



March 24, 2017

Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: PUCO Case No. 17-442-EL-ACP; Sierra Club Comment's on the Renewable Portfolio Standard Report to the General Assembly by the Staff of the Public Utilities Commission of Ohio

Dear Commissioners and Commission Staff:

Sierra Club offers these comments to propose useful improvements in future annual status reports regarding Renewable Portfolio Standard compliance for Ohio Electric Distribution Utilities (“EDUs”) and Competitive Retail Energy Suppliers (“CRES”). There are a few pieces of information which Sierra Club encourages the Public Utilities Commission of Ohio (“PUCO”) to incorporate in future reports. The information presented in these reports is critical for informing the public and members of the General Assembly as required by Ohio law. While most but not all of the information presented in these comments can be easily derived from the current format of the reports, the public would be better informed if the information were stated explicitly in each annual report. These suggestions would not necessitate any meaningful delay in the PUCO’s reporting process.

I. Total Cost of Compliance over Time

Sierra Club recommends that the PUCO report present cost data in a more useful context by aggregating compliance cost data from year to year. Currently, PUCO reports do not state the total cost of complying with the standard in any given year. These reports also do not offer useful comparison of the *total* cost of solar/non-solar renewable energy credits (“RECs”) per EDU or CRES supplier. **Table 1** below offers the Total Compliance Cost in each year since 2011, derived from information presented in the annual PUCO reports. Total Cost of compliance is calculated here by simply multiplying the average REC costs as reported for solar/non-solar by the total number of RECs retired as reported for both EDUs and CRES providers. By including this historical data, the report will better inform the public on the cost trend of average REC prices in the state.

Table 1 shows the total compliance cost for 2015 is \$42,584,233.21. Achieving the 2.5% annual renewable benchmark in 2015 came at a price less than three-tenths of one percent of

Ohio's \$14,885,537,000 total spending on generation in 2015.¹ It also shows that average REC prices (when compared to 2011) have dropped by 55% in 2014. However, in 2015 REC prices only represent a 51% reduction in price when compared to 2011.

Table 1

	Total Compliance Cost	Number of RECs Retired	Average Cost/REC
2011 ²	\$ 44,713,836.51	1,352,290	\$ 33.07
2012	\$ 52,378,639.62	1,964,466	\$ 26.66
2013	\$ 65,141,083.36	2,652,158	\$ 24.56
2014	\$ 42,581,476.97	2,875,659	\$ 14.81
2015	\$ 42,584,233.21	2,644,479	\$ 16.10

This information is useful to the public understanding of RPS compliance cost in Ohio. For example, these trends identify an unusual rise in total compliance cost in 2015 which is not addressed in the report. According to the 2015 PUCO report, 71% of total compliance is achieved through CRES providers, leaving 29% to be obtained by the Ohio EDUs. CRES provider compliance costs show a continued decline in 2015 while EDU non-solar costs rose so much that total cost for total state compliance has increased, despite cost reductions in all other categories. This rise in EDU compliance costs warrant further review and public explanation, especially in light of the 2011 excessive charge finding related to FirstEnergy non-solar REC compliance costs that year.

In 2015, all non-solar REC and solar REC average costs fell except non-solar EDU RECs. Non-solar EDU RECs were \$15.47 in 2015; up from \$6.40 in 2014.³ Although CRES providers have commonly been able to procure RECs at a lower cost than EDUs, EDU costs have historically been consistent with the publicly reported prices for RECs in most years, but \$15.47 is not consistent with public REC prices or the average CRES price of \$9.07 for 2015. This raises a question about whether all four EDUs incurred high REC costs in 2015, or whether it was restricted to one EDU.⁴ The PUCO should do a careful public review of this data in order to explain the increased cost for non-solar EDU RECs, starting with a review of any disparity between the average cost of non-solar RECs for each of the EDUs. While this information was filed under seal, it has long since outlived the presumption of confidentiality and should be shared publicly.

¹ EIA Table 8 for Ohio <https://www.eia.gov/electricity/state/ohio/>

² Table I excludes \$43,362,796.50 in costs which were reported by the PUCO for 2011 because several weeks after the 2011 report was finalized (in 2013) the PUCO required FirstEnergy to rebate this amount for excessive charges made during 2011.

³ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A16L07B42235J02550.pdf>

⁴ A similar cost concern was addressed in PUCO Case Number 11-5201-EL-RDR, See the Opinion and Order here: <https://dis.puc.state.oh.us/TiffToPDF/A1001001A13H07B41149F98309.pdf>

II. Total Cost of Annual Compliance

Sierra Club recommends that the PUCO report present the total costs of annual compliance, broken down by CRES providers and EDUs for both solar and non-solar compliance. **Table 2** shows that, while EDU obligations represent only 29% of total compliance obligations, they make up a disproportionate amount of the total cost for 2015 at 43% of the total compliance cost. Yet, the PUCO report makes no recommendations or findings as to the cause of this cost discrepancy between the EDUs and CRES providers, or the best strategies for compliance according to their review. This data must be presented to the public, and reviewed in context of other data available to the PUCO so that Ohio can reasonably determine the best path for capturing the economic benefits offered by renewable energy.

Table 2

2015 Total Compliance Costs				
	Non-Solar Cost	Solar Cost	Combined Cost	% of Total
CRES Provider Cost	\$ 15,867,801.74	\$ 8,333,829.40	\$ 24,201,631.14	57%
EDU Cost	\$ 11,873,379.70	\$ 6,509,222.37	\$ 18,382,602.07	43%
Total Cost	\$ 27,741,181.44	\$ 14,843,051.77	\$ 42,584,233.21	100%
% of Total	65%	35%	100%	

III. Total Generation

One omission from the annual reports is the Total Generation baseline being used to calculate compliance requirements. While each EDU and CRES provider will have a different baseline by which to calculate compliance data—and various ways permitted to calculate the baseline for any given year—the aggregate amount of Total Generation in the state is known and should be reported for comparative purposes. Without a clear understanding of the amount of Total Generation, members of the public are left to sources such as the Energy Information Administration (“EIA”) to evaluate whether the standards are indeed achieving the required percentages.

Sierra Club continues to analyze each of the annual reports and consider the emerging trends in the cost of renewable energy compliance. When comparing the compliance requirements listed in the reports, there are varying degrees of difference between the compliance requirements listed, and what the public can ascertain should have been achieved year by year. For example, 2011 and 2012 actual compliance was merely a fraction of a percent different than the annual percentage requirement for the year multiplied by the state’s generation for the year, using EIA Total Generation numbers. In 2013, the PUCO’s reported compliance was 3.58% below the state’s generation in 2013, 2014 was 14.46% below and 2015 was 13.38%

below the percentage compliance requirement of that same year's total generation. Minor fluctuations in these numbers are reasonable, but larger fluctuations, reaching nearly 15% are left unexplained in the PUCO report and admittedly rely only on utility reports. This variance however is left unexplained in the annual PUCO reports.

While there are many potential reasons for these differences, the PUCO could better inform the public by sharing a Total Generation number for the state, which is used to calculate compliance percentages in aggregate or by explaining its methodology for producing the "Total Required" values for the various types of RECs. Respecting the need for confidentiality should not prevent a written explanation of the considerations which were used to make any adjustments that may have been applied to a particular company's baseline. Sierra Club recommends that the PUCO calculate the baseline for all affected generators using the three-year average and the most-recent year to establish a range, and then provide discussion of any variances or other factors which affected the actual results.

IV. Conclusion

Sierra Club's recommendations will not unduly delay the PUCO's ability to draft and issue the annual reports in a timely manner. We agree with the Commission's recent recognition of the integral role that renewable energy plays in promoting a reliable and cost-effective grid. As the Commission continues to rely on markets as the primary drivers for a reliable supply of renewable energy, it is critical that the public understand the development of that market through data aggregated and shared publicly by the PUCO. The Commission has voiced support for the construction of new renewables in this state, while the 2015 Report shows an overwhelming amount of REC compliance being sourced from states other than Ohio and from resources which were already in existence before the Ohio renewable standards were developed. The Report falls short of making any recommendations for how to best attract the new technology, reasonable costs, job creation, and other economic impacts sought by the state.

The PUCO has also highlighted in recent orders that solar projects would enhance the diversity of available generation options in Ohio and encouraged cost recovery filings be made—which rely on competitive procurement practices—in the event the market is not bringing these projects forward at sufficient scale to attract the benefits offered by renewable project development. For example, the PUCO recently approved a Stipulation involving AEP Ohio and Sierra Club that stated preference for solar projects that could attract manufacturing jobs to Appalachian Ohio and employ military veterans. These are important economic benefits to the state of Ohio, particularly Appalachian communities. The PUCO's monitoring of the renewable market through these reports is critical to ensuring Ohio capture these benefits is the most cost-effective way. The PUCO is not in any way restricted from sharing the necessary data to assist the state in developing a thriving clean energy economy and must continue to monitor the market in a manner sufficient to determine whether PUCO intervention is needed to secure the important benefits that renewable energy project development can bring to Ohio.

In a recent concurring opinion, Chairman Haque has asked: “How close are we to technically reliable and cost-effective utility scale renewables, and are they adequate replacements for the coal and nuclear fleets?” He went on to suggest that the environmental community base its advocacy of social principles in a firmly grounded regulatory reality and opines that “it is not technically feasible, nor is it presently cost-effective to simply replace our coal, nuclear and gas fleets with renewables and energy efficiency. Perhaps it could happen, but not nearly in the immediate future.” While Sierra Club envisions a future without reliance on fossil-fuels for energy production, we recognize this is not to be accomplished overnight. In order for Sierra Club and other interested stakeholders to base our advocacy in the regulatory realities that the Chairman speaks to, we ask that our recommendations to the PUCO report be adopted. Furthermore, we encourage the PUCO to continually seek ways to further improve its reporting so that members of the public can prepare their comments and policy positions in an intellectually honest way, using data compiled and presented in a timely manner by PUCO.

* * *

If you have any questions or would otherwise like to discuss these comments, please do not hesitate to contact us. Thank you for considering Sierra Club’s comments.

Sincerely,

/s/ Jen Miller

Jen Miller
Director, Sierra Club Ohio Chapter
131 N. High Street
Suite 605
Columbus, Ohio 43215
614.461.0734 x300

/s/ Dan Sawmiller

Dan Sawmiller
Senior Campaign Representative
Sierra Club, Beyond Coal Campaign
131 N. High Street
Suite 605
Columbus, Ohio 43215
614.461.0734 x305

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

3/24/2017 1:10:18 PM

in

Case No(s). 17-0442-EL-ACP

Summary: Comments of Sierra Club on the 2015 Renewable Portfolio Standard Report
electronically filed by Mr. Tony G. Mendoza on behalf of Sierra Club