March 6, 2024

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

RE: *In the Matter of the Application of Ohio Power Company to Update its Cogeneration/Small Power Production Tariff*, Case No. 20-963-EL-ATA.

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation regarding Ohio Power Company's proposal to update its Cogeneration/Small Power Production Tariff.

Krystina Schaefer
Division Chief, Grid Modernization & Retail Markets
Public Utilities Commission of Ohio

History

The Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended, mandates that electric utilities purchase energy from qualifying facilities, in accordance with 18 CFR § 292.304 (Rates for purchases), unless exempted by 18 CFR § 292.309 and 18 CFR § 292.310.

In Case No. 12-2050-EL-ORD, the Public Utilities Commission of Ohio ("Commission") conducted the five-year rule review of Ohio Administrative Code (Ohio Adm.Code) Chapter 4901:1-10, pursuant to Section 119.032 of the Ohio Revised Code (R.C.). As part of that review, the Commission approved changes to Ohio Adm.Code 4901:1-10-34, which became effective on December 20, 2014.

The purpose of Ohio Adm.Code 4901:1-10-34 is to implement a standard market-based rate for electricity transactions between electric distribution utility ("EDUs") and qualifying facilities as provided by PURPA, specifically for small power production facilities and cogeneration facilities. Per Ohio Adm.Code 4901:1-10-34(L): "Energy payments to qualifying facilities shall be based on the locational marginal price (LMP) at the RTO/ISO's pricing node that is closest to the qualifying facility's points of injection, or at a relevant trading hub or zone." The rule also provides an option for qualifying facilities to enter a negotiated contract with the EDU.

On May 5, 2021, the Commission approved Ohio Power Company's (AEP Ohio or the Company) May 1, 2020 application in Case No. 20-963-EL-ATA (current case) to amend its Cogeneration and/or Small Power Production (SCHEDULE COGEN/SPP) tariff in compliance with the Commission's Seventh Entry on Rehearing in Case No. 12-2050-EL-ORD.

On May 16, 2022, as recommended in the Staff Report and Recommendation in the prior filing,[1] the Company submitted a revised application to reflect changes made by the Federal Energy Regulatory Commission ("FERC") on the size limits for qualifying facilities and to update the LMP inputs used to develop the tariff rates.

On June 29, 2022, the Commission approved the Company's May 16, 2022 application in the current case. Per the Commission's decision:

> In accordance with the Energy Policy Act of 2005, an electric utility is no longer required to purchase electric energy from a qualified facility (QF) if that QF has nondiscriminatory access to wholesale markets. Pursuant to Order 872, the Federal Energy Regulatory Commission (FERC) lowered the threshold for SPP to five megawatts (MW). SPPs over 5 MW are presumed to have nondiscriminatory access to the wholesale market. FERC maintained the 20 MW threshold for cogeneration. Cogeneration facilities greater than 20 MW and SPP facilities greater than 5 MW can rebut the presumption of access due to operational characteristics, transmission constraints, and/or other factors.[2]

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[1] Case No. 20-963-EL-ATA, Staff Report and Recommendation (June 14, 2022).

[2] *Qualifying Facility Rates and Requirements Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, Order No. 872, 172 FERC ¶ 61,041 (2020).

On March 31, 2021, AEP Ohio petitioned FERC to terminate the requirement under 18 CFR § 292.303(a) to enter into new contracts or obligations to purchase electric energy and capacity from SPP QFs with a net capacity over 5 MW. On June 29, 2021, FERC granted the Company's motion, effective March 31, 2021. *In re Appalachian Power Co., et al.*, 175 FERC ¶ 61,257 (June 29, 2021).[3]

May 26, 2023, Revised Tariff

On May 26, 2023, AEP Ohio filed a redlined tariff to update the monthly credits for energy deliveries contained in SCHEDULE COGEN/SPP consistent with Ohio Adm.Code 4901:1-10-34.

For qualifying customers with facilities of 100 kW or less, the payment is a seasonal[4] tariffed rate based on an average of the PJM real-time locational marginal prices (LMP) at the AEP Ohio residual aggregate pricing node less the daily operating reserve rate for the previous year.[5]

The redlined tariff updates the seasonal tariffed rates for qualifying customers with facilities of 100 kW or less to reflect updated PJM LMP data from May 1, 2022 through April 30, 2023. The new rates are summarized below:

	LMP (¢/kWh)	**LMP less operating reserve balancing charge (¢/kWh)**
Winter	5.298	**5.266**
Summer	8.799	**8.742**

For qualifying customers with facilities larger than 100 kW, the payment is equal to the actual PJM real-time LMP at the AEP Ohio residual aggregate pricing node less the daily operating reserve rate.

There were twelve customers taking service under the SCHEDULE COGEN/SPP over the past twelve months/billing cycles.

Staff Recommendation

Staff reviewed the Company's proposed changes, verified the underlying data, and recommends that the Commission approve the proposal to amend the Cogeneration and/or Small Power Production (SCHEDULE COGEN/SPP) tariff in the current case.

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[3] Case No. 20-963-EL-ATA, Finding and Order at 1-2 (June 29, 2022).

[4] The winter period is October through May; the summer period is June through September.

[5] The year, in this instance, is April through April.