

FILE

RECEIVED-DOCKETING DIV
2010 OCT 15 PM 4:14
PUCO

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio :
Power Company for Approval of its : Case No. 09-1873-EL-ACP
Renewable Energy Credit Purchase :
Program. :

In the Matter of the Application of :
Columbus Southern Power Company for : Case No. 09-1874-EL-ACP
Approval of Its Renewable Energy Credit :
Purchase Program. :

**REPLY COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Richard Cordray
Ohio Attorney General

Rebecca L. Hussey
Assistant Section Chief
Thomas W. McNamee
Assistant Attorney General
Public Utilities Section
180 East Broad Street
Columbus, OH 43215-3793
614.466.4397 (telephone)
614.644.8764 (fax)
rebecca.hussey@puc.state.oh.us
thomas.mcnamee@puc.state.oh.us

October 15, 2010

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician 3 Date Processed 10-15-10

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio :
Power Company for Approval of its : Case No. 09-1873-EL-ACP
Renewable Energy Credit Purchase :
Program. :

In the Matter of the Application of :
Columbus Southern Power Company for : Case No. 09-1874-EL-ACP
Approval of Its Renewable Energy Credit :
Purchase Program. :

**REPLY COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

On November 30, 2009, Columbus Southern Power Company and Ohio Power Company (collectively, AEP-Ohio) filed an application for approval of their renewable energy credit purchase programs. Motions to intervene on behalf of Industrial Energy Users-Ohio (IEU-Ohio) and the Office of the Ohio Consumers' Counsel (OCC) and were granted by the attorney examiner on September 24, 2010.

On October 8, 2010, AEP-Ohio and the Staff of the Public Utilities Commission (Staff) filed a joint stipulation (Stipulation) recommending approval of the programs. On the same day, IEU-Ohio and OCC filed comments on the application. The comments advanced by Staff herein respond to the comments of IEU-Ohio and OCC, and support the approval of the Stipulation entered into by AEP-Ohio and Staff.

IEU-Ohio Comments

The Industrial Energy Users- Ohio conclude that the application should be denied, in part because AEP-Ohio already expects to have sufficient solar RECs (S-RECs) to comply with the 2010 and 2011 solar mandates and therefore does not have an immediate need for the additional S-RECs that may be obtained through this proposed program.¹ While Staff does not contest the premise of IEU-Ohio's position, Staff would note that RECs can be banked for a certain period of time² – and therefore, RECs obtained through this program, as well as the RECs obtained from Wyandot Solar LLC to which IEU-Ohio refers, need not be used immediately to be considered a viable compliance tool.

OCC Comments

OCC argues that the REC purchase program is inadequate in its current form, unless complemented by the incentive program that is the subject of Case Nos. 09-1871-EL-ACP and 09-1872-EL-ACP. Staff disagrees, finding merit in the REC purchase program, in that it establishes a reasonable mechanism by which customers utilizing distributed renewable generation can contribute to AEP-Ohio's alternative energy portfolio standard compliance efforts.

The OCC raises two topics in its comments pertaining to program eligibility requirements, which are both addressed in the Stipulation and Recommendation (Stipulation) in this case.³ As the Stipulation language contains provisions similar to that

1 IEU-OH Initial Comments, p. 2

2 OAC, 4901:1-40-04(D)(3)

3 OCC Initial Comments, p. 7

advocated by the OCC,⁴ Staff will separately address neither the eligibility of shopping customers, nor the eligibility of customers who lease renewable generation facilities, in its reply comments.

OCC argues in its comments that the REC purchase price under the program should be increased to 75% of the alternative compliance payment (ACP).⁵ According to the Stipulation in this case, participants would be paid \$300 per S-REC.⁶ As the solar ACP for 2010 and 2011 is set at \$400⁷, the solar pricing terms under the Stipulation do, in fact, represent 75% of the solar ACP. For RECs from small wind, the terms of the Stipulation require that participants be paid \$34 for such RECs.⁸ The ACP for non-solar RECs is currently \$45, and therefore, the purchase price for non-solar RECs is essentially 75% of the applicable ACP. Staff would note, however, that the pricing terms under the Stipulation are fixed. If, as the OCC argues, the program is extended for a 15-year term, additional pricing terms would need to be incorporated. In such event, Staff advocates pricing mechanisms that track the market to the extent practicable.

The OCC also argues that the Commission “should order AEP to implement a follow-up program.”⁹ Staff believes it is neither necessary, nor appropriate, to require such a measure at this stage. Instead, as contained within the Stipulation, Staff feels it is more prudent for the Company to propose such a program in the future, while

4 Stipulation and Recommendation, p. 5
5 OCC Initial Comments, p. 4
6 Stipulation and Recommendation, p. 6
7 ORC, 4928.64(C)(2)(a)
8 Stipulation and Recommendation, p. 6
9 OCC Initial Comments, p. 9

incorporating both lessons learned and any altered market conditions, for the Commission's consideration.

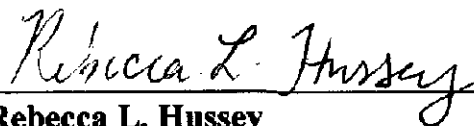
The OCC seeks a requirement that AEP file quarterly updates during the term of the program,¹⁰ a request that Staff supports. Such reports would provide useful insights into the effectiveness of the program that may prove beneficial when considering any similar programs in the future.

The OCC also comments on the proposed program length, recommending the following:

The initial program should be offered until December 31, 2011 or until the total \$2.5 million allocated towards this program per utility is expended, whichever comes later.¹¹

Staff notes that, according to the Stipulation, the program shall remain in effect until December 31, 2011.¹² With regard to the \$2.5 million allocation reference in OCC's comments, Staff believes that this is simply a typographical error, as Staff is not aware of any such allocation for the REC purchase program.

Respectfully submitted,



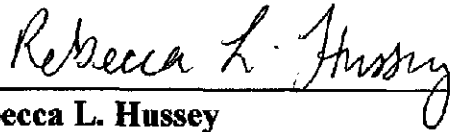
Rebecca L. Hussey
Assistant Section Chief
Thomas W. McNamee

10 OCC Initial Comments, p. 9
11 OCC Initial Comments, p. 9
12 Stipulation and Recommendation, p. 5

Assistant Attorney General
Public Utilities Section
180 East Broad Street
Columbus, OH 43215-3793
614.466.4397 (telephone)
614.644.8764 (fax)
rebecca.hussey@puc.state.oh.us
thomas.mcnamee@puc.state.oh.us

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Reply Comments**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the parties listed below this 15th day of October, 2010.



Rebecca L. Hussey
Assistant Section Chief

PARTIES OF RECORD:

Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Service Corp.
1 Riverside Plaza
29th Floor
Columbus, OH 43215
stnourse@aep.com
mjsatterwhite@aep.com

Sam Randazzo
Joe Clark
McNees Wallace & Nurick
21 East State Street
17th Floor
Columbus, OH 43215
sam@mwncmh.com
jclark@mwncmh.com

Chris Allwein
Ann Hotz
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street
Suite 1800
Columbus, OH 43215
allwein@occ.state.oh.us
hotz@occ.state.oh.us