

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Applications of: Solvay)
Advanced Polymers, L.L.C., dba Solvay) Case No. 14-2296-EL-EEC
Specialty Polymers, and Kraton Polymers)
U.S. LLC, for Integration of Mercantile)
Customer Energy Efficiency or Peak) Case No. 14-2304-EL-EEC
Demand Reduction Programs with Ohio)
Power Company.)

**REPLY COMMENTS OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP**

I. INTRODUCTION

On December 22, 2014, Ohio Power Company (AEP or the Company) filed two joint applications (collectively, Applications) with the Public Utilities Commission of Ohio (Commission) pursuant to Rule 4901:1-39-05(G), Ohio Administrative Code (O.A.C.), for approval of a special arrangement related to combined heat and power (CHP) projects. The first application (Solvay Application) pertains to a special arrangement wherein Solvay Specialty Polymers (Solvay)¹ has agreed to commit the resources from its planned CHP system to AEP for its compliance with the energy efficiency benchmarks set forth in Section 4928.66, Revised Code. Like the first application, the second application (Kraton Application) pertains to a special arrangement wherein Kraton Polymers U.S. LLC (Kraton)² has agreed to commit the resources from its planned combined heat and power (CHP) system to AEP for energy efficiency compliance purposes. Both Applications were subject to the 60-day automatic approval process

¹ Solvay is a mercantile customer as defined in Section 4928.01(A)(19), Revised Code.

² Kraton is a mercantile customer as defined in Section 4928.01(A)(19), Revised Code.

under the pilot program adopted by the Commission in Case No. 10-834-EL-EEC, unless suspended by the Commission or an attorney examiner.

The Industrial Energy Users-Ohio (IEU-Ohio) and the Ohio Manufacturers' Association Energy Group (OMAEG) respectively filed motions to intervene and comments on the Applications in January and February 2015. By entry issued in both cases on February 20, 2015, the attorney examiner granted the motions to intervene filed by IEU-Ohio and OMAEG and suspended the applicable 60-day automatic approval process for both Applications.

On March 16, 2015, the attorney examiner issued an entry explaining that the Applications "do not appear to involve any dispute as to the material facts contained therein, but do raise novel issues with respect to the integration of their CHP systems under 2012 Am.Sub.S.B. No. 315 and 2014 Sub.S.B. No. 310[.]" Accordingly, the attorney examiner directed the parties to file comments regarding the policy issues to be considered by the Commission in the above-captioned cases. On April 13, 2015, OMAEG filed comments, as did the Ohio Environmental Council, the Natural Resources Defense Council, the Environmental Law and Policy Center, and the Environmental Defense Fund (collectively, Environmental Advocates), and AEP, Solvay, and Kraton (collectively, Joint Applicants) on the policy issues implicated by the integration of Solvay and Kraton's CHP systems into AEP's peak demand reduction, demand response, and energy efficiency programs (EEPDR) under 2012 Am.Sub.S.B. No. 315 (SB 315) and 2014 Sub.S.B. No. 310 (SB 310). Additionally, correspondence was filed by Industrial Energy Users-Ohio (IEU-Ohio) in the dockets of these cases regarding the above-stated policy issues. OMAEG hereby replies to the comments and correspondence filed on the policy matters implicated by these cases.

II. COMMENTS

A. Request for Distinction by Joint Applicants

The Commission has previously held that for customers committing a CHP energy efficiency project to an electric distribution utility (EDU), the project must be committed to the EDU for the life of the project.³ In their comments, the Joint Applicants request for the Commission to “ensure that application of the *Jay Plastics* case allows for a distinction between the customer’s right to opt out of the rider and the EDUs’ right to count the lifetime measures associated with a project implemented prior to that election.”⁴ In the correspondence it filed, IEU-Ohio also supported the Joint Applicants’ recommendation that Kraton and Solvay be permitted to elect to opt out of the benefits and costs associated with AEP’s portfolio plan pursuant to SB 310.

The Joint Applicants’ comments indicate that Kraton intends to receive incentive payments in 2015 and 2016 in connection with committing its CHP project to AEP, and also opt out of the EE/PDR rider in 2017, which would cause the incentives resulting from its commitment to be discontinued. However, AEP intends to continue counting the savings associated with the project for the lifetime of the project. Section 4928.6611, Revised Code, states that a customer of an EDU may opt out of the opportunity and ability to obtain direct benefits from the utility’s portfolio plan as of January 1, 2017. The law does not specifically address the situation in which a mercantile customer receives portfolio program incentives associated with a particular energy efficiency project for a period of time until the customer is

³ See *In the Matter of the Application of Jay Plastics Division of Jay Industries, Inc. for Integration of Mercantile Customer Energy Efficiency or Peak-Demand Reduction Programs with The Ohio Edison Company*, Case No. 13-2440-EL-EEC, Finding and Order at 5, 6 (*Jay Plastics*).

⁴ Comments of Joint Applicants at 2 (April 13, 2015).

permitted and chooses to opt-out under SB 310. According to SB 310, when a customer opts out, it chooses not to receive benefits accruing from the applicable EDU's portfolio plan.

The incentives to which Kraton would be entitled through its commitment of the energy efficiency savings from its CHP facility are funded by the EDU's portfolio plan, which is recovered from other customers participating in the EE/PDR Rider. As OMAEG has noted in previous comments it has submitted to the Commission, when customers opt out of their applicable EDUs' energy efficiency and peak demand reduction riders, the number of customers who pay those riders decreases. Thus, fewer customers are left to fund the EDUs' program costs, incentives, and shared savings, thereby increasing the costs to those customers.

B. Result of Kraton Opt-Out in 2017 for AEP

To the extent that Kraton intends to opt out in 2017, AEP should not be permitted to count the lifetime savings associated with the Kraton CHP project. If the Commission determines that it is appropriate for Kraton to opt out in 2017 after receiving two years of incentive payments associated with committing the project savings to AEP, then AEP should logically be permitted to count only a portion of the measure's life associated with the Kraton CHP project toward its shared savings pool, rather than the lifetime savings associated with the project. AEP's profit, i.e. shared savings, is calculated based on annual system savings multiplied by the measure life of the CHP facility. Thus, counting the measure lifetime savings associated with the Kraton CHP project, rather than two years of savings from the project, would inflate AEP's shared savings incentive. AEP is requesting to collect shared savings on a partially-incented project from an opted-out customer. It would be improper for AEP to collect shared savings profit from ratepayers for an efficiency project implemented at a facility that has opted out of AEP's efficiency programs. While an eligible customer has the

ability to opt out, AEP cannot count the savings, and thus collect shared savings, from efficiency projects that are not fully attributed to AEP's portfolio plan. Thus, OMAEG requests that the Commission be cognizant of the negative impact that may accrue to customers paying the EE/PDR Rider if AEP is permitted to count the lifetime savings for the Kraton CHP project, rather than the actual savings occurring and committed to AEP over the first two years of the project. At the time that the Kraton Application was filed, AEP requested to collect a \$3.4 million shared savings incentive in connection with the Kraton CHP project. OMAEG respectfully contends that this level of savings should be proportionally reduced to reflect the savings that will accrue and be committed in 2015 and 2016 only.

C. Incentive Alignment with CHP Efficiency

In their comments, the Environmental Advocates recommend a tiered incentive structure based on CHP system efficiency.⁵ This recommendation could result in discounting the savings produced by some CHP systems. Each kWh from CHP, no matter the type of system, produces the same value to the grid. Therefore, OMAEG contends that each kWh saved should be incented at the same level.

III. CONCLUSION

In addition to the recommendations contained herein, OMAEG reiterates those comments it previously submitted in this docket regarding CHP incentives. OMAEG thanks the Commission for the opportunity to file comments in the above-captioned dockets.

⁵ See Comments of Environmental Advocates at 7-8 (April 14, 2015).

Respectfully submitted,

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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 April 27, 2015.

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Summary: Reply Comments electronically filed by Ms. Rebecca L Hussey on behalf of
OMAEG