

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of AK Steel)
Corporation for Integration of Mercantile)
Customer Energy Efficiency or Peak-) Case No. 14-146-EL-EEC
Demand Reduction Programs with Duke)
Energy Ohio, Inc.)

FINDING AND ORDER

The Commission finds:

- (1) R.C. 4928.66 imposes certain energy efficiency and peak demand reduction (EEDR) requirements upon Ohio's electric distribution utilities, but allows mercantile customers to commit their EEDR programs for integration with an electric utility's programs in order to meet the statutory requirements. R.C. 4928.01(A)(19) defines a mercantile customer as a commercial or industrial customer that consumes more than 700,000 kWh of electricity per year, or that is part of a national account involving multiple facilities in one or more states.
- (2) Duke Energy Ohio, Inc. (Duke or Utility) is a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission. Duke recovers its costs of complying with the EEDR requirements imposed by R.C. 4928.66 from its customers through an EEDR rider.
- (3) Ohio Adm.Code 4901:1-39-05(G) permits a mercantile customer to file, either individually or jointly with an electric utility, an energy efficiency commitment (EEC) application to commit the customer's EEDR programs for integration with the electric utility's programs, pursuant to R.C. 4928.66, in order to meet the utility's statutory requirements.
- (4) On September 15, 2010, the Commission issued an entry in Case No. 10-834-EL-EEC, *In re Mercantile Customer Pilot Program*, instituting a pilot program (EEC Pilot Program) to expedite the approval process for applications filed under Ohio Adm.Code 4901:1-39-05(G) by mercantile customers. The EEC Pilot Program developed a standardized application template and process under which an application is deemed to be approved 60 days after filing, unless suspended or otherwise

ordered by the Commission or an attorney examiner. In subsequent entries in Case No. 10-834-EL-EEC, the Commission adopted certain modifications to the template, and expanded the automatic approval process to include applications requesting a cash rebate, a commitment payment, or an exemption from the electric utility's EEDR rider subject to periodic review. On July 17, 2013, the Commission issued an order in Case No. 10-834-EL-EEC to permanently adopt the EEC Pilot Program and incorporate its provisions into Ohio Adm.Code Chapter 4901:1-39 in the pending rule review in Case No. 13-651-EL-ORD.

- (5) On January 31, 2014, AK Steel Corporation (AK Steel or Customer) filed this application pursuant to Ohio Adm.Code 4901:1-39-05(G) and the EEC Pilot Program, without the active participation of Duke, the Customer's distribution utility. The application seeks pre-approval of an exemption from Duke's EEDR rider for the planned installation of a Waste Energy Recovery (WER) project involving the installation of a Pressure Reducing Valve (PRV) Turbine at the AK Steel Middletown Works facility. An amended application was filed on February 19, 2014. The Customer anticipates that the project will deliver 9,435,500 kWh of energy savings per year, qualifying AK Steel for nine months of exemption from Duke's EEDR rider.
- (6) On February 21, 2014, Staff filed a report of its review recommending approval of this application as amended. Staff reports that the PRV Turbine, after installation, will generate electricity solely by the use of heat that would otherwise be exhausted to the atmosphere. Therefore, ongoing operational decisions would not be dependent on differentials between the costs of various energy sources. In a project of this type, Staff views the energy to be generated by the facility as equivalent to energy savings that would be achieved in a standard energy efficiency project. The application includes calculations of the expected energy production along with cost estimates for the proposed new equipment. After Commission approval, the project is scheduled to be fully operational within 14 months.
- (7) Staff has reviewed the application and all supporting documentation, has verified that the Customer meets the definition of a mercantile customer, and has provided documentation that the methodology used to calculate energy

savings, conforms to the general principals of the International Performance Measurement Verification Protocol used by the Utility. The Customer has attested to the validity of the information, and its intention to participate in the Utility's program. Staff also verified that the Utility's avoided cost will exceed the cost that the Utility will spend to acquire the Customer's self-directed energy efficiency project. Based upon its review, the Staff believes that the proposed project meets the requirements for inclusion in Duke's EEDR compliance plan. Staff recommends that the AK Steel Middletown facility be granted a nine-month rider exemption to begin after the Customer has filed notification that the project is fully operational.

- (8) Staff also recommends that the Customer be required, as a condition of approval, to file in this docket (1) notification when the project construction commences; (2) notification when the project becomes fully operational; (3) a production (savings) report quantifying the production achieved after the first month of service; and (4) a compliance report to demonstrate that the production (savings) proposed within the application were achieved after the first year of service.
- (9) On March 24, 2014, Duke filed comments with a motion to intervene in this proceeding. Duke notes that the application erroneously states that AK Steel is seeking to commit existing programs for integration with Duke's EEDR portfolio, as the proposed WER project has not yet been built. Duke asserts that approval of this project will require a two-step process, and requests the Commission to clarify that the exemption from Duke's EEDR rider be for nine months after the project is complete and savings can be verified.
- (10) Duke's motion to intervene will be granted and their concerns addressed by our incorporation of Staff's conditions set forth above.
- (11) Upon review of the application, as amended, the supporting documentation, Staff's report, and Duke's comments, the Commission finds that the requirements related to this application have been met, and the request for mercantile commitment, pursuant to Ohio Adm.Code 4901:1-39-05, does not appear to be unjust or unreasonable. Thus, a hearing of this

matter is unnecessary. Accordingly, this application should be approved, conditioned upon the filings set forth above. The AK Steel Middletown facility will be granted a nine-month rider exemption from the Utility's EEDR rider to begin after the Customer has filed notification that the project is fully operational, and subject to savings verification upon completion. . As a result of our approval, the Utility should adjust its baselines, pursuant to R.C. 4928.66(A)(2)(c), and Ohio Adm.Code 4901:1-39-05. We note that the approval of this project is subject to evaluation, measurement, and verification in the portfolio status report proceeding initiated by the filing of the Utility's portfolio status report on March 15 of each year, as set forth in Ohio Adm.Code 4901:1-39-05(C). Consequently, our approval of this arrangement is subject to termination or prospective modification by the Commission.


It is, therefore,

ORDERED, That this application, as amended, be approved, subject to the conditions set forth above. It is, further,

ORDERED, That Duke's motion to intervene be granted, and that Duke exempt AK Steel from payment of the Utility's EEDR Rider during the exemption period as set forth above. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties of record.

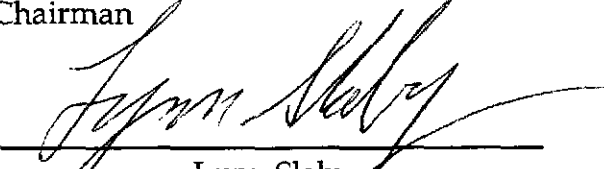
THE PUBLIC UTILITIES COMMISSION OF OHIO



Todd A. Snitchler, Chairman



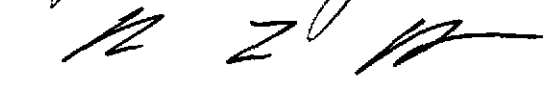
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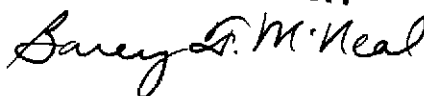
M. Beth Trombold



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Entered in the Journal

MAR 26 2014


Barcy F. McNeal

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Secretary