

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application for)	
Establishment of a Reasonable)	
Arrangement Between Earth 'N Wood)	Case No. 19-2098-EL-AEC
Company and Ohio Power Company)	
)	

APPLICATION FOR UNIQUE ARRANGEMENT

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APPLICATION FOR UNIQUE ARRANGEMENT

1. R.C. 4905.31 permits the Public Utilities Commission of Ohio ("Commission") to approve and authorize a reasonable schedule or arrangement between a mercantile customer and an electric distribution utility ("EDU") upon application by a mercantile customer. By this Application, Earth 'N Wood Company ("Earth 'N Wood") is requesting that the Commission authorize and approve a schedule or arrangement that will permit Earth 'N Wood to continue its operations in a rationale and competitive manner by providing relief from the current billing methodology for transmission service.
2. Earth 'N Wood's business address is 5335 Strausser Street, NW, North Canton, Ohio 44720.
3. Earth 'N Wood is a mercantile customer, as defined by R.C. 4928.01, and will remain a mercantile customer during the term of the unique arrangement proposed herein.¹
4. Earth 'N Wood has several facilities in Ohio, but the facility subject to the arrangement is within the certified service area of Ohio Power Company ("AEP-Ohio"), an EDU as defined by R.C. 4928.01. Earth 'N Wood is served under Rate Schedule 841, GS-2 Primary. Earth 'N Wood's facility is located within the Ohio Power Rate Zone. Earth 'N Wood has approximately 45 full time employees across its Ohio facilities and an annual payroll of approximately \$1.7 million. Additional seasonal employees are hired each year, increasing total employment to around 60 total employees.
5. Earth 'N Wood is a waste-to resource company that manufactures and distributes landscape materials throughout its four locations. As part of its operations, Earth

¹ Earth 'N Wood qualifies as a mercantile customer both by usage and because it is part of a national account involving multiple facilities in one or more states.

'N Wood receives bulk yard waste to recycle. Currently and historically, Earth 'N Wood's operations have supported yard waste recycling programs operated by local units of government in Stark County, including the programs operated by Plain Township, Jackson Township, Nimishillan Township, Lake Township, Perry Township, Village of Strasburg, and City of Massillon. These units of government depend on Earth 'N Wood for the continuation of their yard waste recycling programs.

6. To support the yard waste recycling programs Earth 'N Wood operates a large grinder to process the bulk yard waste. However, to process the bulk yard waste the large grinder is only operated intermittently. The demand of this large grinder constitutes the vast majority of Earth 'N Wood's overall electricity demand.
7. AEP-Ohio bills several components of retail electric service, including its Basic Transmission Cost Rider ("BTCR"), based on Monthly Billing Demand, as that term is defined in AEP-Ohio's tariff. For Earth 'N Wood, AEP-Ohio calculates Monthly Billing Demand under its GS-2 tariff as the greater of several formulas:

Billing demand in KW shall be taken each month as the single highest 30-minute integrated peak in KW as registered during the month by a 30-minute integrating demand meter or indicator, or at the Company's option, as the highest registration of a thermal-type demand meter. For accounts over 100 KW, monthly billing demand established hereunder shall not be less than 60% of the greater of (a) the customer's contract capacity in excess of 100 KW, or (b) the customer's highest previously established monthly billing demand during the past 11 months in excess of 100 KW. In no event shall the monthly billing demand be less than (a) the minimum billing demand, if any, specified in the service contract, or (b) 5 KW for any account.²

8. Pursuant to the definition of Monthly Billing Demand, if Earth 'N Wood operates its large grinder for any 30-minute period at any point during a month, even off-peak hours, it will establish its demand for purposes of AEP-Ohio billing demand charges under its tariff. If the large grinder is operated, even off peak, in a given month, it will also establish Monthly Billing Demand for the following 11 months (at a reduction of no less than 40%). The definition of Monthly Billing Demand prevents Earth 'N Wood from managing its demand charges by shifting demand to off-peak hours or even off-peak months.
9. Based on the tariffed definition, Earth 'N Wood's Monthly Billing Demand has averaged 1,006.6 kW over the 12-months ending August 2019. While this average of Monthly Billing Demand is close to Earth 'N Wood's peak demand (the highest hourly demand over the 12-months ending August 2019 was 1,097.28 kW), for more than 83 percent of the hours during this timeframe Earth 'N Wood's demand

² AEP-Ohio Tariff Sheet 221-3D.

was less than 50 kW. More importantly, during the 1 coincident peak (“CP”) hours that established the 2019 and 2020 NSPL values for AEP-Ohio customers, Earth ‘N Wood’s demand has averaged about 16 kW.³

10. Earth ‘N Wood’s current transmission tag is 15.2 kW, significantly lower than the 1,006.6 kW of Monthly Billing Demand that Earth ‘N Wood have averaged over the 12 months ending August 2019. Based on this 12-month average of Monthly Billing Demand, Earth ‘N Wood’s approximate transmission cost is \$4,570/month. If Earth ‘N Wood was billed based on its current transmission tag, its monthly transmission cost would be approximately \$120/month.
11. As a result of the various tariffed-charges billed by AEP-Ohio on a Monthly Billing Demand basis, the overall electric bill for Earth ‘N Wood is quite significant when measured on a total bill per kilowatt-hour (“kWh”) basis. The impact is visible when looking at the average bills over the past couple years, and most pronounced when looking at the months in which their operations are significantly curtailed. Over the period of December 2017 through August 2019, Earth ‘N Wood’s electric bill has averaged 24.85¢/kWh, with a peak monthly cost of 87.89 ¢/kWh in January 2018.⁴ The non-supplier portion has averaged 20.40 ¢/kWh over this time period.⁵ Demand charges comprise, on average, approximately 80% of Earth ‘N Wood’s electric bill.
12. There are no viable alternatives that would allow Earth ‘N Wood to avoid the consequences of the definition of Monthly Billing Demand of AEP-Ohio’s tariff while operating the large grinder absent the relief sought herein. Earth ‘N Wood could switch power sources for the large grinder to a diesel generator. The diesel generator option would be a less efficient option, would reduce the yard waste volumes that Earth ‘N Wood could receive and would be a less environmentally friendly option. Earth ‘N Wood also looked into adding a second shift to move the demand of the large grinder off-peak. However, moving the demand to off-peak would not reduce Monthly Billing Demand under the tariffed definition. Moreover, Earth ‘N Wood could not identify an employment base economically willing to work second shift. Earth ‘N Wood have also looked to power factor solutions, such as the installation of capacitors, but could not justify the capital investment due to the long payback period and the inability to substantially reduce Monthly Billing Demand as defined in AEP-Ohio’s tariff. Thus, to remain competitive, Earth ‘N Wood must either cease operating its large grinder, thus ending the yard waste recycling programs supported by the grinder, or must obtain relief from AEP-Ohio’s tariffed-definition of Monthly Billing Demand.

³ Earth ‘N Wood’s current NSPL value is 15.2 kW. Earth ‘N Wood’s actual demand during hour ending 8:00 a.m. on January 31, 2019 (currently the hour with the highest demand on the AEP transmission system during the 12-month period that will establish NSPL values for 2020) was 16.08 kW. The final NSPL value for 2020 will include a slight adjustment for scaling factors but will likely be around 17.0 kW.

⁴ Attachment A provides additional support for this calculation.

⁵ *Id.*

13. Accordingly, Earth 'N Wood is seeking approval of a unique arrangement to alter the consequences of the tariffed-definition of Monthly Billing Demand. Earth 'N Wood has observed that the Commission has recently addressed the consequences of the methods AEP-Ohio and others define monthly billing demand in their respective tariffs through transmission pilot programs.⁶ Earth 'N Wood has also observed that AEP-Ohio's tariff itself recognizes the potential for the standard definition of Monthly Billing Demand to result in unreasonable results, providing a lower 25 percent demand ratchet for agricultural business and AEP-Ohio eliminated the demand charge in the BTCR rates for county fairgrounds. Earth 'N Wood believes an approach through this reasonable arrangement, similar to the transmission pilot, will provide Earth 'N Wood the ability to continue to operate its large grinder in a rationale and competitive manner.

A. Commitments and Benefits

1. If the application is approved without material modification, during the pendency of the agreement Earth 'N Wood will continue to operate its large grinder in order to support local yard waste recycling programs.
2. Earth 'N Wood will use the interruptible capability of its large grinder to voluntarily interrupt usage during times of anticipated peak demand on AEP-Ohio's transmission system in order to reduce Earth 'N Wood's NSPL. By aligning Earth 'N Wood's cost responsibility with its usage during the 1 CP on AEP-Ohio's transmission system, Earth 'N Wood will be incentivized to reduce its consumption during peak times on the transmission system thereby reducing the need for additional investment in transmission facilities.
3. Approval of this arrangement will allow local units of government to continue to operate their yard waste recycling programs. Without such yard waste recycling programs, the recycled materials would likely otherwise be disposed of in the trash and make its way to landfills.
4. Approval of this arrangement will allow Earth 'N Wood to continue its investment in its facilities in Stark County thereby generating additional tax revenue for the State and allowing Earth 'N Wood the ability to retain, and hopefully expand, its employment.
5. During the term of this agreement, Earth 'N Wood also commits to not operating its large grinder beginning 6:00 a.m. and ending 9:00 a.m. during the months of December, January, and February. It is Earth 'N Wood's understanding that these are the hours that establish AEP-Ohio's 12 CP demand for these months. Transmission costs are

⁶ HB 6 also addressed a similar issue of demand charges creating R.C. 4928.80 which requires each EDU to create a rate schedule for county fairs and agricultural societies that does not include demand charges.

allocated among AEP East affiliated companies on a 12 CP basis. Therefore, by not operating during these hours, Earth 'N Wood can reduce AEP-Ohio's total 12 CP demand and the amount of AEP East transmission costs allocated to AEP-Ohio.

B. Term

1. The term of the proposed schedule or arrangement shall become effective on the earliest date authorized by the Commission, which is requested as no later than January 1, 2020. The proposed schedule or arrangement shall continue through May 31, 2024 (which coincides with the current authorization period of the BTCR pilot program under AEP-Ohio's current electric security plan). If the Commission extends AEP-Ohio's current BTCR pilot program, or authorizes a successor program(s), Earth 'N Wood requests that the term of this agreement be extended to coincide with the extended BTCR pilot program or the successor program(s).
2. Within this proposed term, Earth 'N Wood is also requesting that it be permitted to seek modification of the schedule or arrangement so that it can be modified, with Commission approval, as circumstances and conditions may warrant. No modification shall become effective without the Commission's prior approval.
3. Upon reasonable notice to AEP-Ohio, Earth 'N Wood may terminate this reasonable arrangement before the end date of the original or extended term.

C. Pricing

1. Under the proposed schedule or arrangement, Earth 'N Wood would secure electric distribution service from AEP-Ohio under the otherwise applicable terms and conditions,⁷ except that the terms of the BTCR Pilot set forth on pages 28-31 of the Joint Stipulation and Recommendation in Case Nos. 16-1852-EL-SSO, *et al.*, ("ESP IV Stipulation") would apply.
2. Upon approval of this application and execution of an agreement with AEP-Ohio, Earth 'N Wood would be authorized to immediately participate in the BTCR Pilot rates (*i.e.* would be exempt from the standard BTCR rates and subject to the Interim Pilot 1CP Primary rates). Thereafter, Earth 'N Wood would follow the process set forth in the ESP IV Stipulation, notifying AEP-Ohio by the December 1 and February 15 election deadlines.

⁷ Earth 'N Wood is currently served under Rate Schedule 841, part of the GS-2 tariff sheet.

3. Approval of this application will not count towards the total participation MW cap and rate adjustments identified in the ESP IV Stipulation.

D. NSPL Values

1. Earth 'N Wood's NSPL tag will be calculated by AEP-Ohio under its normal procedures. That methodology produced a NSPL tag for 2019 of 15.2 kW and based on metered load of 16.08 kW will likely produce a NSPL of approximately 17.0 kW for 2020.

E. Reducing Demand during Winter 12 CP and the 1 CP hours

1. Earth 'N Wood will adopt an operational policy that sets forth a two-pronged approach to reduce its demand during the Winter 12 CP and 1 CP hours in the AEP transmission zone. First, the policy will require Earth 'N Wood not operate its large grinder starting 6:00 a.m. and ending 9:00 a.m. during the months of December, January, and February. Second, Earth 'N Wood will subscribe to a notification service that actively monitors and provides customers with advanced notice of potential system peaks (which here would be the AEP transmission zone 1 CP hour). Earth 'N Wood's operational policy would require Earth 'N Wood to not operate its large grinder during the potential 1 CP hours. Earth 'N Wood understands that ultimately its success and potential benefits of this reasonable arrangement depend on its successful implementation of these practices.

F. No Delta Revenue

1. As indicated by Rule 4901:1-38-08, O.A.C., discussions regarding reasonable arrangements or schedules subject to approval pursuant to R.C. 4905.31 sometimes include questions regarding the appropriate treatment of the costs and benefits, and any delta revenue, of such arrangements or schedules. This proposed unique arrangement, however, will not produce any delta revenue. As discussed above, this unique arrangement seeks to replicate the manner in which costs are allocated by PJM and the allocation and billing results that existed prior to the establishment of AEP-Ohio's nonbypassable BPCR. Approval of this arrangement will not increase any costs billed by PJM to AEP-Ohio. At the retail level, this unique arrangement realigns the retail allocation of transmission costs with the PJM allocation methodology; the arrangement will unwind the intra-class cost subsidization that was created when the non bypassable BPCR was implemented. Accordingly, while retail costs will be reassigned among non-residential customers, the arrangement will not produce delta revenue as that term is typically used.

G. Other Terms and Conditions

1. The arrangement or schedule Earth 'N Wood seeks herein would be subject to such other terms and conditions as are customary. For example and for illustration purposes only, the arrangement or schedule should be assignable by either party with the written consent of the other party provided that such consent shall not be unreasonably withheld, and there should be standard provisions to address default and insolvency by either party, provisions to facilitate the confidential exchange of information between the parties, provisions regarding documentation and mutual cooperation to address regulatory or other requirements including the duty to provide annual reports to AEP-Ohio as required by Commission rule, provisions to address resolution of any conflicts between the arrangement and any otherwise applicable schedule, and provisions designed to facilitate the resolution of any disputes.
2. Approval of this Application advances the policies of Ohio as set out in R.C. 4928.02 by ensuring that Earth 'N Wood is afforded reasonably priced retail electric service. By ensuring that Earth 'N Wood receives reasonably priced electric service, the Commission will facilitate the State's effectiveness in the global economy and encourage innovation and the implementation of energy efficiency capabilities. Further, approval of the application will support continued investment in an Ohio manufacture, the maintenance and expansion in Ohio-based jobs, and the support for environmental programs.
3. Rule 4901:1-38-05, O.A.C., requires a demonstration that a proposed reasonable arrangement does not violate R.C. 4905.33 and 4905.35. Earth 'N Wood represents the proposed reasonable arrangement is not anticompetitive and proposes the reasonable arrangement for purposes of facilitating the continued operation of Earth 'N Wood's large grinder. For the reasons discussed above and based on the verified information contained in the application, the proposed unique arrangement is reasonable and does not violate the provisions of R.C. 4905.33 or 4905.35.

Wherefore, Earth 'N Wood urges the Commission to:

- A. Find that the arrangement described herein is just and reasonable;
- B. Promptly authorize and approve a unique arrangement between AEP-Ohio and Earth 'N Wood on the terms and conditions generally described herein to be effective no later than January 1, 2020; and

C. Grant such additional relief as is appropriate.

Respectfully submitted,

/s/ Matthew R. Pritchard

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Certificate of Service

In accordance with Rule 4901-1-05, Ohio Administrative Code, the Commission's e-filing system will electronically serve notice of the filing of this document upon the interested parties. I hereby certify that a copy of the foregoing *Application for Unique Arrangement* was served upon the following parties of record this 27th day of November 2019, via electronic transmission, hand-delivery, or first class US mail, postage prepaid.

/s/ Matthew R. Pritchard _____
Matthew R. Pritchard

Attachment A

Billing Month	AEP Charges	AEP Energy Charges	Total Charges	kWh billed	Cost/kWh	Billed Load	Load Factor
17-Dec	9,885.13	882.29	10,767.42	19,800	54.38¢	592.2	4.50%
18-Jan	11,971.73	641.66	12,613.39	14,400	87.59¢	634.2	3.00%
18-Feb	14,011.36	3,021.17	17,032.53	67,800	25.12¢	1,016.40	9.60%
18-Mar	13,685.65	3,475.68	17,161.33	78,000	22.00¢	982.2	11.40%
18-Apr	14,845.88	1,630.90	16,476.78	36,600	45.02¢	859.8	5.90%
18-May	15,768.80	3,849.98	19,618.78	86,400	22.71¢	1,032.60	10.90%
18-Jun	15,575.70	4,812.48	20,388.18	108,000	18.88¢	1,059.60	14.20%
18-Jul	14,981.86	3,823.25	18,805.11	85,800	21.92¢	1,036.80	11.90%
18-Aug	16,125.38	4,892.69	21,018.07	109,800	19.14¢	1,111.20	13.30%
18-Sep	15,161.19	2,379.50	17,540.69	53,400	32.85¢	1,035.60	7.40%
18-Oct	15,774.27	3,849.98	19,624.25	86,400	22.71¢	1,102.20	10.90%
18-Nov	15,369.48	2,192.35	17,561.83	49,200	35.69¢	1,023.00	5.90%
18-Dec	13,891.48	2,058.67	15,950.15	46,200	34.52¢	912	7.00%
19-Jan	14,859.35	2,005.20	16,864.55	45,000	37.48¢	1,015.80	5.80%
19-Feb	14,520.97	1,871.52	16,392.49	42,000	39.03¢	1,043.40	5.80%
19-Mar	13,932.75	2,834.02	16,766.77	63,600	26.36¢	1,015.20	9.00%
19-Apr	13,685.26	4,357.97	18,043.23	97,800	18.45¢	1,029.00	12.40%
19-May	13,477.60	3,849.98	17,327.58	86,400	20.06¢	1,036.80	12.00%
19-Jun	14,009.71	5,213.52	19,223.23	117,000	16.43¢	1,076.4	15.62%
19-Jul	12,526.18	4,010.40	16,536.58	90,000	18.37¢	975.6	12.81%
19-Aug	10,537.99	2,700.34	13,238.33	60,600	21.85¢	813.6	9.70%
21-Mth Total	294,597.72	64,353.55	358,951.27	1,444,200	24.85¢		
12-Mth Total	167,746.23	37,323.45	205,069.68	837,600	24.48¢		

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Summary: Application Application for Unique Arrangement electronically filed by Mr. Matthew R. Pritchard on behalf of Earth 'N Wood Company