

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Applications of:)
Solvay Advanced Polymers, L.L.C.,)
dba Solvay Specialty Polymers, and) Case No. 14-2296-EL-EEC
Kraton Polymers U.S. LLC, for)
Integration of Mercantile Customer) Case No. 14-2304-EL-EEC
Energy Efficiency or Peak-Demand)
Reduction Programs with Ohio Power)
Company.)

ENTRY

The attorney examiner finds:

- (1) R.C. 4928.01(A)(19) defines a mercantile customer as a commercial or industrial customer that consumes more than 700,000 kilowatt hours of electricity per year or that is part of a national account involving multiple facilities in one or more states. R.C. 4928.66 imposes certain energy efficiency and peak demand reduction requirements upon Ohio's electric distribution utilities, but also enables mercantile customers to commit their peak demand reduction, demand response, and energy efficiency (EEDR) programs for integration with an electric utility's programs in order to meet the statutory requirements. Ohio Adm.Code 4901:1-39-05(G) permits a mercantile customer to file, either individually or jointly with an electric utility, an application to commit the customer's demand reduction, demand response, and energy efficiency programs for integration with the electric utility's programs.
- (2) 2011 Am.Sub.S.B. No. 315, (S.B. 315) amended R.C. 4928.01(A)(40) and 4928.66 to include energy savings and demand reductions from combined heat and power (CHP) systems as EEDR programs that mercantile customers may choose to commit for integration with an electric utility's EEDR programs.

- (3) On July 17, 2013, the Commission adopted a pilot program (EEC Pilot) in Case No. 10-834-EL-POR to expedite the review and approval process for applications filed by mercantile customers under Ohio Adm.Code 4901:1-39-05(G), until such time as the provisions of the EEC Pilot can be codified in Ohio Adm.Code Chapter 4901:1-39. The EEC Pilot program is intended to simplify the application process through the use of a standard application template for mercantile customers who commit their programs for integration with an electric utility. The EEC Pilot program includes an automatic approval process whereby applications conforming to the standard template are deemed to be approved 60 days after filing, unless suspended or otherwise ordered by the Commission or an attorney examiner.
- (4) 2014 Sub.S.B. No. 310 (S.B. 310), which became effective on September 12, 2014, amended Ohio's renewable energy, and EEDR requirements. Among other changes, S.B. 310 modified R.C. 4928.64 and 4928.66 such that the 2014 renewable energy resource and energy savings benchmarks will remain in effect for 2015 and 2016, for electric utilities electing to file amended EEDR portfolio plans. Section 6 of S.B. 310 gave electric utilities the option of either continuing to implement their portfolio plans in effect on September 12, 2014, or to amend their portfolio plans to take advantage of the lower 2014 benchmark levels by filing applications with the Commission to amend their plans by October 12, 2014. Section 7(B) of S.B. 310 prohibits the Commission from taking any action in 2015 or 2016 with regard to any portfolio plan, except with respect to an application to amend an existing plan under Section 6(B) of S.B. 310, or with respect to actions necessary to administer the implementation of an electric utility's existing portfolio plan.
- (5) The EEDR Program portfolio plan of Ohio Power Company (AEP or utility) for the 2012-2014 period was approved by the Commission's March 21, 2012 Finding and Order in Case No. 11-5568-EL-POR. AEP elected not file an application to amend its portfolio plan pursuant to Section 6 of S.B. 310.

- (6) On December 22, 2014, Solvay Advanced Polymers, L.L.C., dba Solvay Specialty Polymers (Solvay), and Kraton Polymers U.S. LLC (Kraton) filed these applications, pursuant to Ohio Adm.Code 4901:1-39-05(G), to integrate the installation of their respective CHP systems with AEP's EEDR programs. Both applications are subject to a 60-day automatic approval under the EEC Pilot program unless suspended by order of the Commission or attorney examiner.
- (7) According to its application, Solvay's planned CHP system is a natural gas-fired cogeneration system to be installed at the customer's Marietta, Ohio plant. The Project's incremental capital cost of approximately \$34 million is expected to produce a net present value of \$6 million in savings over a 20-year life. In exchange for commitment of these savings, AEP has proposed to pay Solvay an annual incentive at \$0.005 per kWh for five years, beginning in 2015. These incentive payments are estimated to total \$289,025 per year, or \$1,445,125 over five years. AEP is also requesting that the Commission permit the Utility to split the project's shared savings between 2015 and 2016, and exempt 20 percent of the shared savings from the \$20 million annual shared savings cap established in Case No. 11-5568-EL-POR.
- (8) Kraton's application states that its planned Belpre Strategic Energy CHP Project includes replacement of two pulverized coal boilers with two steam boilers and a steam turbine generator at Kraton's Belpre, Ohio facility. The Project's incremental capital cost of approximately \$7.8 million is expected to produce a net present value of \$1.9 million in savings over a 20-year life. In exchange for commitment of these savings, AEP has proposed to pay Kraton an annual incentive at \$0.005 per kWh for five years, beginning in 2015. These incentive payments are estimated to total \$158,120 per year, or \$790,600 over five years. AEP is also requesting that the Commission permit the Utility to split the Project's shared savings between 2015 and 2016, and exempt 20 percent of the shared savings from the \$20 million annual shared savings cap established in Case No. 11-5568-EL-POR.

- (9) On January 12, 2015, the Industrial Energy Users-Ohio (IEU) moved to intervene in both cases, asserting that these proceedings may impact the price, adequacy, and reliability of electric service to IEU member facilities. IEU also filed comments objecting to approval of the shared savings provisions in these applications. IEU notes that both the Solvay and Kraton applications propose to split the energy and demand savings, as well as AEP's incentives, over two years (2015 and 2016), due to the size and impact of the projects. IEU opposes the shared savings proposal in both applications, arguing that such proposals constitute amendments to AEP's portfolio plan to increase its compensation for shared savings. IEU contends that Section 7(B) of S.B. 310 prohibits the Commission from taking any action in 2015 or 2016 with regard to any portfolio plan except with respect an application to amend an existing portfolio plan under Section 6(B) of S.B. 310, or with respect to actions necessary to administer the implementation of the existing portfolio plan. IEU argues that the instant applications do not fall within the latter exception, but actually constitute amendments of AEP's portfolio plan that were not timely filed in accordance with Section 6(B) of S.B. 310. Therefore, IEU insists, the Commission must reject AEP's shared savings proposals in both applications. IEU asserts that any increase in AEP's compensation for shared savings would directly affect those IEU members that were ineligible to opt out of AEP's amended portfolio plan on January 1, 2015.
- (10) On February 5, 2015, the Ohio Manufacturers' Association Energy Group (OMA) also moved to intervene in both cases, asserting that these cases may affect its members who pay costs associated with AEP's portfolio plan. OMA also filed comments in both proceedings objecting to the half cent per kWh incentive rate for both CHP systems, arguing that such rate is lower than rates paid in other states or under AEP's other programs. OMA recommends that the Commission raise the incentive rate to \$0.007 per kWh for both CHP projects, and direct AEP to develop a plan to include the CHP capacity in its PJM bid, in concert with the AEP EE

collaborative. OMA also echoes IEU's argument that the Commission should deny AEP's request to recover shared savings in 2015 and 2016 that exceed the caps under the Utility's approved portfolio plan established in Case No. 11-5568-EL-POR.

- (11) On February 10, 2015, AEP filed its reply to the objections of IEU and OMA. AEP rejects OMA's assertion that the incentive rate is too low, given that the joint applicants in both cases have already agreed to the \$0.005 per kWh rate. AEP also refutes OMA's suggestion that it be required to bid the demand reductions from these CHP Projects into the PJM capacity auctions, as AEP is not required to do so under its current approved portfolio plan. Finally, AEP maintains that the proposed treatment of shared savings in these applications is permitted. AEP argues that these CHP Projects are Custom Programs covered under the Utility's existing portfolio plan, and do not constitute amendments. AEP asserts that all costs associated with these CHP programs will be recovered as part of the approved Custom Program costs for AEP's plan that is being extended for 2015 and 2016.
- (12) As IEU and OMA have set forth reasonable grounds for intervention in these proceedings, pursuant to R.C. 4903.221 and Ohio Adm.Code 4901-1-11, their motions for intervention should be granted. Further, as these applications present novel issues with respect to the integration of their CHP systems under S.B. 315 and S.B. 310, the 60-day automatic approval process for these applications should be suspended to allow further review of the issues raised by the parties.

It is, therefore,

ORDERED, That the motions of IEU and OMA to intervene in these proceedings be granted. It is, further,

ORDERED, That the automatic approval process established under the EEC Pilot program be suspended for these applications. It is, further,

ORDERED, That a copy of this Entry be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

s/Richard Bulgrin

By: Richard M Bulgrin
Attorney Examiner

SEF/sc

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in

Case No(s). 14-2296-EL-EEC, 14-2304-EL-EEC

Summary: Attorney Examiner Entry granting the motions of IEU and OMA to intervene in these proceedings and suspending the automatic approval process established under the EEC Pilot program for these applications. - electronically filed by Sandra Coffey on behalf of Richard Bulgrin, Attorney Examiner, Public Utilities Commission of Ohio