BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review of Chapter 4901:1-22, Ohio Administrative Code, Regarding Interconnection Services.	)))	Case No. 12-2051-EL-ORD

THE COMMENTS OF THE OMA ENERGY GROUP

I. INTRODUCTION

On January 16, 2013, the Attorney Examiner issued an Entry requesting that all interested parties file supplemental comments regarding the Public Utilities Commission of Ohio ("Commission") Staff's proposed changes to Ohio Administrative Code ("O.A.C.") Chapter 4901:1-22, on or before January 31, 2013. Pursuant to the Entry, the OMA Energy Group ("OMAEG") submits the following comments.

II. COMMENTS

On pages 6-7 of the Entry, the Commission provided five specific questions related to backup electricity supply for partial-service customers.

A. Default Tariffs

Regarding question one (1), the OMAEG recommends that electric distribution utilities ("EDUs") offer a default tariff for reserved capacity, alternately referred to as standby service, generation support service, and partial service. Currently, the FirstEnergy companies, AEP-Ohio, and Duke Energy Ohio each offer reserved capacity tariffs which include different rates for transmission, sub-transmission, primary, and secondary service customers. Many smaller to mid-sized manufacturers have year-round constant heat loads and are great candidates for smaller combined heat and power ("CHP") systems. These manufacturers are often on primary or secondary service, which include distribution charges. For this reason, EDUs need tariffs that include distribution reserved capacity rates. Additionally, preliminary assessments of CHP feasibility are likely to reference an EDU's default tariff when evaluating project economics, further supporting the position that EDUs should offer default tariffs for reserved capacity. Therefore, the OMAEG supports the position that the generation component of reserved capacity rates should be offered by EDUs and/or competitive retail electric service ("CRES") providers.

B. Distribution Rates

With respect to questions two through five (2-5), the Commission presents several questions concerning whether distribution rates should be pro-rated for time of actual reserved capacity use. Additionally, the Commission inquires whether a group of units produces a benefit through diversity that should be accounted for in the reserved capacity tariff. The OMAEG believes that there is a benefit through diversity, and that this should be accounted for in reserved capacity tariffs. For instance, Fosdick and Hilmer, Inc. illustrated this well in their initial comments in this proceeding, showing that for a 5-unit scenario, 40% of the total capacity covers 99.9% of contingencies.[1] Therefore, pro-rating distribution rates for time of use are a constructive method of accounting for the benefit through diversity.

However, the distribution component of reserved capacity rates currently offered by EDUs vary widely in value, as does the description of cost accounting. For example, AEP-Ohio disaggregates reserved capacity charges into generation and distribution,

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[1] Initial Comments filed by James Landers, P.E., on behalf of Fosdick and Hilmer, Attachment Pg. 14, November 19, 2012.

Duke Energy Ohio into distribution and transmission, and the FirstEnergy companies into generation and a combined distribution and transmission rate.[2] As a result, pro-rating distribution rates would affect the economics of CHP in various ways, in different EDU territories. Therefore, this pro-rating strategy is best applied if EDUs also have consistent reserved capacity tariff structures. The OMAEG recommends that reserved capacity tariff costs be lowered to incent the development of CHP in the state, whether through pro-rating distribution or another mechanism.

Higher reserved capacity costs negatively impact the economic costs of CHP. To illustrate, we compared the annual cost of reserved capacity to the current cost of electricity for 3 scenarios:[3]

- 1.9 MW of reserved capacity for a facility on primary services
- 9.5 MW of reserved capacity for a facility on sub-transmission
- 18 MW of reserved capacity for a facility on transmission

Significantly, the cost of reserved capacity in FirstEnergy's territory for sub-transmission and transmission services is more than double that of AEP-Ohio and many times higher than Duke Energy Ohio. Also apparent is that for small to mid-size manufacturers, those on secondary or primary service, the cost of reserved capacity is more consistently higher. This high cost of reserved capacity for small to mid-sized manufacturers could effectively constrain development of smaller CHP projects.

[2] Table 1 in Exhibit 1 shows the cost of reserve capacity varies significantly between the FirstEnergy companies, AEP-Ohio, and Duke Energy Ohio, and by class of service.

[3] Table 2 in Exhibit 1 shows that the cost of reserved capacity correlates well with the impact on operational costs for a facility with CHP.

Therefore, the OMAEG recommends that reserved capacity tariffs be lowered to better incent CHP projects.

Finally, when supplemental, backup, or maintenance service is provided, not all EDU tariffs are explicit in excluding ratchet clauses from applying, although Duke Energy Ohio does. The OMAEG recommends that reserved capacity tariffs explicitly exclude ratchet clauses from applying.

III. <u>CONCLUSION</u>

For the reasons set forth above, the OMAEG respectfully requests that the Commission implement the OMAEG's recommendations.

Respectfully submitted on behalf of
THE OMA ENERGY GROUP

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<u>Reserved Capacity – Ohio EDUs</u>:

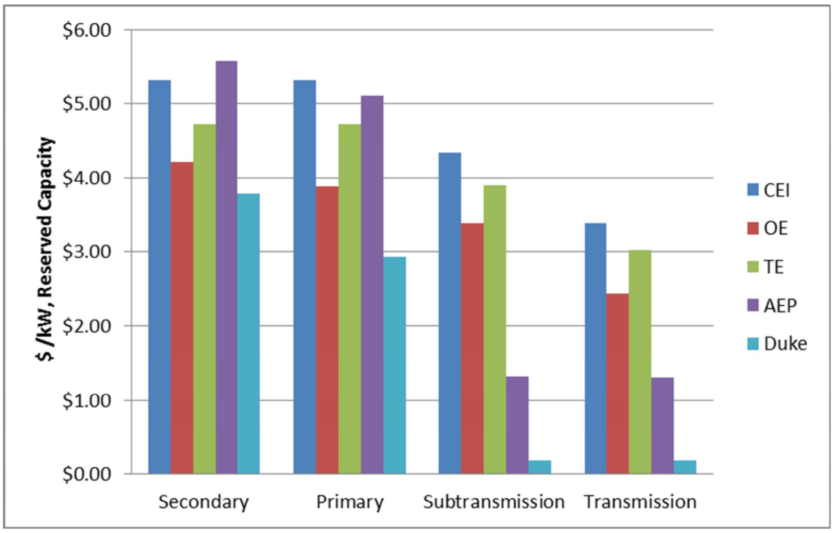

Table 1 – Cost of Reserved Capacity by EDU

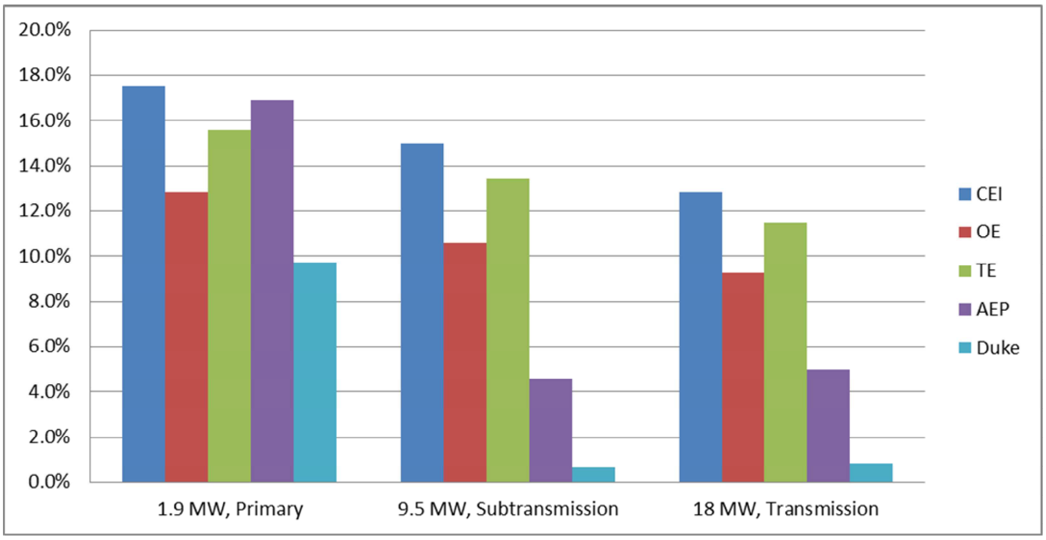

Table 2 – Reserved Capacity Charges / Existing Charges