&L'S SMART GRID COST RECOVERY PROPOSAL**

**Q13. WHAT RECOMMENDATIONS DO YOU HAVE REGARDING DP&L'S  
PROPOSED SMART GRID SHARED SAVINGS PROPOSAL?**

**A13.** DP&L has proposed to recover 50% of their projected Smart Grid O&M savings, line loss savings, and depreciation savings for their shareholders through a shared savings mechanism.<sup>19</sup> This amounts to \$31,106,198 over seven years.<sup>20</sup> My recommendation is that the Commission not approve DP&L's Smart Grid shared savings proposal for the following reasons. First, the operational savings of the

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<sup>17</sup> These additional energy efficiency revenue possibilities are contemplated in future mandatory "Greenhouse Gas" federal legislation.

<sup>18</sup> This is how Duke Energy of Ohio's energy efficiency rider works in its recently filed Case No. 08-1227-EL-UNC.

<sup>19</sup> Seger-Lawson Testimony, Book II, page 6.

<sup>20</sup> Book II Schedule C-5, page 1 of 1.

1 Company's proposed Smart Grid initiative is one of the major benefits that accrue  
2 to DP&L's customers who are footing the hefty bill of the infrastructure  
3 modernization. Second, the Company will already be receiving a return on its  
4 prudently incurred Smart Grid capital expenses, so an additional incentive is not  
5 warranted. Third, no other Ohio utility with an aggressive Smart Grid proposal  
6 has asked for this additional incentive in their ESP filings and the Commission  
7 has not allowed such incentives in any ESP approved to date. Finally, upon  
8 discussion with my counsel, it appears clear that ORC. Section 4928.143(C)(1)  
9 would disapprove of such a mechanism. It states:

10 ...Additionally, if the commission so approves an application that contains  
11 a surcharge under division (B)(2)(b) or (c) of this section, the commission  
12 shall ensure that the *benefits derived for any purpose for which the*  
13 *surcharge is established are reserved and made available to those that*  
14 *bear the surcharge.* Otherwise, the commission by order shall disapprove  
15 the application. (emphasis added)  
16

17 ***Q14. WHAT CONCERNS AND RECOMMENDATIONS DO YOU HAVE***  
18 ***REGARDING DP&L'S PROPOSED INFRASTRUCTURE IMPROVEMENT***  
19 ***RIDER ("IIR")?***

20 ***A14.*** The Company has proposed levelizing its IIR investment such that in the early  
21 years "recovery is occurring faster than the investment being made."<sup>21</sup> This will

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<sup>21</sup> Seger-Lawson testimony Book II, page 7.

1       lead to an over-recovery in the early years which will probably coincide with the  
2       worse part of the current recession. I recommend instead that the rider be set at  
3       the Commission approved first year spending level and trued up every year based  
4       on actual expenditures minus operational and other savings.<sup>22</sup> Furthermore, Rider  
5       IIR costs should be offset by any federal funding for Smart Grid (such as those  
6       expected for Smart Grid as part of a stimulus package).

7  
8       **V.     RESIDENTIAL DEMAND RESPONSE PROPOSAL**

9       ***Q15.   WHAT RECOMMENDATIONS DO YOU HAVE REGARDING DP&L'S***  
10       ***PROPOSED RESIDENTIAL TIME OF USE PRICING PROGRAM?***

11      ***A15.*** DP&L has proposed offering both a time of use and a peak time rebate rate option  
12       to residential customers who have smart meters in place beginning in 2011.<sup>23</sup> I  
13       recommend that DP&L utilize more of the Advanced Metering Infrastructure  
14       ("AMI") technical capability it is proposing to implement and also offer  
15       residential customers a critical peak pricing rate option. A dynamic pricing rate  
16       structure such as these two would enhance residential rate choice and encourage  
17       higher levels of demand response. A recent survey found that "time-of-use  
18       (TOU) rates are likely to induce a three to six percent drop in peak usage while  
19       critical-peak pricing (CPP) tariffs induce a drop in the range of 13 to 20 percent,

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<sup>22</sup> I defer to the costs and benefits recommendations of OCC witness Pullins concerning the Company's Smart Grid proposal.

<sup>23</sup> Application Book II at 28.

1 for the average customer.”<sup>24</sup> Another study found that “From a design  
2 perspective, the successful Gulf Power ‘Good Cents’ residential critical peak  
3 pricing program contains four pricing periods: off-peak, shoulder, peak, and a  
4 dynamic critical peak. The program’s off-peak and shoulder prices are 30% and  
5 12% lower than their standard residential rate of 7.3 cents/kWh, and are in effect  
6 87% of the time.”<sup>25</sup> Therefore, I recommend DP&L implement voluntary  
7 dynamic time-differentiated rates and that the design of these rates takes place in  
8 a DSM collaborative process as recommended by OCC witness Sawmiller. Also,  
9 the Commission should order the Company to develop these rates through a  
10 collaborative process within six months of the Commission approval of the  
11 application, so that the timing of customer benefits are closer to customer costs of  
12 the infrastructure improvements.

13  
14 **VI. RENEWABLE ENERGY**

15 ***Q16. HOW MUCH IS DP&L PROPOSING TO CHARGE CUSTOMERS FOR***  
16 ***ALTERNATIVE ENERGY TO MEET THE S.B. 221 REQUIREMENTS?***

17 ***A16.*** The Company plans on charging customers an Alternative Energy Rider (“AER”)  
18 rate of \$0.0001446 per kWh in 2009 and \$0.0001323 per kWh in 2010.<sup>26</sup>

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<sup>24</sup> Faruqui and Sergici, “Household Response to Dynamic Pricing of Electricity A Survey of Seventeen Pricing Experiments,” November 2008. The authors also note that “the availability of enabling technologies amplifies customer response to time-varying prices. Customers with enabling technologies are likely to reduce their peak demand in the 27 to 44 percent range.” page 2.

<sup>25</sup> Brian White, “Good Cents Select Advanced Energy Management Program,” Gulf Power Company, 2007.

<sup>26</sup> Seger-Lawson testimony, Book III, pages 7-8.

1 **Q17. DO YOU HAVE ANY CONCERNS WITH DP&L'S RENEWABLE ENERGY**  
2 **PROPOSAL?**

3 **A17.** Yes, I have three specific concerns about the Company's proposal to meet the  
4 renewable energy portions of the Alternative Energy requirements. First, I  
5 disagree with DP&L's position that fifty percent of the solar requirement need not  
6 come from inside of the state.<sup>27</sup> R. C. 4928.64(B)(3) states:

7       At least one-half of the renewable energy resources implemented by the  
8       utility or company shall be met through facilities located in this state; the  
9       remainder shall be met with resources that can be shown to be deliverable  
10      into this state.

11  
12      The plain language of the statute is that the definition of a "renewable energy  
13      resource" in ORC 4928.01(A)(35) includes solar photovoltaic and solar thermal  
14      so it is clear that the fifty percent threshold applies to the solar set-aside contained  
15      in S.B. 221. Moreover, the fifty percent renewable energy requirement is  
16      consistent with Governor Strickland's and the legislature's promotion of  
17      economic development within the state.<sup>28</sup>

18  
19      Second, I reject the Company's position that the same energy efficiency savings  
20      used to meet the energy efficiency requirements of ORC 4898.66 can be

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<sup>27</sup> DP&L witness Stephenson at 4. "The Company...does not believe that SB 221 requires that 50% of the solar target be met from resources located in Ohio."

<sup>28</sup> See "Strickland Signs Energy Bill, Ohio Poised for Massive Job Growth if Carbon Market Capped, Experts, Employers Say," Ohio News, Thursday, 01 May 2008. "We will safeguard Ohio families by empowering consumers and modernizing Ohio's energy infrastructure. And we will attract the jobs of the future through an advanced energy portfolio standard—and today's action by Ohio means that a majority of states now agree that these technologies represent the future of energy in the United States." [Strickland]



1 simultaneously used to meet the advanced energy provisions of ORC 4898.64.<sup>29</sup>

2 As stated in the Ohio Consumer and Environmental Advocates ("OCEA") reply

3 brief in Case No. 08-888-EL-ORD:

4 The energy efficiency benchmarks require utilities to implement energy  
5 efficiency programs that achieve gradual efficiency-based energy reductions  
6 that total 22% or more by 2025. During that same time period, the advanced  
7 energy benchmarks require at least 12.5% of a utility's 'total, annual average,  
8 and normalized kilowatt-hour sales' to be derived from advanced energy  
9 resources. Double-counting would let a utility satisfy its entire advanced  
10 energy benchmark (12.5%) solely through the use of energy efficiency  
11 measures.<sup>30</sup>  
12

13 Third, the Company's definition of a renewable energy certificate ("REC") and  
14 their interpretation of "deliverable into the state" by "mail, facsimile, and internet,  
15 not via electric transmission lines" is overly broad.<sup>31</sup> The PUCO Staff's proposed  
16 rules addressing this issue defined "deliverable into the state" as meaning "that  
17 the electricity originates from a facility within a state contiguous to Ohio. It may  
18 also include electricity originating from other locations, pending a demonstration  
19 by an electric utility or electric services company that the electricity could be  
20 *physically* delivered to the state."<sup>32</sup> The Commission should follow this  
21 definition.  
22

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<sup>29</sup> Id. at 5.

<sup>30</sup> *In the Matter of the Adoption of Rules for Alternative and Renewable Energy Technologies and Resources, and Emission Control Reporting Requirements, and Amendments of Chapters 4901:5-1, 4901:5-3, 4901:5-5, and 4901:5-7 of the Ohio Administrative Code, pursuant to Chapter 4928, Revised Code, to Implement Senate Bill No. 221.* Case No. 08-888-EL-ORD, OCEA reply brief at 18.

<sup>31</sup> DP&L witness Stephenson at 7.

<sup>32</sup> Staff Third Set of Draft Rules in Case No. 08-888-EL-ORD, page 2 (emphasis added).

**Q18. DO YOU HAVE A RECOMMENDATION REGARDING CUSTOMER-SITED  
RENEWABLE ENERGY?**

**A18.** Yes. From a public policy perspective, in order to promote the development of customer-sited renewable energy and help DP&L meet its renewable energy requirements, the Company should develop by the second quarter of 2009 a standard Renewable Energy Credit or Certificate ("REC") purchase program. This would entail DP&L, with the assistance of the DSM collaborative<sup>33</sup> to extend the scope of the Company's existing Green Connect™ Green Pricing Program.<sup>34</sup>

The REC purchase program will assist the Company in meeting its 12.5 percent renewable energy mandate (of which 50 percent must come from in-state installations). For renewable net-metering customers of 100 kW or less, the Company should develop and implement a standardized offer program to purchase the RECs generated from the program at no less than the Ohio mandatory market-based rate<sup>35</sup> (with one rate for in-state solar electricity applications and a different rate for in-state wind and other renewable resources). The program design should make the program easily accessible, with easily understood rules including transparent market-based pricing incentives, that

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<sup>33</sup> As recommended by OCC witness Sawmiller.

<sup>34</sup> DP&L is now offering a program that facilitates their customers' support for renewable resources. "The new Green Pricing program helps make a difference in the environment by supporting the purchase of renewable energy certificates (RECs) that come from renewable sources of electric power generation, such as wind, solar and landfill gas." See [http://www.dpandl.com/GreenPricing\\_Reg.php](http://www.dpandl.com/GreenPricing_Reg.php).

<sup>35</sup> I am advocating for a market determined price not an administratively set price. I use the word "mandatory" to distinguish the REC payment from existing state utility Green Pricing programs that tend to buy RECs at lower prices in the voluntary markets.

1 provide for a stable and long-term revenue stream for owners of small renewable  
2 distributed generation, and include REC prices that adjust to changing conditions  
3 (e.g. new tax credits or change in panel or electricity prices).  
4

5 Such a standard REC purchase program would need to be approved by the  
6 Commission and would complement the Company's existing Green Connect™  
7 Green Pricing Program. The Company should make available to customers a  
8 "one stop" process whereby any customer interested in on-site customer  
9 generation receives information on interconnection, net-metering and the sale of  
10 its RECs.  
11

12 ***Q19. DOES THIS CONCLUDE YOUR TESTIMONY?***

13 ***A19.*** Yes. However, I reserve the right to incorporate new information that may  
14 subsequently become available. I also reserve the right to supplement my  
15 testimony in the event that DP&L submits new or corrected financial or other data  
16 in connection with this proceeding.

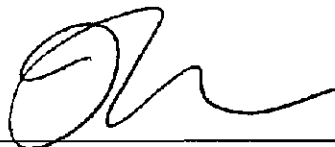
INT-406. Over how many years is the Company requesting recovery of lost revenues attributed to its energy efficiency programs?

**RESPONSE:** General Objections Nos. 2, 6, 7. This interrogatory is overly broad, unduly burdensome, and seeks information available in pre-filed testimony, schedules, and/or workpapers filed by DP&L with the Commission in its Application in these proceedings. Without waiving these objections, DP&L states that please see Schedule A-3, line 23. The Company is seeking recovery of lost revenues over the seven year period covered by the Company's CCEM project horizon proposed in this filing.

**WITNESS RESPONSIBLE: Dona Seger-Lawson**

## **CERTIFICATE OF SERVICE**

It is hereby certified that a true copy of the foregoing the *Direct Testimony of Wilson Gonzalez on behalf of the Office of the Ohio Consumers' Counsel* has been served via electronic transmission this 26<sup>th</sup> day of January, 2009.



Jacqueline Lake Roberts,  
Assistant Consumers' Counsel

## **PERSONS SERVED**

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