BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY

INTRODUCTION

As part of its five-year review of the Commission's rules, the Commission's Staff made various recommendations for modifications to the rules governing energy efficiency and peak demand reduction requirements as set forth in Ohio Adm. Code 4901:1-39 and Alternative Energy Portfolio Standards as set forth in Ohio Adm. Code 4901:1-40, including certain amendments to incorporate combined heat and power ("CHP") projects and Waste Energy Recovery ("WER") projects consistent with Am. Sub. S.B. 315. By Entry dated January 29, 2014, the Commission established a comment period in which interested parties could submit comments on the proposed changes to the aforementioned rules. On March 3, 2014, various parties including Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, "Companies") submitted comments. On March 24, 2014, various parties, including the Companies, filed reply comments.

Since then, on June 13, 2014, the Governor of the State of Ohio signed into law Substitute Senate Bill 310 ("S.B. 310"), amending various provisions made by the General Assembly to the renewable energy, energy efficiency, and peak demand reduction requirements for the State of Ohio. The effective date of S.B. 310 is September 12, 2014.

One amendment that the General Assembly made to R.C. 4928.64(B)(3) by S.B. 310 eliminates the existing requirement that at least one-half of the annual renewable energy resources benchmark be sourced from facilities located in the state of Ohio (the "in-state requirement"). On July 11, 2014, the Commission issued an Entry seeking comments and reply comments from interested persons on two specific questions:

- 1. Does the General Assembly's amendment to R.C. 4928.64(B)(3) by S.B. 310 require the Commission to amend Rule 4901:1-40-03, O.A.C. to eliminate the in-state requirement in its entirety, including the portion of 2014 prior to the effective date of S.B. 310?
- 2. Does the General Assembly's amendment to R.C. 4928.64(B)(3) by S.B. 310 require the Commission to amend Rule 4901:1-40-03, O.A.C. to prorate the in-state requirement for 2014 based upon the effective date of S.B. 310 and to eliminate the requirement thereafter?

The Companies will address both questions together below. As discussed in the Companies' Comments below, the answer to question number (1) is: yes, and the answer to question number (2) is: no.

COMMENTS

S.B. 310 eliminated the in-state requirement contained in the S.B. 221 version of R.C. 4928.64(B)(3) related to an EDU's compliance with its 2014 renewable energy resource benchmarks. The Commission is not authorized to promulgate a rule requiring to the contrary.

The Commission is a creature of statute and may exercise only that jurisdiction conferred upon it by the General Assembly.¹ As an administrative agency, the Commission possesses only such rule-making powers as are delegated by statute. A Commission rule that conflicts with existing statutes is invalid, and hence must fail.²

¹ Columbus Southern Power Co. v. Pub. Util. Comm., 67 Ohio St, 3d 535, 537, 620 N.E.2d 835 (1993); Tongren v. Pub. Util. Comm., 85 Ohio St. 3d 87, 88, 706 N.E.2d 1255 (1999).

² Hoover Universal v. Limbach, 61 Ohio St.3d 563, 569, 575 N.E.2d 811 (991); Athens I-home Telephone Co, v. Peck, 158 Ohio St. 557, 574, 110 N.E.2d 571 (1953).

In this instance, the statue is clear. There is no ambiguity. The conduct required by R.C. 4928.64(B)(2) under either S.B. 221 or S.B. 310, is that an EDU must obtain a portion of the electricity supply required for its standard service offer from qualifying renewable energy. For purposes of measuring compliance under R.C. 4928.64, an EDU must meet the renewable energy benchmarks set forth in law on the date that compliance must be demonstrated. Under S.B. 310, the General Assembly amended R.C. 4928.64(B)(3) to indicate that an EDU can, effective September 12, 2014, comply with the benchmarks contained in R.C. 4928.64(B)(2) by obtaining a portion of its electricity supply from qualifying renewable energy resources that are either: 1) from facilities located in this state; or (2) from resources that can be shown to be deliverable to this state. In other words, the General Assembly eliminated the requirement that at least half of the renewable energy come from in-state facilities.

Nowhere in R.C. 4928.64, as it will be in effect on September 12, 2014 and thereafter, is there are requirement that an EDU meet monthly or prorated benchmarks.³ Indeed, the General Assembly wrote a statute that affords an EDU every reasonable opportunity to comply with the statutory requirements by allowing at least a full year to comply. There is nothing in S.B. 310 that retroactively changes the compliance deadline to an earlier date or requires, or permits, an annual average, proration or phase in of the previously existing provisions of S.B. 221 related to in-state renewable energy requirements. The conduct prescribed by R.C. 4928.64 is an EDU's compliance with the renewable energy benchmarks as they exist as of September 12, 2014. S.B. 310 modified this benchmark by eliminating the in-state requirement. EDUs must now comply with this new benchmark. Thus, there is no authority for the Commission to engage in an

³ State ex rel. Burrows v. Indus. Comm., 78 Ohio St. 3d 78, 81, 676 N.E.2d 519 (1997) ("Unambiguous statutes are to be applied according to the plain meaning of the words used ... and courts are not free to delete or **insert** other words.")

analysis to determine whether the first 9½ months of 2014 should be governed by a preexisting benchmark that no longer is in effect.

Further evidencing the General Assembly's intent, Section 2 of S.B. 310 expressly states that existing R.C. 4928.64 is hereby repealed. Thus, as of September 12, 2014, the S.B. 221 version of R.C. 4928.64 no longer exists, leaving only the S.B. 310 version of R.C. 4928.64. Effective September 12, 2014, R.C. 4928.64 does not contain an in-state requirement for an EDU's compliance with renewable energy resource benchmarks, and nothing contained in S.B. 310 changes the deadline for compliance or permits any proration. Had the General Assembly meant for portions of R.C. 4928.64 from S.B. 221 to continue to exist, to be prorated or to be phased out, it would have expressly provided as much in S.B. 310. Indeed, it expressly provided for the phase-in of energy efficiency requirements contained in R.C. 4928.66.⁴ The General Assembly did not authorize pro ration of the in-state requirement for renewable energy resources.

CONCLUSION

For all of these reasons, the Commission should amend Rule 4901:1-40-03, O.A.C. to eliminate the in-state requirement in its entirety as is required under S.B. 310. The Commission should not amend Rule 4901:1-40-03, O.A.C. to prorate the in-state requirement based upon the effective date of S.B. 310. The Commission should eliminate from its rules any requirement for in-state renewable energy resources. Any action otherwise would be contrary to the clear language of S.B. 310 as discussed above.

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⁴ See Section 6 of S.B. 310.

Respectfully submitted,

/s/ Carrie M. Dunn

Carrie M. Dunn (0076952)
Counsel of Record
FIRSTENERGY SERVICE COMPANY
76 South Main Street
Akron, OH 44308
(330) 761-2352
(330) 384-3875 (fax)
cdunn@firstenergycorp.com

Attorney for Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the Public Utilities

Commission of Ohio's e-filing system will electronically serve notice of the filing of this

document upon the following parties. In addition, I hereby certify that a copy of the foregoing

was sent by, or on behalf of, the undersigned counsel to the following parties of record this 31st

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served via U.S. mail.

/s/ Carrie M. Dunn
Carrie M. Dunn

David C. Rinebolt Ohio Partners for Affordable Energy 231 West Lima Street Findlay, OH 45840 drinebolt@ohiopartners.org

ON BEHALF OF OHIO PARTNERS FOR AFFORDABLE ENERGY

Kimberly W. Bojko Rebecca L. Hussey Mallory M. Mohler Carpenter Lipps & Leland LLP 280 Plaza, Suite 1300 280 North High Street Columbus, OH 43215 bojko@carpenterlipps.com hussey@carpenterlipps.com mohler@carpenterlipps.com

ON BEHALF OF OMA ENERGY GROUP

Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Service
Corporation
1 Riverside Plaza, 29th Floor
Columbus, OH 43215
stnourse@aep.com
mjsatterwhite@aep.com

ON BEHALF OF OHIO POWER

COMPANYMichael K. Lavanga Brickfield Burchette Ritts & Stone 1025 Thomas Jefferson Street, NW 8th Floor, West Tower Washington, DC 20007 mkl@bbrslaw.com

ON BEHALF OF NUCOR STEEL MARION, INC.

David Gardiner
Executive Director
The Alliance for Industrial Efficiency
David Gardiner & Associates, LLC
2609 11th Street North
Arlington, VA 22201
jennifer@dgardiner.com

ON BEHALF OF THE ALLIANCE FOR INDUSTRIAL EFFICIENCY

Susan Brodie
Executive Director
The Heat is Power Association
2215 South York Road, Suite 202
Oak Brook, IL 60523
Susan@heatispower.org

ON BEHALF OF THE HEAT IS POWER ASSOCIATION

John Cuttica
Director
Energy Resources Center
University of Illinois at Chicago
1309 South Halsted
Chicago, IL 60607-7022
cuttica@uic.edu

ON BEHALF OF ENERGY RESOURCES CENTER

Mark A. Hayden (0081077) Associate General Counsel Scott J. Casto (0085756) FirstEnergy Service Company 76 South Main Street Akron, OH 44308 haydenm@firstenergycorp.com scasto@firstenergycorp.com

ON BEHALF OF FIRSTENERGY SOLUTIONS CORP.

Amy B. Spiller (0047277)
Deputy General Counsel
Elizabeth H. Watts (0031092)
Associate General Counsel
Duke Energy Business Services LLC
139 East Fourth Street, 1303-Main
PO Box 960
Cincinnati, OH 45201-0960
Amy.spiller@duke-energy.com
Elizabeth.watts@duke-energy.com

ON BEHALF OF DUKE ENERGY OHIO, INC.

Richard L. Sites General Counsel & Senior Director of Health Policy Ohio Hospital Association 155 East Broad Street, 15th Floor Columbus, OH 43215-3620 ricks@ohanet.org

Thomas J. O'Brien Bricker & Eckler LLP 100 South Third Street Columbus, OH 43215-4291 tobrien@bricker.com

ON BEHALF OF THE OHIO HOSPITAL ASSOCIATION

Judi L. Sobecki (0067186)
The Dayton Power and Light Company
1065 Woodman Drive
Dayton, OH 45432
Judi.sobecki@aes.com

ON BEHALF OF THE DAYTON POWER AND LIGHT COMPANY

Terrence N. O'Donnell Christopher M. Montgomery Dickinson Wright PLLC 150 East Gay Street, Suite 2400 Columbus, OH 43215 todonnell@dickinsonwright.com cmontgomery@dickinsonwright.com

ON BEHALF OF OHIO ADVANCED ENERGY ECONOMY

Matthew White (Counsel of Record) Interstate Gas Supply, Inc. 6100 Emerald Parkway Dublin, OH 43016 mswhite@igsenergy.com

ON BEHALF OF INTERSTATE GAS SUPPLY, INC.

Bruce J. Weston
Ohio Consumers' Counsel
Terry L. Etter
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
Terry.etter@occ.ohio.gov

ON BEHALF OF OFFICE OF THE OHIO CONSUMERS' COUNSEL

Trent A. Dougherty
Managing Director of Legal Affairs
Ohio Environmental Council
1207 Grandview Avenue, Suite 201
Columbus, OH 43212-3449
trent@theoec.org

ON BEHALF OF OHIO ENVIRONMENTAL COUNCIL; AND OHIO COALITION FOR COMBINED HEAT & POWER Nicholas McDaniel Staff Attorney Environmental Law & Policy Center 1207 Grandview Avenue, Suite 201 Columbus, OH 43212 NMcDaniel@elpc.org

ON BEHALF OF THE ENVIRONMENTAL LAW & POLICY CENTER

Christopher J. Allwein Williams, Allwein and Moser, LLC 1373 Grandview Avenue, Suite 212 Columbus, OH 43212 callwein@wamenergylaw.com

ON BEHALF OF THE SIERRA CLUB

John Finnigan Senior Regulatory Attorney Environmental Defense Fund 128 Winding Brook Lane Terrace Park, OH 45174 jfinnigan@edf.org

ON BEHALF OF ENVIRONMENTAL DEFENSE FUND

Samantha Williams
Staff Attorney
Natural Resources Defense Council
20 N. Wacker Drive, Suite 1600
Chicago, IL 60606
swilliams@nrdc.org

ON BEHALF OF NATURAL RESOURCES DEFENSE COUNCIL

Joseph Patrick Meissner Citizens Coalition 5400 Detroit Avenue Cleveland, OH 44102 meissnerjoseph@yahoo.com

ON BEHALF OF CITIZENS COALITION

Cliff Haefke, President
Patricia F. Sharkey, Policy Committee Chair
Midwest Cogeneration Association
Environmental Law Counsel
180 N. LaSalle Street
Suite 3700
Chicago, IL 60601

ON BEHALF OF MIDWEST COGENERATION ASSOCIATION*

*Served via U.S. Mail as no email address was provided

Evelyn R. Robinson Attorney at Law 2750 Monroe Boulevard Audubon, PA 19403 Evelyn.robinson@pim.com

ON BEHALF OF PJM ENVIRONMENTAL INFORMATION SERVICES

Allyson Umberger Director of Regulatory Affairs & General Counsel SRECTrade, Inc. 90 New Montgomery St., Suite 333 San Francisco, CA 94105

ON BEHALF OF SRECTRADE, INC.*

*Served via U.S. Mail as no email address was provided

William Wright
Assistant Attorney General
Chief, Public Utilities Section
180 East Broad Street, 12th Floor
Columbus, OH 43215
William.wright@puc.state.oh.us

Richard Bulgrin
Bryce McKenney
Attorney Examiners
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215-3793
Richard.bulgrin@puc.state.oh.us
bryce.mckenney@puc.state.oh.us

ATTORNEY EXAMINERS

Christopher A. Walker (0040696) Van Kley & Walker, LLC 137 N. Main St., Suite 316 Dayton, Ohio 45402 (937) 226-9000 (937) 226-9002 Fax cwalker@vankleywalker.com Samuel C. Randazzo (0016386) (Counsel of Record) Frank P. Darr (0025469) Matthew R. Pritchard (0088070) McNees Wallace & Nurick LLC 21 East State Street, 17th Floor Columbus, OH 43215 Telephone: (614) 469-8000 Telecopier: (614) 469-4653 sam@mwncmh.com

fdarr@mwncmh.com

mpritchard@mwncmh.com

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