BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of Ohio Power Company and Solvay Specialty Polymers for Approval of a Special Arrangement Agreement	))))	Case No. 14-2296-EL-EEC
In the Matter of the Joint Application of Ohio Power Company and Kraton Polymers U.S. LLC for Approval of a Special Arrangement Agreement	))))	Case No. 14-2304-EL-EEC

JOINT COMMENTS OF SOLVAY SPECIALTY POLYMERS, AND OHIO POWER COMPANY IN COOPERATION WITH KRATON POLYMERS U.S. LLC,IN RESPONSE TO THE COMMISSION'S MARCH 16, 2015 ENTRY

On March 16, 2015 the Administrative Law Judge (ALJ) in this proceeding issued an entry suspending the automatic approval of the Solvay Specialty Polymers ("Solvay") and Kraton Polymers U.S. LLC ("Kraton") applications filed in these dockets. The ALJ sought comments regarding the policy issues to be addressed in the cases. On April 13, 2015 comments were filed by the Ohio Manufacturers' Association Energy Group (OMA), the Industrial Energy Users-Ohio (IEU), a collection of environmental groups filing as one (The Ohio Environmental Council, Natural Resource Defense Council, Environmental Law & Policy Center, and Environmental Defense Fund, collectively "Environmental Advocates") and the Applicants Kraton, Solvay and Ohio Power Company (collectively Applicants). The ALJ instructed interested parties to comment on those initial comments by April 27, 2015. Please find the attached responsive comments on behalf of Solvay, and Ohio Power Company. A copy of these comments were also provided to Kraton who authorized filing on its behalf but also indicated it would be filing its own individual set of comments. (all collectively referred to as "Joint Parties.")

The Joint Parties reference and incorporate the filings made on their behalf to date as many of the topics relate to the same subject matter. However, in line with the process requested from the ALJ, the Joint Parties offer the attached responses to the arguments enumerated specifically in the April 13, 2015 comments.

LEVEL OF INCENTIVES:

OMA and the Environmental Advocates spend a significant amount of space in their respective comments discussing the sufficiency of the incentive already bargained between the Joint Parties. OMA asserts the level of incentive is not sufficient to encourage future CHP, that the Commission should establish a "proper incentive," that there is an issue that the incentives agreed to by Joint Parties is lower than 10 other states, and that the incentive is lower than other Company programs. (OMA @ 8-11.) The Environmental Advocates also ignore the meeting of the minds of the industry participants and argue the incentive is too low, that the incentive is based on a behavioral metric, that the Commission should raise the incentive level to attract other developments through a tiered incentive and greater upfront incentives. (Environmental Advocates @ 3-8 in their respective comments.) OMA's and the Environmental Advocates' criticisms are misplaced and centered on theory versus the real-world interaction and joint efforts of a utility and the two different customers investing and developing CHP here in Ohio.

First and foremost, the Intervenor arguments that the incentives are unrealistic and insufficient to serve as an incentive ignores the greatest evidence available that there are two customers implementing a CHP project at the incentive level complained of in the comments. The presentation of an argument that the incentives are inadequate is belied by actual multiple customer actions. Two intelligent and capable customers developed CHP projects working with

Ohio Power and negotiated an acceptable incentive to dedicate the benefit of that program to Ohio Power and its customers as a custom program under the Commission approved structure. This is exactly how incentives for a custom project should be developed. A third party critique not involved in the project and unaware of the Ohio Power-specific issues should not step in to assert the deal already established is inadequate for it as an uninvolved entity.

The Environmental Advocates further assume in error that the incentive is based on a behavioral metric. The incentive agreed to between the parties is in line with that provided previously for other extremely large and highly cost effective energy efficiency projects. Typically, the incentive amount per kWh for large projects is effectively capped by tiering and lowering it as the annual energy savings increases. In the latest energy efficiency auction held, the largest projects typically received the lowest incentive amount per kWh. This is done to also ensure that extremely large projects don't take the majority of the incentive budgets available in a given year, thereby limiting available incentives for other customers' projects. Also, the Environmental Advocates have mistakenly assumed that Ohio Power is associating CHP projects with behavioral activities by customers. Ohio Power agrees that CHP projects are not the same as typical behavioral programs. The Environmental Advocates also have entirely misunderstood the financial factors the customers must consider to move forward with projects. The utility cost net benefits only consider the costs the utility incurs in justifying the projects. The customer must consider the entire cost of the project in making their financial decision as well as critical future estimates of ongoing costs. The incentives are critical and significant in helping assure the financial viability of both projects.

There should be no concern about any precedent set by the Commission approval of the incentives in these cases. These are custom program projects free of precedent. The facts are

limited to these customers, under these circumstances, at this time, and the resulting incentive level for these particular projects. Any future projects or CHP additions in Ohio will have to justify themselves and be open for full Commission consideration. If anything, approval of what the customers and utility have worked out will show that Ohio is open for business and respects the deals reached by industry participants. A change from a deal supported by all the parties involved will indicate that Ohio will tinker with deals reached because of arguments by non-participating parties and their preferences as trade associations and interest groups. The customers providing the programs and the utility incentivizing the action are satisfied with the incentive level and the Commission need not raise that in any manner to placate the theoretical arguments of non-participating entities.

Further, Ohio Power has made it abundantly clear that these incentive levels are not to be perceived as setting a precedent for all future CHP projects. Until the Commission determines otherwise, each project should stand alone and many considerations should be included in setting an appropriate incentive, including the customer's financial considerations and the available incentive budgets and the ability of Ohio Power to administer the approved Plan budget in a manner that allows the most customer participation and keeps overall costs as low as possible for all customers. Ohio Power has proposed a solution in these cases that meets all those criteria and does so within the current approved Plan and Stipulation, while maintaining the flexibility and availability of crafting individual custom program solutions with customers and allowing the maximum customer participation in the next two years for other potential CHP projects.

These custom program offerings are a success and the level of incentive is based on the program before the Company and the Commission. The Environmental Advocates use part of its comments to seek Commission action on rules discussed in the 12-2156-EL-ORD docket. That

case can speak for itself and the real customers submitting custom programs in this case should not be held hostage to disparate comments in an unsettled rulemaking case. Simply put, there is no need to create a rulemaking out of this case. This case is about a good relationship between Ohio Power and its strong customers at Solvay and Kraton. The Commission should take steps to not allow third parties to disincentivize customers to develop custom projects at risk of being stuck in an unnecessary policy debate when all the parties involved agree.

SHARED SAVINGS:

OMA also shares an argument misapplying the underlying purpose of incentives and shared savings arguing that that there is a mismatch between the two under this custom program. (OMA @ 11-12.) OMA appears to argue that the level of incentive to bring a customer to the table as part of a program cost should be a byproduct of the shared savings created by the project. Such an argument presupposes that the energy efficiency programs are funded by shared savings. That is not the case. The shared savings associated with the energy efficiency programs are a benefit of the implementation of the program beyond the underlying public policy purpose of requiring such programs. As a result the shared savings level retained by a utility is a negotiated benefit approved by the Commission.

OMA's cavalier recommendation to undo the Commission's prior approval as a means of funding its theoretical argument related to incentive levels is inappropriate and undermines the Commission order establishing the system already set up in Ohio Power's territory. Shared savings have a purpose and program costs in the way of incentives for custom programs have a purpose in the application of an energy efficiency portfolio. Conflating the two for a result oriented goal of undermining a deal already reached between a utility and customers is

inappropriate and should be denied by the Commission. As Ohio Power indicated in its reply comments filed February 10, 2015 the only questions regarding shared savings at issue in these proceedings are (a) whether the 20% exclusion proposal is permitted under the existing portfolio plan, and (b) whether the exclusion proposal should be adopted as an incentive to the Company giving the substantial benefits to customers of the project. Again Ohio Power submits that the answer to both should be affirmative. Regardless, the other issues raised in this case are not before the Commission on these applications and seek to improperly undermine prior Commission orders versus discuss what is appropriate within the context of the established system.

PJM AUCTION:

OMA and the Environmental Advocates also seek to rewrite the energy efficiency framework approved for Ohio Power by reasserting their argument that the Company should be required to bid the resulting demand reduction into the PJM capacity auction. (OMA @ 5-6; . (Environmental Advocates @ 9-10 of their respective comments) This is again an argument the Commission need not consider as it is OMA's and Environmental Advocates' desire which is outside the framework of the current Company plan and if approved would only serve to modify the prior Commission approval of the agreement establishing the program. Ohio Power is opposed to this or any amendment.

Ohio Power's plan does not require it to bid program resources into the PJM capacity auctions. The right to do so is an option for Ohio Power and not a requirement. This right is part of the balance provided by the Commission approved program. It would be improper for OMA

or other parties to use each application of a program to seek to change the Commission approved program to change an explicit option and create a new duty for the utility.

Ohio Power provided some reasons why the request to require participation in the PJM auction is not even allowed in its February 10, 2015 Reply Comments. Specifically, the Company pointed out the PJM requirements and how the CHP projects fall short of those requirements. The Environmental Advocates (@ 9-10 of their respective comments) argue it would not be considered an amendment to the plan because Ohio Power has participated in the auction before and that it is willing to work with PJM to have CHP recognize the benefits of CHP to qualify as a resource. Despite the Environmental Advocates desire to have PJM change its view in the future that does not mean that Ohio Power by fiat can suddenly force CHP to be eligible. More importantly, a change to require bidding would absolutely be an amendment to the plan and an amendment that Ohio Power would oppose. Having an option or being encouraged to do something versus being required in every case to do something are two different things. Had the requirement been in place Ohio Power may have sought other concessions to offset the requirement as other utilities have successfully done. The Commission should deny the Intevernors' request to amend the agreement.

AMDENDMENT:

IEU provides a letter in support of many of the Joint Parties' issues. However, IEU restates its position that any change in the shared savings would be an amendment to the plan and that would trigger the ability for customers to opt-out of the plan. Further, IEU confuses a currently allowed exemption option with the streamlined opt-out that SB 310 contemplates for utilities that amend their plan. As discussed previously nothing the Company or its partner customers have

proposed is intended to be treated as an amendment to the plan. Others have also pointed out the timing limitations of even seeking such an amendment. Regardless, to be clear again, nothing in the filing of the Joint Parties should be read or taken as a request for an amendment. Likewise, the amendments requested by OMA and the Environmental Advocates should also be denied. IEU references that the Ohio Power will be allow an opt-out for Kraton. This reference should not be confused with the streamlined opt-out available after January 1, 2017 for eligible Ohio Power customers. The exemption option introduced in comments is already available by rule and in existing law prior to SB 310 and the Joint Parties agree that Kraton should be allowed this option if the Commission rules that the customer must continue to pay the EE/PDR rider for the life of the project.

CONCLUSION:

The Joint Parties have presented a custom plan with agreed incentives and counting methodologies that comply with the authorized plan. That should be approved and the customers begin to receive their benefit. The attempts by other third parties to increase the price of negotiated terms and change the nature of the Commission approved program to better fit their theoretical preferences should be denied. Third parties had no opposition to any of the counting aspects requested by Ohio Power to help lower overall Plan costs. The entities doing business and providing a real benefit now to Ohio respectfully request an expedient resolution to these

proceedings by approving the applications as-filed in these cases and a finding that the terms fit within the approved plan.

Respectfully submitted,

//ss// Matthew J. Satterwhite
Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Service Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
Telephone: (614) 716-1915
Fax: (614) 716-2950
Email: stnourse@aep.com
mjsatterwhite@aep.com

Filed on behalf of Ohio Power Company, Solvay Specialty Polymers and Kraton Polymers U.S. LLC

CERTIFICATION OF SERVICE

I hereby certify that a copy of the Comments Of Ohio Power Company, Solvay Specialty Polymers and in cooperation with Kraton Polymers U.S. LLC was served on the persons stated below by electronic mail, this 27th day of April 2015.

//s/ Matthew J. Satterwhite
Matthew J. Satterwhite

EMAIL SERVICE LIST
fdarr@mwncmh.com
mpritchard@mwncmh.com
Bojko@carpenterlipps.com
Hussey@carpenterlipps.com
William.Wright@puc.state.oh.us
tdougherty@theoec.org
swilliams@nrdc.org
mfleisher@elpc.org
jfinnigan@edf.org

Administrative Law Judge
Richard.bulgrin@puc.state.oh.us

Summary: Reply -Joint Comments of Solvay Specialty Polymers, and Ohio Power Company In Cooperation With Kraton Polymers U.S. LLC, in response to the Commission's March 16, 2015 Entry electronically filed by Mr. Matthew J Satterwhite on behalf of Ohio Power Company