

**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	)	Case No. 14-1693-EL-RDR
Power Purchase Agreement Rider.	)	
	)	
In the Matter of the Application of Ohio	)	
Power Company for Approval of Certain	)	Case No. 14-1694-EL-RDR
Accounting Authority.	)	

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

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**December 28, 2015**

**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, OH, 43214.

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

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

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

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

17 OMAEG members take service under the General Service (GS) 3 and GS 4  
18 tariffs, and include transmission, sub-transmission, primary, and secondary  
19 electricity services.

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

21 A. I received a Bachelor's degree in Mechanical Engineering from the University of  
22 Dayton, as well as a Master's of Science degree in Mechanical Engineering. I am  
23 a licensed Professional Engineer in the State of Ohio. I have worked extensively

1 with customer-sited resources, primarily energy efficiency, for 14 years. My  
2 experience includes fieldwork at industrial, commercial, and residential buildings  
3 identifying energy savings opportunities and quantifying the energy and dollar  
4 savings, chiefly through my responsibilities the last nine years for Go Sustainable  
5 Energy, LLC, of which I am a founding partner. Finally, I have three years of  
6 experience in regulatory and policy analysis in regard to behind-the-meter  
7 customer-sited energy resources. I have gained this experience in my role as an  
8 energy efficiency engineer to the OMAEG. In connection with these experiences,  
9 I have authored over 25 peer-reviewed academic papers on technical,  
10 programmatic, cultural, and regulatory issues concerning energy efficiency and  
11 distributed generation.

12 **Q. Have you previously testified before this Commission?**

13 A. Yes. See Case Nos. 12-2190-EL-POR, 14-1580-EL-RDR, and 14-1297-EL-  
14 SSO.

15 **Overview and Conclusions**

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

17 A. My testimony addresses the interaction of energy efficiency and renewable energy  
18 trends, and the Joint Stipulation and Recommendation provisions, with the  
19 proposed power purchase agreement (PPA), filed in this proceeding on December  
20 14, 2015 (Stipulation). In summary, I will testify that:

- 21 • The Stipulation provisions reduce wholesale electric market costs, and  
22 thus would increase costs to customers under the PPA rider.

- 1           • Industry practice has typically over-forecasted load. PJM Interconnection,  
2           LLC (PJM), the Regional Transmission Organization (RTO), is thus  
3           downward revising its load forecast, which would result in lower  
4           wholesale electric market prices and increased PPA rider costs.
- 5           • The Ohio Power Company (AEP Ohio or the Company) created  
6           agreements with non-signatory parties that undermine the intent of the  
7           Stipulation in regards to energy efficiency, and would significantly and  
8           negatively impact AEP Ohio's ability to perform its obligations as set  
9           forth by this Stipulation.
- 10          • The renewable energy PPA provisions of the Stipulation are anti-  
11          competitive and could negatively impact business interests.

12          Given the wide scope of the issues addressed in the Stipulation, my  
13          recommendations are concentrated on a limited number of issues. Absence of  
14          comment on my part regarding a particular aspect of the Stipulation does not  
15          signify support (or opposition) toward AEP Ohio's filing with respect to said  
16          issue.

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

18      A.     I conclude that the Stipulation, and the process to achieve it, are in conflict with at  
19          least two parts of the three-part test for Commission approval. First, I disagree  
20          that the Stipulation is a product of serious bargaining among knowledgeable  
21          parties. Negotiating parties were not aware of undisclosed side agreements AEP  
22          Ohio was negotiating that significantly impair its ability to perform its obligations  
23          under the Stipulation. Second, I disagree that this Stipulation, as a whole, benefits

1 customers and the public interest. Neither AEP Ohio nor any other signatory party  
2 has provided analysis of the Stipulation showing that it benefits customers on the  
3 whole. However, many non-signatory parties have provided critiques on why it  
4 will not benefit customers.

5 Moreover, in the Commission's approval of the PPA rider, it set forth key  
6 considerations which this Stipulation does not meet:

- 7 • "Whether the Company's proposal would provide the purported benefits  
8 or otherwise further the policy of the state"<sup>1</sup>, further saying "The  
9 commission is unable to reasonably determine the rate impact of the  
10 rider."<sup>2</sup> Recent revisions to load forecasts, and the addition of price  
11 suppressing provisions in the Stipulation, create doubt that AEP Ohio's  
12 proposed PPA would produce benefits during the 8-year term.
- 13 • Another key consideration the Commission laid forth is that the PPA rider  
14 should stabilize the wholesale market for retail customers. The  
15 Commission assumes the cost of the PPA rider will rise and fall opposite  
16 of wholesale prices. However, the Stipulation undermines this  
17 consideration, by introducing renewable energy and energy-efficiency  
18 provisions which suppress wholesale electricity prices, increasing the  
19 costs of the PPA rider. Thus, the PPA rider as now proposed via the  
20 Stipulation will have inherent internal conflicts, damaging its ability to  
21 function as a hedge.

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<sup>1</sup> *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan, et al.*, Case No. 13-2385-EL-SSO, et al., Opinion and Order at 15 (February 25, 2015).

<sup>2</sup> *Id.* at 19.

**The Stipulation Increases the Likelihood of Costs through the PPA rider, as Does  
New Load Forecast Information**

**Q. Would the provisions of the Stipulation affect the costs and benefits of the PPA rider?**

**A. Yes.**

**Q. Did AEP Ohio provide an analysis of the costs and benefits of the PPA rider to customers over its term, including the provisions from the Stipulation?**

**A. No, not in totality.<sup>3</sup>**

**Q. Did any other Signatory Party or non-opposing party provide an analysis of the costs and benefits of the PPA rider to customers, including the provisions from the Stipulation?**

**A. No.**

**Q. Will the Commission have all quantitative information by which to judge the effect of this Stipulation on customer bills?**

**A. No, not in totality.**

**Q. Besides the Stipulation, is there other new information that could substantively change previous estimates of costs and benefits of the proposed PPA?**

**A. Yes. PJM is reducing its load forecast by 3.5-5%<sup>4</sup>, depending on the year forecasted. This reduction is recent and concurrent with the settlement negotiations concerning AEP Ohio's proposed PPA rider. PJM's forecast years**

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<sup>3</sup> See, e.g., AEP Ohio's response to OCC's discovery request INT-S1-042 (Attachment JAS-2).

<sup>4</sup> <http://www.pjm.com/~media/committees-groups/subcommittees/las/20151130/20151130-item-07-preliminary-load-report.ashx>, Pg. 2

are all within the proposed term of the PPA rider. PJM recently released a draft load forecast. Its final load forecast is due on or around December 30<sup>th</sup>, 2015.

**Q. How could PJM's reduction of its load forecast impact the validity of AEP Ohio's cost estimates?**

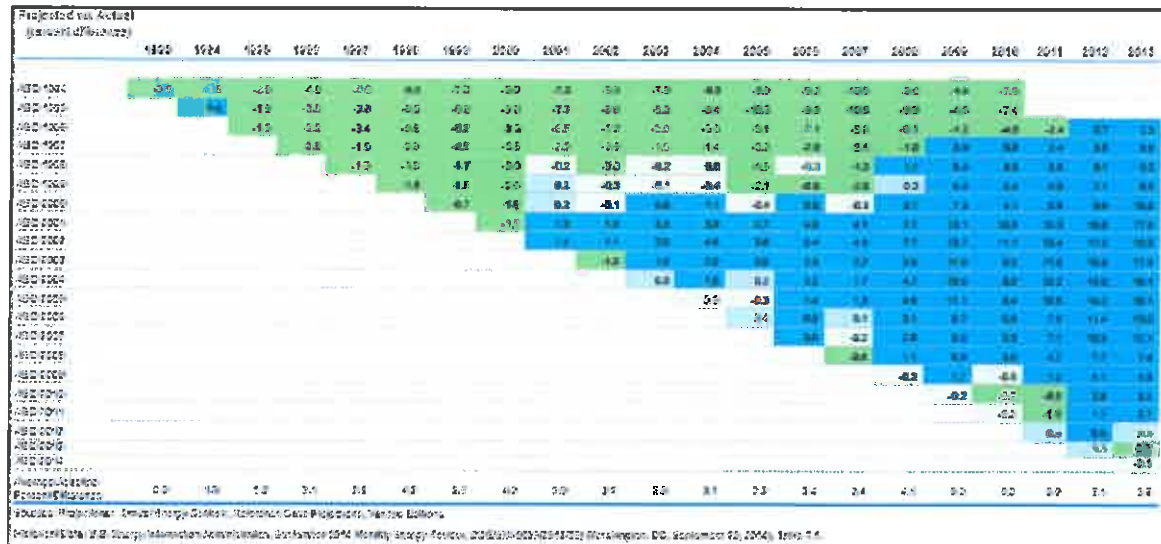
A. AEP Ohio previously estimated costs of its proposed PPA rider for four scenarios: a weather normalized scenario, a 5% higher load scenario, a 5% lower load scenario, and the average of the higher/lower load forecasts.<sup>5</sup> The high load scenario shows credits to customers in each year of the PPA rider. The lower load scenario shows costs to customers in each year. The weather normalized and the average of the higher/lower load scenarios show a credit in each year. Load forecast reductions of 3.5%-5%, applied to AEP Ohio's own estimates would mean the PPA rider would result in costs to customers for every year of its eight year term. Thus, AEP Ohio's reference and average scenarios may actually be overestimates.

There is additional reason to suspect that AEP Ohio's reference scenario is actually an overestimate. AEP Ohio relies in part on the US Department of Energy's (DOE) Energy Information Administration (EIA) load forecasts for its modeling. The EIA prepares load forecasts as part of its Annual Energy Outlook (AEO). Even according to EIA's own retrospective studies, its AEO forecasts nearly always significantly overestimate load in medium-term and long-term forecasts. Figure 1 is reproduced from the EIA Annual Energy Outlook

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<sup>5</sup> Direct Testimony of William A. Allen in Support of AEP Ohio's Settlement Agreement, Settlement Exhibit WAA-2 (December 14, 2015).

Retrospective Review.<sup>6</sup> Note that this shows EIA forecasts generally overestimate electricity load (overestimated load shown in blue). Since 2000, EIA has overestimated its 5-year forecast load by over 6.5%, on average. In the same time period, its 7-year forecast is decidedly worse, overestimating load on average by 8.3%.



**Figure 1: EIA AEO Retrospective Review, Table 15**

This implies that AEP Ohio's reference case, based on the AEO forecast, could be over-estimating load due to underestimating the impact of energy efficiency and customer-sited renewable energy development.

PJM's recent load forecast reduction is thus on par with EIA's retrospective.

In summary, there is good evidence that AEO forecasts over-estimate load. PJM has proactively addressed their internal forecasting, as they were also over-estimating load. Thus, there is good reason to question the validity of AEP Ohio's reference scenario assumptions.

<sup>6</sup>[https://www.eia.gov/forecasts/aeo/retrospective/pdf/table\\_15.pdf](https://www.eia.gov/forecasts/aeo/retrospective/pdf/table_15.pdf)



1     **Q.     How would revisions to AEP Ohio's load estimates affect their cost estimates**  
2           **of the PPA rider?**

3     A.     It increases the likelihood that the PPA rider will only create costs for customers.  
4           In light of PJM's load forecast reduction, and EIA's retrospective, AEP Ohio's  
5           5% load increase scenario is unlikely. And AEP Ohio's reference case, from a  
6           load perspective, may be more representative of an upper limit of benefits-to-costs  
7           rather than the average. The 5% load decrease scenario may be more reflective of  
8           an attempt to forecast average costs to consumers, notwithstanding OCC witness  
9           Wilson's critiques<sup>7</sup>.

10    **Q.     Should the Commission take PJM's reduction in its load forecast into**  
11       **consideration when evaluating the Stipulation?**

12    A.     Yes. PJM's revisions mark a major development, and will result in less generating  
13           capacity resources clearing in the PJM capacity auctions. This will likely suppress  
14           capacity clearing prices, and could undercut AEP Ohio's assumptions of capacity  
15           market prices and revenue. And, if AEP Ohio is similarly over-forecasting load, it  
16           would result in lower energy sales by AEP Ohio's generation during the course of  
17           the PPA rider.

18    **Q.     Does the Stipulation further change AEP Ohio's cost estimates?**

19    A.     Yes. The Stipulation introduces several new energy resources:

- 20           •   500 MW of wind.<sup>8</sup>  
21           •   400 MW of solar.<sup>9</sup>

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<sup>7</sup> Direct Testimony of James F. Wilson, On Behalf of the Office of the Ohio Consumers' Counsel (September 11, 2015).

<sup>8</sup> Joint Stipulation at 30.

- Battery resources.<sup>10</sup>

- 1.33% reduction in energy use through energy efficiency per year.<sup>11</sup>

Each of these resources will have the effect of reducing electricity sales from traditional generation, reducing capacity sales from traditional generation, and will suppress prices in wholesale electric energy and capacity markets.

For example, utility-scale wind and solar resources are dispatched first by PJM in energy markets. The price suppression effect from this dispatch order was recognized by the PUCO in its August 2013 study, “Renewable Resources and Wholesale Price Suppression”,<sup>12</sup> wherein Staff of the PUCO used PROMOD IV to simulate electricity market outcomes. The report concludes:

- “The model demonstrates that wholesale electricity market prices in Ohio are reduced...as a result of incorporating the renewable generation resources.”
- “As renewable generation requirements escalate and new projects are required, future model runs can be made...this analysis can be conducted by Commission Staff through PROMOD IV simulation, a powerful, well respected and unbiased tool that is currently at our disposal.”

Similarly, multiple studies have shown that energy efficiency suppresses load and prices in both energy and capacity markets. According to Lazard’s 2015

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<sup>9</sup> Id. at 31.

<sup>10</sup> Id. at 30.

<sup>11</sup> Id. at 28.

<sup>12</sup> [http://www.ohiomfg.com/wp-content/uploads/2013-08-16\\_lb\\_energy\\_renewable\\_resource\\_and\\_wholesal\\_price\\_suppression.pdf](http://www.ohiomfg.com/wp-content/uploads/2013-08-16_lb_energy_renewable_resource_and_wholesal_price_suppression.pdf)

1 Levelized Cost of Energy (LCOE) study,<sup>13</sup> all of these resources are economically  
2 competitive with coal-fired power plants.

3 In the context of the PPA rider, price suppression benefits from renewable energy  
4 and energy-efficiency resources that would normally accrue universally to  
5 ratepayers would now be countered by the PPA rider. That is, AEP Ohio's plants  
6 could possibly sell less energy, less capacity, and would certainly sell output at a  
7 lower price, because of this Stipulation. The provisions of the Stipulation would  
8 thus reduce the revenue of AEP Ohio's PPA plants, thus increasing the cost of the  
9 PPA rider to customers.

10 **Q. What is your conclusion?**

11 A. AEP Ohio's estimates of benefits to ratepayers are likely over-estimated to begin  
12 with. The Stipulation introduces significant amounts of new resources that will  
13 reduce revenue of AEP Ohio's PPA plants, increasing the likelihood that the PPA  
14 rider will create costs for customers. It is quite possible then, that the PPA rider  
15 will not provide a hedge at all for customers, but only create costs.

16 **Q. Do you have recommendations for the Commission?**

17 A. Yes. First, I recommend that the Commission require AEP Ohio to provide an  
18 analysis of the costs and benefits of the Stipulation. The proposed Stipulation  
19 creates new precedent and costs for years to come, and the new provisions are  
20 highly interactive, affecting market prices and revenue. A thorough, transparent  
21 cost analysis should be a minimum requirement for such a proposal. Second, the  
22 Commission should consider requesting its own Staff to use the market modeling

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<sup>13</sup><https://www.lazard.com/media/2390/lazards-levelized-cost-of-energy-analysis-90.pdf>

resources it has and also provide an independent analysis of the costs and benefits of all provisions from the Stipulation.

Finally, given that AEP Ohio has presented no comprehensive analysis in support of its Stipulation, the Commission should take into consideration that recent downgrades of future load forecasts, and provisions from the Stipulation, could result in the PPA rider no longer serving as a hedge, but only as a cost to customers. For that reason alone, the Commission should deny it in full.

**Contradictory Intentions of AEP Ohio in Regards to Promotion of Energy Efficiency**

**Q. Is energy efficiency a significant component of the Stipulation?**

A. Yes, energy efficiency is a key component of commitments AEP Ohio has made to several intervenors in exchange for their support of this Stipulation. Critically, it is also a key component of AEP Ohio's plans to maintain reliability from their agreement to retire certain power plants. Specifically:

- AEP Ohio commits \$3.2 million to the Ohio Hospital Association (OHA) and \$4.8 million to OHA member hospitals over the 8-year period of the PPA rider from its currently approved funding levels for its energy-efficiency/peak-demand reduction (EE/PDR) programs, a total of \$8 million.<sup>14</sup>

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<sup>14</sup> Joint Stipulation at 13-15.

- 1           • AEP Ohio commits to Ohio Partners for Affordable Energy (OPAE),  
2           \$200,000 in 2016, and \$8 million annually from 2017 onwards (totaling  
3           \$56+ million for the PPA rider).<sup>15</sup>
- 4           • AEP Ohio agrees to analyze energy efficiency as a potential non-  
5           transmission solution to alleviate reliability concerns from the potential  
6           retirement of Conesville Units 5 and 6, and Cardinal Unit 1.<sup>16</sup>
- 7           • AEP Ohio agrees to evaluate targeted investments in demand-side energy  
8           savings (“demand-side energy savings” is another way to refer to  
9           customer-sited energy efficiency) to alleviate reliability concerns from  
10          potential retirement in Conesville Unit 4, Zimmer Unit 1, and Stuart Units  
11          1-4.<sup>17</sup>
- 12          • AEP Ohio agrees to “use its best efforts” to use energy reductions as a  
13          compliance tool under the Clean Power Plan.<sup>18</sup>
- 14          • AEP Ohio agrees to discuss a pilot program wherein energy efficiency can  
15          be competitively bid into default supply auctions.<sup>19</sup>
- 16          • AEP Ohio agrees to develop energy savings goals of 1.33% annually.<sup>20</sup>
- 17          • AEP Ohio agrees to energy-efficiency goals as part of its Carbon Emission  
18          Reduction Plan.<sup>21</sup>

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<sup>15</sup> Id. at 15-16.

<sup>16</sup> Id. at 19-23.

<sup>17</sup> Id. at 23-25.

<sup>18</sup> Id. at 27.

<sup>19</sup> Id. at 28.

<sup>20</sup> Id.

- AEP Ohio will explore energy efficiency plans as part of a fuel diversification effort.<sup>22</sup>

**Q. Does AEP Ohio agree to limit its ability to deliver energy efficiency in this Stipulation?**

**A.** AEP Ohio did not openly negotiate its position on energy efficiency programs in the Stipulation. AEP Ohio's response to Ohio Consumer's Counsel discovery request INT-S1-002 reveals AEP Ohio simultaneously agreed to undermine energy efficiency in a Global Settlement Agreement with the Industrial Energy Users-Ohio (IEU-Ohio), in exchange for IEU-Ohio's non-opposition to the Stipulation.<sup>23</sup> Specifically, AEP Ohio agrees to support expansion of the streamlined opt-out provision currently available to above-primary users to all mercantile users. This is seemingly a major concession of AEP Ohio to IEU-Ohio in exchange for IEU-Ohio's non-opposition to the Stipulation, as the only other term in favor of IEU-Ohio is an \$8 million payment.

AEP Ohio's agreement to support an all-mercantile customer opt-out would, in effect, greatly handicap its ability to delivery substantial energy-efficiency savings. For example, in its most recent EE/PDR portfolio filing, its business programs covering the mercantile class accounted for 65% of its planned energy savings, 71% of its planned demand savings, and 59% of its budget<sup>24</sup>. While not

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<sup>21</sup> Id. at 28-29.

<sup>22</sup> Id. at 29.

<sup>23</sup> See Attachment JAS-1.

<sup>24</sup> *In the Matter of the Application of Ohio Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration, et al.*, Case No. 11-5569-EL-POR, et al., Volume I (November 29, 2011).

1 all of this load is likely to opt-out, it is possible that a significant percentage will.  
2 This would greatly reduce the potential savings that AEP Ohio could deliver.

3 **Q. Would a significantly reduced ability of AEP Ohio to delivery energy**  
4 **efficiency substantively change the intent and goals of the Stipulation? If so,**  
5 **how?**

6 A. Yes. AEP Ohio's most recent EE/PDR Portfolio plan calls for 70.5 MW of load  
7 reduction from mercantile class efficiency programs in its latest year (2014). AEP  
8 Ohio's agreement to support an expanded opt-out would thus put approximately  
9 this much load reduction at risk annually over 2017-2023. This totals to ~490  
10 MW of reduced energy efficiency over the term of the PPA rider, compared to  
11 AEP's current delivery of energy efficiency from the business sector (some  
12 percentage of this at risk load reduction would occur anyways from the above-  
13 primary sector).

14 As a result, many of the Stipulation provisions become unwieldy:

- 15 • AEP Ohio's commitment of \$8 million total to OHA and its members over  
16 8 years could be impractical if AEP Ohio's budget for commercial  
17 customers is severely reduced. Even with a minimum number of opt-out  
18 customers, it may be that OHA and its members end up taking a  
19 significant portion of AEP Ohio's remaining budget, in disproportion to  
20 the rest of the customer class.
- 21 • Energy efficiency solutions are a critical component of AEP Ohio's  
22 agreement to consider retirement of Conesville 4, 5, 6, Cardinal 1, Zimmer

1 1, and Stuart 1-4, since mercantile energy-efficiency programs could  
2 deliver ~490 MW of load reduction.

- 3 • AEP Ohio agrees to savings goals of 1.33% annually and presumably for  
4 compliance with the CPP. These savings would be measured from a  
5 “baseline” that does not include opt-out customers. Because of the IEU-  
6 Ohio Global Settlement Agreement, this baseline, and thus the total  
7 savings, would be substantially reduced. It is quite obvious that the  
8 intended goal of these Stipulation provisions is changed with the addition  
9 of IEU-Ohio’s Global Settlement Agreement.

10 **Q. What is your recommendation to the Commission on this matter?**

11 **A.** I recommend that the Commission deny the Stipulation, as AEP Ohio clearly did  
12 not “openly negotiate” with all parties, as it claims. AEP Ohio’s agreement to  
13 deliberately limit its delivery of energy efficiency would create additional costs to  
14 consumers, and undermine the reliability and environmental goals that are  
15 cornerstones of this Stipulation. For AEP Ohio to limit its ability to deliver energy  
16 efficiency either indicates that AEP Ohio did not agree to certain settlement  
17 provisions in good faith, or it did not understand the practicality of what it was  
18 agreeing to. The Commission should recognize that the cornerstone provisions of  
19 this Stipulation – plant retirements, energy efficiency funding to select parties,  
20 CPP compliance mechanisms – are all jeopardized by AEP Ohio’s agreement to  
21 support an expanded opt-out.



1 **Customer Need for a Renewable Energy PPA**

2 **Q. How does AEP Ohio propose paying for its proposed wind and solar**  
3 **projects?**

4 A. AEP Ohio proposes recovering the cost of these renewable energy projects within  
5 its PPA, selling all energy, capacity, and ancillaries into the PJM markets, and  
6 charging or crediting the net to customers via the PPA rider, for a period of 10  
7 years.

8 **Q. Do businesses already purchase renewable energy?**

9 A. Businesses and other customers increasingly integrate renewable energy  
10 purchases, or on-site renewable energy projects, into their electricity purchasing  
11 strategies.<sup>25</sup> A business may purchase 100% renewable energy, or strategically  
12 purchase a percentage of its electricity from renewable sources.

13 **Q. What impact does the Stipulation have on customers that have already**  
14 **purchased renewable energy or installed renewable energy?**

15 A. In effect, these businesses pay twice for renewable energy. First, for their project  
16 or purchase. Second, for AEP Ohio's renewable energy portion of their PPA.  
17 Moreover, it may affect the revenue of a customer-sited renewable energy project.  
18 A business may decide to keep, or sell, its renewable energy credits (RECs) when  
19 it develops a renewable energy project. If a business keeps its RECs, it may  
20 bypass paying its CRES provider for compliance for the present-day Renewable

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<sup>25</sup> Public examples include: Amazon's recent announcement to power its new central Ohio data centers with 100% Ohio wind (<http://www.dispatch.com/content/stories/business/2015/11/19/amazon-to-build-wind-farm-in-ohio.html>); Ohio State University's announcement to power 25% of its campus with Ohio wind (<http://oee.osu.edu/ohio-state-to-power-campus-with-wind-energy.html>); and the GM Lordstown Plant's solar installation (<http://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/us/en/2014/Oct/1020-lordstown-chevrolet.html>).

1 Energy Portfolio Standard (RPS), or future CPP compliance. Without  
2 bypassability, a business would subsidize other ratepayers if the PPA includes  
3 renewable energy. If a business sells its RECs, the market price of RECs may be  
4 unfairly influenced by ratepayer subsidization of AEP Ohio's renewable energy  
5 projects. That is, allowing renewable energy into the PPA would force a business  
6 to subsidize it's competitor in the REC market.

7 **Q. Is the PPA mechanism different than an RPS in regards to development of**  
8 **renewable energy?**

9 A. Yes. The RPS promotes and allows resource competition. A business may  
10 purchase RECs, sell RECs, or develop its own customer-sited renewable energy  
11 project and retain ownership of the RECs. An RPS creates a market of many  
12 buyers and many sellers, where information is transparently communicated via  
13 market prices of RECs. This competition and market pricing often serves to drive  
14 prices down. A PPA, in contrast, undercuts market development by greatly  
15 limiting the number of buyers and sellers. And, by allowing the buyer and seller  
16 to be affiliated (AEP Ohio and AEP Energy), and removing both related parties  
17 from the risk of the project (the ratepayers take the risk), the potential for price  
18 manipulation is high.

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

20 A. Yes. The Commission should deny AEP Ohio its application for this PPA,  
21 considering the renewable energy provisions of the Stipulation are irrelevant to  
22 AEP Ohio's stated needs for its affiliate's coal-fired power plants, in addition to  
23 being anti-competitive for the development of renewable energy. At a minimum,

1           the Commission should rule that the renewable energy portion of the PPA be  
2           made by-passable for businesses that are already purchasing renewable energy or  
3           developing renewable energy projects of their own accord.

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

5   **A.   Yes.**

**OHIO POWER COMPANY'S RESPONSES TO  
OHIO CONSUMERS' COUNSEL'S DISCOVERY REQUESTS  
PUCO CASE NO. 14-1693-EL-RDR  
FIRST SET-JOINT STIPULATION AND RECOMMENDATION**

**INTERROGATORIES**

INT-S1-002 Under R.C. 4928.145, identify each contract and/or agreement between AEP Ohio and a party (including the PUCO Staff) to this proceeding including members of groups that are parties to this proceeding, related to:

- a. The provision, sale and/or purchase of electric services and charges for those electric services (including, but not limited to generation, distribution and transmission services) for any period during or after the proposed PPA period; and
- b. This Proceeding (e.g. support of AEP Ohio's positions).
- c. The Stipulation.

**RESPONSE**

The Company objects to the extent the request seeks information which is outside the scope of the case and is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. The Company objects to this request since this proceeding is not a standard service offer proceeding. Without waiving the foregoing objection(s) or any general objection the Company may have, the Company states as follows. No contracts exist within the scope of the cited statute. But in the spirit of full disclosure, the Company is producing the IEU Global Settlement as OCC-INT-S1-002 Attachment 1.

## GLOBAL SETTLEMENT AGREEMENT

This Global Settlement Agreement ("Agreement") memorializes a global settlement of several separate regulatory and litigation matters. It is made by Ohio Power Company ("AEP Ohio") and Industrial Energy Users-Ohio ("IEU") for the benefit of IEU's members. In this Agreement, AEP Ohio and IEU are collectively referred to as the "Parties."

In consideration of the mutual covenants contained herein and intending to be legally bound hereby, the Parties agree as follows:

1. **Dismissal of IEU Litigation.** Within 10 days after the PPA Stipulation is executed and filed in the PPA Cases, IEU will take the following actions:
  - A. IEU will file a voluntary application to dismiss its appeal with prejudice in each of the following cases pending before the Supreme Court of Ohio ("S.Ct."): (a) S.Ct. Case No. 2012-2098 (first capacity charge appeal); (b) S.Ct. Case No. 2013-228 (second capacity charge appeal); (c) S.Ct. Case No. 2013-521 (ESP II appeal); and (d) S.Ct. Case No. 2013-1014 (corporate separation appeal).
  - B. IEU will move to withdraw its intervention in the following proceedings: (a) PUCO Case No. 14-1186-EL-RDR (RSR implementation plan); (b) PUCO Case Nos. 09-872-EL-FAC et al (2009 FAC); (c) PUCO Case Nos. 11-4920-EL-RDR et al. (phase in recovery rider); (d) PUCO Case No. 13-1939-EL-RDR (gridSMART Phase II); and (e) PUCO Case No. 15-1022-EL-UNC (2014 SEET).
  - C. IEU-Ohio will limit its participation in PUCO Case Nos. 11-5906-EL-FAC, 12-3133-EL-FAC, 13-572-EL-FAC, 13-1286-EL-FAC, and 13-1892-EL-FAC to the prosecution of the PUCO's investigation of AEP-Ohio's alleged double recovery of certain capacity related costs.
2. **AEP Ohio's Support of Energy Efficiency Opt-Out.** AEP Ohio will support expansion of the streamlined opt-out provisions enacted by SB 310 (130th General Assembly) so as to make the streamlined opt-out available, effective January 1, 2019, to "mercantile customers" as recommended in the report issued by the SB 310 Mandate Study Committee.
3. **IEU's Non-opposition to AEP Ohio's PPA Proposal.**
  - A. IEU agrees not to oppose the Joint Stipulation and Recommendation ("PPA Stipulation") to be filed by AEP Ohio and certain other parties in Public Utilities Commission of Ohio ("PUCO") Case Numbers 14-1693-EL-RDR and 14-1694-EL-AAM ("PPA Cases"). IEU's non-opposition recognizes the substantive terms in the PPA Stipulation that benefit its members. In recognition of its non-opposition and the benefits provided its members, IEU agrees not to challenge, or support any change to, the PPA Stipulation in any legal proceeding.

- B. IEU will file a letter in the PPA Cases stating that IEU does not oppose the PPA Stipulation. This letter will indicate that AEP Ohio and IEU have reached a global settlement of several separate regulatory and litigation matters and that IEU's non-opposition to the PPA Stipulation is one of several terms and conditions involved with the settlement.
- C. Notwithstanding the foregoing and anything else in this Agreement, if the PPA Stipulation is not finalized and filed with the PUCO, this Agreement will become null and void.

4. **IEU's Non-Participation in Oral Argument.** As a preliminary step toward dismissal of capacity charge appeals, IEU agrees to waive and not otherwise participate in the oral argument scheduled for December 15, 2015 in the first and second capacity charge appeals (to the extent permissible under the rules of the Ohio Supreme Court). AEP Ohio acknowledges that IEU has made a filing with the Supreme Court indicating that it will not participate in that oral argument.

5. **No Principle Established.** Nothing contained in this Agreement, or the fact of its submission to the Parties, shall be admissible evidence in any judicial, administrative, or other legal proceeding (except for a proceeding to enforce the terms of this Agreement), or be construed as an admission on the part of the Parties.

6. **Settlement Payments.** Within 10 days of IEU filing the last motion to dismiss its appeal or motion to withdraw required by Paragraph 1 above, AEP Ohio will pay, as a one-time nonrevocable payment, \$8 million to IEU for the benefit of its members. The Parties agree that this payment relates primarily to the cases addressed in Paragraph 1 above. IEU will continue, even after the payment is made and in the face of any opposition by other parties, to pursue the applications and motions referenced in Paragraph 1 until all of those applications and motions are ruled upon and are final. Upon dismissal or the granting of withdrawal pursuant to Paragraph 1 above, IEU will have no further involvement in the proceedings or any appeals or actions relating to the proceedings. This provision does not prevent IEU members from receiving any benefits resulting from a Supreme Court of Ohio remand proceeding.

7. **Disclosure of this Agreement.** IEU understands that this Agreement will likely be disclosed through discovery or another compulsory legal process. In addition, AEP Ohio may voluntarily and unilaterally disclose this Agreement after providing reasonable prior notice to IEU. AEP Ohio will endeavor to provide a minimum of 24 hours' notice.

8. **Entire Agreement.** The Parties acknowledge that this Agreement is the complete and final agreement between the Parties with respect to the subject matter of this Agreement, and that there are no other agreements, written or oral, that form any part of the agreement between the Parties regarding the matters set forth herein.

9. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio. The delay or failure of either Party to assert or

enforce in any instance performance of any of the terms of this Agreement or to exercise any rights hereunder conferred shall not be construed as a waiver or relinquishment to any extent of its rights to assert or rely upon such terms or rights at any later time.

**10. Modification.** Any waiver or modification of this Agreement must be in writing.

**11. Severability.** Should any one or more of the terms or conditions of this Agreement be held to be void, invalid, illegal, or unenforceable in any respect, this will not affect any other term or condition of this Agreement, but the remainder of this Agreement will be effective as though such term or condition had never been contained herein.

**12. Authorization.** The Parties warrant that they have the power and authority, and the legal right, to make, deliver and perform under this Agreement, and have taken all necessary actions to authorize execution, delivery and performance under this Agreement. Specifically, IEU warrants that its participating members have authorized IEU to make, deliver and perform under this Agreement.

**13. Notice.** Unless otherwise stated herein, all notices, demands, or requests required or permitted under this Agreement must be in writing and must be delivered by overnight express, mail, courier service, electronic mail, or facsimile transmission to the other Party.

**14. Costs and Expenses.** Each Party is responsible for its own costs and expenses, including attorneys' fees, related to any civil action brought to enforce this Agreement.

**15. Execution in Counterparts.** This Agreement may be executed in counterparts.

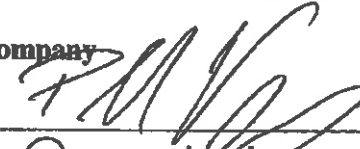
Ohio Power Company

By:

Name:

Title:

Date:

  
Pablo A. Vegas  
President & COO  
December 14, 2015


Industrial Energy Users-Ohio

By:

Name:

Title:

Date:

  
Kevin M. McCoy  
Executive Director  
December 14, 2015

**OHIO POWER COMPANY'S RESPONSES TO  
OHIO CONSUMERS' COUNSEL'S DISCOVERY REQUESTS  
PUCO CASE NO. 14-1693-EL-RDR  
FIRST SET-JOINT STIPULATION AND RECOMMENDATION**

**INTERROGATORIES**

INT-S1-042 For each a) rider and b) tariff that AEP Ohio will seek to extend in its filing to extend the current ESP, identify the charge that will be proposed.

**RESPONSE**

AEP Ohio will present evidence to support the riders and tariffs that it will seek to extend in the filing described in Section III.C of the Stipulation. AEP Ohio has not yet determined the charges that will be proposed in that filing.

Prepared by: William A. Allen



## CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following parties via electronic mail on December 28, 2015.



Ryan P. O'Rourke

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