BEFORE
THE OHIO POWER SITING BOARD

In the Matter of the Application of **OREGON CLEAN ENRGY, LLC** for a Certificate of Environmental Compatibility and Public Need for an Electric Generating Facility in Oregon, Ohio, Lucas County	))))	Case No. 12-2959-EL-BGN

SUPPLEMENT TO APPLICATION

Applicant, Oregon Clean Energy, LLC ("OCE" or "Applicant"), filed its application in the above entitled matter on January 17, 2013. Applicant would like to supplement the information that it provided in the application concerning how natural gas will be supplied and transported to the Oregon Clean Energy Center (the "Center"). This information will supplement the information set forth in Section 4906-13-02 (A)(4).

- **Mechanics of Energy Tolling Agreement**

  The Oregon Clean Energy Center (the "Center") is employing a commercial strategy for the sale of electric energy which is based on entering into Energy Tolling Agreements with selected counterparties. An Energy Tolling Agreement is a commercial power agreement in which the contractual counterparty (the "Buyer") pays a monthly fixed tolling payment to the Center in exchange for the right to convert natural gas fuel into electric energy subject to the operating characteristics of the Center. The general responsibilities and obligations of both the Buyer and the Center under an Energy Tolling Agreement are described below:

  <u>Buyer Responsibilities:</u>

- *Natural Gas Fuel Supply* – Buyer has sole responsibility for delivering all natural gas fuel necessary to generate electric energy scheduled to be generated by the Center on behalf of Buyer. This obligation by Buyer includes the procurement of natural gas commodity and transportation required to deliver the required volumes of natural gas to the Center's meter station. In the event Buyer does not deliver natural gas sufficient to generate scheduled energy the Center has no obligation to generate energy scheduled by Buyer. In the case of the Center, which will have two physical tap-in locations, Buyer will be delivering natural gas from the ANR interstate pipeline system or the Panhandle interstate pipeline system via the Center Lateral (discussed below) to the Center's meter station.
- *Electric Transmission* – Buyer has the sole responsibility for arranging for electric transmission service to deliver the scheduled energy to its ultimate point of sale. In the case of the Center, Buyer will be arranging for and procuring transmission on the PJM Transmission System.
- *ISO Interface* – Buyer will have primary responsibility for managing the day-to-day interactions with PJM related to the scheduling of energy deliveries from the Center and arranging financial settlements for the sale of energy to PJM or PJM Interconnected counterparties.
- *Payments* – Buyer will be responsible for paying to the Center a Fixed Monthly Tolling Payment and any applicable variable costs for items such as operations and maintenance expense, emissions allowance reimbursement, etc., that the Center incurs from converting Buyer's natural gas fuel into electric energy subject to the terms of the Energy Tolling Agreement.

- *Scheduling* – Buyer will be responsible for scheduling, on a daily basis, the delivery of natural gas fuel to the Center and the corresponding delivery of electric energy from the Center subject to the terms of the Energy Tolling Agreement.

- ***Center Responsibilities:***
  - *Permits* – The Center is responsible for maintaining all permits necessary to lawfully operate an electric generating facility in the State of Ohio in a way which is in full compliance with such permits.
  - *Facility Operation* – The Center is responsible for operating and maintaining the facility in a commercially prudent manner such that the facility is available to generate electric energy scheduled by Buyer under the term of the Energy Tolling Agreement.
  - *Generation of Electric Energy* – The Center is responsible for generating electric energy scheduled by Buyer in the quantity requested by Buyer. In the event, Buyer fails to provide sufficient natural gas fuel to generate the schedule energy the Center is relieved of its obligation to deliver the quantity of electric energy requested by Buyer. In the event the Center is not physically capable of generating electric energy schedule by Buyer due to a forced outage or force majeure event, Buyer will be entitled to receive damages, if any, pursuant to the terms of the Energy Tolling Agreement.

- **Commercial Strategy based on Energy Tolling Agreements**

  As previously stated, OCE is employing a commercial strategy for the sale of electric energy which is based on entering into Energy Tolling Agreements with selected counterparties. OCE has retained NTE Solutions, LLC to coordinate and manage the execution of Energy Tolling Agreements on behalf of the Center. NTE Solutions, LLC began the process of working with a number of potential counterparties during the third quarter of 2012 and has received viable proposals from a number of credible counterparties. The particulars of this process are described below:

- *<u>Procurement Process</u>:* – NTE Solutions, LLC, on behalf of OCE, began the procurement process related to Energy Tolling Agreements during the third quarter of 2012. NTE Solutions, LLC developed a detailed set of terms of conditions for an Energy Tolling Agreement, as described in the Mechanics of Energy Tolling Agreements, and distributed those terms and conditions to a wide variety of energy industry counterparties in order to obtain bids for the purchase of energy tolling rights from these counterparties. In response to this solicitation, NTE Solutions, LLC has received a number of viable proposals which provide significant financial benefit to the Center.

- *<u>Counterparty Requirements and Evaluation</u>:* - NTE Solutions, LLC, in conjunction with OCE, evaluated the Energy Tolling Agreement bids from each counterparty based on a number of critical components.

  (i) Price – Overall economic value to the Center.

  (ii) Commercial Capability – Commercial capabilities of the counterparty to perform in accordance with the responsibilities and terms of the Energy Tolling Agreements. This includes the ability to deliver required natural gas fuel to the Center and schedule delivery of resulting electric energy from the Center. Counterparties who were deemed not commercially capable were eliminated from consideration.

(iii) Credit Worthiness – Counterparties who do not have a credit rating sufficient to support financing of the Center were eliminated from consideration.

- *Contracting Process*: NTE Solutions, LLC and OCE are currently beginning preliminary negotiations with a number of the selected counterparties. OCE expects to enter into binding Energy Tolling Agreements with one or more of these counterparties to support financial close for the Center in the coming months.

- **Mechanics of Natural Gas Fuel Delivery (Interstate and the Center Lateral)**

  As previously discussed, the Center is employing a commercial strategy for the sale of electric energy which is based on entering into Energy Tolling Agreements with selected counterparties under which the Buyer takes responsibility for providing natural gas fuel to Center. These Buyers will be required to use Interstate Natural Gas Transportation to deliver natural gas fuel to the Center Lateral and then will ultimately delivery natural gas fuel to the Center's meter station using transportation on the Center Lateral. Each component of this process, and the availability of transportation, is described below:

  - *Natural Gas Requirement* – The Center will require 135 MMcf/d of natural gas fuel to operate at full output for one 24 hour period.
  - *Interstate Natural Gas Transportation (Applicable Pipelines)* – Buyers will utilize some combination of firm, released firm, or interruptible transportation service on either the ANR interstate pipeline system or the Panhandle interstate pipeline system to deliver natural gas fuel to the Center Lateral.
  - *Center Lateral* – OCE is currently in negotiations with an intrastate transportation provider for the construction and operation of the Center Lateral.

(i) The Center Lateral will be a 24-inch natural gas lateral extending approximately 25 miles from its interconnection points with the ANR interstate pipeline system and the Panhandle interstate pipeline system near the Maumee Hub in northern Ohio to the Center meter station in Oregon, Ohio.

(ii) The Center Lateral will have a 135 MMcf/d receipt point on the ANR interstate pipeline system.

(iii) The Center Lateral will also have a 135 MMcf/d receipt point on the Panhandle interstate pipeline system.

(iv) These dual interconnects provide Buyers with the capability to deliver natural gas fuel from both interstate pipeline systems to ensure fuel reliability to the Center and minimize impact to other natural gas customers.

- **Regional Availability of Natural Gas Fuel**

  The northern Ohio area, and particularly the area around the Maumee Hub and Oregon, Ohio, provides Buyers with a variety of interstate pipeline options for the de livery of natural gas fuel to the Center. The Buyers with whom OCE is negotiating Energy Tolling Agreements, currently hold some combination of energy management agreements, firm transportation, variable transportation, and released capacity or secondary firm contracts with ANR pipeline system and/or Panhandle pipeline system. This transportation capacity, currently held by the Buyers, will be utilized to deliver natural gas fuel to the Center and does not represent the same firm or displace the firm interstate transportation held by the entities who serve residential, commercial, and industrial customers in Ohio.

In addition, natural gas suppliers who serve residential, commercial, and industrial customers in Ohio hold their own firm transportation capacity on ANR interstate pipeline system and/or Panhandle interstate pipeline system that is solely dedicated to serving the natural gas requirements of their customers. The combined firm transportation requirements for the Center and the residential, commercial, and industrial customers in Ohio can adequately and reliably be served by the current capacity on the ANR interstate pipeline system and/or the Panhandle interstate pipeline system. For example, in recent years, the total obligation of ANR for all its customers (both firm and non-firm) during the winter months was at or near the ANR Lines #511 and 515's maximum capacity. ANR has informed OCE that due to decreased natural gas requirements and customers releasing firm transportation beginning in the winter of 2012/2013, ANR alone will have 270 MMcf/d of excess firm summer time capacity and over 200 MMcf/d for the winter period beginning 2014/2015. This amount is nearly twice the quantity of natural gas required by the Center, which is 135 MMcf/d. Therefore, once the needs of current pipeline customers and the Center are met, the ANR pipeline system will still have nearly 100 MMcf/d of unused pipeline capacity available.

The Energy Tolling Agreements that the Center has, or will enter into, with the prospective Buyers that <u>already</u> <u>hold</u> firm transportation capacity on ANR interstate pipeline system and/or Panhandle interstate pipeline system, will be served from the current firm contracts that each of them already has with ANR and/or Panhandle. The Buyers will serve the Center from the up-to-now unused firm capacity that they are paying ANR and/or Panhandle for and which is already "counted" as part of the firm requirements on the ANR and/or Panhandle interstate pipeline systems. Thus, there will be no additional firm capacity requirements placed upon ANR and/or Panhandle on account of the Center's agreements with ANR and/or Panhandle's existing transportation customers. The quantity of excess firm transportation capacity, between 200-270 MMCf/d on the ANR pipeline alone, is more than ample to supply the Center's maximum requirement of 135 MMcf/d without having any adverse impact on the residential, commercial, or industrial natural gas customers in Ohio.

Respectfully submitted on behalf of
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