

FILE

14
BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of : Case Nos. 11-346-EL-SSO
Columbus southern Power Company and : 11-348-EL-SSO
Ohio Power company for Authority to :
Establish a Standard Service Offer :
Pursuant to § 4928.143, Ohio Rev. Code, :
in the Form of an Electric Security Plan. :

In the Matter of the Application of :
Columbus Southern Power Company and : Case Nos. 11-349-EL-AAM
Ohio Power company for Approval of : 11-350-EL-AAM
Certain Accounting Authority. :

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PREFILED TESTIMONY
OF
JODI J. BAIR
ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO
UTILITIES DEPARTMENT

STAFF EX. ____

August 4, 2011

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1 **PERSONAL DATA**

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

3 A. My name is Jodi Bair. My business address in 180 East Broad Street,
4 Columbus, Ohio, 43215.

5
6 2. Q. By whom are you employed and in what capacity?

7 A. I am employed by the Public Utilities Commission of Ohio. My title is the
8 Director of the Utilities Department at the Commission.

9
10 3. Q. What is you educational and professional background?

11 A. I earned my Bachelor of Arts degree from Vanderbilt University and I
12 received my juris doctor degree from St. Thomas University School of
13 Law. In June 1994 I began working for the Office of the Ohio Attorney
14 General as an Assistant Attorney General. I was assigned to the Public
15 Utilities Division and represented the Staff of the Commission and the
16 Commission in legal proceedings. In 2006, I began working for the
17 Commission as an Assistant Director in the Utilities Department and in
18 2009; I was promoted to Director of the department. As Director, I am
19 responsible for four divisions at the Commission – Accounting and
20 Electricity, Capital Recovery and Financial Analysis, Telecommunications
21 and Rates and Tariffs, Energy and Water.

1 4. Q. Have you submitted testimony before as a witness before a regulatory com-
2 mission?

3 A. No.
4

5 **PURPOSE OF TESTIMONY**

6 5. Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to address AEP-Ohio's request to establish
8 a non-bypassable rider to recover costs associated with closing generation
9 plants.
10

11 **BACKGROUND**

12 6. Q. As part of AEP'S application in this proceeding, has the company requested
13 that customers pay for generation-related facility closure costs?

14 A. Yes. As explained by AEP witness Thomas, AEP generation facilities may
15 close due to a plant's age, a planned retirement, or safety, economic or
16 environmental issues during the ESP.¹ The Company requests that the
17 Commission approve a rider to recover the actual costs, net of salvage.
18 AEP proposes to make an annual filing with the PUCO for review and

¹ *In the Matter of the Applications of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of Electric Security Plans, Case Nos. 11-346-EL-SSO, 11-348-EL-SSO (2011 ESP Cases) (Testimony of AEP witness Laura J. Thomas at 23) (January 27, 2011).*

1 recovery the subsequent year. This requested rider would apply to actual
2 closure costs for any generation-related facility closed during the period of
3 the proposed ESP.²
4

5 **GENERATING PLANT SHUT DOWN COST RECOVERY RIDER**

6 7. Q. Would a Rider for the recovery of facility closure costs be consistent with
7 Ohio utility regulation?

8 A. No. The current governing law, Section 4928, Ohio Rev. Code (S.B. 221)
9 has no provision for the recovery of generation facility plant closure costs.
10 R.C. 4928.143(B)(2)(c) states that, “[b]efore the commission authorizes any
11 surcharge pursuant to this division, it may consider, as applicable, the
12 effects of any decommissioning, deratings, and retirements.” This language
13 directs the Commission to consider the effects of retirements before grant-
14 ing a rider to recover the costs of the new plant. Nowhere does the law
15 provide authority to recover the costs of retirements.
16

17 8. Q. Has AEP had the opportunity to seek recovery of plant closure costs?

18 A. Yes. The law that existed prior to S.B. 221, S.B. 3, explicitly provided a
19 mechanism for electric companies to recover costs associated with separat-
20 ing the distribution, transmission, and generation functions of the utility and

² 2011 ESP Cases (Testimony of AEP witness Laura J. Thomas at 25) (January 27, 2011).

1 transitioning into a competitive market. S.B. 3's intent was to move elec-
2 tric companies to a competitive environment; however, the law recognized
3 that there may be costs associated with transitioning to a competitive mar-
4 ket, so electric companies were permitted to recover transition costs.

5
6 9. Q. Did AEP request recovery of transition costs?

7 A. Yes. In AEP's electric transition plan, it initially requested recovery of
8 \$291.43 million for stranded, generation transition charges (GTCs)³.
9 According to S.B. 3, AEP had "the opportunity to receive transition reve-
10 nues that may assist it in making the transition to a fully competitive retail
11 electric generation market."⁴ As part of the stipulation in that electric
12 transition plan (ETP) case, the company decided to forego recovery of any
13 GTCs.⁵ Company witness Baker, when testifying in support of the stipula-
14 tion stated that "as part of the overall settlement and the agreement, the
15 Companies dropped their claims for recovery of stranded generation

³ *In the Matter of the Applications of Columbus Southern Power company and Ohio Power Company for Approval of Their electric Transition Plans and for Receipt of Transition Revenues*, Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP (Opinion and Order at 15-16) (September 28, 2000).

⁴ Ohio Rev. Code Ann. § 4928.37(A)(1) (West 2011).

⁵ *In the Matter of the Applications of Columbus Southern Power company and Ohio Power Company for Approval of Their electric Transition Plans and for Receipt of Transition Revenues*, Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP (Opinion and Order at 16) (September 28, 2000).

costs.”⁶ Ohio law only allowed recovery of transition costs through the end of 2010.⁷

10. Q. AEP believes that the Commission’s order in the current ESP permits the Company to recover costs of plant closure, do you believe the order provides that authority?

A. No. AEP, under the currently-approved ESP, requested authority to come before the Commission during the ESP term and request recovery of early generation plant closure costs.⁸ The Commission did not approve AEP’s ability to recover these costs, the Commission stated that is was, “not convinced that it is appropriate to approve the Companies’ request for recovery of net cost associated with an unanticipated shut down.”⁹ In that case, the Company requested exactly what it requests in this case. The Commission denied the request for recovery of an unanticipated shut down recovery.¹⁰

⁶ *In the Matter of the Applications of Columbus Southern Power company and Ohio Power Company for Approval of Their electric Transition Plans and for Receipt of Transition Revenues*, Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP (Opinion and Order at 16) (September 28, 2000); Tr. III at 6.

⁷ Ohio Rev. Code Ann. § 4928.40 (West 2011).

⁸ *In the Matter of the Applications of Columbus Southern Power Company and Ohio Power Company for Approval of an Electric Security Plans; and Amendments to its Corporate Separation Plans*, Case Nos. 08-917-EL-SSO, 08-918-EL-SSO (2008 ESP Cases) (Application at 19) (July 31, 2008).

⁹ *Id.* (Opinion and Order at 53) (March 18, 2009).

¹⁰ *Id.*

1 In the present case, AEP witness Thomas, when asked if the Company is
2 able to determine exactly which facility closure will occur during the pro-
3 posed ESP period, answered, “No. The evolution of environmental
4 requirements is uncertain.”¹¹ And that “the timing for compliance with new
5 rules is unknown.”¹² The company requests a rider based upon un-quantified
6 anticipated costs. This request should be denied again by the Commis-
7 sion.

8
9 The Commission’s decision in the SSO cases also expanded the Com-
10 panies’ request for recovery of net cost associated with an unanticipated
11 shut down. Staff witness Hess testified that the company cannot impose
12 upon customers the cost of a specific uneconomic plant without accounting
13 for the positive economic value of the rest of the companies generation
14 plants.¹³ In its Opinion and Order, the Commission stated that it “is not
15 convinced that it is appropriate to approve the Companies’ request for
16 recovery of net cost associated with an unanticipated shut down. Despite
17 the arguments of the Companies to the contrary, we are persuaded by the

¹¹ 2011 ESP Cases (Testimony of AEP witness Laura J. Thomas at 23) (January 27, 2011).

¹² *Id.*

¹³ 2008 ESP Cases (Prefiled Testimony of J. Edward Hess (Staff Ex. 1) at 8.

arguments of the Staff that there may be offsetting positive value associated with the Companies generation fleet.”¹⁴

11. Q. Did the Commission authorize AEP to establish an accounting mechanism to separate net early closure cost?

A. Yes. The Commission denied AEP’s request to establish a cost recovery mechanism for an un-anticipated shut down; however, granted the Companies the authority to establish the accounting mechanism to separate net early closure cost.¹⁵ The Commission stated that “[a]s to the Companies’ request for authority to file with the Commission to determine the appropriate treatment associated with an earlier-than-anticipated shut down, the Commission finds this aspect of the application to be reasonable and, accordingly, the request should be granted.”¹⁶ AEP ignores the Commission’s specific denial of the Companies’ request to recover costs and ignores the Commission’s consideration of the possibility of considering that there may be offsetting positive value associated with the Companies’ generation fleet that must be analyzed if there is a request to recover shut down costs for a specific facility.

¹⁴ 2008 ESP Cases (Opinion and Order at 53) (March 18, 2009).

¹⁵ *Id.*

¹⁶ *Id.*

1 12. Q. If the Commission approves the Companies' request to establish a rider to
2 recover the costs of shutting down generation units, do you believe that the
3 rider should be by-passable?

4 A. No. If the Commission approves such a rider, it should be established on a
5 by-passable basis because it is generation-related.

6

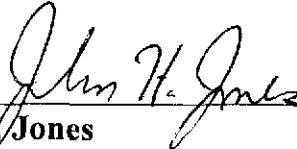
7 13. Q. Does this conclude your testimony?

8 A. Yes.

9

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Prefiled Testimony of Jodi J. Bair**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 4th day of August, 2011.



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