

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Review) of its Rules for Energy Efficiency) Programs Contained in Chapter 4901:1-39) of the Ohio Administrative Code.))	Case No. 13-651-EL-ORD
In the Matter of the Commission's Review) of its Rules for the Alternative Energy) Portfolio Standard Contained in Chapter) 4901:1-40 of the Ohio Administrative) Code.))	Case No. 13-652-EL-ORD
In the Matter of the Amendment of Ohio) Administrative Code Chapter 4901:1-40,) regarding the Alternative Energy Portfolio) Standard, to Implement Am. Sub. S.B.) 315.)	Case No. 12-2156-EL-ORD

REPLY COMMENTS OF INTERSTATE GAS SUPPLY, INC

I. INTRODUCTION

In an Entry filed on January 29, 2014 (“Jan. 29 Entry”) in the above captioned proceedings the Public Utilities Commission of Ohio Staff (“Staff”) proposed a number of modifications to Ohio’s energy efficiency (“EE”) programs and alternative energy portfolio standards (“AEPS”) rules. Staff also proposed rules that were designed to implement the changes that were made to Ohio law with the enactment of Amended Substitute Senate Bill 315 (“SB 315”). On March 3, 2014, stakeholders submitted comments on the rules proposed in the Jan. 29 Entry (“Initial Comments”). Interstate

Gas Supply, Inc. (“IGS”) submits the following reply comments to the Initial Comments filed in this proceeding.

II. REPLY COMMENTS

A. The Amount of Funding Available for Combined Heat and Power Projects Should be Increased to \$.01 per KWH and Clarify that the Payment is Available for the Life of the Project

In the proposed reasonable arrangement form submitted in the Jan. 29 Entry, Staff proposed that the EE funding available be limited to \$.005 per KWH for combined heat and power (“CHP”) and waste energy recovery (“WER”) projects.¹ In their Initial Comments a number of stakeholders commented that the \$.005 per KWH limit for CHP and WER projects proposed is too low and should be increased.² IGS agrees that the \$.005 per KWH limit is too low. It is important not to place excessive limitations on CHP funding if the Commission wishes to encourage CHP and WER development. As, such IGS believes that a more reasonable limit for CHP should be \$.01 per KWH as proposed by the Ohio Power Company (“AEP”) and others in their Initial Comments.³

IGS also agrees with AEP that the reasonable arrangement form should clarify that the per KWH payment for CHP projects is based on the generation over the life of the project.⁴ While IGS believes that it was the intent of Staff to make payments for CHP based on the generation over the life of a project, this is not entirely clear in the proposed reasonable arrangement form; thus additional clarification as proposed by AEP is appropriate.

¹ Jan. 29 Entry at Application to Commit Combined Heat and Power Systems

² Energy Resource Center Initial Comments at 4; The Alliance for Energy Efficiency Initial Comments at 2; AEP Initial Comments at 10.

³ AEP Initial Comments at 10.

⁴ Id.

B. Further Clarification Should be Made to Ensure Availability of CHP and WER Project Funding

In their Initial Comments, a number of stakeholders requested that the Commission give clear guidance that the EE incentives will be available for CHP and WER projects. Specifically, commenters recommended the Commission set incentive levels for different types of CHP and WER projects and payout schedules.⁵ IGS agrees that the Commission rules need clearer guidance that the EE incentive will be available for CHP and WER projects and commented accordingly in its initial comments.⁶

There is a significant amount of planning and upfront work that must be done for CHP and WER development. If the amount of the EE payment is uncertain, a project developer will not be able to include the EE payments in its economic calculations used to determine whether a project should move forward. For the EE payments to truly incentivize CHP or WER, the Commission rules should be drafted to allow a project developer to know, with reasonable certainty, how much funding the CHP or WER project will receive before the project begins. Otherwise, EE funding will largely go to projects that were going to move forward anyway and not actually induce project development.

The commenters proposed a number of different methodologies to add certainty to CHP and WER project funding. Each of the different proposals has merit for different reasons. That said, any proposal adopted by the Commission should allow the CHP and WER project developer to know before a project begins 1) whether the project will receive an EE payment and 2) the payment amount a particular project can reasonably

⁵ Energy Resource Center Initial Comments at 2-4; AEP Initial Comments at 10

⁶ IGS Initial Comments at 3-4.

expect to receive. This additional clarity to the CHP and WER reasonable arrangements form will go a long way to incentivize the development of CHP and WER.

C. Automatic Approval Should not be Granted for EE Portfolio Plans

In their Initial Comments, AEP and FirstEnergy recommended that the Commission implement an automatic approval process for electric distribution utility (“EDU”) EE portfolio plans.⁷ The Commission should reject these proposals.

Stakeholder input is vitally important for the development of a robust and efficient EE portfolio plan. All customers fund the EDU EE initiatives, so customers should be an important part in developing EE portfolio plans. Automatic approval provisions will only serve to limit the stakeholder input on the plans, making the plans less robust and less representative of the broader customer interests.

Further, consistent with IGS’ Initial comments, it is important that projects should be chosen on a non-discriminatory basis and a transparent methodology should be applied fairly to all EE projects without bias towards any unregulated utility affiliate. Auto approval of EE portfolio plans will reduce EE program transparency, and could potentially lead to biased EE project selection.

D. Hearings and Stakeholder Collaboratives Should be Held to Encourage More Stakeholder Input on the Portfolio Plans

Rather than limit stakeholder input on the EE portfolio plans, the Commission should seek ways to increase input. For instance, a number of parties, including Ohio Advanced Energy Economy (“OAE”), Nucor Steel (“Nucor”) and the Ohio Hospital Association (“OHA”), oppose the changes to the Commission rules that would eliminate

⁷ AEP Initial Comments at 6; FirstEnergy Initial Comments at 8.

the need for Commission hearings on EDU EE Portfolio Plans.⁸ IGS agrees with OAEE, Nucor and OHA. While IGS appreciates the need to eliminate unnecessary litigation, eliminating hearings on EDU portfolio plans may be penny wise and pound foolish. Each year, tens of millions of customer dollars are spent on EDU portfolio plans and those dollars continue to grow each year as the EE standards increase. Therefore, it is important that EDU portfolio plans are fully vetted through the hearing process so that customer dollars are not wasted.

OAEE Ohio also supports quarterly stakeholder meetings for each EDU portfolio plan.⁹ IGS supports this recommendation as quarterly stakeholder meetings are another important way to ensure sufficient and meaningful stakeholder input is received on the portfolio plans.

III. **CONCLUSION**

IGS would like to thank the Commission for giving it the opportunity to Comment on the important topic of Ohio's EE and AEPS requirements. The Commission should modify the EE rules to give more clarity CHP and WER developers so that those developers can have the confidence they need to move forward with an EE and WER projects. The Commission should also adopt a regulatory framework that encourages stakeholder input and transparency for the EE portfolio plans. As such, IGS respectfully requests that the Commission adopt the recommendations made in these comments.

⁸ AEO Initial Comments at 8; Nucor Initial Comments at 5; OHA Initial Comments at 4

⁹ OAEE Initial Comments at 7.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing Comments were served upon the persons listed below via electronic service this 24th day of March, 2014.

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Summary: Comments electronically filed by Helen Sweeney on behalf of IGS Energy