OCC EXHIBIT NO. ______

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider	)	Case No. 14-1693-EL-RDR
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority	)	Case No. 14-1694-EL-AAM

(PUBLIC VERSION)

SUPPLEMENTAL DIRECT TESTIMONY OF JAMES F. WILSON

On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

DECEMBER 28, 2015

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I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A1. My name is James F. Wilson. I am an economist and principal of Wilson Energy Economics. My business address is 4800 Hampden Lane Suite 200, Bethesda, MD 20814.

Q2. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

A2. Yes. I submitted direct testimony on behalf of the Office of the Ohio Consumers' Counsel ("OCC") on September 11, 2015, revised on October 15, 2015. That testimony described my experience and qualifications, and identified my previous testimony before the Public Utilities Commission of Ohio ("PUCO").

Q3. ON WHOSE BEHALF ARE YOU NOW TESTIFYING IN THIS PROCEEDING?

A3. I am again testifying on behalf of OCC.

Q4. WHAT IS THE PURPOSE AND SCOPE OF YOUR SUPPLEMENTAL TESTIMONY?

A4. The applicant in this proceeding, Ohio Power Company ("AEP Ohio"), and other parties filed a Joint Stipulation and Recommendation ("Stipulation") on December 14, 2015, supported by the direct testimony and work papers of

William A. Allen. The Stipulation makes certain changes to the proposed power purchase agreement ("PPA" or "Affiliate PPA") and PPA Rider covering the output of certain generation units ("PPA Units") that I had evaluated in my direct testimony.

My assignment was to review the Stipulation, supporting testimony, work papers, and additional discovery, and to update my estimate of the cost to customers under the proposed PPA and PPA Rider as revised by the Stipulation. I also respond to some of the rebuttal testimony of AEP Ohio's witness Karl. R. Bletzacker filed on October 27, 2015, with respect to my analysis. Finally, I was also asked to comment on the extent to which other changes under the Stipulation change the benefits and risks to customers under the PPA and PPA Rider.

II. SUMMARY

Q5. PLEASE SUMMARIZE THE PRINCIPAL CONCLUSIONS OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING.

A5. My direct testimony first explained that resource adequacy is in good shape in the PJM region, and specifically in Ohio, contrary to the testimony of various AEP witnesses. Through PJM's three-year-forward Reliability Pricing Model ("RPM") capacity construct, reserve margins well above target levels have been maintained, with capacity commitments now in place through May 31, 2018. I noted that a large wave of retirements has been absorbed, with the retiring capacity being replaced by a mix of new gas-fired power plants, uprates to existing units, demand response, energy efficiency, imports from adjacent areas, wind, and other types of resources.

My direct testimony evaluated AEP Ohio's estimates of the cost to customers of the proposed PPA and PPA Rider. I concluded that AEP Ohio's analysis, based on forecasts prepared in 2013, rested upon forecast energy prices [redacted] than the consensus of market participants' expectations as reflected in recent forward market prices for energy and natural gas. In addition, AEP Ohio's analysis assumed that energy and capacity prices will [redacted] in the coming years, which is illogical and contrary to market dynamics, because these two revenue sources are substitutes (capacity prices only provide the "missing money"). Consequently, I concluded that the net cost to customers of the proposed PPA Rider would likely be much greater than suggested by AEP Ohio's PPA Rider forecast.

My direct testimony provided three alternative scenarios of the estimated cost to customers of the PPA Rider, concluding that it would be costly to customers. I also evaluated other alleged benefits of the PPA and PPA Rider.

Q6. ARE THERE NEW DEVELOPMENTS WITH RESPECT TO RESOURCE ADEQUACY THAT YOU WOULD NOTE AT THIS TIME?

A6. I will just note a few. In the short period of time since my direct testimony was filed, an application has been filed for yet another new power plant for Ohio (South Field Energy, in Columbiana County; dual fuel combined cycle, 1,105 MW).[1] The fact that several new gas-fired power plants are coming to Ohio should be no surprise, as the nation's fastest-growing new source of low-cost natural gas is the Utica shale formation, located primarily in eastern Ohio.[2]

In addition, PJM is finalizing its 2016 load forecast, which shows a steep reduction in forecast peak demand compared to earlier forecasts.[3] So AEP Ohio's case for the PPA is not supported by any looming shortage of generating capacity. According to a recent statement, PJM also believes its markets have "succeeded in providing reliable, competitively priced wholesale electricity" to Ohio.[4]

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[1] Case No. 15-1716-EL-BGN, *Application to the Ohio Power Siting Board for a Certificate of Environmental Compatibility and Public Need*, submitted by South Field Energy LLC, December 7, 2015.

[2] U.S. Energy Information Administration, *Drilling Productivity Report*, December 2015 (showing month over month growth in natural gas production of 197 Mcf/d in the Utica Region, compared to 128 Mcf/d in the Marcellus Region and lower values in all five other regions).

[3] PJM, *Draft PJM Load Forecast Report, January 2016* (showing a 3.5% decline for 2019 compared to the 2015 forecast); available at http://www.pjm.com/~/media/committees-groups/subcommittees/las/20151130/20151130-item-07-preliminary-load-report.ashx

[4] PJM Interconnection LLC, *PJM Statement to the Markets and Reliability Committee on State Initiatives to Sponsor Particular Generation Types*, December 17, 2015, available at http://www.pjm.com/~/media/committees-groups/committees/mrc/20151217/20151217-pjm-statement-to-mrc-on-state-initiatives.ashx

Q7. HAVE YOU UPDATED YOUR ESTIMATE OF THE COST TO CUSTOMERS OF THE PROPOSED AFFILIATE PPA AND PPA RIDER?

A7. Yes. I updated my estimate based on the provisions in the Stipulation, and current market conditions. My updated estimate of the cost to customers through the PPA Rider is a cumulative $1.9 billion, or $1.5 billion on a net present value basis. These results are shown in Table 1, with additional detail in Exhibit JFW-1. These values are slightly lower than the estimates from my direct testimony ($2.0 billion, $1.6 billion net present value). While the time period has been shortened and a credit offered (which reduce the cost to customers), forward prices have continued to decline (which increases the estimated cost). There are losses and costs passed through to customers in every year of the arrangement, as shown in Table 1 and Exhibit JFW-1. Over the eight year and five month period, compared to an average total market revenue of $74.3/MWh, the average cost of the generation covered by the PPA Rider is $107.3/MWh.

Table 1: Updated PPA Cost Estimate

Updated based on Stipulation (time period 1/1/16 - 5/31/24; revised ROE and capacity cost; revised RPM transition auction revenues; forward prices from 11/30/15).

($ in millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024 (5 mo)	TOTAL ($ bil.)	NPV ($ bil.)
Net Generation (000 Gwh)	12.1	11.2	8.5	6.1	5.5	6.6	2.9	3.4	1.5	57.8	
Total Revenue	590	569	498	454	468	540	445	506	228	$4.3	$3.5
Total Capacity Costs	482	491	507	528	534	534	539	537	237	4,389	$3.5
Total Energy Costs	335	317	261	195	183	226	144	174	80	1,915	$1.6
Total Costs	817	809	768	723	717	760	682	711	317	$6.3	$5.1
Revenues Minus Costs	(227)	(240)	(271)	(269)	(249)	(220)	(237)	(205)	(90)	($2.0)	($1.6)
Credit Commitment						10	20	30	40	$0.1	$0.1
Net Cost with Credits	(227)	(240)	(271)	(269)	(249)	(210)	(217)	(175)	(50)	($1.9)	($1.5)
Total Revenue per MWh	48.7	51.0	58.6	74.6	84.8	81.3	153.8	148.2	147.6	74.3	
Total Cost per MWh w/Credits	67.5	72.4	90.5	118.8	130.0	114.4	235.9	208.3	205.8	107.3	

Q8. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING OTHER PROVISIONS OF THE STIPULATION.

A8. My direct testimony found that the PPA and PPA Rider resulted in no incentive for AEP Ohio or its affiliate to contain costs or to maximize market revenues, since net costs are simply passed through to customers. I also found that the PPA and PPA Rider contained no risk-sharing, which the PUCO had required. The Stipulation does not correct these flaws. A $100 million "credit" offered by the Stipulation simply reduces the cost to customers, without changing the fact that marginal net cost is passed through to customers at 100%, so it has no impact on incentives. Nor do any other provisions of the Stipulation address these and other flaws, or improve the PPA Rider as a hedge to benefit consumers.

Q9. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A9. The next section presents my updated analysis of the cost to customers. The final section discusses a few other provisions of the Stipulation.

III. THE AFFILIATE PPA AS REVISED REMAINS VERY COSTLY TO AEP OHIO'S CUSTOMERS

Q10. DID AEP OHIO PROVIDE A REVISED ESTIMATE OF THE DOLLAR AMOUNTS THAT WOULD BE COLLECTED FROM CUSTOMERS UNDER THE PROPOSED PPA RIDER, TO REFLECT THE PROVISIONS OF THE STIPULATION?

A10. Yes. However, the revised estimate reflects only the necessary changes for consistency with the Stipulation and recent RPM auction results. The revised estimate is still based on Mr. Bletzacker's price forecasts from 2013.[5]

The revised estimate, provided in Witness Allen's testimony and work papers, reflects only the following changes:[6]

i. The time period of the PPA and PPA Rider was updated to January 1, 2016 through May 31, 2024;

ii. The capacity cost forecast was updated to reflect a revised Return on Equity ("ROE");

iii. The RPM capacity revenue forecast was updated based on recent auction results.

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[5] Direct Testimony of Karl R. Bletzacker in Support of AEP Ohio's Amended Application, May 15, 2015, p. 4.

[6] Settlement Exhibit WAA-2.

Q11. WHAT IS THE ESTIMATED COST TO CUSTOMERS DURING THIS PERIOD UNDER AEP OHIO'S REVISED PPA RIDER FORECAST?

A11. Under the revised estimate, the total cost to customers is $690 million, under the Lower Load Forecast scenario. As described in my direct testimony, AEP Ohio includes three scenarios, and all three assume prices well above recent forward price levels. The Lower Load Forecast scenario is the least unrealistic of the three, as the other two have even higher price forecasts. AEP Ohio's other two scenarios suggest a net credit to customers.

Q12. HOW DO MR. BLETZACKER'S FORECASTS NOW COMPARE TO FORWARD PRICES FOR ENERGY?

A12. His energy price forecasts are [redacted] current forward prices, as shown in Exhibit JFW-2. This exhibit compares the annual averages of Mr. Bletzacker's forecast hourly electricity prices for peak periods to the corresponding peak period forward prices for the AEP Dayton ("AD") Hub point accessed on November 30, 2015. Mr. Bletzacker's forecasts are [redacted] the updated AD Hub forward prices.

Exhibit JFW-3 shows that in its latest monthly update (Short Term Energy Outlook, December 2015), EIA's forecasts of natural gas prices for 2015 and 2016 are down sharply from the forecast in its Annual Energy Outlook 2015 released several months ago.

Q13. PLEASE DESCRIBE HOW YOU PREPARED YOUR UPDATED ALTERNATIVE ESTIMATE OF THE POTENTIAL COST TO CUSTOMERS OF THE PROPOSED AFFILIATE PPA AND PPA RIDER.

A13. For my direct testimony, I prepared an alternative estimate based on AEP Ohio's PPA Rider forecast, Low Load scenario, making only a very few changes. Specifically, I changed the assumed hourly electricity price assumptions based on recent forward prices, and reflected this in updated generation estimates. I also updated a few of the capacity price assumptions based on recent auction results. For my estimate I accepted all other assumptions from AEP Ohio's PPA Rider forecast, despite concerns about some of those assumptions.

For the revised estimate I am presenting in this supplemental testimony, I made only a few changes to reflect the Stipulation, and to update the price assumptions. Specifically, my updated analysis reflects the following changes:

i. The time period of the PPA and PPA Rider was updated to January 1, 2016 through May 31, 2024 (101 months), consistent with the Stipulation;

ii. The capacity cost forecast was updated based on the values in Mr. Allen's work papers, that reflect a revised ROE;

iii. The RPM transition auction revenue values were updated, adopting the values from Mr. Allen's work papers, which were slightly different from my earlier estimates;

iv. The $100 million credit commitment provided by the Stipulation for the last four years of the period was reflected;

v. I updated my analysis based on recent forward prices (accessed November 30, 2015).

Q14. WHAT IS THE COST TO CUSTOMERS OF THE PPA RIDER BASED ON YOUR ANALYSIS?

A14. Under these assumptions, the cost to customers through the PPA Rider over the 101-month period would be a cumulative $1.9 billion, or $1.5 billion on a net present value basis. These results are shown in Table 1 and Exhibit JFW-1 presented earlier. There are losses and costs passed through to customers in every year of the arrangement, ranging from $50 million (for five months in 2024) to $271 million (in 2018). Over the entire period, compared to an average total market revenue of $74.3/MWh, the PPA Units' average cost is $107.3/MWh, as shown in Table 1. The output of these units [redacted] compared to AEP Ohio's forecasts, because under my assumptions, the units are assumed to not operate during hours when energy prices are below variable cost, and, accordingly, [redacted].

Q15. WHAT WOULD BE THE COST UNDER THE PPA RIDER FOR A TYPICAL RESIDENTIAL CUSTOMER?

A15. A typical residential customer, assumed to consume 1,000 KWh per month on average, would bear over $700 in additional cost due to the PPA Rider, and as much as $99 per year, as shown in Table 2.

Table 2: Cost of the PPA Rider for a typical residential customer										5 mo	
Value	source	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Total PPA Rider cost, $ mil.	JFW WP 4	$(227.0)	$(239.6)	$(270.5)	$(269.2)	$(249.4)	$(210.3)	$(217.4)	$(174.9)	$ (49.6)	
Residential share (Demand Alloc.)	[redacted]										
Residential share ($ mil.)											
Forecast residential KWh	OCC-INT-S1-032	14,341	14,338	14,255	14,190	14,158	14,123	14,098	14,093	5,876	
Kwh charge $/KWh	[redacted]										
Monthly charge (1,000 KWh/mo)											
Annual charge - 1,000 KWh/mo residential customer		**$ 82.62**	**$ 87.22**	**$ 99.05**	**$ 99.00**	**$ 91.95**	**$ 77.72**	**$ 80.47**	**$ 64.79**	**$ 18.36**	**$701.2**

Q16. IN HIS REBUTTAL TESTIMONY (AT 4), MR. BLETZACKER ASSERTS THAT FORWARD PRICES "DO NOT REPRESENT THE ECONOMIC PRINCIPLES OF DEMAND, SUPPLY AND THE RESULTING PRICE." ARE FORWARD PRICES DISCONNECTED FROM MARKET FUNDAMENTALS?

A16. No. Forward prices are not a forecast of future prices, as I have testified repeatedly, but they reflect a consensus of market participants' expectations of future prices, reflecting their expectations and forecasts of supply, demand and price. Market participants, including buyers, sellers, and financial participants, pursue a range of objectives through future transactions. However, their hedging actions will reflect and represent their expectations and forecasts of prices in the coming months and years, because the futures contract is simply an alternative to paying those prices.

Q17. MR. BLETZACKER ALSO ASSERTS (REBUTTAL TESTIMONY, P. 3) THAT BOTH SIDES OF A FUTURES TRANSACTION ARE NOT CONCERNED WITH THE ACTUAL FUTURE PRICE OF ENERGY. DOES THIS MEAN MARKET PARTICIPANTS ARE NOT BOTHERING TO UNDERSTAND AND FORECAST FUTURE PRICES?

A17. Not at all. Both parties to a futures transaction have engaged in the transaction precisely because they <u>are</u> concerned about future price levels. The transaction allows them to protect themselves from undesirable price movements, at least for that portion of their sales or purchases covered by the transaction. Both parties likely evaluated future market conditions very carefully before entering into the transaction.

Financial participants may engage in a transaction because they believe prices will move in one or another direction; they too are taking a position based on their evaluation of future market conditions.

Q18. MR. BLETZACKER ALSO TESTIFIES (REBUTTAL TESTIMONY AT 6) TO A "GLARING EXCLUSION OF FUTURE CO2 EMISSION COSTS FROM FUTURES CONTRACT PRICES", AND ASSERTS THAT THIS EXCLUSION "PROVIDES STRONG EVIDENCE THAT NATURAL GAS AND ELECTRIC POWER FUTURES MARKET PARTICIPANTS HAVE NO ABILITY TO ACCURATELY FORECAST ACTUAL ENERGY VALUES." IS HE CORRECT THAT CO2 EMISSIONS COSTS ARE EXCLUDED FROM FUTURES MARKET PRICES?

A18. This is incorrect. First, there is no way Mr. Bletzacker (or anyone else for that matter) can determine the extent to which futures prices do or do not reflect a particular anticipated policy change. So his claim of "exclusion" is baseless. Second, CO2 policy has been under discussion for a very long time, and it is now clear that it is coming in some form. Mr. Bletzacker provides no argument for why futures market participants would ignore the potential impact of CO2 policy in their decisions to engage in transactions, and the prices at which they are willing to transact. Ignoring these potential impacts would be irrational. Again, futures prices reflect market participants' consensus regarding a fair price for future deliveries, and will reflect their expectations of future prices based on all relevant supply and demand factors, including CO2 policy, if they consider it relevant.

Q19. IF MARKET PARTICIPANTS BELIEVED MR. BLETZACKER'S FORECAST OF ELECTRICITY PRICES, HOW WOULD THIS BE REFLECTED IN FORWARD PRICES?

A19. As I explained in my direct testimony, if market buyers believed Mr. Bletzacker's forecast, they would consider current forward prices [redacted], and seek to [redacted]. This [redacted] would [redacted], as reflected in the forecast.

Similarly, if sellers believed Mr. Bletzacker's forecast, they would be [redacted], and they would [redacted]. This behavior too would cause [redacted] on forward prices.

Q20. MR. BLETZACKER ALSO ASSERTS (REBUTTAL, P. 4) THAT LONG-TERM NATURAL GAS FUTURES ARE "TETHERED" TO CURRENT SPOT MARKET PRICES, DUE TO STORAGE. IS THIS CORRECT?

A20. No, this is nonsense. While storage is used to shift purchases between summer and winter periods, it is not used to protect against possible price increases in future years; storage is far too valuable and costly to be used in that manner. Natural gas storage is cycled on an annual basis. It connects winter prices to summer prices to some extent, but it does not connect prices in future years to current prices.

Q21. MR. BLETZACKER ALSO CLAIMS (REBUTTAL, P. 8) THAT BY USING FORWARD PRICES, YOU ARE "PREMATURELY DISMISSING CREDIBLE UPSIDE THREATS TO US NATURAL GAS PRICES." IS THIS CORRECT?

A21. No. Many futures market participants are buying forwards specifically because they are concerned about such threats, and the resulting futures market prices reflect their views on the likelihood of such threats. As an example, following the "polar vortex" period in 2014, electricity futures prices for coming winter months rose substantially in some regions, as market participants revised their expectations of the potential for winter price spikes.

Q22. THE STIPULATION ALSO CALLS FOR AEP OHIO TO MAKE A COST RECOVERY FILING TO COLLECT FROM CUSTOMERS THE COSTS TO CONVERT CONESVILLE UNITS 5 AND 6 TO NATURAL GAS CO-FIRING. DID YOU REFLECT THIS POTENTIAL INVESTMENT IN YOUR ANALYSIS?

A22. No. No information was provided on the potential cost of this investment, or its potential impact or market value. Nor did Mr. Allen reflect the proposed investment in his revised PPA Rider estimate.

Q23. IS YOUR UPDATED ESTIMATE A CONSERVATIVE ESTIMATE OF THE POTENTIAL COST?

A23. Yes. I consider my estimate conservative; the cost to customers could be much higher, for a number of reasons.

i. First, I used AEP Ohio's forecast of [redacted] capacity prices. The evidence has been that current capacity prices attract more than enough new entry.

ii. Second, I accepted the pattern reflected in AEP Ohio's energy price forecast of [redacted] energy prices [redacted].

iii. Third, I accepted AEP Ohio's plant fixed cost assumptions, despite concerns that, under the proposed arrangement, the AEP companies would have no incentive to control these costs.

IV. COMMENTS ON OTHER PROVISIONS OF THE STIPULATION

Q24. DO OTHER PROVISIONS OF THE STIPULATION AFFECT THE POTENTIAL IMPACT ON CUSTOMERS OF THE PPA AND PPA RIDER?

A24. No. In my direct testimony, I criticized the arrangement for the poor incentives it creates, and the lack of any risk-sharing provisions. These problems are not addressed by the Stipulation.

Q25. THE STIPULATION CALLS FOR AN "ADDITIONAL PPA RIDER CREDIT COMMITMENT" OF UP TO $100 MILLION OVER THE LAST FOUR YEARS OF THE PPA. DID YOU REFLECT THIS COMMITMENT IN YOUR UPDATED ESTIMATE OF THE COST TO CUSTOMERS?

A25. Yes, this provision is shown in my Table 1 and Exhibit JFW-1, and it reduced my estimate of the total cost to customers by a total of $100 million.

Q26. AEP OHIO WITNESS ALLEN ASSERTS THE CREDIT COMMITMENT IS "TO PROVIDE AN ASSURANCE OF AEP OHIO'S COMMITMENT TO EXERCISE ITS CONTRACTUAL RIGHTS UNDER THE REVISED AFFILIATE PPA IN A MANNER THAT ENSURES THE PPA UNITS ARE MANAGED EFFICIENTLY, COST-EFFECTIVELY, AND WITH MAXIMUM MARKET PROFITABILITY." P. 3. WILL THIS PROVISION HAVE THIS EFFECT?

A26. No, this provision will not have that effect. Under my analysis, as shown in Table 1, the cost to customers under the PPA Rider is greater than the maximum credit amount each year, so the full credit is always applied. As long as it is clear that the cost to customers will be greater than the maximum credit amount, as I expect it will be, the credit will have no impact at all on AEP Ohio's lack of incentive to manage the PPA Units effectively or to maximize market value. At the margin, AEP Ohio will still pass all incremental costs, revenues and net costs through to customers.

Only under circumstances where the net cost in a year could be less than the maximum credit would the credit provide any incentive to minimize cost and maximize revenue. I consider that unlikely to occur.

Q27. IN YOUR DIRECT TESTIMONY YOU STATED THAT IF THE AFFILIATE PPA AND PPA RIDER ARE APPROVED, AN ALTERNATIVE PLAN TO ALLOCATE RISK, WHICH WAS REQUIRED BY PUCO ORDER, WOULD BE CRUCIAL. DOES THE STIPULATION PROVIDE THE REQUIRED RISK ALLOCATION?

A27. No it does not. All costs of the PPA Units, net of market revenues, would be passed through to customers through the PPA Rider, after the offered "credit." Thus, after the total credit amount, all risk is imposed on customers.

Q28. THE STIPULATION INCLUDES A SECTION ON "FEDERAL ADVOCACY" THAT CALLS ON AEP OHIO TO ADVOCATE FOR A "LONGER-TERM CAPACITY PRODUCT." WOULD A LONGER-TERM CAPACITY PRODUCT BE A GOOD THING?

A28. No. PJM stakeholders have at least four times over several years considered this idea, at the urging of one or another stakeholder, and have four times rejected it. RPM is fundamentally a short-term capacity construct. To acquire capacity through auctions, a standard capacity product must be defined. Numerous issues arise when a multi-year product is considered, such as the duration of the product;

the fraction of the total capacity requirement to acquire under the long-term product; whether sellers are allowed to offer to provide both the long-term and/or short-term product; how to clear indivisible offers for the long-term product; whether the long-term product is available to all sellers or only to certain types of sellers, such as new entrants; how capacity cleared under the long-term product is represented in the capacity auctions in subsequent years; how to mitigate seller and buyer market power in offers for the long-term product; what happens if a seller is unable to perform; and the allocation of costs, to name a few of the issues. Long-term capacity commitments are more appropriately negotiated between willing buyers and sellers on a bilateral basis, and within such negotiations (in contrast to an auction), the many different attributes of the subject capacity can be considered and valued.

Q29. PLEASE SUMMARIZE YOUR COMMENTS ON THE STIPULATION.

A29. The PPA Rider, as modified by the Stipulation, would be very costly to customers, and result in AEP Ohio and the owners of the PPA Units having no incentive to manage costs or maximize revenues. Ohio is now at the center of the growing North American natural gas boom, which is presently centered on the Utica shale. Moreover, costs continue to decline for wind and solar resources. Ohio consumers should not be burdened with the PPA Units.

Q30. DOES THIS COMPLETE YOUR SUPPLEMENTAL TESTIMONY?

A30. Yes it does. However, I understand that I may be asked to update or supplement my testimony based on new information that may become available.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Supplemental Direct Testimony of James F. Wilson, PUBLIC VERSION, on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission this 28th day of December 2015 upon the parties below.

/s/ William J. Michael
William J. Michael
Assistant Consumers' Counsel

SERVICE LIST

Steven.beeler@puc.state.oh.us
Werner.margard@puc.state.oh.us
haydenm@firstenergycorp.com
jmcdermott@firstenergycorp.com
scasto@firstenergycorp.com
jlang@calfee.com
talexander@calfee.com
myurick@taftlaw.com
callwein@keglerbrown.com
tony.mendoza@sierraclub.org
tdougherty@theOEC.org
twilliams@snhslaw.com
jeffrey.mayes@monitoringanalytics.com
ricks@ohanet.org
tobrien@bricker.com
mhpetricoff@vorys.com
mjsettineri@vorys.com
glpetrucci@vorys.com
mdortch@kravitzllc.com
joliker@igsenergy.com
sechler@carpenterlipps.com
gpoulos@enernoc.com
sfisk@earthjustice.org
Kristin.henry@sierraclub.org
chris@envlaw.com

todonnell@dickinsonwright.com
rseiler@dickinsonwright.com

Attorney Examiners:
Sarah.parrot@puc.state.oh.us
Greta.see@puc.state.oh.us

stnourse@aep.com
mjsatterwhite@aep.com
msmckenzie@aep.com
mkurtz@BKLlawfirm.com
kboehm@BKLlawfirm.com
jkylercohn@BKLlawfirm.com
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com
Kurt.Helfrich@ThompsonHine.com
Scott.Campbell@ThompsonHine.com
Stephanie.Chmiel@ThompsonHine.com
lhawrot@spilmanlaw.com
dwilliamson@spilmanlaw.com
charris@spilmanlaw.com
Stephen.Chriss@walmart.com
Schmidt@sppgrp.com
Bojko@carpenterlipps.com
orourke@carpenterlipps.com
mfleisher@elpc.org
msmalz@ohiopovertylaw.org
cmooney@ohiopartners.org
drinebolt@ohiopartners.org
ghull@eckertseamans.com
msoules@earthjustice.org
jennifer.spinosi@directenergy.com
laurie.williams@sierraclub.org

Exhibits to James Wilson's Supplemental Testimony

Confidential and Competitively Sensitive Version

[redacted]

[redacted]

[redacted]