

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

FILED

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1094-EL-SSO
Approval of its Electric Security Plan)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1095-EL-ATA
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 Dayton Power and Light Company for) Case No. 08-1097-EL-UNC
Approval of its Amended Corporate)
Separation Plan)

DIRECT TESTIMONY OF STUART M. SIEGFRIED

ON BEHALF OF

STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

February 3, 2009

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1 DIRECT TESTIMONY OF STUART M. SIEGFRIED

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

4 A. My name is Stuart M. Siegfried, and my business address is 180 East Broad
5 Street, Columbus OH 43215.

6

7 2. Q. By whom are you employed and what is your position?

8 A. I am employed as a Utility Specialist, in the PUCO's Facilities, Siting, and
9 Environmental Analysis division of the Energy and Environment
10 Department.

11

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

13 A. I received a B.S. degree, International Business, from Bowling Green State
14 University. I am currently pursuing an additional degree from The Ohio
15 State University in Wildlife Management.

16

17 I have been continuously employed by the PUCO since November 1990.

18 My responsibilities during this time have primarily involved environmental
19 matters.

20

21 4. Q. Have you testified in prior proceedings before the Commission?

22 A. Yes.

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

A. My testimony focuses primarily on the Company's plans for complying with the alternative energy portfolio standard (AEPS) requirements as contained in Section 4928.64, Ohio Revised Code (ORC).

6. Q. You are not an attorney, are you?

A. No, I am not. My discussion of ORC 4928.64 reflects my layman's understanding of these issues. I am not offering a legal opinion of any sort.

7. Q. Can you very briefly describe the requirements in 4928.64, ORC?

A. Section 4928.64, ORC, establishes an AEPS comprised of requirements for both renewable and advanced energy resources. Section 4928.64(B)(2) introduces specific annual benchmarks for renewable energy resources, including solar, beginning in 2009.

8. Q. Has the PUCO issued rules to implement Section 4928.64, ORC?

A. The PUCO issued for public comment Staff-proposed rules in Case No. 08-888-EL-ORD. At the time of this writing, initial and reply comments had been received. However, final rules have not yet been issued to implement the AEPS.

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9. Q. Has the Company detailed how it plans to comply with the AEPS requirements?

A. In its filing (Book III, p. 9), the Company indicated that it intends to comply with the near-term renewable targets (2009 and 2010) primarily through the purchase of renewable energy credits (RECs).

10. Q. Has the Company projected 2009 and 2010 compliance costs associated with Section 4928.64, ORC, in this proceeding?

A. Yes, Schedules A-1 and A-2 contain the Company's projected compliance costs for 2009 and 2010 respectively. Jurisdictionalized compliance costs for 2009 are forecast to be approximately \$970,000, with costs increasing to approximately \$1,500,000 for 2010.

11. Q. You mentioned previously that the Company's compliance plan for 2009 and 2010 is expected to be primarily REC-based. Are the projected costs in Schedules A-1 and A-2 limited to REC costs?

A. No. The Company has also proposed to include other costs, such as estimated costs associated with participating in REC tracking systems and internal labor costs. The estimated REC costs, however, comprise 63% and 89% of total compliance-related costs in 2009 and 2010 respectively.

1 12. Q. Do you consider the types of costs in Schedules A-1 and A-2 to be
2 reasonably considered as costs of compliance with 4928.64, Revised Code?

3 A. Yes. I support the inclusion of REC costs, REC tracking system costs, and
4 internal administrative support costs as compliance costs. However, the
5 specific costs in these categories should still be subjected to Staff audit.
6

7 13. Q. Did you review the specific cost projections in Schedules A-1 and A-2?

8 A. Yes. I conducted a preliminary review of the projected costs for 2009 and
9 2010, with the expectation that the actual costs would be reviewed more
10 closely during annual true-ups.
11

12 14. Q. What did you conclude regarding the Company's 4928.64 compliance cost
13 projections in Schedules A-1 and A-2?

14 A. The projected costs in Schedules A-1 and A-2 are a function primarily of
15 the statutory requirements of ORC Section 4928.64(B)(2), the Company's
16 proposed baselines presented in Company Witness Bulp testimony (Exhibit
17 MWB-1), and projected REC costs. The baseline and REC prices are
18 estimates at this point, and therefore subject to some uncertainty. Overall I
19 believe that the projections are not unreasonable particularly in light of the
20 fact that the projections will be reconciled with actual costs. With that
21 said, I would expect the Company's compliance efforts to be consistent
22 with the Commission's final rules on the AEPS, which may impact any

1 underlying assumptions in subsequent projections. In addition, I would
2 note that the proposed baseline methodology is addressed in the testimony
3 of Staff Witness Scheck. To the extent Mr. Scheck recommends modifying
4 the Company's baseline calculation, I would recommend that the
5 Company's projected 2009 and 2010 compliance costs be adjusted
6 accordingly.

7
8 15. Q. What are the Company's ratemaking plans for costs associated with the
9 AEPS requirements?

10 A. The Company has proposed an Alternative Energy Rider (AER) in order to
11 recover costs associated with complying with the alternative energy
12 portfolio standard requirements. According to the testimony of
13 Company Witness Seger-Lawson (p. 3), the AER would initially be devised
14 as a bypassable or avoidable rider. The Company proposes to true-up the
15 AER at least annually, with any over- or under-recovery (including carrying
16 costs) included in future AER calculations (Seger-Lawson, p. 8). Book III,
17 p. 18, indicates an effective date of April 1, 2009, for the AER.

18
19 16. Q. Do you have recommendations regarding the Company-proposed AER?

20 A. While generally supportive of the concept for an AER, I have the following
21 recommendations concerning its implementation: (a) the Company
22 suggested a true-up at least annually, while Staff believes that an annual

1 true-up should be sufficient; (b) the Staff concurs that the AER should be
2 bypassable, given the types of costs currently included in Company
3 Schedules A-1 and A-2, but that other types of costs potentially included in
4 the future may require different treatments; (c) the true-ups should be
5 subject to annual Staff review and audits; and (d) costs included in the AER
6 should not automatically be included in any 3% cost cap calculations.
7

8 17. Q. The Company has made certain assumptions about the implementation of
9 4928.64, ORC, in its filing. Do you agree with these assumptions?

10 A. Although I do support some of the Company assumptions, there are a
11 number of Company assumptions with which I do not agree.
12

13 18. Q. Can you elaborate on the more significant assumptions with which you
14 disagree?

15 A. On Page 10 of Book III, the Company expresses its position that renewable
16 energy credits (RECs) ought not be bound by any “deliverable to the state”
17 requirement. The Company also does not appear to interpret the in-state
18 provision in 4928.64, Revised Code, as applying to the solar requirement
19 (Stephenson testimony, p. 15). Finally, in response to Staff Data Request
20 Number Five, the Company mentions a number of different types of costs
21 that it would characterize as compliance costs associated with 4928.64,
22 ORC, and that it would propose to include both in its proposed Alternative

1 Energy Rider (AER) and in any calculation of the statutory 3% cost cap
2 provision. Specific examples provided by the Company include, but are
3 not limited to, costs of capacity, energy, transmission, ancillary charges,
4 property taxes, and capital investment.
5

6 19. Q. What are your positions on the issues mentioned above?

7 A. Regarding the issue of REC deliverability, I do not support the Company
8 position and instead believes that qualified RECs must originate from
9 electricity that is deliverable to the state. I also believe that the in-state
10 provision does apply to the solar requirement, an interpretation which
11 differs from the Company's interpretation. In terms of what constitutes a
12 cost of compliance under 4928.64, ORC, I acknowledge that this has not
13 previously been defined. However, I believe that the renewable energy
14 resource requirements under 4928.64, ORC, can be satisfied solely through
15 the purchase of RECs that are unbundled from the associated electricity.
16 Therefore, I assume that any other costs (i.e., capacity, transmission, etc)
17 would be incurred by the Company to satisfy needs other than the AEPS
18 compliance obligations. I would not automatically contest the
19 appropriateness of those other costs, but rather may not categorize them as
20 compliance costs and thus recommend they not exhaust any of the 3% cost
21 cap.
22

1 20. Q. Does your pre-filed testimony presuppose anything with regard to the
2 Company's actual compliance with the annual renewable energy and solar
3 energy benchmarks during the plan period?

4 A. No, it does not. I assume that compliance with the annual benchmarks
5 would be the focus of annual compliance reviews as required by
6 4928.64(C)(1), ORC.

7

8 21. Q. Does this conclude your testimony?

9 A. Yes. However, I reserve the right to submit supplemental testimony as
10 described herein, as new information subsequently becomes available or in
11 response to positions taken by other parties.

12

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the Testimony of Stuart M. Siegfried was served this 3rd day of February, 2009 by electronic mail or, where no e-mail address is available, by regular U.S. mail, postage prepaid, upon the persons listed below.



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