Energy Management

Governor's Energy Summit Sets Stage for Ohio Energy Policy

Governor Kasich this week hosted a groundbreaking two-day summit on energy and the economy. The event, managed by Battelle and held at The Ohio State University, brought together a remarkable array of subject matter experts on a broad base of energy topics. The governor's aim (cheered by the OMA) with the event and its follow-up is to develop a comprehensive state energy policy.

Shale Gas:
Multiple panels discussed the opportunity that Ohio has to develop the Marcellus and Utica shale formations' potentially enormous economic impact on Ohio. Karen Wright of OMA member company Ariel Corporation, a manufacturer of natural gas compressors, discussed the opportunities for manufacturers in the supply chain. Aubrey McClendon, CEO of Chesapeake Energy, noted that the potential for the Utica shale to hold oil makes Ohio's resources particularly valuable. (Video Links: **Upstream**; **Midstream, Downstream, and Feedstock Opportunities**; **Environment, Technology, and Community Impacts**)

Automotive:
The summit conducted two panels focused on transportation. The **Alternative Transportation Fuels** panel heard from an ethanol producer and automotive and truck manufacturers. The panel discussed how shale gas opportunities in Ohio could help fuel the development of compressed natural gas as a transportation fuel, as well as the continuing advancements in vehicle electrification.

The **Transportation Manufacturing Industry** panel focused on what the industry needs in Ohio to be more competitive. Representatives from Chrysler, Ford, and Honda all focused on the need for reliable, affordable power, as well as an increased focus on energy effiency in operations. Rick Schostek, Vice President of Honda of America Manufacturing, noted that Ohio's state level business tax code is already favorable to manufacturing and should be protected.

Electric Utilities:
Electric utility issues came up throughout the conference. There was a clear consensus that SB 221 is generally working . Panelists and the governor indicated that co-generation at manufacturing facilities should perhaps qualify as renewable energy under the bill's Renewable Portfolio Standards.

The electric utility panelists disagreed about whether new power plants are needed in Ohio and how they would be funded. (Video Links: **Power Generation, Transmission, Demand, and Efficiency**; **Coal**; **Wind Solar, and Efficiency: The Role of Renewables in Ohio's 21st Century Economy**)

Energy Security:
To see the conference's most impassioned promoter of manufacturing, watch James L. Wainscott , Chairman, President and CEO, AK Steel Corporation, on the **Energy Security and the Environment panel**. The panel discussion contains an articulate framing of the issues and opportunities for the state to strengthen its energy security.

A link to all conference videos can be found **here**.

09/23/2011

OMA Members Support Portman Energy Efficiency Bill

This week OMA member companies joined together to **urge** Senate passage of S. 1000, the Energy Savings and Industrial Competitiveness Act (ESIC). The bill is sponsored by Senator Rob Portman (R-Ohio) and Jeanne Shaheen (D-NH). ESIC cleared the Senate Energy and Natural Resources Committee by a vote of 18-3 earlier this year.

The bill would provide incentives for building-efficiency upgrades by expanding the U.S. Department of Energy's loan guarantee program for businesses. This provision would help manufacturers reduce energy use by establishing a revolving loan program for efficiency upgrades.

The bill also would strengthen national energy-efficient building codes and require the federal government, the largest energy user in the country, to adopt energy-saving techniques.

In a letter to Senate leadership the companies wrote: “The private sector, from small contractors to large manufacturers, is looking for investment opportunities suited to today’s fast changing global economy. Making buildings more energy efficient cuts costs, offers market beating investment returns, and protects companies from volatile energy prices. Removing barriers to building efficiency can unlock job-creating business investment.”

09/16/2011

OMA Testifies on Economic Development Electric Rates

The OMA’s Kevin Schmidt provided oral arguments before the Public Utilities Commission of Ohio (PUCO) this week on its proposal to implement an economic development tariff for electricity. The proposal would provide discounts for businesses that invest in Ohio with a certain level of new jobs or capital investments.

Schmidt expressed concern that the proposal could result in existing Ohio businesses subsidizing competitors new to the state. You can find the OMA’s full comments to the proposal **here** and **here**.

Related to this issue, the OMA has commissioned a study by the Cleveland State University to develop an economic analysis for economic development rates. The study will look at which industries in Ohio are most sensitive to energy prices and which industries provide the most robust economic effect.

Additionally, the study will review electricity rates of states against which Ohio competes to provide accurate benchmarking data. The analyses will help identify how Ohio can structure more competitive, job-creating electric rates.

09/16/2011

AEP Moves to Settle Rate Case

AEP-Ohio filed a joint **stipulation** this week that if approved would resolve its pending rate case. The result of the stipulation will see AEP-Ohio move its business model away from regulated rates and toward market-based rates. This move will have long-lasting effects on Ohio.

The OMA Energy Group was a signatory party on this stipulation. The stipulation avoids years of litigation and uncertainty and benefits manufacturing overall. The OMA Energy Group worked to ensure that the broadest group of manufacturers benefited from the stipulation and that its provisions did not discriminate based on a manufacturer's size.

Most manufacturers will see smaller increases than those initially proposed by AEP-Ohio. In addition to improved rates for most manufacturers, the OMA Energy Group supported a provision that provides $5 million a year of AEP-Ohio shareholder dollars to mitigate rate increases for those hardest hit by rate increases.

Here is a **memo** describing the stipulation in more detail.

09/09/2011

Legislation Introduced to Repeal Advanced/Renewable Energy Requirements

Senator Kris Jordan (R-Delaware) introduced **Senate Bill 216** to repeal the mandate on Ohio’s electric utilities to generate 25% of their electricity from advanced and renewable resources by 2025. These provisions were inserted into state law in 2008 as part of an overall restructuring of Ohio’s energy policy (Senate Bill 221).

At the urging of the OMA and some other consumer groups, **Senate Bill 221** included a safety-valve provision that lets utilities avoid the mandate if it would raise electricity rates by a specific triggering amount. The OMA supported the overall framework of Senate Bill 221 as a prudent investment in advanced and renewable energy technologies in Ohio, while protecting against unaffordable cost increases.

09/09/2011

Ohio Supreme Court Sides With Manufacturers

The Ohio Supreme Court recently **ruled** that FirstEnergy unlawfully and unreasonably terminated contracts with a number of manufacturers. The dispute stretches back to 2008 when Toledo Edison prematurely terminated electricity contracts with the manufacturers in February of that year, instead of the contractually specified December.

09/02/2011

OMA Cost-Saving Electricity Purchasing Pool Still Open

If you have operations in AEP-Ohio, DP&L, Duke Energy, or FirstEnergy, and your electricity is either not under contract or your contract expires in 2011, ask OMA for a no-obligation pricing offer in its **electricity purchasing pool**.

OMA is putting together a significant shopping block that is anticipated to get a competitive fixed price for a multi-year term; early reactions to our block by retail electricity suppliers are very favorable.

Ask for a no-obligation pricing offer by submitting this **letter of authorization**. OMA members who submit letters of authorization will receive a no-obligation offer to consider around the end of September. Act now so we can count your load in the shopping block.

If your current contract expires after 2011 and you are interested in getting an OMA pool quote later, let us know and we'll get you in the pool database.

Questions? Contact OMA's **John Laughman**.

08/26/2011

OMA Electricity Buying Pool Going Out for Bids – Still Time to Get In

The OMA is forming an electricity **purchasing pool** for its members who purchase power from the four Ohio electric distribution utilities of AEP-Ohio, DP & L, Duke Energy, or FirstEnergy.

Member survey responses indicate plenty of interest and sufficient load to secure a potentially competitive fixed, long-term price.

To receive a no-obligation opportunity to evaluate a pricing offer, complete **this form** and return it to **John Laughman** via email or fax to John at (614) 224-1012.

08/19/2011

PUCO Tells AEP-Ohio that Market Pricing is Better than Proposed Plan

The staff of the Public Utilities Commission (PUCO) filed testimony **recently** in AEP-Ohio's base rate case indicating that AEP's plan will result in higher prices than the market is currently generating.

The PUCO staff testified that a market-based pricing plan would provide a superior option for customers than AEP's filed plan. The formal hearing on the plan has been delayed while parties to the case, including the OMA Energy Group, consider options to resolve the substantially different approaches in electricity pricing for AEP-Ohio consumers.

08/19/2011

Workgroup Focussed on Electricity Co-generation

The Ohio Coalition for Combined Heat and Power recently held a **webinar** to discuss policy options that may help speed implementation of combined heat and power (CHP) projects in Ohio.

CHP projects enable manufacturers to produce on-site electricity using waste heat or gas. These projects are generally less expensive to build than dedicated electricity generating assets, generate cheaper power because they use waste energy to make electricity, and frequently offer no- or low-carbon electricity generation.

The OMA is dedicated to finding policy options that increase the viability of Ohio manufacturers to "self-help" when it comes to generating electricity. If you are interested in CHP and self-help, click **here**.

08/19/2011

Ohio Shale Gas Discussed

The Columbus Metropolitan Club hosted a **luncheon** panel discussion regarding shale gas in Ohio. The panel included a diverse mix of oil and gas representatives, academics, regulators and environmentalists. The discussion focused on the safety and environmental concerns related to hydraulic fracturing, or hydrofracturing, or commonly, "fracking," the process of extracting natural gas and other valuable elements from shale deposits.

The Ohio Department of Natural Resources (ODNR) noted that Ohio is well ahead of other states in its regulatory program to manage hydrofracturing. The OMA has been working with ODNR and the administration to educate policymakers on the importance of domestic production of natural gas both as a fuel source and a feedstock for manufacturing processes. Information about the hydrofracturing process and Ohio's regulatory system for it can be found on ODNR's **website**.

08/19/2011

Electric Grid Operators Weigh In Against Environmental Proposals

Electric grid operators across the United States **weighed in** recently on U.S. EPA's proposed environmental rules on electric utilities noting that the proposals and the proposals' timelines "could undermine the reliability of the electric grid for an unacceptable prolonged period."

The OMA has **commented** many times urging U.S. EPA to grant states implementation flexibility and realistic timelines for new envrionmental rules. The grid operators' comments add to the growing opposition to the proposed rules on the basis of economic hardship, with **some studies** pegging the annual cost at $18 billion.

08/19/2011

Ohio Energy Policy High on Leadership Agenda

Ohio House Speaker Bill Batchelder sent a **letter** to Governor Kasich this week arguing for the further deregulation of Ohio's electric utility sector. The Speaker stated "It is my belief that further pursuing the deregulatory reforms set forth in Senate Bills 3 and 221, particularly in the area of generation, will encourage additional competition and continue to result in savings for businesses and families."

Governor Kasich noted the next day "You just have to take your time on this ... and figure out what is the right thing for Ohio, and I'm not sure what it is right now, but at some point it all has to be addressed. What we really want to make sure is that utilities have an environment where they want to reinvest in the state, but, look, there's so many issues."

08/05/2011

OMA Opposes Overly Restrictive Utility Regulations

The OMA sent a letter to U.S. EPA this week **asking** for modifications to the implementation timeline of the utility MACT rule (Maximum Achievable Control Technology) because the proposed requirements are not economically achievable in the specified timeline.

Together with the recently finalized Cross State Air Pollution Rule, the proposed utility MACT rule could cost Ohio 54,000 jobs and **$18 billion** a year. Environmental compliance costs like these are pass-through costs for utilities and will ultimately increase the price of electricity for Ohioans.

08/05/2011

"Texas Tea" in Ohio Utica Shale?

From the Youngstown Trib: "An energy exploration company active in Ohio has declared the Utica Shale formation "liquid rich" in eastern Ohio, meaning the geological formation contains oil.

Utica Shale is a geological formation found several thousand feet below sea level, much deeper than the commonly discussed Marcellus Shale, a natural gas-rich formation that is now being explored in eastern Ohio and Pennsylvania.

On Thursday, Chesapeake Energy, based in Oklahoma City, released its quarterly earnings report, including in it references to this latest mineral find. Chesapeake, which holds 18 of the 24 permits to drill into Utica Shale in the state, said results of recent drilling indicate oil in eastern Ohio.

Chesapeake's report indicated that the discovery could be worth a $15 billion or $20 billion increase in company value."

The Department of Natural Resources has posted information on its **shale gas website**.

07/29/2011

OMA Structuring Statewide Electricity Buying Pool

In response to member concern about upward pressure on the cost of electricity, OMA deployed an interest survey this week to discern how many members - and how much electricity load they represent - would be interested in a **collective buying option** through the association.

The OMA intends to shop the aggregated load to entities offering competitive pricing on generation. The initiative is open to OMA members served by any of the four Ohio electric distribution utilities: AEP-Ohio, DP&L, Duke Energy, and FirstEnergy (but not those served by a municipal or co-op system).

If you did not submit a response to the interest survey but want to be advised of program developments, contact OMA’s **Kevin Schmidt** and include you annual kWh usage, the average price you’re paying, and the expiration date of any competitive contract or minimum stay utility provision your load is currently under.

07/29/2011

July's Natural Gas Report

As a service to OMA members, OMA Connections Partner Columbia Gas prepares a quarterly natural gas **report** that includes data on national storage, prices in the NYMEX Prompt Month History and NYMEX Gas Futures, and drilling rig count.

07/29/2011

OMA Energy Committee Hears from Governor’s Office

The OMA Energy Committee met this week and

heard from Craig Butler *(3rd from right),* the Governor’s Assistant Policy Director for Environment, Energy, and Agriculture.

Butler discussed Governor Kasich’s energy agenda and learned from leading Ohio manufacturers what energy matters are top of mind.

Ned Leonard, vice-president of program services, American Coalition for Clean Coal Electricity (ACCCE), also addressed the committee, briefing the group on the onslaught of federal regulations aimed at coal fired utilities noting they are projected to result in double-digit **increases in electricity rates**.

It is these federal regulations that are driving **AEP-Ohio** and **Duke Energy, Ohio** to plan power plant closures in Ohio. Without an adequate supply of in-state generation, some utilities would be forced to purchase their electricity from out-of-state producers thereby limiting Ohio's ability to control electricity costs. Full committee materials can be found **here**.

07/22/2011

Ohio Ranked 2nd in Solar Manufacturing

Ohio was second in the nation for solar-panel manufacturing during the first quarter of this year, according to a solar-industry trade group.

The Solar Energy Industries Association says Ohio produced 66 megawatts of photovoltaic modules in the first quarter of 2011, up 50 percent from 44 megawatts of solar modules produced in the state during the first quarter of 2010.

Oregon topped the nation in solar manufacturing in the quarter, making 120 megawatts of solar modules during that time.

07/22/2011

Duke Energy Announces Plans to Shutter Ohio Power Plant

In response to the relentless promulgation of environmental regulations, Duke Energy announced the planned **closure** of its Beckjord power plant in New Richmond, Ohio. Duke Energy's plans indicate the closure will occur in 2015, **decimating** the local tax base, with the New Richmond school district projected to lose 25% of its operating budget.

This announcement comes as a result of U.S. EPA's Utility MACT (Maximum Achievable Control Technology) rule. According to U.S. EPA's own data, this rule will be one of the most expensive regulations ever implemented under the Clean Air Act. The potential result – double digit increases in electricity rates.

The American Coalition for Clean Coal Electricity recently performed an economic study on the Utility MACT rule using government data. The **results** indicate that Ohio stands to lose more than 53,000 jobs because of this and other regulations that threaten the ability of the United States to use its most abundant energy source: coal. This is in the face of **massive declines** in emissions for Ohio utilities since 1999.

07/22/2011

PUCO Proposes Economic Development Electricity Rates

The PUCO released last week a **proposed tariff** to spur economic development in the state. The proposed tariff applies to AEP-Ohio, Duke Energy, FirstEnergy, and DP&L customers, and includes two options for customers.

One option would be available to existing and new companies that are adding jobs and increasing payroll or making capital investments in Ohio. It would provide discounts off of existing tariff rates in the range of 2% to 20%.

The second option would set flat rates for customers and would be available to customers with specific energy usage profiles, generally only those energy-intensive customers with 5MW of demand and specified load factors. Of particular note, existing customers who are retaining jobs and not expanding will not qualify.

The OMA will be reviewing the proposal, through the **OMA Energy Group**, and providing feedback to the PUCO.

07/22/2011

OMA Energy Committee Materials - 07/20/2011

These are the **materials** that support the July, 20, 2011 OMA Energy Committee meeting, and they have utility to the energy community - and broader - community of practice among Ohio manufacturers as well.

Content of note includes:

- An extensive summary of PUCO actions and cases by OMA Legal Counsel, Bricker & Eckler LLP, including a PUCO

Staff Economic Development Tariff proposal
- New Global Energy Efficiency Standard (ISO 50001) from the U.S. Department of Energy
- Notes from an Ohio cogeneration work group (including OMA, GE, the Ohio Environmental Council, et al)
- A body of findings from the American Coalition for Clean Coal Electricity

07/19/2011

Fuel Economy Standards: Need Balance with Economic Impact and Consumer Choice

The OMA this week **wrote** U.S. Transportation Secretary Ray LaHood and U.S. EPA Director Lisa Jackson to "improve fuel economy by laying out a long-term program" that is balanced with consumer choice, affordability and economic impacts.

As the Obama administration is considering fuel economy requirements for the years 2017-25, there is concern that the administration is going down a path that is too ambitious and will result in job losses and other harmful costs to the economy and customers.

The Center for Automotive Research **forecasts** that producing cars to meet a fuel economy range between 47 and 62 mpg by 2025, which is under consideration, will increase the cost of a vehicle between $3,744 and $9,790. Under the most extreme scenario, with gas prices in 2025 at $3.50 in today's dollars, the maximum fuel efficiency increase could cut more than 260,000 jobs and reduce annual auto sales by 5.5 million vehicles.

"Our region's businesses all share the need for affordable transportation. The next phase of the fuel economy standards should not pick winners and losers, but should support a variety of technologies and fuel diversity to preserve affordability," wrote OMA President Eric Burkland.

07/15/2011

AEP Backs Away from Carbon Capture

AEP **announced** this week that it is backing away from plans to install carbon-capture technology at one of its West Virginia plants. AEP noted in its announcement that the decision is based largely on other states' reluctance to allow for cost recovery from customers for the plant.

Roughly five years ago, the Public Utilities Commission of Ohio (PUCO) had approved $24 million in engineering costs to be recovered from Ohio ratepayers for a similar plant in Ohio that was never constructed. The amount collected from Ohioans is currently under dispute at the PUCO.

07/15/2011

More FirstEnergy Rebate Programs Available

In addition to its cash rebate programs for upgraded energy efficient **lighting**, **motors and drives**, FirstEnergy has announced **plans** for more incentive programs.

Most suitable of the new programs for manufacturers might be the custom incentives program, which will cover a wide array of energy efficient technologies and projects that do not fit under the other specific programs: those mentioned above plus refrigeration and commercial food service, specialty equipment (commercial water heaters, laundry equipment, vending machines and commercial energy load measures), and traffic signal programs.

If you have purchased energy efficient equipment on or after April 11, 2011 (July 1 in some cases), and have not applied for a cash rebate for the watts you are saving FirstEnergy, please contact OMA's **John Laughman** to see how much you might qualify to receive.

OMA is a FirstEnergy approved **administrator**, meaning OMA is authorized to help you - at no charge - apply for your incentives. OMA's partner to help you qualify your projects and complete the documentation and applications is **Patrick Engineering**, one of the nation's leading engineering, design and project management firms.

07/15/2011

Ohio Solar Projects In the News

This week was busy for the solar industry in Ohio. Calisolar Inc. **backed out** of its plans to open a manufacturing facility in Mansfield, taking the projected 1100 jobs with it. Calisolar had negotiated a deal at the Public Utilities Commission of Ohio to receive more than $100 million dollars in electricity price breaks along with hundreds of millions in loan guarantees from the U.S. Department of Energy.

While Mansfield lost, Napoleon gained as the Spanish solar panel manufacturer Isofoton **announced** its plans to open a new manufacturing facility to supply **AEP's 50 megawatt solar field** in Noble County. The project is expected to create 330 manufacturing jobs within three years.

07/08/2011