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August 8, 2011

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: <u>Case No. 11-4304-EL-UNC</u>

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies each of **THE COMMENTS OF THE OHIO ENERGY GROUP** and its **MOTION TO FILE COMMENTS OUT OF TIME** fax-filed today in the above-referenced matter.

Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Encl.

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 8th day of August, 2011 to the following:

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BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

In The Matter Of The Staff Proposal For An Economic Development Tariff	: : :	**Case No. 11-4304-EL-UNC**

MOTION TO FILE COMMENTS OUT OF TIME OF THE OHIO ENERGY GROUP

The Ohio Energy Group ("OEG") respectfully asks the Public Utility Commission of Ohio ("Commission") for leave to file Comments on the Staff's Proposal for An Economic Development Tariff out of time. The Comments were due on Friday, August 5, 2011 at close of business, and these Comments are filed on Monday, August 8, 2011. OEG states that because of some internal errors, it failed to file these Comments on Friday. However, we believe that the Commission will agree that the delay will not prejudice any parties to this proceeding. With our apologies, therefore, OEG asks that the Commission accept the following Comments out of time.

Respectfully submitted,

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August 8, 2011

COUNSEL FOR OHIO ENERGY GROUP

BEFORE THE

PUBLIC UTILITY COMMISSION OF OHIO

In The Matter Of The Staff Proposal For An Economic Development Tariff	:	**Case No. 11-4304-EL-UNC**

COMMENTS OF THE OHIO ENERGY GROUP

On July 15, 2011, the Public Utility Commission of Ohio ("Commission") filed an Entry in this newly opened docket calling for comments by interested parties on a draft Economic Development Tariff being proposed as a uniform tool to attract new businesses and/or jobs to Ohio through discounted electric rates. The tariff applies to new customers and existing customers with new investments and jobs. The Ohio Energy Group[1] ("OEG") representing twenty four of the largest manufacturers in the State herewith submits its Comments on the proposed tariff. OEG also presents some questions since the meaning and operation – and some causes the reasons behind the provisions, are unclear.

[1] Air Products & Chemicals, Inc., AK Steel Corporation, Aleris International, Inc., Alcoa Inc., Amsted Rail Company, Inc., ArcelorMittal USA, BP-Husky Refining, LLC, Cargill, Incorporated, Charter Steel, Chrysler LLC, E.I. DuPont de Nemours & Company, Ford Motor Company, GE Aviation, General Motors LLC, Johns Manville (Berkshire Hathaway), Linde, LLC, Materion Brush, Inc., North Star BlueScope Steel, LLC, Praxair, Inc., The Procter &Gamble Co., RG Steel, The Timken Company, Warren Steel Holdings, LLC and Worthington Industries, Inc.

COMMENTS

A) Economic Development Incentive

1. This provision is primarily for existing customers who are expanding in Ohio. It requires either new jobs or a new capital investment.

   a. Comment – The threshold employment number for employees seems very high. In this time of increased efficiencies, 75 jobs is a lot of new employees, particularly for a large existing employer. We suggest that incentives could begin for 25 employees, as a threshold qualifier.

   b. Question – We are puzzled by the relationship between "Payroll Created or Increased" and the number of new employees. A threshold of 75 new employees at $5 million dollars of new payroll implies a wage of at least $66,666.66 per job. In the next bracket 100 jobs at $10 million implies at least $100,000/job and the following column of 125 jobs at $17.5 million implies at least $140,000/job. What is the logic behind these high salaries?

   c. Question and Comment – The last sentence provides "discounts will apply to the total monthly bill calculated pursuant to the electric utility tariff rates, subject to all riders including the economic development rider (EDR) for new and existing mercantile customers" (emphasis added). "Total monthly bill" implies an "all-in rate" but the phrase "subject to all riders" suggests that a vast number of charges (in some utilities, most of the costs) are not subject to the discount. Indeed, because of the differences in the way the utilities' rates are constructed, the discount could apply to different costs in different systems.

d. Question and Comment – Does the "total monthly bill" referred to above mean that all the kWh and KW of an existing customer who undertakes an expansion receive the discount, or only the increased power associated with the expansion (i.e., the incremental load)? If the latter, we suggest that the incentives be greatly increased.

e. Question and Comment – Why must an existing customer in Part A) of the proposed tariff be receiving "funding or incentives from other local or state government or economic agencies" to qualify under the tariff? Is some other agency or agencies the primary authority for these "additional" energy incentives? Why?

f. Comment – While the discounts under Part A) 1. and 2. can be cumulative, if they are only discounts from the "appropriate electric utility tariff" and that tariff is the SSO, in many cases simply buying on at the market will be a superior option for the customer. This is particularly so if the discount does not apply to the all-in rate, and "subject to all riders" means riders are not subject to discounts. If discounts are only to incremental load and only from the SSO rate, they must be significantly greater than those proposed to make a difference.

B) <u>Energy Intensive High Load Factor</u>

OEG, of course, represents existing utility consumers in Ohio and while we appreciate the need and desirability of new jobs and investment to Ohio, there is also the concern that native Ohio industries are not put at a disadvantage to competitors who move in the State with incentives from the State and local governments. Particularly if native industry is called upon to subsidize those incentives through Riders.

C) <u>Delta Revenues</u>

The PUCO's July 15, 2011 Entry asks the parties to separately address two other questions, both related to delta revenue.

1. If all utilities were to furnish power pursuant to a competitive bid, the issue of whether to treat a utility with no generating assets differently from those who do is moot. Moreover, other ratepayers would be assured that the delta revenue would be the lowest it could be. Therefore, the tariff should be amended so that the host utility should be charged with putting out to bid the load requirements of the new or expanding manufacturer. The host utility would have the right of first-refusal to meet the lowest bid price from its own resources or otherwise. If it did not desire to match the lowest bid, the load would go to the lowest bidder. If the discount price pursuant to the tariff would be less than the market price, the delta revenue would go to the native utility. The above construct results in a uniform structure, and the lowest possible delta revenue.

2. The delta revenue whether collected from customers only or in some sharing with the utilities should be recovered from customers in the "AEP Model". The AEP example assesses the rates on distribution revenues. This assures that the job and growth incentives are not picked up largely from the classes they are intended to benefit, i.e., the manufacturers.

The OEG respectfully submits the above Comments for your consideration. We welcome any follow-up discussions, questions or concerns that you may have with these Comments.

Respectfully submitted,

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August 8, 2011

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