



# Public Utilities Commission

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July 27, 2023

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

RE: *In the Matter of the Application for Establishment of a Reasonable Arrangement  
Between Arkon Energy USA, LLC and Ohio Power Company, Case No. 23-546-EL-  
AEC*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the Application of Arkon Energy USA, LLC for approval of a Reasonable Arrangement with Ohio Power Company, Case No. 23-546-EL-AEC.

Christopher Healey  
Chief, Accounting & Finance Division  
Rates & Analysis Department  
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

# STAFF REVIEW AND RECOMMENDATIONS

## ARKON ENERGY USA, LLC Case No. 23-546-EL-AEC

### Background

On May 15, 2023, Arkon Energy USA, LLC (Arkon or Applicant) filed an application (Application) for approval of a unique arrangement with Ohio Power Company (AEP Ohio) pursuant to Ohio Revised Code 4905.31 and Ohio Administrative Code 4901:1-38-05. Arkon's filing included an Affidavit in Support of Application signed by its Chief Project Officer.

The Applicant is a mercantile customer that is in the process of constructing a data center in Hannibal, Ohio, which is part of ongoing redevelopment of an old aluminum smelter facility. The computing capabilities of the new facility are expected to support Arkon and its customers' needs in new and emerging technologies, including cryptocurrency mining.

If the proposed arrangement is approved, the Applicant intends to phase a construction buildout of the facility that will utilize the full capacity of the transformer designated for the project, which is expected to be complete in late 2023 or early 2024. Arkon estimates the minimum capital costs of the project to be \$50 million and that it will employ a minimum of 50 individuals when complete with an annual payroll of \$3 million and temporary incremental construction payroll of at least \$2.5 million. Arkon further states that this arrangement will benefit Ohio by allowing for the redevelopment of a portion of a former manufacturing facility, generating additional tax revenue through its continued investment in Monroe County, and supporting reliability and the implementation of energy efficiency capabilities.

As described in more detail below, the fundamental purpose of the proposed unique arrangement is to allow Arkon to participate in AEP Ohio's Basic Transmission Cost Rider (BTCR) Pilot. Under the BTCR Pilot, certain nonresidential customers are allowed to pay for transmission costs based on their Network Service Peak Load demand (*i.e.*, their demand during the AEP Transmission Zone 1 Coincident Peak or 1 CP). This differs from customers who do not participate in the Pilot and instead pay for transmission under the BTCR Rider, which generally charges customers based on their monthly peak demand (12 CP).

Given that electricity is a major cost component for data centers, Arkon argues that the proposed arrangement will send the right price signal for Arkon to reduce its consumption during times of system constraints, and, in doing so, will reduce the costs that flow to AEP Ohio that are recovered from customers through the BTCR.

The following are the Applicant's proposed terms of the arrangement:

- A. The arrangement will commence on approval of the Application and shall end on May 31, 2026, or on the date that the BTCR Pilot program (or its successor program) ends, whichever is later.
- B. Upon approval of the Application and execution of an agreement with AEP Ohio, Arkon will immediately pay BTCR Pilot rates and will be exempt from paying standard BTCR Rider rates. Thereafter, Arkon will follow the procedures for participation in the BTCR Pilot as set forth in the approved stipulation in Case No. 20-585-EL-AIR (notice to AEP Ohio by December 15 of its intent to participate with a final deadline of the following February 15 to elect to terminate participation).
- C. Except with respect to the BTCR Pilot, Arkon will secure electric distribution service from AEP Ohio under all applicable terms and conditions.
- D. Arkon's initial billing demand for transmission service will be based on AEP Ohio's standard methodology for calculating initial NSPL tags for new customers. After the next 1 CP peak demand hour is established in the AEP Transmission Zone, Arkon's billing demand for the BTCR will be determined in accordance with how AEP Ohio calculates NSPL tags for existing customers.
- E. Arkon is permitted to seek Commission approval to modify the arrangement. Other than assigning the arrangement to its successors or assigns, no other modifications shall be allowed without Commission approval. Arkon may also terminate the arrangement before its scheduled end date upon reasonable notice to AEP Ohio.
- F. This arrangement will not produce delta revenue.

### **Comments by Parties**

On June 2, 2023, AEP Ohio filed a motion to intervene and comments regarding Arkon's proposed arrangement. According to AEP Ohio, Arkin's Application should be held in abeyance. The current BTCR Pilot is set to expire at the end of AEP Ohio's current electric security plan (ESP), which is May 31, 2024. AEP Ohio is currently pursuing a new ESP in Case No. 23-23-EL-SSO where it proposes to continue the BTCR Pilot. AEP Ohio notes that it remains to be seen whether the BTCR Pilot will continue or if the terms and conditions of the BTCR Pilot will change under the new ESP filing. Thus, AEP Ohio reasons, Arkin's proposed arrangement should be held in abeyance pending the outcome of Case No. 23-23-EL-SSO.

Arkin responded to AEP Ohio's comments arguing that (i) it should be allowed to participate because there remain nearly 12 months before the term of the current ESP expires, so Arkon should be allowed to benefit from the BTCR Pilot during that time, and (ii) the Commission maintains continuing authority under R.C. 4905.31 over the proposed arrangement and can exercise that authority to the extent necessary based on any outcome of AEP Ohio's pending ESP case.

## **Staff Review**

Staff reviewed the Application to evaluate whether the Applicant's proposed arrangement terms adhere to the reasonable arrangement requirements set forth in Ohio Adm.Code 4901:1-38 and R.C. 4905.31. Staff also reviewed and considered the comments filed by AEP Ohio and Arkin.

Based on its review of the commitments and terms provided in the Application, Staff concludes that the proposed arrangement adheres to the requirements for a reasonable arrangement and recommends its approval, subject to the following conditions and modifications:

1. The arrangement should be approved for an initial term that ends May 31, 2024 to coincide with the current end date for the BTCR Pilot. If the BTCR Pilot ultimately ends on that date, then Arkin's arrangement will also end on that date. If the BTCR Pilot continues without material modification in Case No. 23-23-EL-SSO, then Arkin's proposed arrangement will continue through the end of the approved BTCR Pilot in that case. If the BTCR Pilot is materially modified in Case No. 23-23-EL-SSO or is replaced by a successor program that contains material modifications, then Arkin shall have the opportunity to modify its reasonable arrangement consistent with such material modifications, with Commission approval in Case No. 23-546-EL-AEC.
2. Arkon proposes in its application that it be allowed to terminate the reasonable arrangement "[u]pon reasonable notice to AEP Ohio." Staff recommends that Arkon be required to file any such notice in the docket no later than 30 days before the effective date of such termination. The arrangement shall be deemed to be terminated on the proposed date in the notice (provided that such date is at least 30 days after the notice is filed), unless the Commission rules otherwise.

## **Conclusion**

Staff recommends that the Commission approve the Application in this case, subject to the modifications above.

**This foregoing document was electronically filed with the Public Utilities  
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**in**

**Case No(s). 23-0546-EL-AEC**

Summary: Staff Review and Recommendation regarding the Application of Arkon Energy USA, LLC for approval of a Reasonable Arrangement with Ohio Power Company electronically filed by Zee Molter on behalf of PUCO Staff.