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 Kraton Polymers U.S. LLC, for Integration of Mercantile Customer Energy Efficiency or Peak Demand Reduction Programs with Ohio Power Company.	)))))))	Case No. 14-2296-EL-EEC Case No. 14-2304-EL-EEC

COMMENTS OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP

I. INTRODUCTION

On December 22, 2014, Ohio Power Company (AEP or the Company) filed two joint applications (collectively, Applications) with the Public Utilities Commission of Ohio (Commission) pursuant to Rule 4901:1-39-05(G), Ohio Administrative Code (O.A.C.), for approval of a special arrangement related to combined heat and power (CHP) projects. The first application (Solvay Application) pertains to a special arrangement wherein Solvay[1] has agreed to commit the resources from its planned CHP system to AEP for its compliance with the energy efficiency benchmarks set forth in Section 4928.66, Revised Code. Like the first application, the second application (Kraton Application) pertains to a special arrangement wherein Kraton[2] has agreed to commit the resources from its planned combined heat and power (CHP) system to AEP for energy efficiency compliance purposes. Both Applications were subject to the 60-day automatic approval process under the pilot program adopted by the Commission in Case No. 10-834-EL-EEC, unless suspended by the Commission or an attorney examiner.

[1] Solvay is a mercantile customer as defined in Section 4928.01(A)(19), Revised Code.

[2] Kraton is a mercantile customer as defined in Section 4928.01(A)(19), Revised Code.

The Industrial Energy Users-Ohio (IEU-Ohio) and the Ohio Manufacturers' Association Energy Group (OMAEG) respectively filed motions to intervene and comments on the Applications in January and February 2015. By entry issued in both cases on February 20, 2015, the attorney examiner granted the motions to intervene filed by IEU-Ohio and OMAEG and suspended the applicable 60-day automatic approval process for both Applications.

On March 16, 2015, the attorney examiner issued an entry explaining that the Applications "do not appear to involve any dispute as to the material facts contained therein, but do raise novel issues with respect to the integration of their CHP systems under 2012 Am.Sub.S.B. No. 315 and 2014 Sub.S.B. No. 310[.]" Accordingly, the attorney examiner directed the parties to file comments regarding the policy issues to be considered by the Commission in the above-captioned cases. Pursuant to that request, OMAEG offers the following comments on the policy issues implicated by the integration of Solvay and Kraton's CHP systems into AEP's peak demand reduction, demand response, and energy efficiency programs (EEPDR) under 2012 Am.Sub.S.B. No. 315 and 2014 Sub.S.B. No. 310.

II. COMMENTS

A. Particulars of the Applications

1. Description of projects to be integrated into AEP's EEPDR Programs.

As detailed in the Applications, Solvay and Kraton have agreed to commit their "prospective planned CHP System electricity generation" to AEP's "energy efficiency and peak demand reduction requirements."[3] The prospective planned Kraton CHP System includes a steam turbine generator system with an incremental capital cost of approximately $7.8 million,[4] with an

[3] See generally, Kraton Application and Solvay Application.

[4] See Kraton Application, Exhibit 2 at Paragraphs 2, 3.

expected savings to Kraton over the 20-year life of the project amounting to $1.9 million per year.[5] In exchange for Kraton's commitment, AEP has committed to make annual incentive payments to Kraton for five years, beginning in 2015, at $0.005 per kWh.[6] Such incentive payments are estimated to amount to $158,120 per year, with the five-year incentive payment total estimated at $790,600.[7] For Solvay, the prospective planned CHP System is described as a natural gas-fired cogeneration plant with an incremental capital cost of approximately $34 million.[8] The expected savings to Solvay over the 20-year life of the project amount to $6 million, net present value.[9] In exchange for Solvay's commitment, AEP has committed to make annual incentive payments to Solvay for five years, beginning in 2015, at $0.005 per kWh.[10] Such incentive payments are estimated to amount to $289,025 per year, with the five-year total estimated at $1,445,125.[11]

2. AEP's requests regarding counting and shared savings resulting from the CHP projects.

AEP requested that the Commission permit the Company to split the EE savings resulting from the Kraton and Solvay CHP projects between 2015 and 2016. Further, AEP requested that the Commission (1) affirm that the Company may collect shared savings as a result of this project;[12] (2) permit the Company to split the shared savings from the project between 2015 and 2016;[13] and (3) exempt twenty percent of the shared savings calculated from the project from the $20 million annual shared savings cap negotiated in Case No. 11-5568-EL-POR, thereby

[5]Id. at Paragraphs 3, 4.

[6]Id. at Paragraph 13.

[7] Id.

[8] See Solvay Application, Exhibit 2 at Paragraphs 2, 3.

[9] Id. at Paragraphs 3, 4.

[10]Id. at Paragraph 13.

[11] Id.

[12] See generally, Kraton Application and Solvay Application.

[13] Id.

permitting the Company to collect shared savings above the $20 million threshold limitation for 2015 and 2016.[14]

B. 2012 Am.Sub.S.B. No. 315.

2012 Am.Sub.S.B. No. 315 (SB 315), effective September 10, 2012, adopted, inter alia, several provisions promoting CHP and waste energy recovery (WER) into Ohio law. Among those provisions, SB 315 amended Section 4928.66, Revised Code, in pertinent part (underlined), as follows:

> Sec. 4928.66. (A)(1)(a) Beginning in 2009, an electric distribution utility shall implement energy efficiency programs that achieve energy savings equivalent to at least three-tenths of one per cent of the total, annual average, and normalized kilowatt-hour sales of the electric distribution utility during the preceding three calendar years to customers in this state. *An energy efficiency program may include a combined heat and power system placed into service or retrofitted on or after the effective date of the amendment of this section by S.B. 315 of the 129th general assembly*, or a waste energy recovery system placed into service or retrofitted on or after the same date, except that a waste energy recovery system may be described in division (A)(38)(b) of section 4928.01 of the Revised Code may be included only if it was placed into service between January 1, 2002, and December 31, 2004. *For a waste energy recovery or combined heat and power system, the savings shall be as estimated by the public utilities commission.*
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> (2)(c) *Compliance with divisions (A)(1)(a) and (b) of this section shall be measured by including the effects of* all demand-response programs for mercantile customers of the subject electric distribution utility*, all waste energy recovery systems and all combined heat and power systems, and all such mercantile customer-sited energy efficiency, including waste energy recovery and combined heat and power*, and peak demand reduction programs, adjusted upward by the appropriate loss factors. *Any mechanism designed to recover the cost of energy efficiency, including waste energy recovery and combined heat and power*, and peak demand reduction programs under divisions (A)(1)(a) and (b) of this section *may exempt mercantile customers that commit their demand-response or other customer-sited capabilities, whether existing or new, for integration into the electric distribution utility's demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction*

[14]Id.

> *programs, if the commission determines that that exemption reasonably encourages such customers to commit those capabilities to those programs.*
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> * * *
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> (d) *Programs implemented by a utility may include* demand-response programs, smart grid investment programs, provided that such programs are demonstrated to be cost-beneficial, *customer-sited programs, including waste energy recovery and combined heat and power systems,* and transmission and distribution infrastructure improvements that reduce line losses. *Division (A)(2)(c) of this section shall be applied to include facilitating efforts by a mercantile customer or group of those customers to offer customer-sited demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction capabilities to the electric distribution utility as part of a reasonable arrangement submitted to the commission pursuant to section 4905.31 of the Revised Code.*

(Emphasis, as designated in italics, added). Generally, SB 315 designated that a CHP system, with certain designated restrictions, may be a part of an electric distribution utility's (EDU) energy efficiency program, and that the savings from a CHP system may be counted toward an EDU's compliance with Ohio's EEPDR benchmarks. Further, SB 315 directs that efforts to integrate customer-sited mechanisms designed to recover the cost of energy efficiency, including waste energy recovery and combined heat and power, be facilitated.

SB 315 makes it clear that CHP is a valuable resource for use in EDUs' portfolio plan compliance obligations and to Ohio's energy future. Since September 10, 2012, the date of enactment of SB 315, CHP savings have been available, under the law, as a compliance option for EDUs to use in satisfying their portfolio plan obligations. Further, the general assembly indicated, in the text of SB 315, its desire to facilitate efforts by mercantile customers to offer their combined heat and power capabilities to an EDU. As such, allowing CHP programs to be included and incentivized under AEP's EEPDR program is appropriate and encouraged by SB 315.

C. 2012 Am.Sub.S.B. No. 310.

2014 Sub.S.B. No. 310 (SB 310), effective September 12, 2014, adopted a number of changes to the portfolio plan requirements for Ohio EDUs. Among those provisions, SB 310 prescribes guidelines for EDUs to amend their portfolio plans. As an initial matter, under SB 310, the Commission may not take any action with regard to any portfolio plan or application regarding a portfolio plan, except those actions that are expressly authorized pursuant to SB 310. Those include continuing to implement the EDU's current portfolio plan with no amendments through 2016, or filing an application to amend the plan by October 13, 2014. The Commission may also take actions necessary to administer the implementation of existing portfolio plans pursuant to SB 310.

AEP did not file an application to amend its portfolio plan prior to October 13, 2014; thus, the portfolio plan that was approved by the Commission in Case No. 11-5568-EL-POR continues to be effective, without any amendments, through 2016.

AEP's EEPDR plan may properly include CHP projects, pursuant to the language adopted in SB 315 in 2012. AEP's plan does not need to be amended to include such projects. Utilizing the savings obtained through a CHP system, or authorizing a process by which such savings may be incorporated for EDUs' use in meeting their compliance obligations, similarly does not constitute an amendment of a portfolio plan under SB 310. Implementing (as a means to meet its compliance obligations) a mechanism by which a mercantile customer may commit to an EDU savings from its CHP system and, in the process, may be incentivized, may be best interpreted as an action necessary to administer the implementation of an existing portfolio plan, as described in SB 310. Neither the authorization of a new resource nor any changes to the plan itself are necessary.

In contrast, however, the request advanced by AEP in the above-captioned cases, that the Commission permit the Company to exempt twenty percent of the shared savings calculated from the Kraton and Solvay CHP projects from the $20 million annual shared savings cap negotiated and approved in Case No. 11-5568-EL-POR,[15] thereby permitting the Company to collect shared savings above the $20 million limitation for 2015 and 2016, does necessitate an amendment of AEP's portfolio plan. An examination of the AEP portfolio program approved in Case No. 11-5568-EL-POR reveals that the Commission approved, for 2012 through 2014, a portfolio program negotiated by the parties that imposed a $20 million annual cap on shared savings for each corresponding year of the plan.[16] In accordance with SB 310, if AEP intended to amend its portfolio plan, including increasing its annual shared savings caps, for the period beginning at the expiration of the portfolio plan approved in Case No. 11-5568-EL-POR through 2016, it was required to file an application to amend its portfolio plan prior to October 13, 2014. AEP did not file such an application; therefore, the $20 million annual shared savings cap approved in Case No. 11-5568-EL-POR continues to apply through the end of 2016.

AEP's request to permit it to exceed its shared savings cap in 2015 and 2016 in conjunction with any shared savings that may be awarded pursuant to the Kraton Application and Solvay Application would unequivocally (despite AEP's representations) cause a deviation from the presently-approved AEP portfolio plan. As such, a timely application to amend the plan should have been submitted prior to October 13, 2014. Because no such application was submitted, AEP must continue to implement its approved portfolio plan, which does not permit AEP to exceed the $20 million annual cap on shared savings.

[15] *In the Matter of the Application of Columbus Southern Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration*, Case No. 11-5568-EL-POR, et al., Opinion and Order at 8 (March 21, 2012).
[16] Id.

Further, a determination, at this juncture, that a commitment of the savings associated with a CHP system to an EDU, through means of an incentive program, constitutes the amendment of an EDU's portfolio plan would frustrate the purpose of the general assembly in enacting SB 315.

D. <u>Proper incentive level for commitment of savings from a CHP project to an EDU</u>.

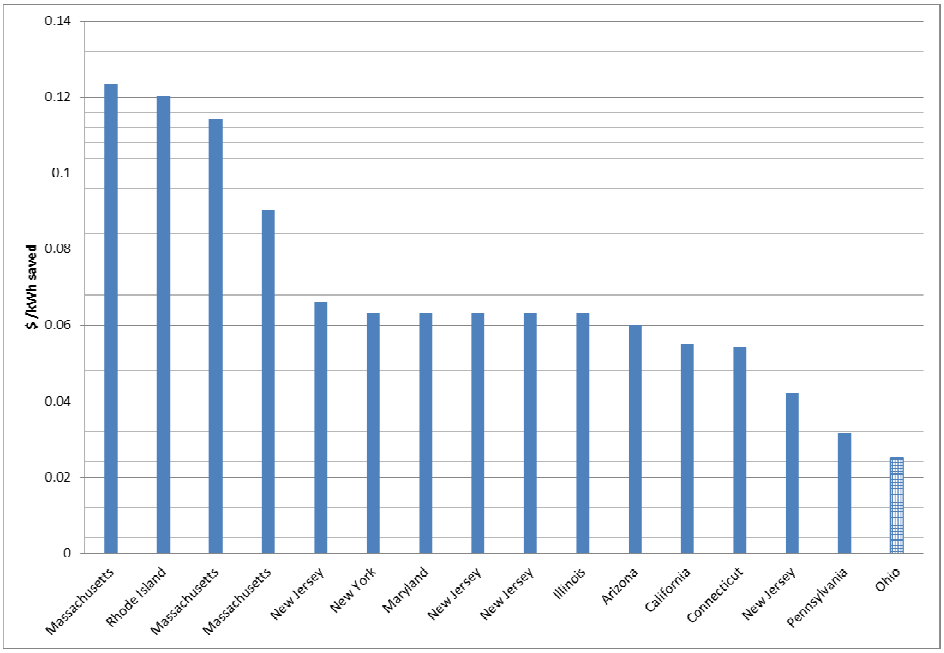
As discussed above, Section 4928.66(A)(2)(c), Revised Code, as revised by SB 315, specifies that "any mechanism designed to recover the cost of energy efficiency, including waste energy recovery and combined heat and power . . . may exempt mercantile customers that commit their demand-response or other customer-sited capabilities, whether existing or new, for integration into the electric distribution utility's demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction programs, *if the commission determines that that exemption reasonably encourages such customers to commit those capabilities to those programs.*" (Emphasis added). As OMAEG discussed in comments previously submitted to the Commission in both of the above-captioned cases, the incentive level included in the Applications under consideration is not sufficient enough to fairly and reasonably encourage commitment of customer-sited CHP capabilities to EDUs as encouraged by SB 315. The Commission should promote CHP projects and establish the proper incentives to do such, regardless of an agreement that one particular customer may have entered into with a utility. OMAEG incorporates certain of its previously-advanced comments infra to demonstrate this problem.

1. AEP's offered incentive is lower than utility CHP program incentives nationally.

A comparison of CHP program incentives for 12 states is shown infra in Figure 1.1. Many CHP programs across the nation incentivize projects on a per kW basis, or with a mix of kW and kWh-based incentives. Most programs additionally impose a cap on the total incentive a

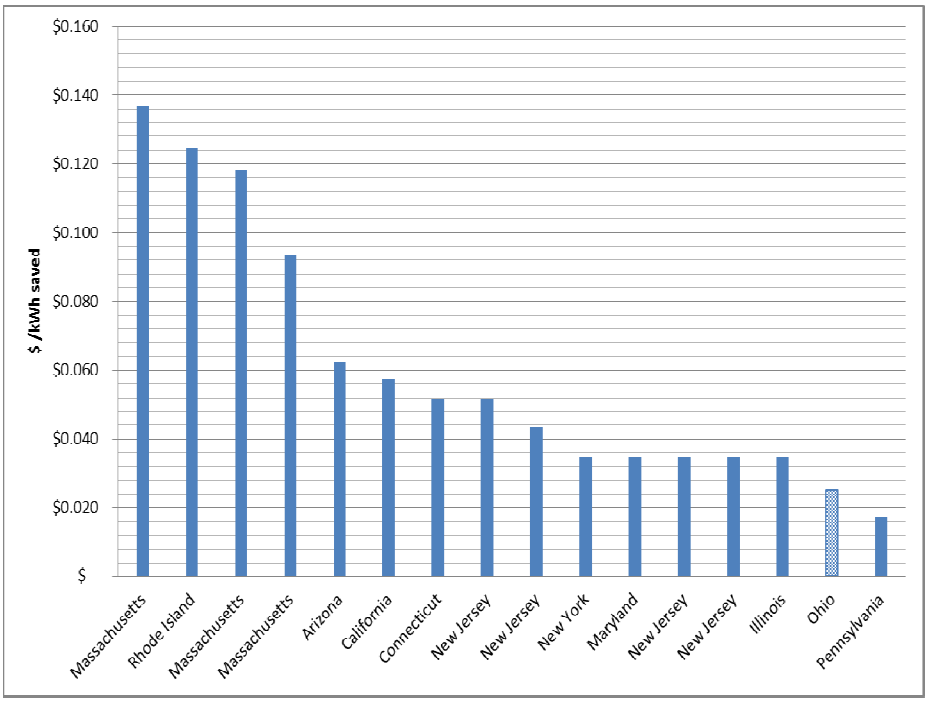
customer may receive from its CHP project. Figures 1.1 and 1.2 show the nominal incentive for 12 different states, on a dollars per kWh basis (incorporating kW incentives and incentive caps), for a project with the same kW and kWh savings as the Kraton CHP project and the Solvay CHP project, respectively. Noticeably, in both Figures, AEP's proposed incentive renders Ohio CHP incentives significantly different than those offered in nearly every other state.

Figure 1.1: CHP Project Incentives for Projects of a Similar Size as the Kraton CHP Project on a $/kWh Basis[17]



[17]For values included in Figure 1.1, see the following: https://www.nationalgridus.com/non_html/DG_CHP_Seminar.pdf (Rhode Island); http://www.masssave.com/~/media/Files/Business/Applications-and-Rebate-Forms/A-Guide-to-Submitting-CHP-Applications-for-Incentives-in-Massachusetts.pdf (Massachusetts); http://www.energizect.com/businesses/programs/Combined-Heat-Power (Connecticut); http://www.swgasliving.com/sites/default/files/F915-09%20Arizona%20Smarter%20Greener%20Better%20Distributed%20Generation%20Program%20Rebate%20Application%20_0.pdf(Arizona);https://www.nyserda.ny.gov/Funding-Opportunities/Current-Funding-Opportunities/PON-2701-Combined-Heat-and-Power-Performance-Program (New York); http://www.bgesmartenergy.com/chp, https://cienergyefficiency.delmarva.com/CombinedHeat.aspx (Maryland); http://www.illinois.gov/dceo/whyillinois/KeyIndustries/Energy/Documents/Final_RFA%20CHP%20Guidelines%207-7-14.pdf (Illinois); https://www.pplelectric.com/save-energy-and-money/rebates-and-discounts/business-and-nonprofit/custom-rebates.aspx (Pennsylvania).

Figure 1.2: CHP Project Incentives for Projects of a Similar Size as the Solvay CHP Project on a $/kWh Basis[18]



The results demonstrated in Figures 1.1 and 1.2 suggest that, if approved without modification, the incentive AEP has proposed for the Kraton and Solvay CHP projects could set an expectation for CHP-related incentives in Ohio at a level lower than what is typically needed for CHP projects to develop robustly.

Although Kraton and Solvay have agreed to the $0.005/kWh incentive proposed by AEP, the fact that consideration of the applicable incentive for commitment of CHP energy efficiency

[18]For values included in Figure 1.1, see the following:
https://www.nationalgridus.com/non_html/DG_CHP_Seminar.pdf (Rhode Island);
http://www.masssave.com/~/media/Files/Business/Applications-and-Rebate-Forms/A-Guide-to-Submitting-CHP-Applications-for-Incentives-in-Massachusetts.pdf (Massachusetts);
http://www.energizect.com/businesses/programs/Combined-Heat-Power (Connecticut);
http://www.swgasliving.com/sites/default/files/F915-09%20Arizona%20Smarter%20Greener%20Better%20Distributed%20Generation%20Program%20Rebate%20Application%20_0.pdf(Arizona);https://www.nyserda.ny.gov/Funding-Opportunities/Current-Funding-Opportunities/PON-2701-Combined-Heat-and-Power-Performance-Program (New York);
http://www.bgesmartenergy.com/chp, https://cienergyefficiency.delmarva.com/CombinedHeat.aspx (Maryland);
http://www.illinois.gov/dceo/whyillinois/KeyIndustries/Energy/Documents/Final_RFA%20CHP%20Guidelines%207-7-14.pdf (Illinois); https://www.pplelectric.com/save-energy-and-money/rebates-and-discounts/business-and-nonprofit/custom-rebates.aspx (Pennsylvania).

resources is an issue of first impression for the Commission warrants serious deliberation about the appropriate incentive level for CHP systems in Ohio generally. Because the level of incentive agreed upon by Kraton/AEP and Solvay/AEP is far below that offered in other similarly situated states, OMAEG suggests that the Commission consider ordering an increased incentive of $0.007/kWh saved, over the five-year term of the arrangement, such that the incentive expectation in Ohio is commensurate with that available in Illinois, New Jersey, Maryland, and New York. Adopting an incentive level of $0.007/kWh saved for CHP savings would yield more robust CHP development in Ohio as envisioned by SB 315. Otherwise, the low incentive may set an expectation that impedes the continued development of CHP projects in AEP's territory and throughout Ohio.

2. The incentive AEP has offered to Kraton and Solvay is significantly less than the Company's incentive from other projects.

As discussed previously, AEP has requested that the Commission permit 20% of the shared savings that the Company would collect pursuant to approval of the project to exceed its $20 million stipulated annual cap on shared savings. AEP lists the total shared savings it would collect pursuant to the Kraton project to be $3,418,023.[19] The total incentive it is offering to Kraton is $790,600.[20] Ratepayers will receive a net-benefit of $26.3 million over 20 years, according to the application, minus the collective $4.2 million in incentives for the manufacturer and the utility.

For the Solvay project, AEP lists the total shared savings it would collect to be $6,293,625.[21] The total incentive it is offering to Solvay is $1,445,125.[22] Ratepayers will receive

[19] Kraton Application Exhibit 3.

[20] Kraton Application Exhibit 2, Paragraph 13.

[21] Solvay Application Exhibit 3.

[22] Solvay Application Exhibit 2, Paragraph 13

a net-benefit of $48.4 million over 20 years, according to the Application,[23] minus the collective $7.7 million in incentives for the manufacturer and the utility. While the savings to ratepayers in both cases exceed the costs, the mismatch between the shared savings incentive that accrues to AEP and the far lower incentive paid to the customer is untenable. The gap in the incentive levels received by the manufacturer and the utility should be narrowed, with the funding for the increase in manufacturer incentives coming from the utility's portion of the incentives.

AEP argues that allowing it to exceed its shared savings cap would "encourage the Company to pursue" additional CHP opportunities with its customers.[24] AEP thus explicitly acknowledges that incentives motivate and make a difference in the Company's decision to develop CHP. Of course, this same logic applies to a customer that hosts a CHP system and pays for the vast majority of its capital costs. As demonstrated in the above figures, AEP's offered incentive is low in comparison to other utility CHP programs, and to its own programs. It is not logical to believe that offering AEP incentives in excess of previously negotiated annual shared savings caps, but offering customers hosting CHP systems incentives at levels lower than what is typically needed for CHP projects to develop robustly, would produce more CHP projects in Ohio. For this reason, OMAEG requests that the Commission consider increasing the CHP project incentive to $0.007/kWh saved from the currently offered $0.005/kWh saved. The additional $0.002/kWh saved should be funded by the incentives received by the utility for the CHP projects rather than ratepayers. This adjustment would increase the total 5-year incentive to $0.035/kWh saved, which is commensurate with the incentives offered by Illinois, New Jersey, Maryland, and New York. Because it is still unclear whether incentives awarded at the level OMAEG has proposed will appropriately incentivize manufacturers to implement CHP projects,

[23] See Solvay Application Exhibits 4a and 4b.

[24] See, e.g., Kraton Application at 8.

OMAEG also recommends that the Commission schedule a technical workshop in 12 months to evaluate the incentive mechanism.

E. AEP should be required to an action plan to have the CHP capacity reduction counted for its capacity bid at PJM.

According to the Applications, the Kraton CHP system will result in a permanent demand reduction of 3.8MW and 31,624MWh/year in energy savings, and the Solvay CHP system will result in a permanent demand reduction of 7.2 MW and 57,805 MWh/year in energy savings.[25] The energy and demand reduction from these projects will likely displace other sources of energy efficiency from smaller custom and prescriptive projects. A key component of AEP's approved energy efficiency portfolio is the requirement to bid a percentage of the resulting permanent demand reduction into PJM's capacity auctions. Bidding the permanent demand reduction into PJM's capacity auctions has two important effects for manufacturers and other consumers. First, PJM pays for this resource at the auction clearing price the same as it would any other capacity resource. Second, EE capacity is typically bid into PJM auctions at a lower cost than other capacity resources, which results in price suppression. The resulting price suppression creates cost savings for all of Ohio's ratepayers, which should be factored into the total system cost savings calculated in the Utility Cost Test, which in turn affects a utility's claim on shared savings.

CHP projects produce a behind-the-meter reduction in demand, the same as many other EE projects, and therefore, AEP should be required to bid the resources into PJM. If responsibility for bidding the CHP capacity resource associated with the project into PJM belonged to Kraton and Solvay, the ownership of the capacity reduction would likely also have remained with Kraton and Solvay. Under that scenario, the Applications submitted for Commission approval would be

[25] See Kraton Application Exhibit 3 and Solvay Application Exhibit 3.

classified as mercantile self-direct applications, on which AEP may not collect shared savings.[26] However, because AEP has qualified this application as part of its Custom Program, and has requested to collect shared savings, AEP is therefore responsible for producing a viable plan for PJM to make the Kraton and Solvay CHP projects eligible as energy efficiency projects. Accordingly, the Commission should direct AEP to develop a plan to include CHP demand reduction among its energy efficiency capacity resources.

III. CONCLUSION

As discussed herein, the provisions of SB 315 and SB 310 have an impact on the issues under consideration in the above-captioned cases. SB 315 prescribed that a CHP system may be a part of an EDU's energy efficiency program, that the savings from a CHP system may be counted toward an EDU's compliance with Ohio's EEPDR benchmarks, and that efforts to integrate customer–sited mechanisms designed to recover the cost of energy efficiency, including waste energy recovery and combined heat and power, should be facilitated. SB 310 adopted a number of changes to the portfolio plan requirements for Ohio EDUs and imposed a requirement that if, pursuant to the bill's other provisions, an EDU wished to amend its then-approved portfolio plan, it needed to file an application to do so prior to October 13, 2015.

Although specific methods of incentivizing the commitment of CHP savings to EDUs were not designated or approved at the time that SB 310 was approved, CHP was a qualified a resource for purposes of SB 310 at the time of its adoption because of its integration into Chapter 4928, Revised Code, through SB 315. Accordingly, incorporating a method by which customer-sited

[26] See *In the Matter of the Applications of Columbus Southern Power Company and Ohio Power Company for Approval of their Program Portfolio Plans and Request for Expedited Consideration*, Case No. 11-5568-EL-POR, et al., Opinion and Order at 9 (March 21, 2012) ("the Companies will not receive any shared savings for the Self Direct program").

CHP savings may be committed to an EDU and thereby incentivized represents an action necessary to administer the implementation of existing portfolio plans, which is permissible **w**ithout an amendment under SB 310. In contrast, AEP's request to exceed the annual shared savings caps negotiated by the parties and approved by the Commission in Case No. 11-5568-EL-POR requires an amendment to AEP's portfolio plan. AEP did not file such an amendment prior to October 13, 2014, as SB 310 required. Therefore, AEP's request under consideration in these cases to exceed the shared savings caps delineated in its currently approved portfolio plan may not be properly considered or approved under SB 310, and AEP must necessarily continue to comply with the $20 million annual cap approved in Case No. 11-5568-EL-POR.

Further, OMAEG believes that for robust implementation of CHP technologies to occur, manufacturers must receive fair incentives. The incentive AEP has offered in the Applications under consideration by the Commission is too low and is out of line with the incentives offered by other electric distribution utilities for CHP resources nationwide. Accordingly, OMAEG requests that the Commission consider increasing the incentive to $0.007/kWh saved, to be applied during the five-year term of the arrangement, with the additional $0.002/kWh saved incentive awarded to the manufacturer coming from the EDU's incentive for the project. This approach evens the playing field between customers committing their CHP resources to EDUs, and does not oblige other customers to pay for the increased incentive levels.

Finally, AEP has not included in its Applications a plan for incorporating the capacity reduction from CHP into the Company's EE capacity resource bid into PJM's capacity auctions. As discussed above, the PJM capacity revenue potential associated with the proposed CHP system more than exceeds the amount necessary to cover the incentive increase proposed by OMAEG. OMAEG respectfully submits that the remainder of the PJM payment should be

passed through to customers in order to lower program costs. OMAEG therefore respectfully requests that the Commission direct AEP to develop a plan, in concert with the AEP energy efficiency collaborative, to include the CHP capacity in its PJM bid.

Respectfully submitted,

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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 April 13, 2015.

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Summary: Comments of the Ohio Manufacturers' Association Energy Group electronically filed by Ms. Rebecca L Hussey on behalf of OMAEG