

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Amendment of Chapters    )  
4901:1-10 and 4901:1-21, Ohio Administrative   )  
Code, Regarding Electric Companies and    )   Case No. 14-1411-EL-ORD  
Competitive Retail Electric Service, to    )  
Implement 2014 Sub. S.B. No. 310.            )

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**REPLY COMMENTS OF  
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP**

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**I. BACKGROUND AND PROCEDURAL HISTORY**

In May 2014, the General Assembly passed 2014 Sub. S.B. No.310 (S.B. 310), which became effective on September 12, 2014. S.B. 310, inter alia, amended provisions in Chapter 4928, Revised Code, which governs the alternative energy portfolio standard rules and regulations. Additionally, newly-enacted Section 4928.65, Revised Code, directs the Public Utilities Commission of Ohio (Commission) to adopt rules concerning disclosure to customers of the costs of renewable energy resource, energy efficiency savings, and peak demand reduction requirements<sup>1</sup> by January 1, 2015.

By entry dated October 15, 2014, the Commission issued draft rules relating to the above-mentioned topics, as well as a business impact analysis projecting effects of the draft rules. The Commission directed interested stakeholders to file comments on the draft rules and/or business impact analysis by November 5, 2014, and reply comments by November 17, 2014. Several parties, including the Ohio Manufacturers' Association Energy Group (OMAEG), the Office of the Ohio Consumers' Counsel (OCC), Industrial Energy Users-Ohio (IEU-Ohio), Direct Energy Services, LLC, Direct Energy Business, LLC, and Direct Energy Business Marketing, LLC

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<sup>1</sup> See Sections 4928.64 and 4928.66, Revised Code.

(collectively, Direct Energy), the Environmental Law & Policy Center, Sierra Club, Natural Resources Defense Council, and Ohio Environmental Council (collectively, Environmental Advocates), Ohio Power Company (AEP), the Dayton Power and Light Company (DP&L), and Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy) filed initial comments on the proposed rules on November 5, 2014. OMAEG submits the comments herein in response to the initial comments of other interested parties filed in the above-captioned matter.

## **II. REPLY COMMENTS**

### **A. The Proposed Prescriptive 80% - 20% Allocation of the EE/PDR Rider is not an Accurate Accounting of EE and PDR Compliance Costs.**

DP&L and IEU-Ohio have recommended adopting the proposed 80% - 20% prescriptive allocation of the EE/PDR rider for the apportionment of energy efficiency (EE) and peak demand reduction (PDR) compliance costs on customers' bills. Adopting this approach, however, may be misleading, as some programs are dedicated exclusively to PDR, and information that would more accurately reflect the actual allocation of costs between EE and PDR is available. A practical example of this situation may be seen in connection with AEP's recent EE/PDR rider update filing.<sup>2</sup> At most, 53% of the costs associated with AEP's proposed rider relate to energy efficiency program costs. The remaining costs represent shared savings, credits for the IRP tariff, and rider true-up. The IRP is an interruptible rate that contributes to PDR only, not EE. Figure 1 below demonstrates that if the true-up credit, program costs, and shared savings were each allocated according to the prescriptive allocation, i.e., 80% to EE compliance costs and 20% to PDR compliance costs, but the IRP is allocated 100% to PDR compliance cost, the resulting

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<sup>2</sup> See generally *In the Matter of the Application of Ohio Power Company to Update the Energy Efficiency and Peak Demand Reduction Rider*, Case No. 14-0873-EL-RDR, Application (May 15, 2014).

apportionment of the rider is actually 57% to EE, 43% to PDR. Because the apportionment of the EE/PDR rider can be significantly different than the proposed prescriptive 80%/20% allocation, and this more accurate information is readily available, the Commission should require each EDU to allocate 100% of PDR only programs to the PDR compliance cost category listed in customer bills.

**Figure 1 – Apportionment of EE/PDR Costs, Case No. 14-873-EL-RDR**

|                    | AEP Proposed Rider Apportionment | Percent of Rider | EE Cost Share | PDR Cost Share |
|--------------------|----------------------------------|------------------|---------------|----------------|
| True-up            | \$ (0.000312)                    | -8%              | \$(0.00025)   | \$(0.00006)    |
| IRP Credit Cost    | \$ 0.001074                      | 29%              |               | \$ 0.00107     |
| Program Costs      | \$ 0.001987                      | 53%              | \$ 0.00159    | \$ 0.00040     |
| Shared Savings     | \$ 0.000967                      | 26%              | \$ 0.00077    | \$ 0.00019     |
| Proposed C&I Rider | \$ 0.003716                      |                  | \$ 0.00211    | \$ 0.00160     |
|                    |                                  |                  | 57%           | 43%            |

#### **B. Adopting the Proposed Rules Without Change Could Be Significantly Confusing for Customers**

IEU-Ohio and FirstEnergy have recommended that the proposed rules be adopted without change. However, listing EEPDR costs simply based on the rider could create undue confusion for manufacturers. Consider, for example, a medium-sized manufacturer taking service pursuant to Toledo Edison’s primary service tariff. At one point, the EE/PDR rider for this customer would have been \$0.001265 /kWh. For a mid-sized manufacturer using 1,750,000 kWh/month, the cost of compliance would be listed on the customer’s bill as follows:

$$1,750,000 \text{ kWh/month} \times \$0.001265 \text{ /kWh} = \$2,213.75/\text{month}$$

However, during the subsequent six months the rider for Toledo Edison's Primary service was  $-\$0.001395$  /kWh. Under these circumstances, the program "cost of compliance" would actually appear as a credit on the customer's bill, as follows:

$$1,750,000 \text{ kWh/month} \times -\$0.001395 / \text{kWh} = -\$2,441.25/\text{month}$$

For a manufacturer of this nature, determining the actual cost of compliance for EE and PDR programs would be especially problematic. If the EE/PDR rider is used to determine compliance costs, one month, the cost of compliance appearing on the manufacturer's bill will be \$2,213.75. The following month, the charges appearing on the bill may appear as a \$2,441.25 *credit*. The volatility and lack of predictability associated with calculating the cost of compliance solely based upon rider charges would be extremely confusing for these types of customers. Moreover, the pronounced swing in costs associated with an EE/PDR rider is not unique to customers taking Toledo Edison Primary service. There are 26 EE/PDR riders across all utilities and all rate classes. Ten of these riders have been negative at some point, meaning they have produced a credit to consumers. Given these circumstances, prudence dictates that the cost of compliance with EE and PDR benchmarks for customers should not be reflected solely as the costs of an EE/PDR rider.

**C. The Commission Should Create Supplemental Educational Materials on the Benefits and Costs of EE and PDR Resources, with an Apples-to-Apples Comparison Against Other Electricity Resources.**

In its initial comments, the OMAEG recommended that the Commission create supplemental educational materials on the benefits and costs of EE and PDR resources, with an apples-to-apples comparison against other electricity resources. OMAEG made this recommendation for several reasons. First, while an EE/PDR rider is a simple way of illustrating

costs of EE and PDR, it is not an accurate or stable depiction of the actual costs of compliance. Second, the EE/PDR rider gives no indication of the savings benefits from these resources.

Several other parties recommended that the Commission provide some context when including EE and PDR costs on customer bills, such that consumers understand that there are benefits associated with EE and PDR programs and measures. The OCC argued in its initial comments that understandability of electricity bills is a central issue, and thus recommended that a bill message be included with the itemization of EE and PDR costs in order to convey to consumers the corresponding benefits of EE and PDR measures. The Environmental Advocates similarly recommended a bill disclosure explaining the benefits of EE and PDR measures.

The OMAEG concurs with the OCC and the Environmental Advocates that supplemental information is needed. OMAEG recommends that the Commission continue its tradition of providing consumers with “apples to apples” comparisons of electricity costs—here, in the context of EE and PDR resource costs, as compared with other electricity resources. These comparisons would be most effective in the form of bill inserts and a dedicated page on the Commission website, rendering the information accessible to consumers.

#### **D. The Commission Should Review Sample Bill and Sample Calculations Prior to Approving an EDU’s Bill Disclosure of EE and PDR Costs**

The Environmental Advocates have recommended that the Commission require each electric distribution utility (EDU) to file a sample bill and sample calculation for each year before issuing such bills to customers. OMAEG agrees with this recommendation, with one minor change: sample bill and sample calculations should be provided to customers by their respective EDUs each time the rate of the rider varies. Such a procedure would keep customers informed of changes in rider rates and allow them to anticipate changes in their costs of compliance and adjust accordingly.

### III. CONCLUSION

In connection with the arguments set forth above and included previously in its initial comments, OMAEG respectfully requests that the Commission recognize that (1) EE/PDR riders imperfectly apportion utility compliance costs to individual customers for compliance with EE and PDR resource standards, and (2) dramatically over-quantify the costs of compliance with EE and PDR benchmarks based on the inclusion of incentive and other programs in the riders. Moreover, OMAEG requests that the Commission require each EDU to allocate 100% of PDR-only programs to the PDR compliance cost category listed in customer bills. OMAEG further requests that the Commission order the inclusion of a bill message accompanying EE/PDR compliance cost itemization on consumer bills, directing consumers to a Commission webpage with supplemental information on the benefits of EE and PDR resources, and an apples-to-apples comparison of the EE and PDR resources versus other electricity resources. Finally, OMAEG agrees with other parties that the Commission should require the EDUs to file sample bills and sample calculations on compliance costs for approval with the Commission.

Respectfully submitted,

/s/ Kimberly W. Bojko

Kimberly W. Bojko (0069402)

Rebecca L. Hussey (0079444)

Carpenter Lipps & Leland LLP

280 Plaza, Suite 1300

280 North High Street

Columbus, Ohio 43215

Telephone: (614) 365-4100

Email: Bojko@carpenterlipps.com

Hussey@carpenterlipps.com

*Counsel for OMAEG*

## CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following parties via electronic mail on November 17, 2014.

/s/ Kimberly W. Bojko  
Kimberly W. Bojko

Carrie M. Dunn  
FirstEnergy Service Company  
76 South Main Street  
Akron, OH 44308  
[cdunn@firstenergycorp.com](mailto:cdunn@firstenergycorp.com)

Trent Dougherty  
The Ohio Environmental Council  
1207 Grandview Avenue, Suite 201  
Columbus, OH 43212-3449  
[Trent@theOEC.org](mailto:Trent@theOEC.org)

Kyle L. Kern  
Michael J. Schuler  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, OH 43216  
[Kyle.kern@occ.ohio.gov](mailto:Kyle.kern@occ.ohio.gov)  
[Michael.schuler@occ.ohio.gov](mailto:Michael.schuler@occ.ohio.gov)

Samuel C. Randazzo  
Frank P. Darr  
Matthew R. Pritchard  
McNees Wallace & Nurick LLC  
21 East State Street, 17th Floor  
Columbus, OH 43215  
[sam@mwncmh.com](mailto:sam@mwncmh.com)  
[fdarr@mwncmh.com](mailto:fdarr@mwncmh.com)  
[mpritchard@mwncmh.com](mailto:mpritchard@mwncmh.com)

William Wright  
Ohio Attorney General's Office  
Public Utilities Section  
180 East Broad St., 6th Fl.  
Columbus, OH 43215  
[William.wright@puc.state.oh.us](mailto:William.wright@puc.state.oh.us)

Madeline Fleisher  
Environmental Law & Policy Center  
1207 Grandview Avenue, Suite 201  
Columbus, OH 43212  
[mfleisher@elpc.org](mailto:mfleisher@elpc.org)

Judi Sobecki  
The Dayton Power and Light Company  
1065 Woodman Drive  
Dayton, OH 45432  
[judi.sobecki@aes.com](mailto:judi.sobecki@aes.com)

Steven T. Nourse  
American Electric Power Service Corporation  
1 Riverside Plaza 29th Floor  
Columbus, Ohio 43215  
[stnourse@aep.com](mailto:stnourse@aep.com)

Joseph M. Clark  
Direct Energy  
Fifth Third Building  
21 East State Street, 19th Floor  
Columbus, OH 43215  
[joseph.clark@directenergy.com](mailto:joseph.clark@directenergy.com)

Samantha Williams  
Natural Resources Defense Council  
20 N. Wacker Drive, Suite 1600  
Chicago, IL 60606  
[swilliams@nrdc.org](mailto:swilliams@nrdc.org)

Gregory Price  
Mandy Willey  
Attorney Examiners  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, OH 43215  
[gregory.price@puc.state.oh.us](mailto:gregory.price@puc.state.oh.us)  
[mandy.willey@puc.state.oh.us](mailto:mandy.willey@puc.state.oh.us)

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Summary: Reply Reply Comments Of The Ohio Manufacturers' Association Energy Group  
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