BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Killen Generating Station for Certification as an Eligible Ohio Renewable Energy Resource Generating Facility.	)))))	Case No. 09-891-EL-REN
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FINDING AND ORDER

The Commission finds:

(1) On October 1, 2009, Killen Generating Station (Killen) filed two applications for certification as an eligible Ohio renewable energy resource generating facility. Both applications were amended on October 29, 2009, and supplements to each application were filed on December 30, 2009, and March 12, 2009, in response to Staff interrogatories. In Case No. 09-891-EL-REN, Killen seeks certification for using wood cellulose pellets as a renewable energy resource, and in Case No. 09-892-EL-REN, Killen seeks certification for using biodiesel as a renewable energy resource. The Killen facility is co-owned by The Dayton Power and Light Company (DP&L) and Duke Energy Ohio, Inc., and is operated by DP&L.

(2) The applications seek certification for the use of the two renewable energy resources described above at the same 600 MW generating facility. Given that the renewable energy created by the two renewable energy resources will be generated by the same generating unit, only one certification as an eligible Ohio renewable energy resource generating facility is necessary.

(3) On October 21, 2009, and November 17, 2009, the Office of the Ohio Consumers' Counsel (OCC) and the Ohio Environmental Council (OEC) timely filed motions to intervene in each case, respectively. No party opposed the motions to intervene. The

Commission finds that the motions for intervention are reasonable and should be granted.

(4) OCC filed comments on the applications on October 21, 2009. On October 30, 2009, DP&L filed reply comments, which OCC responded to on November 9, 2009.

(5) Consistent with Sections 4928.64 and 4928.65, Revised Code, in order to qualify as a certified eligible Ohio renewable energy resource generating facility, a facility must demonstrate in its application that it has satisfied all of the following criteria:

(a) The generation produced by the renewable energy resource generating facility can be shown to be deliverable into the state of Ohio, pursuant to Section 4928.64(B)(3), Revised Code.

(b) The resource to be utilized in the generating facility is recognized as a renewable energy resource pursuant to Sections 4928.64(A)(1) and 4928.01(A)(35), Revised Code, or a new technology that may be classified by the Commission as a renewable energy resource pursuant to Section 4928.64(A)(2), Revised Code.

(c) The facility must satisfy the applicable placed-in-service date, delineated in Section 4928.64(A)(1), Revised Code.

(6) Killen submitted for certification a 600 MW generating unit, located at 14869 US 52, Manchester, Ohio 45144. The applications state that Killen is an investor-owned utility generating facility. The applications explain that the facility is located within the geographic area of PJM Interconnection, L.L.C. Based upon the applications, and the facility's location in Ohio, the electricity generated from the Killen facility is deliverable into Ohio. Accordingly, the Commission finds that the applications satisfy the first criterion.

(7) The applications explain that Killen plans to use two different types of biomass energy as its renewable energy resources. Killen proposes to co-fire wood cellulose pellets and coal, while adding biodiesel to the #2 fuel oil currently used as fuel for

start-up and flame stabilization. The wood cellulose pellets are made of a blend of miscanthus grass and wood waste. The biodiesel is created from biological sources, such as plant or animal fats and oils. According to the applications, the wood cellulose pellets will comprise up to 10 percent of the facility's heat input. Killen plans to use up to 20 percent biodiesel as its start-up and flame stabilization fuel, and notes that, based upon historical analysis, the start-up and flame stabilization fuel has comprised approximately 0.52 percent of the total heat input at the facility. Accordingly, the biodiesel will account for about 0.1 percent of Killen's total heat input. While Killen expects to utilize the wood cellulose pellets whenever the facility is generating electricity, the applications state that the frequency of use cannot be estimated with precision and is largely dependent upon supply. The applications include detailed formulas explaining how the amount of electricity generated from the wood cellulose pellets and the biodiesel each will be calculated, as well as the resulting renewable energy credits (RECs), in accordance with Rule 4901:1-40-01(G), Ohio Administrative Code (O.A.C.). The applications note that an initial test burn will be required to assess whether any further modifications are needed in order to be able to co-fire biomass on a consistent basis.

DP&L plans to purchase the wood cellulose pellets for delivery at a particular dock along the Ohio River, and the pellets will be blended with the coal as the barge is loaded for transport to the facility. The existing fuel handling system will then convey the pellet/coal blend to the facility's boiler. The quantity of pellets will be measured first by certified scales before loading the pellets into trucks for delivery at the dock. After delivery of the pellets to the dock, the trucks will be weighed entering and leaving the dock by certified truck scale to get the total tons delivered on each truck.

The volume of biodiesel will be measured initially at the loading facility during loading into the tanker truck, with additional verification of the volume using volume flow devices during unloading into Killen's storage tanks. Samples of the biodiesel will be taken during the unloading process in order to determine the energy content. After blending the biodiesel with the #2 fuel oil, additional samples will be taken

to ensure that a proper blend was achieved. The amount of biodiesel consumed will be determined by oil meters at each piece of equipment consuming the fuel oil, and verified by the volume change in Killen's storage tank.

OCC argues that Killen should not be certified as a renewable energy resource until DP&L reveals the proportion of the renewable fuel actually used in the facility. DP&L responds that the actual usage of biomass will range from zero percent to about 10 percent over time, because DP&L cannot guarantee that the biomass will be available, physically or economically, at the same percentage throughout any given period of time. DP&L further notes that the reason for having a test burn is to obtain the information necessary to establish the optimal percentages that can be consumed consistent with operational and environmental requirements, costs, and compliance with the statutory mandates for renewable energy use. The Commission agrees with DP&L. An applicant seeking certification as a renewable energy generating facility must demonstrate that the type of fuel used in the facility to generate renewable energy qualifies as a renewable resource. The Commission is indifferent about the percentage of biomass used in co-firing, because the RECs generated are proportionally metered and calculated based on the amount of biomass consumed. The Commission also notes that an application for certification is not the appropriate forum for addressing cost issues.

Biomass energy is specifically recognized as a renewable resource pursuant to Section 4928.01(A)(35), Revised Code. The biomass energy materials Killen proposes to use, specifically, wood cellulose pellets and biodiesel, meet the definition of biomass energy contained in Rule 4901:1-40-01(E), O.A.C. Therefore, the Commission finds that the second criterion is satisfied.

(8) The applications maintain that the proposed change in fuel type to include biomass satisfies the requirement that a renewable energy resource be created after January 1, 1998, through the proposed modification of a pre-1998 facility.

In its comments, OCC states that Killen is not eligible to be a renewable energy resource generating facility because it does not satisfy the placed-in-service requirement, as Killen was originally placed into service before January 1, 1998. OCC also argues that the application does not reference any planned retrofit of the facility. In response, DP&L argues that the modification of the fuel type in an existing power plant to include renewable fuels is the modification that satisfies the placed-in-service requirement. DP&L also states that the modification in fuel type necessitates changes in the fuel handling process. In addition, in its response to Staff interrogatories, DP&L details possible physical modifications to the facility that may be required in order to facilitate long-term use of biomass energy. DP&L explains that truck weighing, unloading, and storage facilities will be needed for handling the wood cellulose pellets, as well as equipment to convey the pellets from the storage area to a blending facility for injection into the facility's boilers. Process modifications to verify the heat content will also be necessary. The use of biodiesel may require heating the pipes used to deliver the fuel to the boilers, in order to prevent the fuel from congealing during cold weather or when biodiesel constitutes 20 percent or more of fuel oil blend.

The placed-in-service requirement imposed by Section 4928.64(A)(1), Revised Code, can be met through the creation of a renewable energy resource on or after January 1, 1998, by the modification of any facility placed in service prior to January 1, 1998. The Commission finds that Killen's commencement of using renewable fuels, such as biomass, in Killen's existing power plant constitutes a modification that creates a renewable energy resource. The Commission finds that the Killen facility meets the third criterion.

(9) Given that Killen's applications demonstrate that its facility satisfies the requisite statutory criteria to become certified as an eligible Ohio renewable energy resource generating facility, as

well as the Commission's rules, the Commission finds that Killen's applications should be approved, and that the RECs generated will be proportional to the renewable energy fuel sources consumed by the facility.

(10) In addition to satisfying the above-cited criteria, Section 4928.65, Revised Code, requires a renewable energy resource generating facility to be registered with an approved attribute tracking system, such as the Generation Attribute Tracking System (GATS), or the Midwest Renewable Energy Tracking System (M-RETS), for the facility's renewable energy credits to be used for compliance with Ohio's alternative energy portfolio standards. Killen provided its GATS identification number in its application, and additionally stated that it would meet all the documentation and reporting requirements mandated by GATS for multi-fuel generating units.

(11) Killen is hereby issued certification number 10-BIO-OH-GATS-0106 as an eligible Ohio renewable energy resource generating facility. Within 30 days after its facility begins to utilize biomass fuel, Killen must file notification with the Commission that discloses any changes to the information provided in the initial applications, or additional information that might not have been available at the time of the initial filings. Additionally, in the event of any substantive changes in the facility's operational characteristics or proposed fuel source, or if the results of any testing show that co-firing biomass fuel is not feasible, Killen must notify the Commission within 30 days of such changes. Failure to do so may result in revocation of its certification.

It is, therefore,

ORDERED, That the motions to intervene filed by OCC and OEC be granted, in accordance with finding (3). It is, further,

ORDERED, That Killen's applications for certification as an eligible Ohio renewable energy resource generating facility be granted as set forth herein. It is, further,

ORDERED, That Killen be issued certification number 10-BIO-OH-GATS-0106, in accordance with findings (9) and (11). It is, further,

ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

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