

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Long-Term)
Forecast Report of Ohio Power) Case No. 18-501-EL-FOR
Company and Related Matters.)
)
In the Matter of the Application)
Seeking Approval of Ohio Power)
Company's Proposal to Enter Inter) Case No. 18-1392-EL-RDR
Renewable Energy Purchase)
Agreements for Inclusion in the)
Renewable Generation Rider.)
)
In the Matter of the Application of)
Ohio Power Company to Amend Its) Case No. 18-1393-EL-ATA
Tariffs.)

**TESTIMONY OF JOHN SERYAK
ON BEHALF OF THE
OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP**

January 2, 2019

1 **Introduction**

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

3 A. My name is John A. Seryak. My principal place of business is at 3709 N. High
4 Street, Columbus, Ohio 43214.

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

7 A. I am the lead analyst at RunnerStone, LLC on regulatory, policy, and market
8 matters concerning the energy industry and customer-sited energy resources,
9 which we define as energy efficiency, demand response, distributed generation,
10 renewable energy, and energy storage. I am also Chief Executive Officer of Go
11 Sustainable Energy, LLC, a consultancy that provides technical assistance on
12 energy matters to the industrial, commercial, residential, and utility sectors, as
13 well as energy management consulting.

14
15 **Q. On whose behalf are you testifying in this proceeding?**

16 A. My testimony is being sponsored by the Ohio Manufacturers' Association Energy
17 Group (OMAEG). OMAEG is a non-profit entity that strives to improve business
18 conditions in Ohio and drive down the cost of doing business for Ohio
19 manufacturers.

20
21 OMAEG members take service under the Ohio Power Company's (AEP Ohio or
22 the Company) General Service (GS) 3 and GS 4 tariffs, and include transmission,
23 sub-transmission, primary, and secondary electricity services.

1 **Q. Please describe your professional experience and qualifications.**

2 A. I received a Bachelor's degree in Mechanical Engineering from the University of
3 Dayton, as well as a Master's of Science degree in Mechanical Engineering. I am
4 a licensed Professional Engineer in the State of Ohio. I have worked extensively
5 with sustainable energy for 17 years. My experience includes fieldwork at
6 industrial, commercial, and residential buildings identifying energy savings
7 opportunities and quantifying the energy and dollar savings, chiefly through my
8 responsibilities the last twelve years for Go Sustainable Energy, LLC, of which I
9 am the founding partner. More recently, our firm has provided energy
10 management consulting services to customers, which includes energy efficiency,
11 load management, renewable energy, and other energy matters. Finally, I have
12 five years of experience in regulatory and policy analysis in regard to various
13 issues in the energy industry.

14
15 In connection with all of these experiences, I have authored or co-authored 30
16 peer-reviewed academic papers on technical, programmatic, cultural, and
17 regulatory issues concerning energy efficiency and sustainable energy.

18
19 In addition to my technical work with Runnerstone and Go Sustainable Energy, I
20 serve as the organizer of the Ohio Manufacturers' Association's Sustainability
21 Peer Network, and I formerly served as the Chair of the Board of Ohio Advanced
22 Energy Economy.

23

1 **Q. Have you participated in PUCO proceedings previously?**

2 A. Yes, I have provided testimony and/or advised clients on numerous energy-related
3 issues before the Public Utilities Commission of Ohio (PUCO), including the
4 electric security plans (ESP) and energy efficiency programs of the four Ohio
5 distribution utilities. More specifically, I have testified in AEP Ohio's previous
6 Affiliate Power Purchase Agreement proceeding, Case Nos. 14-1693-EL-RDR, et
7 al., and AEP Ohio's last ESP proceeding, Case Nos. 16-1852-EL-SSO, et al.,
8 which are the stated rationale for AEP Ohio's recent filings.¹

9

10 **Overview and Summary of Conclusions**

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. My testimony addresses AEP Ohio's purported demonstration of need for at least
13 900 MW of renewable energy projects within its service territory, a prerequisite
14 for the recovery of costs associated with renewable generation projects through
15 the Renewable Generation Rider (RGR). In its Amendment to the 2018 Long-
16 Term Forecast Report of Ohio Power Company, AEP Ohio states that they are
17 submitting the Amendment "to demonstrate the need for at least 900 megawatts
18 (MW) of renewable energy projects in Ohio" and also that "there is a resource
19 planning need for at least 900 MW of renewable generation resources in Ohio."²

20

¹ Amendment to the 2018 Long-Term Forecast Report of the Ohio Power Company at 1-2 (September 19, 2018) ("Amendment").

² Id. at 1-6.

1 It is unclear as to whether AEP Ohio also desires this Commission to issue a
2 finding of need for the two specific solar projects (Highland Solar (300 MW) and
3 Willowbrook Solar (100 MW)) that it proposed in the consolidated case, Case
4 Nos. 18-1392-EL-RDR, et al.,³ and whether the Commission intends to make
5 such a determination in Phase I of the consolidated proceeding.⁴ From AEP
6 Ohio’s Notice of Additional Witnesses filed on October 26, 2018, as amended on
7 November 1, 2018, it appears that AEP Ohio is requesting that the Commission
8 determine need for the two specific projects as AEP Ohio states that the economic
9 impact study (that only addresses the two specific solar facilities) is a supplement
10 to the Amendment filed in the Forecast Case (“The economic impact study, as a
11 supplement to the Long-Term Forecast Report Amendment and supporting
12 testimony filed on [September 19, 2018] in the LTFR Case, **will provide**
13 **additional evidence of the need for renewable projects** being addressed in
14 these consolidated cases and will assist the Commission in developing a complete
15 record to decide that issue.”).⁵ Accordingly, I will address the issue of need for
16 both.

17
18 Given the wide scope of claims made in the Amendment and tariff filings and
19 supporting testimony, my recommendations are concentrated on a limited number

³ Case No. 18-501-EL-FOR, AEP Ohio Witness Allen Testimony at 4 (September 19, 2018) (“If the Commission consolidates that filing with this need case, the Commission may choose to consider the need question in conjunction with specific renewable projects.”).

⁴ Case No. 18-501-EL-FOR, Entry at ¶32 (October 22, 2018); also see Entry at ¶¶36-38 (November 13, 2018).

⁵ Case No. 18-501-EL-FOR, Amended Notice of Additional Witnesses at 1 (emphasis added) (November 1, 2018).

1 of issues regarding the need determination in Phase I. Absence of comment on
2 my part regarding a particular aspect of the Amendment or tariff filings does not
3 signify support (or opposition) toward the Company's filings with respect to said
4 issue. Additionally, given the entries issued on October 22, 2018 and November
5 13, 2018, I reserve the right to file additional testimony regarding the specific
6 renewable projects proposed, cost recovery for said projects, and other issues
7 raised by AEP Ohio in AEP Ohio's application filed in the related tariff cases
8 and/or in Phase II of the consolidated proceeding.⁶

9

10 **Q. What are your primary conclusions and recommendations?**

11 A. I conclude that AEP Ohio has not demonstrated a resource planning need, or any
12 other need, that would satisfy Ohio law and justify establishing a cost and
13 crediting mechanism via RGR for the proposed 900 MW of renewable energy
14 projects in Ohio or for the two specific solar projects. I recommend that the
15 Commission reject AEP Ohio's claim of need and find that there is no need for
16 AEP Ohio to develop renewable projects that are paid for by customers through
17 the RGR.

18

⁶ Case No. 18-501-EL-FOR, Entry (October 22, 2018) and Entry (November 13, 2018).

1 **Resource Planning Need for 900 MW of Renewable Energy and 400 MW of Solar**
2 **Energy Projects**

3
4 **Q. Has AEP Ohio shown a resource planning need for 900 MW of renewable**
5 **energy or 400 MW of solar energy?**

6 A. No. In its Amendment to the 2018 Long-Term Forecast Report of Ohio Power
7 Company, AEP Ohio states that they are submitting the Amendment “to
8 demonstrate the need for at least 900 megawatts (MW) of renewable energy
9 projects in Ohio” and also that “there is a resource planning need for at least 900
10 MW of renewable generation resources in Ohio.”⁷ Further, as discussed
11 previously, through the testimony of AEP Ohio Witness William Allen and the
12 Amended Notice of Witnesses that adopts the economic impact study for the two
13 solar projects as a supplement to the Amendment, AEP Ohio implies that they are
14 also seeking to demonstrate need for the 400 MW of solar projects through the
15 consolidated tariff filing. AEP Ohio, however, never actually establishes “need,”
16 and instead relies on a series of claims of economic and environmental benefits
17 for Ohio taxpayers, ratepayers, and to further the policy of the state of Ohio.

18
19 Ohio Revised Code (ORC) 4928.143(B)(2)(c) states that in order for a distribution
20 utility to establish a non-bypassable surcharge for an electric generating unit,
21 there must be a determination of “need for the facility based on resource planning
22 projections submitted by the electric distribution utility.”

23

⁷ Amendment to the 2018 Long-Term Forecast Report of Ohio Power Company at 1 (September 19, 2018) (Amendment to the 2018 Long-Term Forecast Report of Ohio Power Company).

1 Despite the plain language of the statute that “need for the facility” be “based on
2 resource planning projections,” AEP Ohio admits that there is no need for
3 additional electric generating units in Ohio, stating that “PJM wholesale markets
4 are adequately supplying capacity and energy to the AEP Ohio load zone.”⁸ AEP
5 Ohio also admits that it does not have “a traditional integrated resource planning
6 (IRP) need for generation.”⁹ Further, AEP Ohio seems to be prematurely
7 attempting to establish need prior to its April 1st, 2019 Integrated Distribution
8 Plan (IDP) filing required by PowerForward, which should instead establish
9 opportunities for non-wires alternatives solutions to distribution system needs.
10 Finally, while AEP Ohio submits what they claim is an Integrated Resource
11 Planning Report, this report does not demonstrate need. It has brief generation
12 technology summaries, but specifically does not evaluate resource capacity or
13 reliability, and then summaries an analysis of LMP prices. Bottom line, AEP
14 Ohio makes a clear showing that there is in fact no resource planning need for
15 renewable energy generation in its service territory.

16
17 AEP Ohio’s argument then hinges on its obligation to provide a standard service
18 offer (SSO) to the customers of its service territory. But, AEP Ohio is not
19 suggesting altering its SSO supply procurement process to accommodate
20 renewable generation. Instead, AEP Ohio is proposing establishing a cost/credit
21 mechanism for the renewable generation via a non-bypassable rider that would
22 affect its entire customer base, not just SSO customers. Quite plainly, rider RGR

⁸ Id. at 3.

⁹ Id.

1 has nothing to do with the SSO obligation. And, thus, as explained more fully
2 below, the rider RGR cost/credit mechanism and requisite determination of need
3 cannot be justified by AEP Ohio's SSO obligation.

4

5 **Other Purported Need**

6 **Q. What is Ohio's policy regarding renewable energy supply within the SSO?**

7 A. Ohio has adopted a Renewable Portfolio Standard (RPS), which requires a certain
8 percentage of retail electric supply to come from qualifying renewable energy
9 resources. This requirement applies to SSO supply. There is no requirement that
10 the renewable energy source be located within Ohio. Competitive retail electric
11 service (CRES) suppliers, and the suppliers of the SSO, may and do meet this
12 requirement through the purchase of renewable energy generation and/or
13 renewable energy credits (RECs). In this way, AEP Ohio's SSO providers and all
14 CRES suppliers already meet the policy of the state of Ohio regarding renewable
15 energy. Moreover, CRES suppliers and their customers may choose to source
16 their renewable energy supply and/or REC purchases from within the state. Thus,
17 the state policy is already being fulfilled, and does not need the addition of
18 renewable generation resources paid for by customers through a cost/credit
19 mechanism via a non-bypassable rider.

20

21

1 **Q. Has AEP Ohio clearly demonstrated that the renewable energy projects**
2 **would be economically beneficial to its ratepayers?**

3 A. No. Even if AEP Ohio was authorized to demonstrate need through a showing
4 that the projects may be economically beneficial to its ratepayers, AEP Ohio has
5 made no such showing. The Company’s Amendment is full of speculation and
6 uncertainty. For example, AEP Ohio makes these statements: “Provided the
7 projects can be developed within a reasonable price range” and provided the
8 “costs will be flowed through the RGR either as a charge or a credit.” These
9 statements illustrate that AEP Ohio is not certain that the RGR will have a
10 financial benefit to customers, but could result in net charges to its customers.
11 AEP Ohio Witness Torpey goes on to discuss potential financial benefits from
12 “generic projects,” which are speculative at best.

13
14 **Q. Is AEP Ohio’s analysis of economic benefits of the renewable energy projects**
15 **on locational marginal price (LMP) flawed?**

16 A. Yes, it is flawed. AEP Ohio presents transmission price suppression benefits
17 from the development of 650 MW of wind and solar resources.¹⁰ However, AEP
18 Ohio is attempting to demonstrate need for 900 MW of renewable energy, not 650
19 MW. This distinction is important. The modeling results of 650 MW of
20 renewable energy on LMP cannot and should not be extrapolated to understand
21 the impact of 900 MW of renewable energy on LMP. While renewable energy
22 projects can reduce LMP, the effect on prices may not be linear. That is to say,

¹⁰ See id. at 7; Direct Testimony of Kamran Ali at 5 (September 19, 2018).

1 there may be diminishing returns of the LMP price reduction if 900 MW of
2 renewable energy is built. Thus, the financial benefit analysis may be materially
3 different for 900 MW than 650 MW on a per MW basis. Because AEP Ohio is
4 asking for approval of at least 900 MW of renewable energy, the Commission
5 should not rely on the LMP price reduction benefits modeled for 650 MW, as they
6 provide a skewed and inaccurate economic projection.

7

8 **Q. Has AEP Ohio demonstrated the requisite need if the renewable energy**
9 **projects are in fact economical?**

10 A. No. AEP Ohio's argument of why the renewable energy projects are necessary
11 despite the lack of need based upon resource planning projections hinges on the
12 possibility that the renewable energy projects might be economical, creating a
13 financial benefit to its customers. And, on the possibility that the projects might
14 sometime in the future create net financial benefits (i.e., AEP Ohio projects that a
15 credit may be passed back to customers via the RGR sometime in the future if the
16 projects are in fact economical). However, this possibility, which is critical to
17 AEP Ohio's argument of need, in fact undermines AEP Ohio's argument. If
18 indeed these renewable energy projects are economical, then market forces should
19 be sufficient to see these or other renewable energy projects through development.
20 That is to say, an economical project does not need cost recovery from customers
21 through a RGR. And similarly, Ohio does not need to provide cost recovery from
22 Ohio's ratepayers to distribution utilities through a RGR or equivalent rider to
23 support economical in-state renewable energy development.

1 **Q. Has AEP Ohio demonstrated need if the renewable energy projects are not**
2 **economical?**

3 A. No. In fact, AEP Ohio’s argument of need hinges on the projects providing a net
4 financial benefit. If the projects create costs, which AEP Ohio’s proposal allows,
5 then by AEP Ohio’s own logic there is no need for the project.

6

7 **Q. Has AEP Ohio demonstrated the need for the renewable energy projects to**
8 **fulfill its SSO obligation?**

9 A. No. As explained previously, AEP Ohio alleges “that there is a need for the
10 Company to continue to satisfy its SSO obligation through an ESP that includes at
11 least 900 MW of in-state renewable energy projects.” Here, AEP Ohio confounds
12 a purported resource planning need for Ohio with the Company’s SSO obligation.
13 That is, now AEP Ohio is saying that the Company’s SSO has a need. However,
14 the Company or the SSO suppliers can purchase in-state renewable energy for the
15 SSO through other means besides a non-bypassable rider charged by AEP Ohio.
16 And, a non-bypassable rider is by definition not tied to the SSO, as it will apply to
17 customers who do not receive electricity supply from the SSO.

18

19 Many corporations and entities already purchase renewable energy or RECs.
20 Recovering costs through a non-bypassable rider forces these customers to pay
21 twice for renewable energy.

22

1 The Company does not need a non-bypassable rider, applied to non-SSO
2 customers, to fulfill its SSO obligation. Further, it does not need at least 900 MW
3 of in-state renewable energy to fulfill its SSO obligation.
4

5 **Purported Customer Interest and Customer Need**

6 **Q. Are there concerns with AEP Ohio’s claim of purported customer interest
7 and need in AEP Ohio developing renewable energy?**

8 A. Yes. AEP Ohio presents survey results of residential and business customers to
9 purportedly demonstrate that customers “want and need long-term renewable
10 power.”¹¹ There are multiple issues with the survey, and the Commission should
11 not rely on the survey as evidence of need.
12

13 First, customer opinion is important, but has no bearing on “need.” A survey of
14 residential customers whom are not electric system subject matter experts can
15 demonstrate “want,” but not “need.” Notably, customers are currently free to
16 choose how to meet their varied interests and many do so through their choice of
17 CRES suppliers and various energy products. Thus, any customer “want” can and
18 should be fulfilled through those competitive options.
19

20 Second, AEP Ohio notably only surveyed residential customers and small
21 businesses – not large businesses. Thus, large customer interest in renewable
22 energy has clearly not been demonstrated. Instead, AEP Ohio has provided

¹¹ Amendment to the 2018 Long-Term Forecast Report of Ohio Power Company at 7.

1 publicly stated renewable energy commitments of large corporations as evidence
2 of “want.” Contrary to AEP Ohio’s assertion, the wants or desires of customers
3 does not equate to a “need” to collect costs from all customers through a non-
4 bypassable RGR. Importantly, as OMAEG is comprised of manufacturing
5 customers of all sizes, I can state that business customers are fulfilling their wants
6 or desires for renewable energy with other mechanisms and through other sources.
7

8 Third, AEP Ohio seriously misconstrues the results of their consultant’s survey.
9 By their own tabulation, the consultant found that open-ended comments from
10 small businesses were roughly divided on their general feelings of support,
11 opposition, or mixed opinions regarding utility development of renewable
12 energy.¹²
13

14 Fourth, and importantly, the AEP Ohio survey does not inform, nor determine,
15 whether survey respondents understand the electric policy and regulatory
16 framework of the state of Ohio. The survey mainly tests respondents’ opinions on
17 renewable energy. It notably does not question survey respondents’ on the matter
18 at hand in this case, which is whether AEP Ohio – a deregulated distribution-only
19 company – should be allowed to participate in the competitive electric generation
20 market and receive customer funds to do so, when the policy of the state is to
21 support competitive market development.
22

¹² See Direct Testimony of Trina Horner at Exhibit TF-1, *AEP Ohio Voice of the Customer: Attitudes and Expectations for Renewable Energy*, at 26 (September 19, 2018).

1 **Q. In your experience, do you have concerns with AEP Ohio's claims of**
2 **customer want and need for its renewable projects?**

3 A. Yes. My work in the energy industry with customers and several experiences lead
4 me to question AEP Ohio's claims. First, AEP Ohio's survey and study, the
5 *Voice of the Customer*, conducted by Navigant, frequently cites the recently
6 released report *Powering Ohio*, authored by Synapse Economics and funded by
7 the Environmental Defense Fund, as evidence of large customer support of
8 renewable energy.¹³ I was consulted as an advisor to this report, and participated
9 in group discussions, report review, conversations with the authors, etc.¹⁴
10 Importantly, the report shows benefits of renewable energy development, but does
11 not provide a policy or regulatory pathway, and certainly does not endorse a
12 specific approach such as a distribution utility owning and operating the
13 renewable generation asset that is funded by customers. In fact, the final report
14 specifically states, "Policymakers can help businesses cost-effectively meet
15 market objectives by maintaining a clear separation between electricity
16 distribution and competitive energy supply."¹⁵

17
18 Second, in my capacity of organizing the OMA Sustainability Peer Network, I
19 meet regularly with corporate and plant level sustainability managers, energy

¹³ See, e.g., id. at Exhibit TH-1, *AEP Ohio Voice of the Customer: Attitudes and Expectations for Renewable Energy*, at 8 (September 19, 2018) (citing *Powering Ohio: A Vision for Growth and Innovative Energy Investment* at 3, http://www.poweringohio.org/files/2018/05/Powering-Ohio_FINAL-WEB.pdf.)

¹⁴ *Powering Ohio: A Vision for Growth and Innovative Energy Investment* at preface, page 2, http://www.poweringohio.org/files/2018/05/Powering-Ohio_FINAL-WEB.pdf

¹⁵ *Powering Ohio: A Path Forward* at 10, <http://www.poweringohio.org/files/2018/11/Powering-Ohio-A-Path-Forward-FINAL.pdf>.

1 managers, facility staff, etc., who have direct management responsibility with
2 renewable energy purchasing to fulfill corporate goals. In my experience, many
3 corporations, which have renewable energy, sustainability, energy reduction, or
4 green-house gas reduction goals, have implementation plans that they have
5 developed on their own or in conjunction with a CRES supplier, and do not
6 include AEP Ohio developing renewable energy for them that they pay for
7 through a non-bypassable rider.

8
9 Third, I, along with my team, were contributing authors to the report *Grounds for*
10 *Optimism*, sponsored by The Nature Conservancy, which tested various levels of
11 renewable energy and energy-efficiency deployment in Ohio.¹⁶ Similar to
12 *Powering Ohio*, we found significant benefits to renewable energy and energy-
13 efficiency deployment in the competitive marketplace in Ohio. However, in none
14 of our modeling scenarios was utility ownership/operation or cost-recovery from
15 ratepayers considered as a regulatory or policy requirement to achieve these
16 benefits. In fact, the report recommended several market-based policy concepts
17 as means to help achieve the benefits of renewable energy and energy efficiency.

18
19
20
21

¹⁶ *Grounds for Optimism: Options for Empowering Ohio's Energy Market*, prepared by The Greenlink Group and Runnerstone (October 19, 2016) (report available at: <https://static1.squarespace.com/static/553e9d0ee4b017006f18d075/t/5807ab7ce4fcb569d124b533/1476897680811/Grounds+for+Optimism++Options+for+Empowering+Ohios+Energy+Market.pdf>).

1 **Q. Can the renewable energy projects AEP Ohio is considering still be built in**
2 **Ohio without AEP Ohio developing the projects and receiving cost recovery**
3 **from ratepayers?**

4 A. If they are as cost-effective as competing renewable energy projects, then yes,
5 these projects could be built by competitive parties without cost recovery
6 provided by ratepayers through the RGR.

7

8 **Conclusion**

9 **Q. Do you have a recommendation to the Commission?**

10 A. Yes. The Commission should reject AEP Ohio's argument of need. OMAEG is
11 supportive of market driven, competitive development of energy generation in
12 Ohio, including renewable energy resources. There are environmental and
13 economic benefits from renewable energy development and deployment if
14 completed in a competitive and cost effective manner. AEP Ohio, however, has
15 not demonstrated the requisite resource planning need, or any other need, for AEP
16 Ohio to own or operate these renewable energy projects and receive cost-recovery
17 from its customers.

18

19 **Q. Does this conclude your direct testimony?**

20 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon all parties of record via electronic mail on January 2, 2019.

/s/Kimberly W. Bojko
Kimberly W. Bojko

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Case No(s). 18-0501-EL-FOR, 18-1392-EL-RDR, 18-1393-EL-ATA

Summary: Testimony Direct Testimony of John Seryak electronically filed by Mr. Brian W Dressel on behalf of The Ohio Manufacturers' Association Energy Group