

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the Alternative)
Energy Rider Contained in the Tariffs of Ohio)
Edison Company, The Cleveland Electric) Case No. 11-5201-EL-RDR
Illuminating Company, and The Toledo Edison)
Company.

**DIRECT TESTIMONY OF
BRUCE BURCAT
ON BEHALF OF
THE MID-ATLANTIC RENEWABLE ENERGY COALITION**

January 31, 2013

**DIRECT TESTIMONY
BRUCE BURCAT
THE MID-ATLANTIC RENEWABLE ENERGY COALITION
CASE NO. 11-5201-EL-RDR**

BACKGROUND AND EXPERIENCE

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bruce Burcat. My business address is P.O. Box 385, Camden, Delaware 19934.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Mid-Atlantic Renewable Energy Coalition (“MAREC”) as its Executive Director.

Q. PLEASE PROVIDE A DESCRIPTION OF MAREC.

A. MAREC is a nonprofit organization that was formed to help advance the opportunities for renewable energy development primarily in the region where the Regional Transmission Organization, PJM Interconnection, LLC (“PJM”), operates. MAREC’s footprint includes Maryland, New Jersey, Delaware, Pennsylvania, Ohio, Virginia, West Virginia, North Carolina, and the District of Columbia. MAREC’s membership consists of wind developers, wind turbine manufacturers, service companies, nonprofit organizations and a transmission company dedicated to the growth of renewable energy technologies to improve our environment, boost economic development in the region and diversify our electric generation portfolio, thereby enhancing energy security. The primary areas of focus of MAREC are to work with state regulators to develop rules and

1 supportive policies for renewable energy; provide education and expertise on the
2 environmental sustainability of wind energy; and offer technical expertise and
3 advice on integrating variable wind energy resources into the electric grid.

4 **Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.**

5 **A.** I am an attorney with over twenty years' experience in the utility and energy
6 regulatory fields. I am responsible for MAREC's efforts to promote the growth
7 and development of renewable energy in its nine jurisdictions. I joined MAREC
8 as its Executive Director after serving for nearly fifteen years as the Executive
9 Director of the Delaware Public Service Commission. In that capacity I was
10 responsible for the major policy and technical positions taken by the Delaware
11 Public Service Commission staff in proceedings before the Delaware Public
12 Service Commission. I was involved in all facets of utility regulation, including
13 the restructuring of Delaware's electricity market and the reintroduction of
14 integrated resource planning for Delaware's major electric utility. As part of the
15 integrated planning process, Delaware's major electric utility was required to
16 incorporate electricity generated from renewable resources into its long-term
17 procurement plan. My office supervised the compliance by electric suppliers with
18 the State's renewable portfolio standard. I was intricately involved in the two-
19 year process that resulted in the first purchase power agreement in the United
20 States for the energy generated from an offshore wind farm that is located off the
21 coast of Delaware. Prior to working for the Delaware Public Service
22 Commission, I was an attorney for the New Jersey Division of the Ratepayer
23 Advocate. Before that position I served as a Senior Rate Attorney for General

1 Waterworks Management and Service Company. I am a member of the bars of
2 New Jersey and Pennsylvania.

3 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

4 **A.** I am a graduate of the University of Delaware. I received my Juris Doctor degree
5 from Rutgers University School of Law – Camden and a Masters in Law (LL.M) in
6 Taxation from the Villanova University School of Law.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN REGULATORY
8 PROCEEDINGS?**

9 **A.** Yes, I have. In my position as Executive Director of MAREC, I provided pre-filed
10 written testimony before the Public Utilities Commission of Ohio (“Commission”)
11 related to integrated resource planning and the procurement of renewable energy
12 through long-term contracts. I have also testified before the Maryland Public
13 Service Commission in its proceeding to approve the merger of Exelon
14 Corporation and Constellation Energy Group Inc. In my role as the Executive
15 Director of the Delaware Commission, I testified before the Federal Energy
16 Regulatory Commission on the impact of electric transmission congestion on the
17 Delmarva Penninsula and have appeared numerous times before the Delaware
18 House and Senate to respond to questions on proposed energy legislation and
19 major energy issues facing the State.

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1 **PURPOSE OF DIRECT TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 **A.** The purpose of my testimony is to provide the Commission with the proper
4 calculation of Ohio's renewable portfolio standard ("RPS") cost cap provision that
5 was enacted in 2008 with the passage of Senate Bill 221.

6 **DIRECT TESTIMONY**

7 **Q. ARE YOU FAMILIAR WITH OHIO'S STATUTORY PROVISION REGARDING**
8 **THE RPS?**

9 **A.** Yes, R.C. 4928.64.

10 **Q. WHAT IS YOUR UNDERSTANDING OF R.C. 4928.64?**

11 **A.** By 2025 electric utilities must provide twenty-five percent (25%) of their electricity
12 supply from alternative energy, and at least half of that (12.5%) must be
13 generated from renewable energy resources. There is an annual benchmark that
14 electric utilities must achieve.

15 The Commission must review annually each electric utility's compliance with the
16 benchmark for that particular year and identify any undercompliance or
17 noncompliance. If the Commission determines, after a hearing, that the electric
18 utility has failed to comply with the statutory benchmark, then the Commission
19 shall impose a renewable energy compliance payment on the electric utility.

20 A cost cap provision provides that an electric utility is not required to comply with
21 the benchmarks if its reasonably expected cost of compliance exceeds its
22 reasonably expected cost of otherwise producing or acquiring the required
23 electricity by three percent (3%) or more.

1 **Q. DOES R.C. 4928.64 PROVIDE HOW THE RPS COST CAP SHOULD BE**
2 **CALCULATED?**

3 **A.** Yes. And the Commission has amplified the calculation in O.A.C. Rule
4 4901:1-40-07.

5 **RECOMMENDATIONS**

6 **Q. WHAT IS THE PROPER METHOD OF CALCULATING OHIO'S RPS COST**
7 **CAP?**

8 **A.** The mathematical calculation of Ohio's cost cap should be simple and
9 transparent, consisting of two basic steps.

10
11 **Q. WHAT ARE THE TWO BASIC STEPS THAT YOU PROPOSE?**

12 **A.** The first step is to add an electric utility's annual cost of generation to customers
13 (the wholesale price average from the previous three years) with the price
14 suppression benefits of the previous year, and then multiply that figure by the
15 percentage of the cost cap, which is three percent (3%) in Ohio. The outcome
16 will equal the annual renewable spending cap for the utility. The second step is
17 to compare the utility's annual cost of renewable generation (value of RECs) to
18 its annual renewable spending cap in order to determine which is greater. For
19 example, if a utility's annual cost of generation is \$100, and the price suppression
20 benefit is \$2 in savings from the previous year, then that utility's annual
21 renewable spending cap would be \$3.06 $((\$100 + \$2) = \$102 \times .03\% = \$3.06)$.
22 Please see attached chart as Exhibit 1.

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Q. WHY DO YOU PROPOSE THAT THE COST CAP BE COMPUTED ANNUALLY?

A. This is because the cost of generation supply is measured based on annual wholesale costs and renewables are based on the costs of RECs purchased in a specific year.

Q. WHY DO YOU RECOMMEND THAT PRICE SUPPRESSION BE FACTORED INTO THE COST CAP CALCULATION?

A. The benefits of price suppression should be factored into the calculation in order to fully account for the costs and benefits of renewable energy. For example, on page 29 of the Financial Audit conducted by Goldenberg Schneider in this proceeding, the auditor provides that, “It is possible that renewable energy generating resources, to the extent that they displace higher cost traditional generating resources, can exert downward pressure on PJM wholesale market clearing prices, as these prices are based upon variable production costs rather than the full cost of capital investment. Therefore, Ohio electric utilities’ customers benefit from these renewable electric generating resources indirectly through lower prices obtained through the wholesale energy market.” Also, please see attached as Exhibit 2, a bibliography of several third-party studies describing the widely-recognized benefits of price suppression by renewables. Since the cost cap is meant to act as a ratepayer protection, it should consider all relevant costs and cost savings produced by renewables.

1 **Q. SHOULD ANY OTHER COSTS BE INCLUDED IN THE COST CAP, SUCH AS**
2 **CARRYING OR ADMINISTRATIVE COSTS?**

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4 **A.** No. The mathematical calculation that I have provided does not, and should not,
5 include items such as carrying or administrative costs. R.C. 4928.64 regarding
6 the cost cap does not include carrying or administrative costs. However, simply
7 because these items should not be included in the mathematical calculation does
8 not mean that carrying costs or administrative costs should not be eligible for
9 cost recovery by a utility.

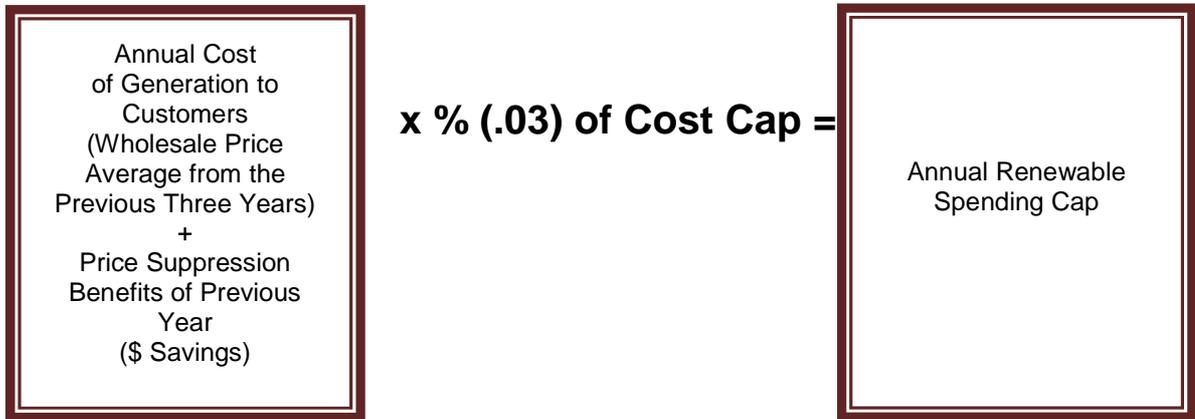
10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes.

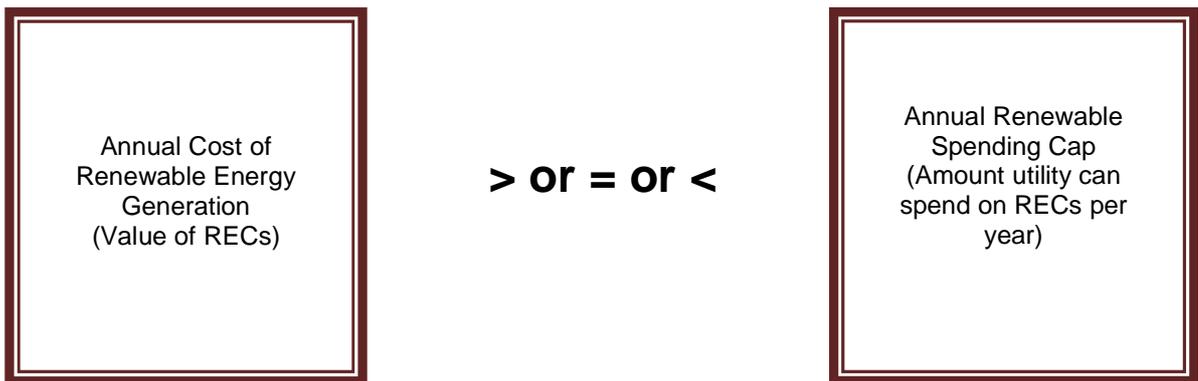
Cost Cap Calculation:

The mathematical calculation of Ohio's cost cap should be simple and transparent, consisting of two basic steps provided below.

- 1) Step 1: (Annual Cost of Generation to Customers + Price Suppression Benefits of Previous Year) x % (.03) of cost cap = Annual Renewable Spending Cap



- 2) Step 2: Ask whether the cost of renewables is greater or less than the Annual Renewable Spending Cap?



Price Suppression:

The following is a bibliography of several third-party studies describing the benefits of price suppression by renewables and a summation of the key findings.

- In 2012, Synapse found that wind energy can reduce overall electricity costs for consumers by \$63 million to \$147 million per year in MISO. This assumes 20,000 megawatts of wind capacity in the MISO footprint by 2020. The net savings over this time period for MISO customers ranges from \$3 billion to \$6.9 billion.¹ This study was conducted to analyze the costs and benefits of MISO’s proposed Multi-Value Project transmission expansion projects.
- In 2010, the New England Wind Integration Study found that wholesale electricity prices (LMPs) would decline anywhere from \$5 per MWh to \$11 per MWh with 20% regional wind penetration depending on which sites were used for wind production.²
- In 2009, The New York State Energy and Research Development Authority (NYSERDA) evaluators found that additions of renewable energy, primarily wind, to the NYISO grid, have lowered electricity prices by more than \$1.60 per MWh.³
- In 2009, PJM studied the impact of adding up to 15,000 MWs of wind energy to the PJM grid. The study found the addition of 15,000 MWs of wind to the PJM grid would decrease wholesale electricity prices (LMPs) by between \$5 to \$5.50 per MWh and the wholesale cost of power in the aggregate by between \$4 to \$4.5 billion. As a result, electricity customers’ monthly bills would decrease by \$3.50 to \$4 per month or by \$42 to \$48 annually.⁴
- In 2009, Tudor, Pickering, Holt, and Company, a leading energy investment and merchant bank, found that significant increases in wind supply would induce a \$7 to \$15 MWh decrease in electricity rates from 2009 to 2013 in ERCOT.⁵

¹ Synapse Energy Economics, Inc. “Rate Effects of Wind and Transmission in MISO.” 2012. <http://cleanenergytransmission.org/wp-content/uploads/2012/05/Full-Report-The-Potential-Rate-Effects-of-Wind-Energy-and-Transmission-in-the-Midwest-ISO-Region.pdf>.

² “New England Wind Integration Study.” General Electric for ISO-NE. http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/mtrls/2010/nov162010/newis_ge.pdf.

³ NYSEDA, “New York Portfolio Standard Program Evaluation Report,” 2009. <http://www.nyserda.ny.gov/Page-Sections/Energy-and-Environmental-Markets/Renewable-Portfolio-Standard/~media/Files/EDPPP/Energy%20and%20Environmental%20Markets/RPS/RPS%20Documents/market-conditions-final-report.ashx>.

⁴ PJM, “Potential Effects of Proposed Climate Change Policies on PJM’s Energy Market,” 2009. <http://www.pjm.com/~media/documents/reports/20090127-carbon-emissions-whitepaper.ashx>

⁵ Tudor, Pickering, Holt, and Company, “Texas Wind Generation,” August 2009. <http://www.tudorpickering.com/Websites/tudorpickering/Images/Reports%20Archives/TPH.Texas.Wind.Generation.Report.August.2009.pdf>.

- The Southeast alone could save \$23 billion by 2030 by investing today in renewable energy, with wind being the most competitive source.⁶
- Obtaining 20% of the East's electricity from wind, and the accompanying necessary new transmission infrastructure to do so, would save consumers more than \$30 billion per year.⁷

⁶ Southeast Energy Efficiency Alliance, "Renewable Energy in the South," December 2010.
<http://www.seealliance.org/PDFs/RENEWABLE%20ENERGY%20IN%20THE%20SOUTH.pdf>.

⁷ The Joint Coordinated System Plan, Eastern Interconnection Grid Operators.
<http://www.uwig.org/Philadelphia/Osborn.pdf>.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served upon the following parties of record by e-mail and/or regular U.S. mail, this 31st day of January 2013.



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