

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Application of Ohio Power Company for Approval of its Renewable Energy Credit Purchase Offer Program</b>	) ) ) ) )	<b>Case No. 09-1873-EL-ACP</b>
<b>In the Matter of the Application of Columbus Southern Power Company for Approval of its Renewable Energy Credit Purchase Offer Program</b>	) ) ) )	<b>Case No. 09-1874-EL-ACP</b>

**AEP OHIO REPLY COMMENTS  
FILED OCTOBER 15, 2010**

Columbus Southern Power Company (CSP) and Ohio Power Company (OPCO), collectively the “Companies” or “AEP Ohio,” initiated these cases by submitting an application that sought approval of the Companies’ Renewable Energy Credit (REC) Purchase Program. On October 8, 2010, pursuant to the schedule set out in the docket, Ohio Consumers’ Counsel (OCC) and the Industrial Energy Users of Ohio (IEU) filed comments in partial opposition to the Companies’ application. As noted previously, AEP Ohio has engaged stakeholders including OCC and IEU in productive discussions with respect to the proposed program; however, some differences of opinion remain. The Commission Staff and AEP Ohio were able to reach a Stipulation dealing with issues raised by the Commission Staff. All parties to the case were aware of all the settlement discussions and offered an opportunity to be a signatory party. As to the areas of disagreement and in response to the comments submitted by OCC and IEU, the Companies submit these reply comments in further support of the application and the Stipulation and Recommendation.

AEP Ohio is strongly supportive of providing robust programs that encourage customer-sited distributed generation with renewable resources. The Companies face the challenge of determining program prices that will achieve this goal while simultaneously providing electric service to all of their customers at the lowest reasonable cost. AEP Ohio believes the REC Purchase Offer Program, as outlined in the filing and the Stipulation, allows AEP Ohio to achieve a win-win for all of its customers.

## **OCC COMMENTS**

### **A. REC Purchase and REC Incentive Program**

OCC attempts to tie the success of the REC Purchase program to the application of a REC incentive program. (OCC Comments at 3) AEP Ohio filed for an incentive program in the 09-1871 and 09-1872 docket. The Companies continue to support the applications for those programs and are filing comments in support of those programs today. But OCC's passing comment that this program must be changed if another program is not approved does not provide AEP Ohio or the Commission anything to respond to or consider.

AEP Ohio supports the Stipulation and Recommendation entered into with the Commission Staff in this case because it provides a reasonable compromise on the issues involved and implements a program now during the current electric security plan period. The REC's Purchase program provides a means during this period to assess its effectiveness and provide insight in the development of a future program. The program is before the Commission and defined and represents a good start in efforts to increase renewable energy resources that are mutually beneficial to customers who wish to participate and all other ratepayers.

### **B. REC Purchase Price**

The Stipulation and Recommendation adopts the 75% level of the alternative compliance penalty as the purchase amount of the REC at pages 5-6 subsection 4

### **C. Commitment Length**

The program filed by AEP Ohio and further defined in the Stipulation and Recommendation cannot extend 15 years like the other programs cited by OCC. The agreement is that AEP Ohio's programs will be recovered through the fuel adjustment clause. As that stands now it is only in existence through the end of 2011, through the electric security plan period. A fuel adjustment clause could very well be ordered by the Commission in the new period but at this time that is unknown. It would be imprudent to establish a 15 year program that does not have a guarantee of a commensurate cost recovery mechanism. Cost recovery is a prerequisite to AEP Ohio's offering of the program. The term of this program does not prevent a future program. In fact, the Stipulation and Recommendation does include a provision for AEP Ohio to work with Commission Staff to propose a similar program by August, 31, 2011 (see page 5 subsection 2)

### **D. Eligibility Requirements**

OCC comments that customers who take service from AEP either under its standard service offer or under its open access distribution schedule and purchase generation from an alternative supplier should be eligible for the program. The Stipulation and Recommendation already allow for this request (see page 5 subsection 1).

OCC also seeks to have AEP Ohio allow customers who lease the renewable distributed generation facilities from third parties to be eligible. This is a program

between AEP Ohio and its customers. While a customer can interact as it chooses with a third party, AEP Ohio needs to interact with its customer under the tariff and not a third party.

#### **E. Program Length and Reporting**

OCC commented that AEP should be required to implement the program no later than 30 days from the Commission's decision in this case and that the program should be offered until December 31, 2011 or until the total \$2.5 million is allocated, "whichever comes later." AEP Ohio intends to implement the program after Commission approval and does not see why a mandate is required. The real issue in this comment is the potential that the program could continue past December 31, 2011. As indicated above, anything after December 31, 2011 is outside of the electric security plan period and outside the constructs of a fuel adjustment clause. That means there is no mechanism for cost recovery past December 31, 2011. This makes OCC's request unworkable. Additionally, it would appear that OCC is confusing this program with the program filed in the 09-1871 and 09-1872 docket because there is not a \$2.5 million cap on the REC purchase program. There is a cap associated with the other program but not the REC purchase program. Thus the December 31, 2011 date is the only real marker to determine program length.

OCC also seeks a Commission order to implement a follow-up program and to provide quarterly reporting on the program. The Stipulation and Recommendation already includes a provision that AEP Ohio will work with Commission Staff to propose a similar program with cost recovery to be filed no later than August 31, 2011. That program can stand on its own and be judged by its merits at that time. There is no

justification to require a future program at this time when the facts concerning cost recovery and program structure are unknown. The quarterly reports filed with the Commission also present an unnecessary administrative burden. AEP Ohio will monitor its program and share that information as it moves along with Staff to develop a future program. There is no need for an ordered filing schedule.

### **IEU's COMMENTS**

IEU's comments on the program begins with the assertion that because AEP Ohio does not need the solar RECs to comply with the 2010 and 2011 mandates that the program should be rejected. AEP Ohio admits that the Wyandot Solar LLC could enable AEP Ohio to produce enough RECs to meet its standards but that is not reason enough to deny the REC purchase program. S.B. 221 also encourages utilization of distributed generation from all classes of customers or third parties. This diversity is necessary not only to develop renewable energy resources to meet the environmental and economic objectives of S.B. 221, but also to promote the acceptance of renewable energy resources and provide opportunities for all parties to participate. As for non-solar RECs, AEP Ohio is in need for calendar year 2010 and this program will enhance the ability secure those RECs.

IEU also raised a concern with the pricing of the RECs. As previously explained in our January 27, 2010 reply comments to OCC's motion to intervene, the costs for the non-solar RECs at that time were comparable to what we encountered in the very limited market. Since then, we have changed that price as agreed in the Stipulation and Recommendation to a price that aligns with what the Commission has approved in other

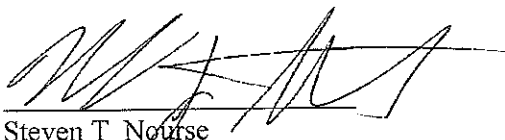
cases. Also as explained in our January 27, 2010 reply comments, the solar costs were reflective of the solar costs of our Renewable Energy Technologies program

IEU also raised an issue concerning the impact of the program on the deferrals associated with the fuel adjustment clause and rate caps and that it does not provide any customer benefits. Although rates are capped AEP Ohio does not believe there will be enough participation to significantly add to the deferrals. Furthermore, customers will receive the benefits associated with these costs in the development of the state policy to encourage renewables while at the same time provided RECs to apply to AEP Ohio's required pool of RECs.

### **CONCLUSION**

For the foregoing reasons, AEP Ohio requests that the Commission approve the Stipulation and Recommendation filed by Commission Staff and AEP Ohio consistent with the above comments

Respectfully submitted,

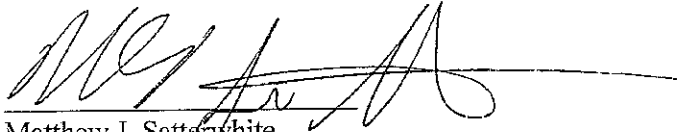


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**PROOF OF SERVICE**

I certify that Columbus Southern Power Company's and Ohio Power Company's Reply Comments were served by First-Class U S Mail upon counsel for all parties of record identified below this 15<sup>th</sup> day of October, 2010



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