

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**REPLY COMMENTS ON THE SPECIAL ARRANGEMENT AGREEMENTS BY
THE OHIO ENVIRONMENTAL COUNCIL, NATURAL RESOURCES DEFENSE
COUNCIL, ENVIRONMENTAL LAW & POLICY CENTER, AND
ENVIRONMENTAL DEFENSE FUND**

I. INTRODUCTION

Pursuant to the Attorney Examiner’s March 13 Entry in the above captioned proceeding, the Ohio Environmental Council, along with Natural Resources Defense Council, Environmental Law & Policy Center, and Environmental Defense Fund (collectively “Environmental Advocates”) filed comments on Ohio Power Company’s (“AEP” or “the Company”) joint applications for approval of a special arrangement s with Solvay Specialty Polymers (“Solvay”) and Kraton Polymers U.S. LLC (“Kraton”) wherein Solvay and Kraton has agreed to commit the resources from its planned combined heat and power (“CHP”) systems to AEP for its compliance with the energy efficiency benchmarks set forth in Section 4928.66 of the Ohio Revised Code. Correspondingly, comments were filed by AEP (in conjunction with Kraton and Solvay)(“Joint Applicants”), Ohio Manufacturers’ Association Energy Group (“OMAEG”), and Industrial Energy Users of Ohio (“IEU”)¹.

¹ IEU did not file official comments, but instead, filed a letter dated April 13, 2015, filed in each docket supporting the initial comments and objections the organization submitted on January 12, 2015.

Environmental Advocates, in this reply, maintain that the applications submitted by Ohio Power Company and Solvay and Kraton are precisely this type of program that is contemplated by the statute and code—and the type of program that we and the manufacturing and industrial community of Ohio can enthusiastically support. The Joint Applicants, in its Comments stated that the goal is to encourage energy efficiency and demand response programs.² We echo this sentiment, and furthermore urge the Commission to take the opportunity to move forward on the regulations implementing the CHP and WER

Manufacturers and Environmental Advocates agree that incentive levels need to be increased properly incent the proliferation of CHP projects

As we stated in our comments, if approved without modification to the per-kilowatt hour incentive level, this Application may set a precedent that would attract CHP projects to seek an incentive under utilities' efficiency programs, but the projects attracted by the incentive may not be the most efficient CHP projects.³

We agree with OMAEG's position that the incentive levels included in these Applications are not "sufficient enough to fairly and reasonably encourage commitment of customer-sited 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."⁴ In support of this position, OMAEG provides the Commission with a duo of telling charts that compare the proposed incentives for the Solvay and Kraton CHP projects with nearly a dozen other state incentives. The take-away we get from these charts, and the take-away we feel the Commission should get, is that vis-à-vis the proposals in this docket, the CHP-related

² Joint Applicants Comments at p. 1.

³ Environmental Advocates Comments at p.6.

⁴ OMAEG Comments at p.8

incentives in Ohio at a level lower than what is typically needed for CHP projects to develop robustly.⁵

We agree, also, with OMAEG that appropriate incentive levels for CHP systems in Ohio, generally, need “serious deliberations.”⁶ These serious deliberations began with the passage of the CHP and WER provisions in SB315, and opening of the rulemaking docket in However, these deliberations have stalled, and with them, the momentum to take advantage of the massive amount of CHP potential in Ohio has stalled. The momentum was replaced with a small number of filings like those by the Joint Applicants. While these projects are worthy of the Commission’s approval as beneficial to Ohio’s ratepayers, its manufacturing base, and its environment, these projects must not displace the certainty and universal application of properly promulgated rules.

Environmental Advocates agree that AEP must provide a plan for bidding the significant demand reductions and energy savings in PJM capacity auctions

To reduce overall wholesale prices while increasing electric grids reliability, AEP should be required to bid its excess CHP capacity into PJM’s interconnected market. OMAEG, in its initial comments, aptly points out that 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.”⁷ The combined permanent demand reductions for these applications is 11MW and yearly energy savings of 89, 429 MWh⁸. These reductions, as OMAEG points out, will have, along with other benefits, significant price suppression effects.

⁵ See OMAEG Comments at p.10.

⁶ *Id.* at p.11.

⁷ *Id.* at p. 13

⁸ See Solvay Application Exhibit 3 and Kraton Application Exhibit 3.

We agree with OMAEG that the combination of AEP's commitment to bid a percentage of the resulting permanent demand reduction into PJM's capacity auctions and the real world implications of such bidding on pocketbooks of AEP customers, AEP should be required to perform an action plan to have the CHP capacity reduction counted for its capacity bid at PJM.⁹ Another compelling reason for this request is that AEP has qualified this application as part of its Custom Program, and has requested to collect shared savings, that AEP is therefore responsible for producing a viable plan for PJM to make the Kraton and Solvay CHP projects eligible as energy efficiency projects.

III. CONCLUSION

With the proposed amendments and considerations expressed by the Environmental Advocates in the initial comments submitted the application is just, reasonable, and will advance the economic and environmental goals of S.B. 221, S.B. 315, and the energy policies of this state. However, to fulfill the charge to the state of Ohio, and the promise to Ohioans to fully deploy CHP and reap the environmental and economic benefits of these projects, it is imperative that the Commission finalize its proposed CHP and WER energy efficiency rules.

Respectfully Submitted,

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⁹ OMAEG Comments at p.13.

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by electronic mail this 27th day of April, 2015.

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Summary: Reply REPLY COMMENTS ON THE SPECIAL ARRANGEMENT AGREEMENTS
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FUND

electronically filed by Mr. Trent A Dougherty on behalf of Ohio Environmental Council and
Environmental Defense Fund and Natural Resources Defense Council and Environmental Law
and Policy Center