

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)	
Dayton Power and Light Company for)	Case No. 13-833-EL-POR
Approval of Its Energy Efficiency and)	Case No. 13-837-EL-WVR
Peak Demand Reduction Program)	
Portfolio Plan for 2013 through 2015.)	

**DIRECT TESTIMONY
OF
WILSON GONZALEZ**

On behalf of
The Office of The Ohio Consumers' Counsel
10 West Broad St., 18th Floor
Columbus, OH 43215-3485

October 21, 2013

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Exhibits:

WG-1

1 **I. INTRODUCTION**

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

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

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

10 **A2.** I have a Bachelor of Arts degree in Economics from Yale University, and a Master
11 of Arts degree in Economics from the University of Massachusetts at Amherst. I
12 have also completed coursework and passed my comprehensive exams towards a
13 Ph.D. in Economics at the University of Massachusetts at Amherst.

14
15 I have been employed in the energy industry since 1986. I was first employed by
16 the Connecticut Energy Office (as a Senior Economist, 1986-1992). Then I was
17 employed by Columbia Gas Distribution Companies ("Columbia Gas") (as an
18 Integrated Resource Planning Coordinator, 1992-1996). Finally, I was employed
19 by American Electric Power ("AEP") (as a Marketing Profitability Coordinator
20 and Market Research Consultant, 1996-2002). I have been managing the
21 Resource Planning activities within OCC since 2004, and have been involved in

1 numerous electric industry cases before the Public Utilities Commission of Ohio
2 (“PUCO” or “Commission”).
3

4 ***Q3. WHAT HAS BEEN YOUR EXPERIENCE IN PUCO PROCEEDINGS***
5 ***REGARDING UTILITY PORTFOLIOS FOR ENERGY EFFICIENCY AND***
6 ***PEAK DEMAND REDUCTION (“EE/PDR”)?***

7 ***A3.*** I have been directly involved in settlements reached and approved by the
8 Commission in Ohio Power Company’s (“AEP-Ohio”) two EE/PDR Portfolio
9 Cases (09-1089-EL-POR, et al., and 11-5568-EL-POR et al.). In addition, I filed
10 testimony in Duke Energy Ohio’s (“Duke”) EE/PDR Portfolio Case, 09-1999-EL-
11 POR, participated in Duke’s EE/PDR Cost Recovery Case, 11-4393-EL-RDR,
12 and filed testimony and participated in the settlement of Duke’s EE/PDR Portfolio
13 Case, 13-431-EL-POR. I was also involved with the Cleveland Electric
14 Illuminating Company, Ohio Edison Company, and The Toledo Edison
15 Company’s (collectively, “FirstEnergy”) first EE/PDR Portfolio Case, 09-1947-
16 EL-POR, and testified in FirstEnergy’s second EE/PDR Portfolio Case, 12-2190-
17 EL-POR.
18

19 ***Q4. WHAT HAS BEEN YOUR EXPERIENCE IN OTHER REGULATORY***
20 ***PROCEEDINGS?***

21 ***A4.*** I have been involved with many aspects of electric utility regulation since 1986
22 including, but not limited to, rate design and integrated resource planning, and

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1 transmission and non-transmission alternative planning. While at the Connecticut
2 Energy Office, I was involved in one of the first demand-side management
3 (“DSM”) collaborative processes in the country (Connecticut Department of
4 Public Utility Control (“CDPUC”) Docket No. 87-07-01). I analyzed the
5 performance and cost-effectiveness of many efficiency programs for
6 Connecticut’s electric and gas utilities that led to demonstration projects, policy
7 recommendations, DSM programs (including rate design recommendations) and
8 energy efficiency standards. I also performed all the analytical modeling for
9 United Illuminating’s first integrated resource plan filed before the CDPUC in
10 1990.

11
12 At Columbia Gas, I was responsible for coordinating its Integrated Resource Plan
13 within the corporate planning department and DSM program development
14 activities in the marketing department. I designed and managed residential DSM
15 programs in Maryland and Virginia.

16
17 While at AEP, I conducted numerous cost-benefit analyses of programs sponsored
18 by AEP’s corporate marketing department, including their residential load control
19 water heater program.

20
21 For the past 8 years at OCC, I have (among other matters):

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- 1 • Been involved in DSM negotiations with Ohio's investor-owned utilities
- 2 resulting in millions of dollars in energy efficiency programs;
- 3 • Prepared DSM-related testimony in many PUCO cases;
- 4 • Testified before the Ohio House Alternative Energy Committee and Senate
- 5 Energy and Public Utilities Committee in support of energy efficiency,
- 6 demand response and resource planning;
- 7 • Assisted in the preparation of energy efficiency and renewable energy
- 8 testimony and amendments for S.B. 221, H.B. 357, S.B. 315 and S.B. 58;
- 9 • Testified before the PUCO on rate design issues; and
- 10 • Worked extensively on a range of topics regarding FirstEnergy's Standard
- 11 Service Offer proposals, including energy efficiency, distribution lost
- 12 revenue recovery and industrial customer interruptible rider cost
- 13 allocation.

14 A list of my testimony before the PUCO is attached as Exhibit WG-1.

15

16 ***Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF***

17 ***YOUR TESTIMONY?***

18 ***A5.*** I have reviewed the Application for Approval of Its Energy Efficiency and Peak

19 Demand Reduction Portfolio Plan for 2013 through 2015, filed by The Dayton

20 Power and Light Company ("DP&L" or the "Utility") in Case No. 13-833-EL-

21 POR et al., along with the Utility's responses to certain discovery in this case. In

22 addition, I reviewed the Stipulation and Recommendation ("Stipulation") filed in

1 this docket on October 2, 2013. I have also reviewed certain relevant portions of
2 the PUCO-approved Stipulation and Recommendation from Case No. 08-1094-
3 EL-SSO, the case in which an electric security plan for DP&L was established.

4
5 **II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS**

6
7 ***Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

8 ***A6.*** The purpose of my testimony in this proceeding is to support the Stipulation
9 signed by DP&L, OCC, and various other parties.¹

10
11 ***Q7. PLEASE PROVIDE AN OVERVIEW OF THE STIPULATION.***

12 ***A7.*** The Stipulation addresses a number of important issues for DP&L's customers
13 related to the Utility's Energy Efficiency and Peak Demand Reduction Portfolio
14 for 2013 through 2015. My testimony will focus on three of those areas: the
15 shared savings incentive mechanism, collection of lost distribution revenues, and
16 the Utility's commitment to bid energy efficiency resources into the PJM Base
17 Residual Auction.

18

¹ Other signatory parties include: the PUCO Staff, EMC Development Company, Inc., EnerNoc, Inc., Environmental Law & Policy Center, Industrial Energy Users-Ohio, Ohio Advanced Energy Economy, Ohio Energy Group, Ohio Environmental Council, Ohio Hospital Association, Ohio Manufacturers Association, Ohio Partners for Affordable Energy, People Working Cooperatively, Inc., and Sierra Club.

1 **Q8. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

2 **A8.** I recommend the PUCO adopt the Stipulation and Recommendation.

3

4 **III. SUPPORT FOR THE STIPULATION AND RECOMMENDATION.**

5

6 **Q9. WHAT IS THE PUCO'S STANDARD FOR JUDGING SETTLEMENTS?**

7 **A9.** There are three components to the standard:

8 1. Is the settlement a product of serious bargaining among capable,
9 knowledgeable parties?

10 2. Does the settlement, as a package, benefit customers and the public
11 interest?

12 3. Does the settlement package violate any important regulatory principle or
13 practice?

14 **Q10. IN YOUR OPINION DOES THE STIPULATION IN THIS CASE ADHERE**
15 **TO THE THREE COMPONENTS THAT THE COMMISSION ROUTINELY**
16 **CONSIDERS WHEN DECIDING WHETHER TO ADOPT A STIPULATION?**

17 **A10.** Yes. I will focus on the second and third components.

18

19 **Q11. IN YOUR OPINION, DOES THE STIPULATION, AS A PACKAGE,**
20 **BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?**

21 **A11.** Yes, the Stipulation benefits customers and is in the public interest in important
22 ways. First, there is a cap on shared savings. A shared-savings mechanism

1 provides the utility with an incentive for exceeding the statutory energy efficiency
2 requirements that is paid by customers. While OCC is generally concerned about
3 the cost to customers when there is a shared-savings mechanism,² this settlement
4 contains a tiered mechanism that will protect customers by providing shared
5 savings only if DP&L exceeds the benchmarks of R.C. 4928.66(A)(1)(a) and
6 (A)(1)(b)—meaning the shared-savings mechanism is used as an incentive for the
7 utility to exceed the statutory benchmark. The mechanism also sets a “hard”
8 dollar cap of \$4.5 million dollars per year on the amount of money DP&L can
9 collect from customers for shared savings.³ This hard dollar cap on DP&L’s
10 potential shared-savings award will protect customers from paying too much for
11 energy efficiency.

12
13 Second, the Stipulation also contains protections for consumers with respect to the
14 collection of lost distribution revenues. A mechanism for lost distribution
15 revenues allows the utility to collect distribution revenues not collected from
16 customers because of the electricity savings generated by the utility’s energy
17 efficiency programs. While OCC has concerns about customers paying utilities
18 for energy efficiency (when customers should be benefitting from the savings of
19 energy efficiency), this settlement provides that the lost distribution revenue dollar

² Though OCC supports the Stipulation, OCC took no position on the use of an after-tax calculation or the use of the Utility Cost test in Paragraph. B of the Stipulation, because OCC prefers the use of a pre-tax calculation and the use of the Total Resource Cost Test. This point is noted in footnote 5 on page 11 of the Stipulation.

³ Stipulation and Recommendation at 12.

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1 cap of \$72 million that originated in Case No. 08-1094-EL-SSO will apply to the
2 Utility's Second Energy Efficiency Portfolio (Case No 13-833-EL-POR) through
3 December 31, 2015. In addition, DP&L cannot collect lost distribution revenues
4 related to its First and Second Energy Efficiency Portfolios beyond December 31,
5 2015, unless DP&L obtains Commission approval.⁴

6
7 Finally, the settlement benefits customers by obtaining the Utility's agreement to
8 bid Energy Efficiency resources into the PJM Base Residual Auctions ("BRA").
9 Bidding energy efficiency into the PJM auctions is important for DP&L's
10 customers because the more electricity savings a utility bids in, the more revenue
11 the utility may receive from PJM. That revenue benefits customers because it is
12 credited back to customers through the energy efficiency cost recovery
13 mechanism. In addition, more energy resources bid into the PJM capacity auction
14 can place downward pressure on capacity prices that are charged to DP&L's
15 customers. DP&L has agreed to bid at least 75% of the EE Program Portfolio
16 megawatts (MWs), which are eligible to be bid pursuant to PJM rules, into PJM
17 BRAs occurring during the term of the 2013-2015 Program portfolio.⁵ DP&L has
18 also agreed to bid projected MWs from the 2016 program year into each PJM
19 BRA occurring during the term of the 2013-2014 EE Program Portfolio.⁶

20

⁴ Stipulation and Recommendation at 13.

⁵ Stipulation and Recommendation at 14.

⁶ Id.

1 ***Q12. IN YOUR OPINION, DOES THE AMENDED STIPULATION PACKAGE***
2 ***VIOLATE ANY IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?***

3 ***A12.*** No, it does not, for reasons that include my explanations regarding the second
4 component of the standard for judging stipulations.

5

6 **IV. CONCLUSION**

7

8 ***Q13. WHAT IS YOUR RECOMMENDATION?***

9 ***A13.*** The Commission should approve the Stipulation for the reasons explained in my
10 testimony.

11

12 ***Q14. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

13 ***A14.*** Yes. However, I reserve the right to incorporate new information that may
14 subsequently become available.

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Direct Testimony of Wilson Gonzalez was served on the persons stated below via electronic service this 21st day of October 2013.

/s/ Kyle L. Kern

Kyle L. Kern

Assistant Consumers' Counsel

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Mr. Gonzalez has submitted testimony in the following cases before the
Public Utility Commission of Ohio:

1. Vectren Energy Delivery of Ohio, Case No. 04-571-GA-AIR
2. Dominion East Ohio, Case No. 05-474-GA-ATA
3. Dominion East Ohio, Case No. 07-829-GA-AIR
4. Vectren Energy Delivery of Ohio, Case No. 05-1444-GA-UNC
5. Columbus Southern Company/Ohio Power Company, Case No. 06-222-EL-SLF
6. Duke Energy of Ohio, Case No. 07-589-GA-AIR
7. FirstEnergy Companies, Case Nos. 07-551-EL-AIR, et al
8. Vectren Energy Delivery of Ohio, Case No. 07-1080-GA-AIR
9. FirstEnergy Companies, Case No. 08-935-EL-SSO
10. FirstEnergy Companies, Case No. 08-936-EL-SSO
11. Duke Energy of Ohio, Case No. 08-920-EL-SSO
12. AEP, Case No. 08-917-EL-SSO
13. Dayton Power and Light, Case No. 08-1094-EL-SSO
14. FirstEnergy Companies, Case No. 09-906-EL-SSO
15. Duke Energy of Ohio, Case No. 10-1999-EL-POR
16. FirstEnergy Companies, Case No. 10-388-EL-SSO
17. FirstEnergy Companies, Case No. 10-1128-EL-CSS

18. AEP, Case No. 11-351-EL-AIR
19. FirstEnergy Companies, Case No. 11-5201-EL-RDR
20. FirstEnergy Companies, Case No. 12-1230-EL-SSO
21. FirstEnergy Companies, Case No. 12-2190-EL-POR
22. Duke Energy Ohio Case No. 13-431-EL-POR
23. Duke Energy Ohio Case No. 13-753-EL-RDR

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Summary: Testimony Direct Testimony of Wilson Gonzalez on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Kern, Kyle L.