10:00 a.m. (EST)
1-866-362-9768
940-609-8246#

The Ohio Manufacturers' Association

OMA Energy Committee Agenda
May 16, 2018

Welcome and Introductions	Brad Belden, Belden Brick, Chair
State Public Policy Report • State Government Overview • Power Plant Bailouts OVEC & ZEN • HB 247 Market Protection	Ryan Augsburger, OMA Staff
Energy Engineering Report • Transmission Cost Increase Update • Reliability and Fuel Diversity: Fact or Fiction? • OMA Sustainability Peer Network	John Seryak, PE, RunnerStone, LLC
Counsel's Report • FERC Action on DOE NOPR • PUCO Case Highlights • Ohio Supreme Court Decisions • FES Bankruptcy	Kim Bojko, Carpenter Lipps & Leland
Special Report • *FES Bailout Proposal Status Update on Department of Energy Decision* • *The Transformative Role of Shale in the Global Hydrocarbons Market -- and why it matters to Ohio energy end-users*	Todd Snitchler, American Petroleum Institute Lisa Decoteau, Constellation
Special Guest • *Energy Legislation Outlook*	State Representative Bob Cupp Chair, House Public Utilities Committee
Electricity Market Trends	Susanne Buckley, Scioto Energy
Natural Gas Market Trends	Richard Ricks, NiSource, Columbia Gas of Ohio
Lunch	

2018 Energy Committee Calendar
Meetings will begin at 10:00 a.m.

Wednesday, August 15, Toledo
Wednesday, November 14

Meeting sponsored by:

DYNEGY

ROVER PIPELINE
An ENERGY TRANSFER Company

Representative Robert R. Cupp

4th House District

Bob Cupp grew up working on his family's farm in rural Allen County. A graduate of Columbus Grove Local schools, he earned his political science and law degrees from Ohio Northern University.

Representative Bob Cupp is serving his second term in the Ohio House of Representatives. He has served as an elected official in all three branches of government and at both the local and state levels: as an Allen County commissioner, a four-term state senator, a court-of-appeals judge, and a justice of the Supreme Court of Ohio. He also served as a city prosecutor and as Chief Legal Counsel to Ohio Auditor of State, Dave Yost.

In the Senate, Bob served two terms as the President Pro Tempore, the Senate's 2nd highest leader. For his legislative accomplishments, he received numerous "Legislator of the Year" awards from various organizations, was named a recipient of the "Watchdog of the Treasury Award" five times and was awarded the prestigious "Guardian of Small Business Award" from NFIB/Ohio.

In addition to his public service, Bob engaged in the private practice of law in Lima for more than 25 years and has taught courses in leadership studies, judicial process, and state education policy at Ohio Northern University.

He is the recipient of the State 4-H Alumni Award; past president of the 13-county Black Swamp Area Boy Scout Council; a member of Lima Trinity United Methodist Church, and the Allen County Farm Bureau.

Bob's wife, Libby, is a retired educator, who focused her efforts on career and economic education. She is a past state Vocational Education Teacher of the Year award recipient. They jointly received the Founder's Award from the Ohio Center for Law-related Education. Bob and Libby have two grown sons, both of whom are Eagle Scouts; and two grandchildren.

The Ohio Statehouse Columbus, Ohio 43215 (614) 466-9624 rep04@ohiohouse.gov

TODD A. SNITCHLER

Todd Snitchler is the group director of Market Development at API. This department works with industry, government, and customer stakeholders to promote increased demand for and continued availability of our nation's abundant and clean natural gas resources.

Prior to joining API, Mr. Snitchler was a principal for Vorys Advisors, LLC in Ohio where he led the government affairs efforts in the energy and utility space. He organized the firm's first-ever sponsored educational seminar for policy makers and industry representatives and established strong relationships in Ohio and nationally with competitive suppliers and independent power producers.

Mr. Snitchler previously served as chairman of both the Public Utilities Commission and the Power Siting Board of Ohio, and was elected twice to represent the 50th House District in Stark County.

Mr. Snitchler has published on numerous topics including environmental regulations and cyber issues; electricity deregulation difficulties; and the role of the federal Environmental Protection Agency. Mr. Snitchler received his J.D. from the University of Akron School of Law and his B.A. from Grove City College.

.

Lisa DeCoteau, Director of Commodities Management Group, has been with Constellation for twenty years and has served in various roles including energy trading and technical sales. Her present responsibilities include working with commercial and industrial customers from small and medium businesses, channel partners and government agencies, to Fortune 500 businesses. She helps customers assess, create, and implement long-term risk management strategies and make informed decisions to attain their market objectives. She is in charge of analyzing market trends and providing technical sales information that will help customers limit the upside risk and take advantage of downside savings potential in their overall energy portfolios.

Lisa holds a B.A. in Policy Studies from Dickinson College and a M.A. in Energy and Environmental Analysis from Boston University.

Energy

Rover Pipeline Gets Phase 2 Go-Ahead from FERC
May 11, 2018

Oil & Gas Journal **recently reported**: "FERC granted Rover permission to place a segment of Phase 2, which included Mainline Compressor Station 3 in Crawford County, Ohio, and a section of the line between Mainline Compressor Station 2, in Wayne County, Ohio, and Mainline Compressor Station 3, in service for additional throughput. FERC's approval allows for the full commercial operation capability of the Market Zone North Segment.
"Phase 1 of the project was also placed into service in segments, with the first portion going into service Aug. 31, 2017, and the remaining segment of Phase 1 going into service in December of 2017. Since December 2017, Rover has been capable of transporting up to 1.7 bcfd of natural gas.

"Rover will transport natural gas from the Marcellus and Utica shale production areas to markets across the US as well as into the Union Gas Dawn Storage Hub in Ontario."

As a member of the Coalition for the Expansion of Pipeline Infrastructure (CEPI), a partnership of businesses, trade associations and labor groups that support the responsible expansion of critical energy infrastructure across Ohio and the region, OMA applauds this FERC action. *5/9/2018*

FE to Get Bonus for Bankrupt Subsidiary?
May 4, 2018

In recent weeks, investors, analysts, policymakers, media and other stakeholders have been combing through the FirstEnergy Solutions (FES) bankruptcy settlement with creditors and former parent corporation, FirstEnergy (FE). One provision of interest allows FirstEnergy to participate in 50-50 sharing of federal or state bailout revenues.

An analysis by Bank of America Merrill Lynch states that: "This was framed as a way to reward FirstEnergy for any success with legislation and keep FirstEnergy management incentivized to remain involved in those efforts."

Under that term sheet, FE has up to three years after the bankruptcy to exercise the warrant that entitles it to 50% of recoveries after FES's unsecured creditors recover 60% of their claims.

Bottom line: FirstEnergy has a vested interest in federal or state bailouts and will continue lobbying federal and state officials for policies that will disrupt and distort a well-functioning market, even though it is no longer in the generation market. *5/3/2018*

AEP Electric Rate Cases Finalized
May 4, 2018

Last week the PUCO **approved a settlement** reached on a series of AEP rate cases. The **OMA Energy Group** was involved in settlement discussions and improved the cost impacts on the manufacturing sector. However, there were numerous moving parts including some provisions that will hike customer costs. The settlement specifically confirms the OMA's ability to challenge AEP's new rider that customers must pay to bailout the unprofitable large coal power plants known as Ohio Valley Electric Corporation (OVEC).

OMA's energy counsel, Kim Bojko of Carpenter Lipps & Leland, will explain the case impacts, as well as other PUCO cases of interest to manufacturers, at the May 16 meeting of the OMA Energy Committee. **Register here**. Contact OMA's **Ryan Augsburger** if you would like more information. *5/3/2018*

Congratulations Energy Efficiency Champions!
April 27, 2018

Representatives from American Fine Sinter Company, Tiffin, with AEP Ohio leadership

Pictured with AEP Ohio leadership are Weastec, Inc. President Yasuhiko "Nick" Ida and Senior Manager Robert Moots. Weastec is in Hillsboro.

AEP Ohio recognized several power customers who have made outstanding contributions to increasing energy efficiency and environmental stewardship.
Abbott Nutrition, American Fine Sinter, General Mills, Glatfelter and Weastec were among the manufacturers awarded the AEP Energy Efficiency Champion Award this week.

Learn more about how your company can decrease energy usage, increase efficiency and save money. *4/26/2018*

FirstEnergy Profits Up, Announces Settlement with Bankrupt Affiliate
April 27, 2018

Free of the drag of its unprofitable generation business, FirstEnergy Solutions (FES), FirstEnergy reported a healthy profit of $1.2 billion for the first quarter.

John Funk of the Cleveland Plain Dealer **reported** that much of the profitability stems from an accounting gain related to the decision for subsidiary FirstEnergy Solutions file bankruptcy protection on March 31, the last day of the quarter.
Also, during the investor call, FirstEnergy's CEO announced that a settlement between FES and its creditors had been reached which will release FirstEnergy from all claims. Here's **an analysis** of the bankruptcy settlement prepared by Carpenter Lipps & Leland.
Meanwhile, FirstEnergy, FES, some coal interests, and community leaders in the footprint of the power plants continue to press federal and state officials about the need for a bailout.
FES took steps late this week to certify its plans to close its Ohio nuclear power plants. In a **letter to the Nuclear Regulatory Commission**, FES Generation informed the agency that the Davis-Besse plant near Toledo will close on May 31, 2020 and the Perry plant in Lake County will close on May 31, 2021. *4/26/2018*

AEP Reports Profits, Plans Grid Upgrades
April 27, 2018

At its annual meeting this week, Columbus-based American Electric Power (AEP) reported first-quarter 2018 corporate earnings of $454 million.

AEP's Chairman and CEO Nick Akins used the occasion to announce plans to invest more than $17 billion in transmission and distribution upgrades. While AEP serves customers in many states, AEP's Ohio customers have seen dramatic rises in both distribution and transmission portions of their bills without corresponding benefits.

Members of the OMA Energy Group will be monitoring case activity at the PUCO and FERC to ensure grid investments are necessary and produce customer benefits. **Learn more about the work and benefits of the OMA Energy Group**. *4/26/2018*

FirstEnergy PAC Picking Sides in Speaker's Contest
April 27, 2018

FirstEnergy has used its PAC to promote Rep. Larry Householder in his bid for speaker vs. Rep. Ryan Smith.

A **report by Cleveland.com** illuminates how the utility's PAC has invested in House candidates recruited by Householder: "In the first two months of 2018, the Akron-based power company's political action committee donated more than $5,000 to the Perry County Republican and a total of about $149,000 to more than a dozen other House candidates, state campaign finance records show. Most, if not all, of the recipients have either backed Householder for speaker or are considered by many to be on his side, although some have not come out publicly in support of him." *4/26/2018*

OMA Sustainability Peer Network Tours Orrville Plants
April 23, 2018

The OMA's Sustainability Peer Network tours The J.M. Smucker Company Grind2Energy installation.

Here, the OMA's Sustainability Peer Network views the CNG compressor at SmithFoods Inc., Orrville.

This week the **OMA's Sustainability Peer Network** members had the opportunity to tour two OMA member facilities in Orrville: The J.M. Smucker Company and SmithFoods Inc. Projects showcased included SmithFoods' natural gas fleet fueling station and the J.M. Smucker Company's Grind2Energy food waste recycling system and its green-designed R&D building.

Participants were also treated to a lunch prepared by the Smucker Company chef that featured foods from both companies plus local and sustainably managed foods.

To help OMA members network, learn, and share about sustainability goals, practices, and projects, the OMA created the Sustainability Peer Network. **You can join here**. The next meeting will be at the OMA offices on Tuesday, June 19. *4/19/2018*

What Does FES Bankruptcy Really Mean to You?
April 13, 2018

From this month's OMA Energy Guide INSIGHTS regarding the recently announced bankruptcy of First Energy Solutions (FES):

"No one would have predicted a few years ago that the very same company fighting our policy makers for the opportunity to live or die by the market through electric deregulation would be the same company succumbing to Chapter 11 bankruptcy restructuring, mainly due to the effects of an open market.

"The company which once had the largest market share of electric-shopping customers in Ohio has been lobbying everyone, even President Trump, for a life preserver to keep its high-cost power plants operating.

"When one hears about a perceived utility going bankrupt most immediately think "Get out the candles, honey, the power is going out" but what are the real impacts of this bankruptcy on Ohio's people, policy and the price we pay for power?"

Read more. And, subscribe to Energy Guide INSIGHTS, a monthly blog about energy purchasing and management at **My OMA**. *4/11/2018*

NAM Announces Sustainability Program
April 13, 2018

This week, the U.S. Department of Energy (DOE) and the National Association of Manufacturers (NAM) announced the **Sustainability in Manufacturing Partnership**. Through this partnership fostered by DOE's Better Plants program, DOE and the NAM will work together to help U.S. manufacturers drive energy productivity improvements and accelerate adoption of energy efficient technologies.
The Sustainability in Manufacturing Partnership will provide DOE and the NAM opportunities to engage directly with manufacturers, identify energy efficiency improvements, and recognize companies and leaders that have led the way in innovative strategies. *4/10/2018*

FirstEnergy Affiliates File for Bankruptcy
April 6, 2018

The FirstEnergy affiliate companies that own and operate power generation, that is, FirstEnergy Solutions (FES), as well as its subsidiaries and FirstEnergy Nuclear Operating Company (FENOC), filed for Chapter 11 bankruptcy protection over the holiday weekend.

Days earlier the company had publicly announced its intent to shutter unprofitable power plants, most notably its nuclear power plants, two of which are in Ohio.

Officials of the regional grid operator PJM Interconnection, as well as the PUCO, **said that** in spite of the announced power plant shutdowns, this is not an issue of reliability and that there is no immediate emergency because the market is working to provide more than adequate reserves and to promote fuel diversity.
In its announcements, FES, like its parent company previously, said it will continue to seek legislative and regulatory relief at the state and federal level. In that vein, FirstEnergy supporters have reportedly been meeting with top federal government officials to push for an emergency order to compensate certain FES-owned power plants at customer expense. PJM refuted the justification advanced by FES in this **letter to Department of Energy Secretary Rick Perry**.
In the last 45 days, **two congressional joint letters** signed by 23 members of Congress and three U.S. Senators have urged the president to subsidize the FES power plants. Most of Ohio's Congressional delegation are among the signatories.
Concerned members can **contact their member of Congress** and ask them to reconsider their support for bailouts. *4/5/2018*

OMA Can Help FES Customers Review Options in Face of FES Bankruptcy
April 6, 2018

On March 31, 2018, FirstEnergy Solutions (FES) filed for bankruptcy. While the company has stated it will continue to serve customers, OMA members taking generation supply service from FES may wonder how this affects them and if they have alternative options.

OMA has made arrangements with its energy supply partner, **Scioto Energy**, to help members review their FES agreements and analyze if it is economically better to ride out the FES agreement or to go with a lower rate from a different supplier.
If the economics indicate savings by moving to another supplier, Scioto Energy will assist with transition details.
The process produces quick information so members can then develop a strategy to mitigate risk and maximize savings.

If interested, contact Susanne Buckley, Managing Partner, Scioto Energy, **via email** or by phone at (614) 888-8805, ext. 104.
If you have questions about any of this, please email OMA's **Ryan Augsburger**. *4/5/2018*

FirstEnergy Solutions Seeks Another Subsidy as Bankruptcy Looms
March 30, 2018

This week, FirstEnergy's subsidiary company that operates nuclear and coal power plants, FirstEnergy Solutions, announced its intent to shut down its two nuclear power plants in Ohio and one in Pennsylvania in 2021.

In a **press release** the company called on elected officials in Ohio and in Pennsylvania "to consider public policy solutions that would recognize the importance of these facilities to the employees and local economies in which they operate, and the unique role they play in providing reliable, zero-emission electric power for consumers in both states. We stand ready to roll up our sleeves and work with policy makers to find solutions that will make it feasible to continue to operate these plants in the future."
The subsidiary also **wrote to U.S. Secretary of Energy Rick Perry** asking the agency to order PJM, the regional grid operator, to provide additional compensation to their (only) power plants.
The subsidiary is expected to file for bankruptcy in the coming days to seek protection from creditors before an expected payment default in early April. *3/29/2018*

OMA Responds to Announced Closure of Nuclear Power Plants
March 30, 2018

The OMA and the National Federation of Independent Business/Ohio (NFIB/Ohio) **today responded** to the announced closure of three nuclear power plants by FirstEnergy Solutions (FES).
Earlier this week, FES announced it intends to deactivate three nuclear power plants over the next three years — Davis-Besse Nuclear Power Station and Perry Nuclear Power Plant in Ohio, and Beaver Valley Power Station in Pennsylvania.

FES has been unsuccessful in convincing Ohio lawmakers to approve a customer-funded bailout for the financially failing plants.

OMA President Eric Burkland said in the joint press statement: "We take no joy in First Energy Solutions' recent announcement, but make no mistake — it is not the inaction of Ohio policymakers that led to this. Ohio decided nearly 20 years ago to move to a competitive energy market. Many generation companies have successfully adapted and continue to thrive. And Ohio energy customers are, without question, coming out ahead."

OMA and NFIB/Ohio, along with other pro-consumer groups are advocating for energy policy that protects Ohio consumers from unfair rate hikes. House Bill 247 sponsored by Rep. Mark Romanchuk is one such bill currently being debated in the General Assembly. *3/29/2018*

EIA Reports Manufacturers' Electricity Use has Declined
March 30, 2018

In this **recent press release**, the U.S. Energy Information Agency (EIA) said that "overall electricity use in US manufacturing has declined in recent years, based on data from the US Census Bureau."
The release stated that "many manufacturing establishments have the option of generating their own electricity in addition to pulling directly from the electric grid to run their processes," and that "most operators get their electricity from grid purchases."

According to the EIA, "From 2006 through 2016, the manufacturing sector purchased 87% to 89% of their electricity from the grid and generated the remaining 11% to 13% onsite." *3/29/2018*

Upcoming Plant Tours: Sustainability Focus
March 16, 2018

To help OMA members network, learn and share about sustainability goals, practices and projects, the OMA created the Sustainability Peer Network (SPN).

The next SPN event is co-hosted by The J.M. Smucker Company and SmithFoods in Orrville, OH on Wednesday, April 18. SmithFoods' natural gas fleet fueling station and Smucker's Grind2Energy food waste recycling system and its green-designed R&D building will be showcased.

This event is for manufacturing members of the OMA only, and registration is limited.
Learn **more here**; register **here**. *3/15/2018*

PUCO's PowerForward Focuses on Ratemaking and Regulation
March 9, 2018

The Public Utilities Commission of Ohio (PUCO) held its *PowerForward* program this week to hear **presentations about ratemaking and regulation**.
Previous hearings have probed emerging and available technology to drive grid modernization, but this week questions like who should pay and how should investments be structured were examined.

This week also focused on **regulatory considerations affecting electric vehicles** and featured insights from Britta Gross, Director Advanced Vehicle Commercialization Policy, General Motors. *3/8/2018*

Manufacturers Decry Utility Effort to Keep Federal Tax Savings
March 2, 2018

OMA members at this week's OMA Energy Committee decried the actions of Ohio electric utilities that have announced they intend to keep federal tax reform savings rather than passing them on to customers. Monopoly electric distribution utility companies in most states have acted voluntarily to pass the tax savings on to customers.

The Public Utilities Commission of Ohio (PUCO) has opened an investigation into the propriety of Ohio's utilities passing tax savings along to customers, but Ohio's investor-owned electric distribution utilities (AEP-Ohio, Duke Energy, FirstEnergy, and Dayton Power & Light) are challenging this PUCO directive.

The **OMA Energy Group** has intervened to support immediate rate reductions stemming from the tax savings.
Here's an **analysis of the actions taken by other states** by OMA energy counsel, Kim

Bojko of Carpenter Lipps & Leland, in a memo to the OMA Energy Group.
Cleveland Plain Dealer energy reporter John Funk **reports that** FirstEnergy says a major reduction in the company's overall delivery rates or a refund of money to customers to reflect the new 21 percent federal tax rate is out of the question. *3/1/2018*

OMA Energy Committee Reviews Energy Market Forecasts
March 2, 2018

At its quarterly meeting this week, the OMA Energy Committee heard gas and electricity energy market forecasts.

These forecasts, useful for planning, are available to you as an OMA member. Read the **gas forecast** and the **electric forecast**. *3/1/1018*

PUCO Commissioner Dan Conway was a guest of OMA's Energy Committee. He's pictured here with Committee Chair, Brad Belden, VP, Administration, The Belden Brick Company.

To: **OMA Energy Committee**
From: **Ryan Augsburger**
Re: **Energy Policy Report**
Date: **May 16, 2018**

Overview
Significant energy policy activity has occurred over the past quarter with the bankruptcy filing by FirstEnergy Solutions. Federal government actions to bailout unprofitable nuclear and coal power plants eclipse the ongoing legislative and regulatory state subsidy proposals. The OMA has been active in all three theaters. The OMA continues to advocate for PUCO reform legislation sponsored by State Representative Mark Romanchuk (R-Mansfield).

FERC Acts to Protect Customers / Markets: DOE NOPR
FirstEnergy together with some coal interests have been busy lobbying the federal government for nuclear and coal power plant bailouts. It is widely expected that a decision will be forthcoming soon from the Trump Administration. See attached Congressional letters in support of the bailout and rebuttal from PJM.

Federal Tax Reform Driving Down Electric Prices, But Not in Ohio
Following passage of the sweeping federal tax reform, electric distribution utilities (EDUs) in many states promptly announced they would be passing the tax windfall savings on to customers. In contrast Ohio EDU's announced they would not follow suit. The OMA has been a vocal critic of the move at both the PUCO and at the General Assembly. See included counsel's report.

Protecting Competitive Electric Markets
In 1999, with the passage of Senate Bill 3, Ohio began a transition to deregulated generation. That transition which has taken over a decade, has delivered customer choice, cost-savings and innovation. One of the main tenets of deregulation was forcing then-integrated utility companies to sell or spin-off their generation. "Stranded costs" and other above-market surcharge constructs enabled the utilities to have their generation paid for by Ohioans for a second time. If approved in some form, the subsidy cases and Nuke bailout legislation would represent yet another above-market payment to utilities by customers who realize no benefit.

The OMA has been a proponent of markets, supporting the original deregulation legislation and opposing utility profit subsidy schemes that distort the market and result in new above-market charges on manufacturers.

Several noteworthy studies have demonstrated how the market delivers lower prices, choice and innovation without compromising reliability (ask staff for the studies). The opportunity to advance legislative reform to protect competitive markets has arrived. The OMA has been working with other customer groups to support House Bill 247 introduced by Representative of Mark Romanchuk from the Mansfield area. No further action since our last meeting.

Manufacturers can engage policymakers and support a campaign to support the reform. Please contact OMA staff to learn how you can support the cause.

OVEC Bailout
Companion legislation is pending both the House and Senate since last May but has not yet advanced. HB 239 is sponsored by Representatives Ryan Smith and Rick Carfagna, while SB 155 is sponsored by Senators Lou Terhar and Bob Peterson.

The legislation provides over one hundred million dollars per year to the owners of aging coal plants (one in Ohio and one in Indiana) operated by the Ohio Valley Electric Corporation (OVEC). The bailout subsidies would be added to customer bills until 2030 and sets up the possibility for continued customer payment after 2030.

The OMA opposes this bailout that will impose new above-market customer charges. OMA Energy Counsel Kim Bojko provided opponent testimony in the Senate early this year. No movement so far.

Zero Emissions Credit (ZEC) STILL = Nuke Bailout
After being panned by dozens of important stakeholders, legislation to subsidize the uneconomical nuclear power plants stalled out over the summer. During the autumn, House Bill 381 was introduced by Representative Anthony DeVitis of Summit County and several other bipartisan co-sponsors. Similar legislation in the Senate has been amended to mirror the new House Bill. The OMA strongly opposes the legislation and is working with other opponents to coordinate advocacy. Community activists are now leading the charge to prevent the plants from closing and together with FirstEnergy. The FES bankruptcy and threat of plant closures is being used to lever legislative action.

To Levy kWh Tax On-Site Generation: HB 143
The Ohio Department of Taxation is sending out tax bills to third parties operating on-site generation, be it wind, solar or onsite gas generation. The Department contends that a customer who generates power should pay generation tax same as a utility. The Department's basis for collecting the tax is tenuous at best. House Bill 143 has been introduced by state representative Robert Sprague of Findlay. The OMA presented proponent testimony this quarter.

OMA Appeals Utility Subsidies
Late last year the OMA Energy Group (OMAEG) filed appeals at the Supreme Court of Ohio challenging customer charges in the FirstEnergy ESP case and in the AEP ESP case. In both cases, the PUCO granted the utilities improper customer charges. These are big ticket cost items for energy-intensive customers. Appeals are still pending. See counsel's report.

Energy Standards Legislation
The last time the General Assembly sent a bill to Governor Kasich that would weaken alternative energy standards, the Governor vetoed the bill. Early in the current legislative session, the Ohio House introduced HB 114 and subsequently approved the measure with over 50 co-sponsors. The bill has been stalled in the Senate ever since. Ask staff for a technical analysis.

Senate President Obhof has commented frequently that HB 114 was a priority for Senate action early in 2018. Some speculate the Senate may use the bill as a vehicle to address the wind set-back siting requirements. The issue is deterring some new investment in large-scale wind farms. A revised bill is expected to be unveiled today and may address more comprehensive reforms. Standby.

Re-Monopolization
AEP and other investor-owned utilities have been calling for legislation to *re-monopolize* aspects of utility-owned generation. In spite of assurances made to investors that legislation would be introduced during the term, no such bill has been introduced. Meanwhile utilities are seeking to own certain alternative energy generation. As a state that deregulated generation, the OMA takes a dim view of proposals that provide utility control over any form generation.

Natural Gas Infrastructure
The OMA continues to express industry support for the Rover Pipeline and Nexus Pipeline. Billions of dollars of pipeline investment are underway by several different developers. The OMA has been working with the NAM to promote gas infrastructure and increased market utilization. Please contact staff to learn more about opportunities for supportive manufacturers to engage.

HB105 **OIL AND GAS FUNDING LIMIT** (CERA J, HILL B) To limit the amount of revenue that may be credited to the Oil and Gas Well Fund and to allocate funds in excess of that amount to local governments, fire departments, and a grant program to encourage compressed natural gas as a motor vehicle fuel.

Current Status: 5/16/2017 - House Ways and Means, (Second Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-105

HB114 **RENEWABLE ENERGY STANDARDS** (BLESSING III L) To revise the provisions governing renewable energy, energy efficiency, and peak demand reduction and to alter funding allocations under the Home Energy Assistance Program.

Current Status: 5/16/2018 - Senate Energy and Natural Resources, (Fifth Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-114

HB143 **ELECTRIC DISTRIBUTION COMPANY DEFINITION** (SPRAGUE R) To clarify the definition of "electric distribution company" for kilowatt-hour tax purposes.

Current Status: 3/20/2018 - House Public Utilities, (Third Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-143

HB178 **ZERO-EMISSIONS NUCLEAR PROGRAM** (DEVITIS A) Regarding the zero-emissions nuclear resource program.

Current Status: 5/16/2017 - House Public Utilities, (Third Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-178

HB225 **ABANDONED WELL REGULATION** (THOMPSON A) To allow a landowner to report an idle and orphaned well or abandoned well, to require the Chief of the Division of Oil and Gas Resources Management to inspect and classify such a well, to require the Chief to begin plugging a well classified as distressed-high priority within a specified time period, and to authorize an income tax deduction for reimbursements paid by the state to a landowner for costs incurred to plug an idle or orphaned well.

Current Status: 5/16/2018 - Senate Energy and Natural Resources, (Third Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-225

HB239 **ELECTRIC UTILITIES-NATIONAL SECURITY RESOURCE** (SMITH R, CARFAGNA R) To allow electric distribution utilities to recover costs for a national security generation resource.

Current Status: 10/3/2017 - House Public Utilities, (Sixth Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-239

HB247 **ELECTRIC UTILITY CONSUMER PROTECTION** (ROMANCHUK M) To require refunds to utility customers who have been improperly charged, to eliminate electric security plans and require all electric standard service offers to be delivered through market-rate offers, and to strengthen corporate separation requirements.

Current Status: 1/23/2018 - House Public Utilities, (Sixth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-247

HB249 **RESIDENTIAL UTILITY RESELLING** (DUFFEY M) To permit the Public Utilities Commission to adopt rules governing residential utility reselling.

Current Status: 2/20/2018 - House Public Utilities, (Fifth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-249

HB381 **ZERO-EMISSIONS NUCLEAR RESOURCE** (DEVITIS A) Regarding the zero-emissions nuclear resource program.

Current Status: 12/12/2017 - House Public Utilities, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-381

HB393 **OIL AND GAS BRINE SALES** (DEVITIS A, O'BRIEN M) To authorize a person to sell brine derived from an oil and gas operation that is processed as a commodity for use in surface application in deicing, dust suppression, and other applications.

Current Status: 5/15/2018 - House Energy and Natural Resources, (Fifth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-393

HB473 **CREDIT LOCAL GOVERNMENT FUND-POWER PLANTS** (YOUNG R) To credit additional amounts to the Local Government Fund to provide for payment to fire districts that experienced a 30% or more decrease in the taxable value of power plants located in the districts between 2016 and 2017 and to increase the appropriation to the Local Government Fund.

Current Status: 1/30/2018 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-473

HB562 **HORIZONTAL DRILLING-PARKS** (LELAND D) To prohibit the drilling of a horizontal well in various state and local parks

Current Status: 4/10/2018 - Referred to Committee House Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-562

HB578 **INJECTION WELL SETBACKS/FEES** (HOLMES G, O'BRIEN M) To establish new setback requirements applicable to new Class II injection wells and to require thirty-seven and one-half per cent of the out-of-district injection well fee to be paid directly to the municipal corporation or township in which the injection well is located.

Current Status: 4/10/2018 - Referred to Committee House Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-578

HB604 **WIND FARM SETBACKS** (STRAHORN F) To alter the minimum setback requirement for wind farms of five or more megawatts and to make the authorization of qualified energy project property tax exemptions permanent.

Current Status: 5/15/2018 - Referred to Committee House Public Utilities

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-604

HCR14 **PARIS CLIMATE AGREEMENT COMMITMENT** (LEPORE-HAGAN M, LELAND D) To affirm the commitment of the members of the General Assembly, in accordance with the aims of the Paris Agreement, to reduce greenhouse gas emissions to 26 to 28 per cent below 2005 levels by the year 2025.

Current Status: 9/19/2017 - House Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HCR-14

HCR22 **SUPPORT ENERGY INFRASTRUCTURE** (HILL B) To express support for the importance of Ohio's energy resources and energy infrastructure in furthering Ohio's economic development.

Current Status: 4/10/2018 - **REPORTED OUT**, House Energy and Natural Resources, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HCR-22

HR277 **ENERGY GRID RULEMAKING** (ARNDT S) To express support for the proposed rulemaking by United States Secretary of Energy Rick Perry for the preservation of a secure, resilient and reliable electric grid.

Current Status: 10/17/2017 - Referred to Committee House Public Utilities

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HR-277

SB50 **WELL INJECTION-PROHIBITION** (SKINDELL M) To prohibit land application and deep well injection of brine, to prohibit the conversion of wells, and to eliminate the injection fee that is levied under the Oil and Gas Law.

Current Status: 2/22/2017 - Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-50

SB53 **NATURAL GAS RESTRICTION** (SKINDELL M) To ban the taking or removal of oil or natural gas from and under the bed of Lake Erie.

Current Status: 2/22/2017 - Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-53

SB65 **ENERGY STAR TAX HOLIDAY** (BROWN E) To provide a three-day sales tax "holiday" each April during which sales of qualifying Energy Star products are exempt from sales and use taxes.

Current Status: 3/22/2017 - Senate Ways and Means, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-65

SB128 **ZERO-EMISSION NUCLEAR PROGRAM** (EKLUND J, LAROSE F) Regarding the zero-emissions nuclear resource program.

Current Status: 1/25/2018 - Senate Public Utilities, (Sixth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-128

SB155 **ELECTRIC DISTRIBUTION COST RECOVERY** (TERHAR L, PETERSON B) To allow electric distribution utilities to recover costs for a national security generation resource.

Current Status: 1/10/2018 - Senate Public Utilities, (Seventh Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-155

SB157 **PUBLIC UTILITY RESELLING REGULATION** (BACON K) To regulate the reselling of public utility service.

Current Status: 1/18/2018 - **SUBSTITUTE BILL ACCEPTED**, Senate Public Utilities, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-157

SB188 **WIND TURBINE SETBACK REVISIONS** (HITE C) To revise wind turbine setback provisions for economically significant wind farms.

Current Status: 10/11/2017 - Senate Energy and Natural Resources, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-188

SB238 **WIND TURBINE SETBACKS** (DOLAN M) Regarding wind turbine setbacks for wind farms of at least five megawatts.

Current Status: 1/10/2018 - **BILL AMENDED**, Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-238

SCR14 **COUNTER OPEC MARKET MANIPULATION** (HOAGLAND F, COLEY W) To urge the Congress of the United States and the President of the United States to take certain actions to counter manipulation of the oil market by the Organization of Petroleum Exporting Countries (OPEC).

Current Status: 12/4/2017 - Referred to Committee House Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SCR-14

SCR21 **APPALACHIAN STORAGE HUB DEVELOPMENT** (BALDERSON T) To urge the Congress of the United States to enact various bills advancing the development of an Appalachian storage hub.

Current Status:	4/11/2018 - Referred to Committee Senate Public Utilities
State Bill Page:	https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SCR-21

U.S. Department of Energy and National Association of Manufacturers Announce Sustainability in Manufacturing Partnership

APRIL 10, 2018

WASHINGTON, D.C. – Today, the U.S. Department of Energy (DOE) and the National Association of Manufacturers (NAM) announced the Sustainability in Manufacturing partnership. Through this partnership fostered by DOE's Better Plants program, DOE and the NAM will work together to help U.S. manufacturers drive energy productivity improvements and accelerate adoption of energy efficient technologies.

The Sustainability in Manufacturing partnership will provide DOE and the NAM the opportunity to engage directly with manufacturers, identify opportunities for energy efficiency improvements, and serve as a platform to recognize companies and leaders that have led the way in the application of innovative strategies.

"Working alongside our private sector partners, we are driving cost savings and a stronger, more secure U.S. industrial base," said Secretary of Energy Rick Perry. "The Department's partnership with the National Association of Manufacturers will further spotlight industrial leadership and boost awareness of the resources across the DOE enterprise to boost manufacturing competitiveness through energy savings."

As a nation, the U.S. spends over $200 billion dollars per year to power our manufacturing plants. This makes reducing energy consumption an effective strategy to bolster domestic economic competitiveness, while contributing to the creation of jobs in a sector that accounts for more than 12 million American workers. Through the Better Plants program, nearly 200 leading manufacturers across the country are able to set specific energy efficiency goals, and share innovative energy reduction strategies. The Sustainability in Manufacturing partnership will allow DOE and the NAM to continue to support the sector in its pursuit of energy savings through the research and development of new solutions and the amplification of partner successes.

"Manufacturers accept the responsibility to better the future of our communities, our environment and our children, which is why over the past decade, we have reduced emissions by 10 percent even as our value to the economy has increased 19 percent," said NAM President and CEO Jay Timmons. "This initiative is another example of the Trump Administration's true partnership with manufacturers in America and it will take our sustainability efforts to a new level of progress."

For more information on the Better Plants program, please visit HERE.

FirstEnergy Solutions Files Deactivation Notice for Three Competitive Nuclear Generating Plants in Ohio and Pennsylvania

- 4,048 Megawatts of Electricity Generating Capacity to Retire by 2021

- Plants to Continue Normal Operations in Interim

- Company Seeks Policy Solutions as Alternative to Deactivation

---

NEWS PROVIDED BY
FirstEnergy Solutions
Mar 28, 2018, 17:06 ET

AKRON, Ohio, March 28, 2018 /PRNewswire/ -- FirstEnergy Solutions (FES), a competitive generation subsidiary of FirstEnergy Corp. (NYSE: FE), today notified PJM Interconnection (PJM), the regional transmission organization, two nuclear power plants in Ohio and another in Pennsylvania owned by its subsidiary will be deactivated during the next three years. Plant closures are subject to review by PJM for reliability impacts, if any.

In the interim, the plants will continue normal operations, as FES seeks legislative policy solutions as an alternative to deactivation or sale.

The plants scheduled for retirement are:

- Davis-Besse Nuclear Power Station (908 MW) in Oak Harbor, Ohio, in 2020
- Beaver Valley Power Station (1,872 MW) in Shippingport, Pa., in 2021
- Perry Nuclear Power Plant (1,268 MW) in Perry, Ohio, in 2021

The total capacity of the nuclear plants to be deactivated is 4,048 megawatts (MW). In 2017, the nuclear units contributed approximately 65 percent of the electricity produced by the FES generating fleet.

"The decision to deactivate these facilities is very difficult and in no way a reflection on the dedicated, hard-working employees who operate the plants safely and reliably or on the local communities and union leaders who have advocated passionately on their behalf," said Don

Moul, president of FES Generation Companies and chief nuclear officer. "Though the plants have taken aggressive measures to cut costs, the market challenges facing these units are beyond their control.

"We call on elected officials in Ohio and Pennsylvania to consider policy solutions that would recognize the importance of these facilities to the employees and local economies in which they operate, and the unique role they play in providing reliable, zero-emission electric power for consumers in both states. We stand ready to roll-up our sleeves and work with policy makers to find solutions that will make it feasible to continue to operate these plants in the future."

Collectively, the plants have contributed more than $540 million in taxes throughout their operation to support local communities. The Company continues to work toward legislative solutions to keep these plants operating, but will also look for potential buyers as another alternative. About 2,300 plant employees are expected to be affected by the ultimate deactivations.

The Nuclear Regulatory Commission (NRC) has been verbally notified of the deactivations, and a required written notification will be made to the agency within 30 days. In addition, notifications were made to the Institute of Nuclear Power Operations (INPO) and Nuclear Energy Institute (NEI), organizations that support the U.S. nuclear industry.

The two-year-plus lead time is needed to make the complex preparations for a potential plant deactivation, including preparing a detailed decommissioning plan and working with the NRC to amend plant licenses.

In November 2016, FES parent FirstEnergy Corp. announced that it would exit competitive, or non-regulated, generation due to weak power prices, insufficient results from recent capacity auctions, and weak demand forecasts. A strategic review of FES's two remaining coal plants and one natural gas plant, totaling 5,245 MW, will continue as part of that plan.

(022018)

SOURCE FirstEnergy Solutions

FOR IMMEDIATE RELEASE
Friday, March 30, 2018
Eric Burkland, OMA (614) 224-5111
Roger Geiger, NFIB/Ohio (614) 221-4107

Ohio business groups respond to announced closure of nuclear power plants

Columbus, OH – The Ohio Manufacturers' Association (OMA) and the National Federation of Independent Business/Ohio (NFIB/Ohio) today responded to the announced closure of three nuclear power plants by First Energy Solutions (FES).

On Wednesday, March 28, FES announced it intends to deactivate three nuclear power plants over the next three years — Davis-Besse Nuclear Power Station and Perry Nuclear Power Plant in Ohio, and Beaver Valley Power Station in Pennsylvania.

FES has been unsuccessful in convincing Ohio lawmakers to approve a customer-funded bailout for the financially failing plants.

"We take no joy in First Energy Solutions' recent announcement, but make no mistake — it is not the inaction of Ohio policymakers that led to this," said OMA President Eric Burkland. "Ohio decided nearly 20 years ago to move to a competitive energy market. Many generation companies have successfully adapted and continue to thrive. And Ohio energy customers are, without question, coming out ahead."

Key market indicators show that Ohio's competitive generation market is working as anticipated:

- Energy customers are saving money — an average of $3 billion per year.
- System reliability is improving — the PJM energy market currently has a 25% capacity reserve.
- Ohio has 11 new natural gas power plants announced, approved, or under construction, representing a total investment of roughly $10 billion and 9,937 megawatts of new capacity.
- Uncompetitive power plants are leaving the market (in Ohio alone, nearly 60 individual coal boilers have already been decommissioned).

"This is what happens in competitive markets in every other business sector," said NFIB/Ohio Executive Director Roger Geiger. "Companies that adapt and modernize succeed. Those that fail to cannot survive. We cannot ask Ohio energy customers, who paid billions of dollars for these plants on the front end, to now provide a bailout after decades of poor business planning."

OMA and NFIB/Ohio, along with other pro-consumer groups are advocating for energy policy that protects Ohio consumers from unfair rate hikes. House Bill 247 sponsored by Representative Mark Romanchuk is one such bill currently being debated in the General Assembly.

###

Congress of the United States
Washington, DC 20515

February 21, 2018

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington DC 20500

Dear Mr. President,

We write to express our concern regarding the preservation of our nation's fuel-secure generation capacity and threats to the resiliency of the nation's electric grid. We must ensure that the grid provides affordable, reliable, and resilient electricity on a daily basis. As a matter of both national and economic security, the electric grid must have the resiliency to respond to extreme circumstances.

Fuel-secure baseload generators, primarily coal and nuclear, are under duress. An alarming number of coal and nuclear plants have closed prematurely and more are closing at a fast rate. This is especially true in the competitive, so-called merchant markets. The rate of plant closures has a compounding effect on grid resiliency – the ability to operate through an emergency or extreme conditions – by placing undue risk of severe consequences on the system.

Our nation's nuclear and coal plants are predominantly immune to short-term fuel supply disruptions, which makes them resilient. Evidence of how integral they are to the U.S. was demonstrated in 2014 when the Polar Vortex overstressed the grid, and many generation sources were unable to respond to power needs because of fuel supply disruptions. When the grid in much of the U.S. narrowly avoided operational failure, it was fuel-secure baseload power plants and not variable sources of electricity or those with interruptible fuel supplies that provided a resilient source of electricity.

A major factor putting coal and nuclear plants at a disadvantage are federal and state subsidies to intermittent power providers, making them artificially competitive. Additionally, government mandates for purchases of certain forms of electricity and excessive regulations on nuclear and coal providers negatively impact those resources' cost competitiveness. Adding to those headwinds, grid operators (Regional Transmission Organizations – RTOs) fail to create market rules that fairly compensate fuel-secure baseload generators for the resiliency they provide the grid. Coal and nuclear generators maintain adequate fuel on-site to ride through an extended emergency, and do so without being compensated for that.

Beyond the risk injected into the electric grid carried over from the previous administration, there are national economic concerns at play too. If anti-resiliency bias within the RTOs' pricing models persists, thousands of workers and their families will be negatively affected. For generations, nuclear and coal have provided well-paying jobs in communities across America. Further plant closures will have huge negative economic effects, rippling across entire regions and drive up electric prices for ratepayers. Without your immediate help, these industries will not be able to provide the good jobs and the resilient electricity supply our nation currently has.

Mr. President, we are asking you to safeguard the grid's fuel security and direct the Secretary of Energy to exercise his Section 202(c) emergency powers under the Federal Power Act. We also request the Department of Energy evaluate the announced and expected retirement of additional fuel-secure baseload generation units and the potential national security and economic ramifications. Gambling with the resiliency of the electric grid is unnecessary and puts the safety of all Americans at risk.

We applaud the extraordinary efforts you have already made to help turn our nation's struggling economy around, especially for middleclass workers. We hope that you will recognize the immediate severity of this issue and will take appropriate action to safeguard the electric grid's resiliency.

Thank you for your leadership, and your efforts to ensure that our nation has a safe and resilient electric grid.

Sincerely,

Keith J. Rothfus
Member of Congress

David B. McKinley, P.E.
Member of Congress

Shelley Moore Capito
U.S. Senator

Mitch McConnell
U.S. Senate Majority Leader

Steve Stivers
Member of Congress

Alexander X. Mooney
Member of Congress

Andy Barr
Member of Congress

Evan Jenkins
Member of Congress

Scott Perry
Member of Congress

David P. Joyce
Member of Congress

Mike Kelly
Member of Congress

Mike Bost
Member of Congress

James Comer
Member of Congress

Bill Johnson
Member of Congress

Warren Davidson
Member of Congress

Rodney Davis
Member of Congress

Joe Manchin III
U.S. Senator

H. Morgan Griffith
Member of Congress

Bob Gibbs
Member of Congress

Glenn "GT" Thompson
Member of Congress

Robert E. Latta
Member of Congress

Larry Bucshon, M.D.
Member of Congress

Jim Jordan
Member of Congress

Congress of the United States
Washington, DC 20515

February 15, 2018

President Donald J. Trump
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20050

Dear President Trump,

We write to urge immediate action to support clean American electricity generation in the form of nuclear power. Rapid changes in the energy sector over the last decade, most notably the discovery of large amounts of natural gas and the corresponding advancements in drilling technology, have driven down the price of electricity generation from gas-fired power plants and undercut baseload generation at nuclear power plants.

Nuclear power is abundant, reliable, inexpensive, carbon free, and relatively immune from unpredictable conditions that can disrupt the delivery of other fuels. From a national security perspective, nuclear energy is a key component of our national nuclear strategy. Premature closure of America's nuclear power plants threatens our competitive edge in this field. Without a commitment to nuclear power, nuclear technology development will decline and the Nation's technical advantage in this sector will rapidly erode. Our commercial nuclear energy industry and the United States' nuclear weapons complex complement each other to ensure our great Nation maintains the best nuclear talent and technology in the world. According to a report by the Global Nexus Initiative, if current trends continue, the U.S. will cede its lead in the nuclear power market to Russia, China, and India in the coming decades.

The Energy Futures Initiative, which is led by Former Secretary of Energy Ernest Moniz, recently released a report that stated that a commercial atomic power sector is necessary to keep uranium-processing technology away from terrorists and other bad actors. Additionally, it will support nuclear-powered Navy vessels. The U.S. needs companies and engineers that can both build and run nuclear enterprises. The U.S. Navy's reactors require supplies and qualified engineers, and American nuclear scientists fill vital national security roles, it said. According to the report, a "shrinking commercial enterprise will have long term spillover effects on the Navy supply chain, including lessened enthusiasm among American citizens to pursue nuclear technology careers."

Unfortunately, recent news reports reveal that Ohio's only two nuclear power plants appear headed for premature closure. The Davis-Besse and Perry nuclear power plants in northern Ohio are important components to the regional economy and to America's energy security. These high-performing plants are economic engines that provide good-paying jobs both at the plants and through a far-reaching supply chain. These jobs support thriving communities and generate critical tax revenue that fund essential services. Northeast Ohio's Port Clinton News-Herald reported that public schools in Perry stand to lose $2.3 million in funding if the Perry nuclear power plant closes. In addition, Ohio's two nuclear power plants produce 90 percent of the state's carbon-free electricity.

We urge you and your Administration to step in and offer immediate assistance to prevent these critical generators from closing prematurely. A robust nuclear energy enterprise is a key enabler of the Nation's nonproliferation goals and supports both the fleet modernization plans of the U.S. Navy as well as the global strategic stability and deterrence value of nuclear weapons. We ask that your Administration work with Ohio and other states with nuclear power facilities in financial distress to harmonize federal and state policies affecting the design of organized electricity markets. Specifically, we believe that these markets should appropriately value attributes including reliability, supply diversity, greenhouse gas emissions, and relative national security importance. Time is of the essence.

Sincerely,

Marcy Kaptur
Member of Congress

David P. Joyce
Member of Congress

Marcia L. Fudge
Member of Congress

Tim Ryan
Member of Congress

CC: Hon. Rick Perry, Secretary of Energy

WHAT DOES FIRSTENERGY SOLUTIONS BANKRUPTCY REALLY MEAN TO YOU

April 11, 2018

No one would have predicted a few years ago that the very same company fighting our policy makers for the opportunity to live or die by the market through electric deregulation would be the same company succumbing to Chapter 11 bankruptcy restructuring, mainly due to the effects of an open market. The company which once had the largest market share of electric-shopping customers in Ohio has been lobbying everyone, even President Trump, for a life preserver to keep its high-cost power plants operating. When one hears about a *perceived* utility going bankrupt most immediately think "Get out the candles, honey, the power is going out" but what are the real impacts of this bankruptcy on Ohio's people, policy and the price we pay for power?

People

Let's first understand who the heck is going bankrupt. FirstEnergy Solutions (FES) is a subsidiary to FirstEnergy Corp. Other subsidiaries include the regulated utilities such as Toledo Edison, Ohio Edison and Cleveland Electric Illuminating, which are not included in the bankruptcy action. FES is NOT the utility. It does, however, own the fleet of power plants formerly owned by First Energy Corp. and it does market this power to customers through its deregulated retail operations.

FES has indicated that possibly within the next three years it will close three power plants, two of which are the infamous Perry and Davis-Besse nuclear plants on the shores of Lake Erie; the third a nuclear plant in Pennsylvania. If this actually occurs, the closing will undoubtedly impact the employees of those plants which have been reported by FES at 2,300 and will reduce the power available by 4,000 MW. The bankruptcy filing requests that the plants continue to operate while FES goes through the bankruptcy process which some experts are saying it could take five years at a minimum. All the while, the company will be looking for a buyer of the assets. In the short term, FES indicated that it is business as usual for employees.

The economic challenges of these power plants date back decades with enormous construction cost overruns but the final nail in the coffin was the extreme market pressure from natural gas plants which can produce power at significantly less cost than nuclear power. Here is the evidence: 11,000 MW's of new natural gas plants in various stages of planning and construction in Ohio.

Policy

The news of these plants closing has been expected. The company missed the optimum window to sell them, placing all its bets on the ability to lobby for market rule changes and subsidies. Over the past three years, lobbyists for the company have hit up policy makers like a swarm of locusts. They have been active en masse at the Ohio General Assembly, the Public Utility Commission of Ohio and now the Trump Administration. The efforts have not produced any measurable policy changes as there is little data supporting the need for changes other than the viability of FES. Additionally, customer groups, environmental groups and independent power producers have stepped up in to be actively engage in the discussion.

Despite many policy roadblocks, FES is throwing the Hail Mary in the policy fight arguing for an 83-year law that would declare a state of emergency to keep the plants open. Pointing to grid reliability, FES has requested that the federal government give the plants preferential economic treatment to maintain operation. PJM, the grid operator in charge of reliability, refutes the claims that closing those plants will result in reliability issues. Additionally, PJM has mechanisms already in place to provide increased revenue to these plants if they are needed for reliability.

Price

The bankruptcy declaration is not a shock to those close to the energy markets, but it does not ease the pain to the 14,000 FES creditors. The FirstEnergy Corp. stock price did very little on the news and the forward energy markets moved up only a few percentage point. From a short-term perspective, the price to watch is the upcoming PJM capacity auction. This auction determines the price paid to generators by load for committing to meet the system's peak demand. If FES does not include the 4,000 MW contributed by its nuclear plants in the next auction one would think these auction prices will increase. The auction will be held next month for delivery in June 2021 to May 2022. (Customers may remember a similar plant closure announcement which occurred right before the 2015 – 2016 PJM capacity auction. The auction cleared three times the historic average auction price resulting in customer bills increasing by over 25% for that year.)

That being said, the new gas-fired power plants under development will more than make up this lost capacity but it is all about the timing. If all the projects are built by the time of these nuclear plants fully retire, there will be enough power to supply two times the demand of every resident in the state of Ohio. This fundamental is very bearish to long term prices. Replacing these nuclear plants with nearly double the capacity *and* at a production price significantly less leads us to speculate that prices will remain low for the long term.

PJM Statement on FES Announcement

March 29, 2018

Background

On March 28, 2018, FirstEnergy Solutions announced that it planned to deactivate four nuclear units in Ohio and Pennsylvania. On March 29, 2018, FirstEnergy made an application to the U.S. Department of Energy requesting that the DOE issue an emergency order under section 202(c) of the Federal Power Act directing PJM "to immediately begin negotiations to secure the long-term capacity of certain nuclear and coal-fired plants in the region and to compensate their owners for the full benefits they provide to energy markets and the public at large, including fuel security and diversity."

Responsive Statement

This is not an issue of reliability. There is no immediate emergency.

Diversity of the fuel supply is important, but the PJM system has adequate power supplies and healthy reserves in operation today, and resources are more diverse than they have ever been.

Nothing we have seen to date indicates that an immediate emergency would result from the generator retirements. The potential for the retirements has been discussed publicly for some time. In anticipation, PJM took a preliminary look at the effect of the retirements. We found that the system would have adequate amounts of generation available.

PJM has an established 90-day process to review generator retirement requests and their potential effects on the transmission system. We will conduct the full analysis required to determine if there would be any effects on the grid that require transmission upgrades. (For example, a generator may help support voltage in a local area, and its retirement could require reinforcement of the transmission system nearby.) Given the unusually long advance notice, there should be sufficient time to complete any transmission upgrades required.

Competitive wholesale power markets have produced a reliable grid at the least reasonable cost. That is an important benefit for the people in our region that helps the regional economy thrive. In Ohio alone there is approximately 10,000 megawatts of generation under construction or in the review process to connect to the grid.

2750 Monroe Boulevard
Audubon, PA 19403-2497

Vincent P. Duane
Sr. VP General Counsel, Law, Compliance & External Affairs
610.666.4367
610.666.4281 FAX
Vincent.duane@pjm.com

March 30, 2018

The Honorable James Richard Perry
Secretary of Energy
United States Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Re: FirstEnergy Solutions' Request for Emergency Relief under Section 202 of the Federal Power Act

Dear Secretary Perry:

PJM Interconnection, LLC (PJM) respectfully seeks to submit this response to the above-referenced request filed by FirstEnergy Solutions and affiliates (FES) on March 29, 2018. While the PJM system presently is reliable by all measures, PJM will refrain, at this time, from responding to FES' assertion that an "emergency condition" will arise should certain FES nuclear plants and potentially certain FES coal plants retire in upcoming years as announced or threatened by the company.[1]

PJM will not use this opportunity to express agreement or disagreement with several major points of argument advanced by FES; nor will we correct at this time several misstated facts presented by FES. Instead, PJM simply points out to the Secretary two very obvious and objective facts that relieve the Department from the need to take precipitous, immediate action to address FES' request.

First, whether FES' actions create a reliability concern that may threaten the stable and reliable operation of the grid, much less constitute an emergency within the meaning of Section 202(c) of the Federal Power Act, is a question that will be answered by a proscribed, detailed and regularly employed process found in Part V of the PJM Tariff. Consistent with the PJM Tariff, over the next 30 days, PJM will undertake a thorough analysis of its system to determine whether the announced retirements would present systemic adequacy issues or any local reliability issues, such as insufficient voltage support. Should any such finding result, the PJM Tariff provides an additional 60 days to work with FES and a range of tools available, including ordering transmission system upgrades and, if necessary, offering full cost of service compensation under Part V of the PJM Tariff to induce assets to remain temporarily on-line. Ultimately, PJM could also join FES in its instant request should other remedial options prove insufficient.

Second, PJM can state without reservation there is no immediate threat to system reliability. Indeed, the FES units that announced their expected retirement earlier this week, by their own disclosures, will remain operational in most cases until through May 2021. Moreover, these announcements are not binding – FES

[1] Curiously, the request purports to seek relief for the entire FES merchant fleet - and somehow on behalf of others - relief for *all* other coal and nuclear units in PJM, totaling over 80 generation units. PJM will evaluate the question of impaired reliability or an "emergency condition" based on actual facts – announced retirements – not on the company's general dissatisfaction with the PJM markets or its competitive position therein. Nor will PJM evaluate the impact of closure of other companies' plants unless or until owners of such plants raise the matter with PJM.

{W0153751.1 }

can elect to rescind this notice, or should assets be sold, a subsequent purchaser likewise may decide to continue to operate the units. But even assuming these units do in fact close as of the dates announced, PJM, FERC, and the Department of Energy will have ample time before then to take measures, which at the extreme might include the kind of relief sought in the instant request.

PJM therefore respectfully requests that the Secretary allow PJM's FERC-accepted process to unfold in an orderly manner and refrain from taking unnecessary, extraordinary and precedential immediate action as sought by FES. PJM will commit to sharing publicly (to the maximum extent possible), and in any event to the Department of Energy, our findings resulting from our 30-day process for evaluating the system implications of FES' announced retirements.

Thank you for considering PJM's perspective and suggestions.

Sincerely,

Vincent P. Duane

cc: Mark Menezes, DOE
Bruce Walker, DOE
Sean Cunningham, DOE
Patricia Hoffman, DOE
Catherine Jereza, DOE

FirstEnergy PAC writes big checks to House speaker hopeful Larry Householder, campaign allies

Updated Apr 20; Posted Apr 20

FirstEnergy Corp.'s political action committee has ramped up donations to House Republican candidates, including to House speaker candidate Larry Householder and a number of his political allies.(*FirstEnergy*)

By Jeremy Pelzer, cleveland.com
jpelzer@cleveland.com

COLUMBUS, Ohio--FirstEnergy Corp. has opened up its wallet for a number of Ohio House Republican candidates, including House speaker candidate Larry Householder and many of his allies.

In the first two months of 2018, the Akron-based power company's political action committee donated more than $5,000 to the Perry County Republican and a total of about $149,000 to more than a dozen other House candidates, state campaign finance records show. Most, if not all, of the recipients have either backed Householder for speaker or are considered by many to be on his side, although some have not come out publicly in support of him.

During that time, FirstEnergy's PAC made only a handful of other political donations - none of which went to supporters of Householder's rival for the speaker's gavel, GOP Rep. Ryan Smith.

It's unclear exactly why FirstEnergy decided to put so much money behind Team Householder. But Householder has enjoyed a warm relationship with the company - last year, he and one of his sons used a FirstEnergy corporate plane to attend President Donald Trump's inauguration.

Householder and a number of his legislative allies are also co-sponsors of legislation that would allow FirstEnergy subsidiaries to charge customers about $2.50 more per month to subsidize the Davis-Besse and Perry nuclear power plants in northern Ohio. The legislation, House Bill 381, has been stalled in committee since it was introduced last fall.
The subsidiaries, FirstEnergy Solutions and the FirstEnergy Nuclear Operating Co., announced in late March that they plan to close both nuclear plants within the next three years, on the grounds that they cannot compete with new ultra-efficient gas turbine power plants.

FirstEnergy Solutions filed for bankruptcy protection earlier this month.
FirstEnergy spokesman Doug Colafella didn't directly say why the company's PAC made the contributions. In a statement, Colafella said, "FirstEnergy's Political Action Committee supports both Republican and Democrat candidates and officeholders whose interests align with those of our customers, employees and shareholders. Our PAC funds are distributed based on the recommendations of an internal committee of employee-members."

Householder and his spokesman, Chris Schrimpf, didn't return phone calls seeking comment.

FirstEnergy PAC donations

Candidate	District	Donation
Brian Baldridge	90	$11,000
Tim Barhorst	19	$7,500
Jamie Callender	61	$12,700
Jon Cross	83	$12,700
Anthony DeVitis	36	$7,707.79
Jay Edwards	94	$8,708
Travis Faber	84	$11,000
Josh Hagan	50	$5,500
Stu Harris	21	$5,000
Larry Householder	72	$5,207.79
Kris Jordan	67	$11,700
Jena Powell	80	$12,700
Mike Rasor	37	$12,700
Tracy Richardson	87	$7,500
Jim Trakas	6	$12,700
Shane Wilkin	91	$10,000

Source: Ohio secretary of state's office

Energy Engineering Report

OMA ENERGY COMMITTEE – MAY 2018

RUNNERSTONE
INFORMATION IS POWER

Sustainability Peer Network

RUNNERSTONE
INFORMATION IS POWER

- April 18th – Tour at Smucker and SmithFoods, Orrville
- <u>Tuesday, June 19th</u> @ OMA
  - Guest: DOE Better Plants program
  - Engaging employees – treasure hunts, etc.
  - GHG reduction reporting – who wants it, what is it

SMUCKER'S
THE J. M. SMUCKER COMPANY

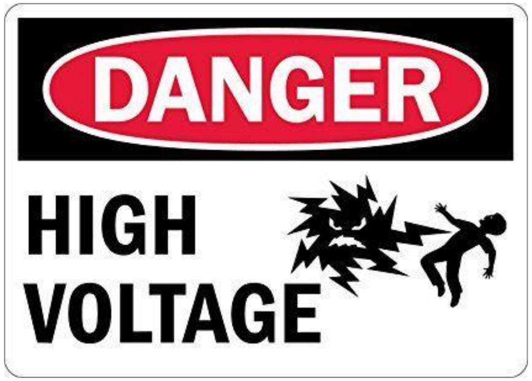
Better Plants®
U.S. DEPARTMENT OF ENERGY

SmithFoods

Sign up at MYOMA - www.Ohiomfg.com
Questions – jseryak@gosustainableenergy.com

Energy Engineering Report

- Danger! High Voltage!
  - FE request's DOE to declare emergency
  - Transmission update



- Batteries Not Included? Not Anymore – FERC issues energy storage order

FES – Emergency Request

- FES requests an emergency order from US DOE
  - "A threat to energy security and reliability" exists in PJM

- Section 202(c) of the Federal Power Act provides three reasons that an emergency could exist:
  - sudden increase in the demand for electric energy
  - shortage of electric energy or of facilities for the generation or transmission of electric energy or of fuel or water for generating facilities
  - other causes

FES – Emergency Request

RUNNERSTONE
INFORMATION IS POWER

- FES requests an emergency order from US DOE
  - "A threat to energy security and reliability" exists in PJM
- What does FES get for this national security emergency?
  - FES requested "just and reasonable cost-based rates"
  - "fair return on equity" for all generators with 25 days of onsite fuel supply and that are also uncompetitive at the time of filing
  - A term of four years
  - For all coal and nuclear facilities (~85) in PJM, not just their own

FES – Emergency Request

RUNNERSTONE
INFORMATION IS POWER

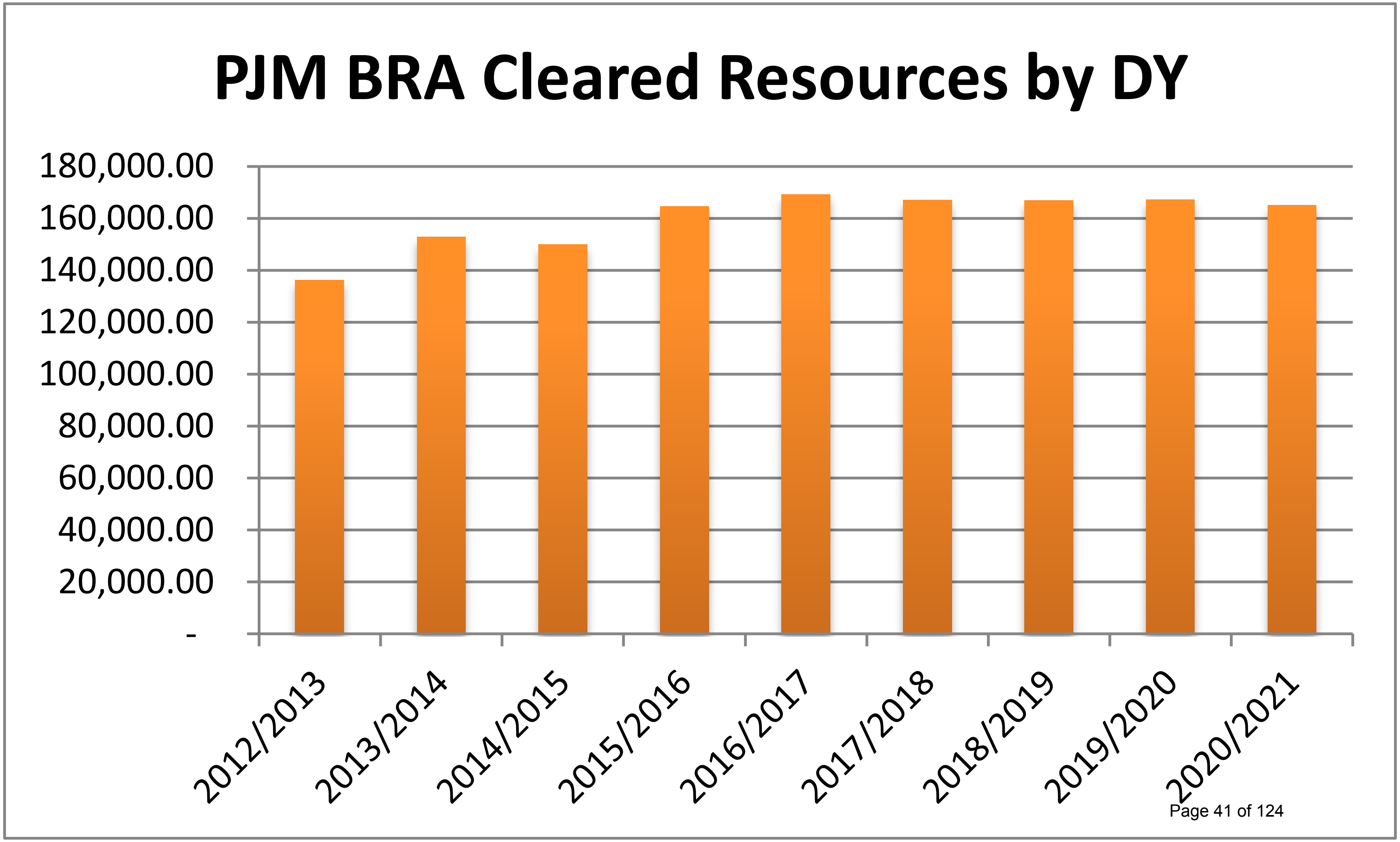
- Typically, 202(c) orders are issued in relation to natural disasters
  - All recent requests have been due to hurricanes, sudden generator problems, or specific units that were non-compliant with environmental regulations

- FERC rejected the DOE Notice of Proposed Rulemaking (NOPR)
  - NOPR request also relied on a loss of reliability argument
  - FERC unanimous rejection was based on a lack of evidence that reliability was threatened or that full cost recovery would remedy the situation

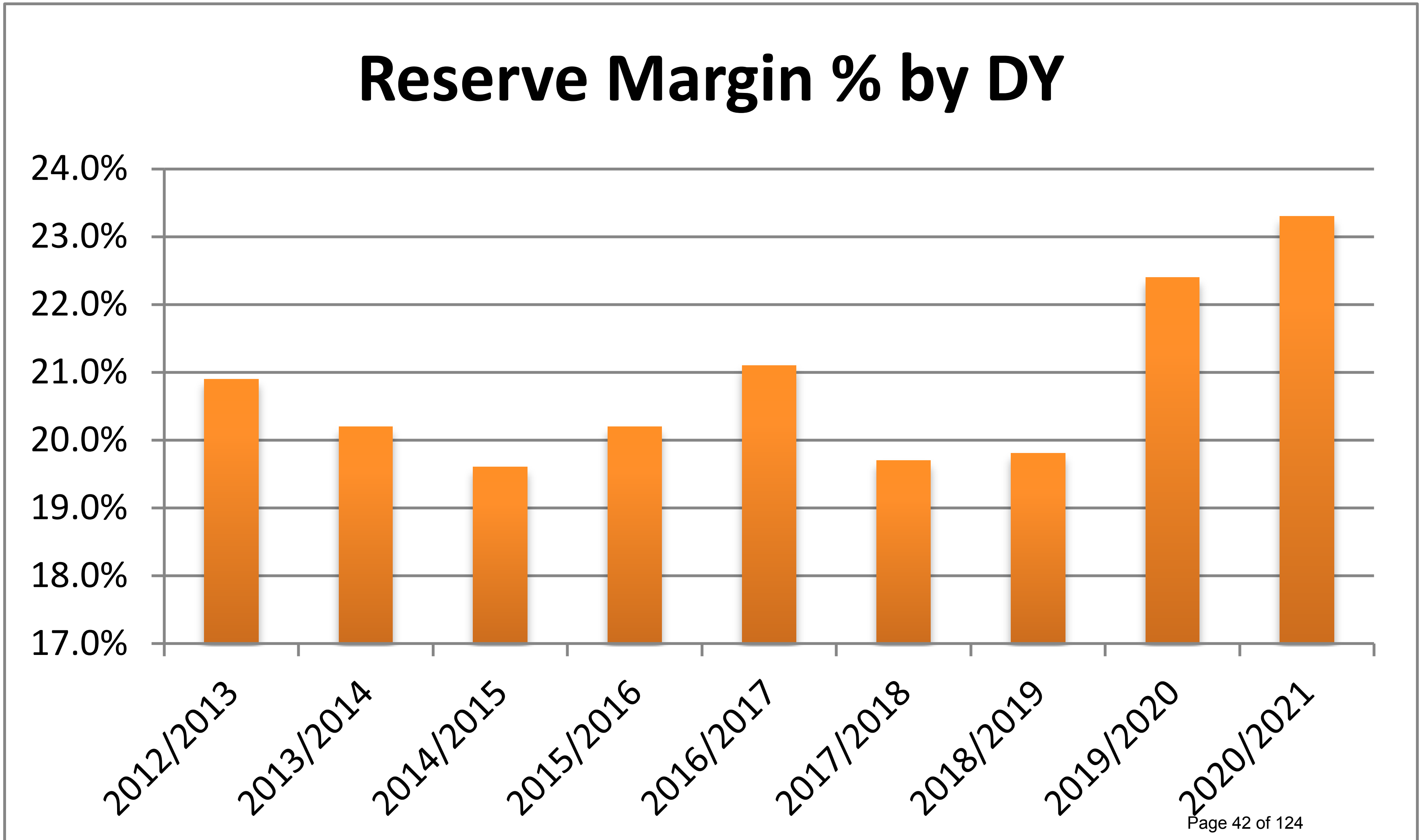
FES – Emergency Request

- PJM responded
  - "PJM can state without reservation there is no immediate threat to system reliability"
  - Reliability concerns can be addressed within PJM processes
  - "PJM will evaluate the question of impaired reliability or an "emergency condition" based on actual facts – announced retirements – not on the company's general dissatisfaction with PJM markets or competitive position therein."

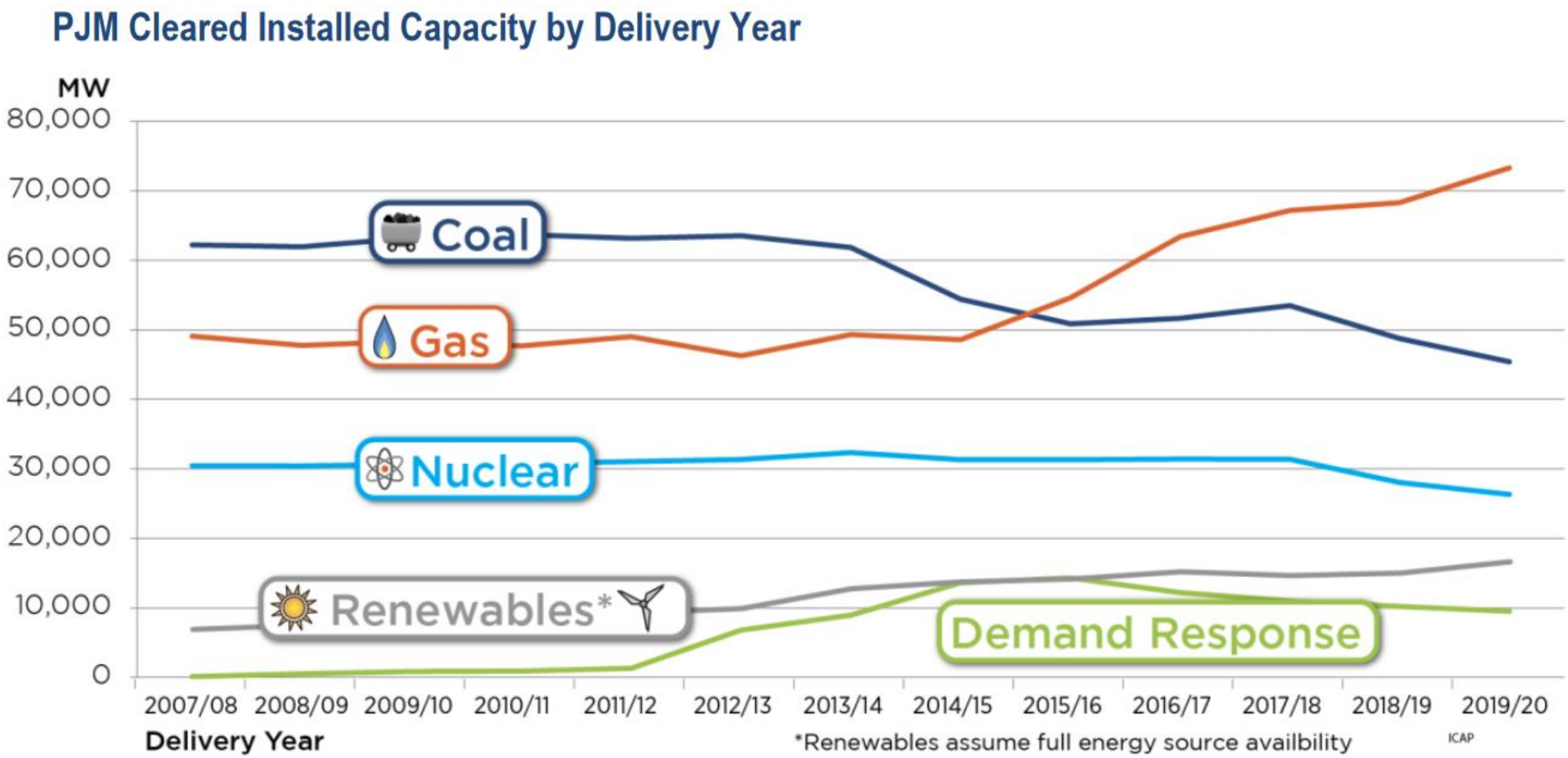
PJM Reliability



PJM Reliability



PJM Fuel Diversity



http://www.pjm.com/-/media/library/reports-notices/special-reports/20170330-pjms-evolving-resource-mix-and-system-reliability.ashx?la=en

FERC Order 845 – Energy Storage

- Revisions to rules surrounding large generator interconnection, increasing deployment of storage at a wholesale level
  - Storage is now explicitly included in the definition of a "generating facility"
  - Generating resources may now receive temporary interconnection and provide limited operations prior to full interconnection
  - Generating resources are allowed to request less than nameplate levels of interconnection capacity

FERC Order 845 – Energy Storage

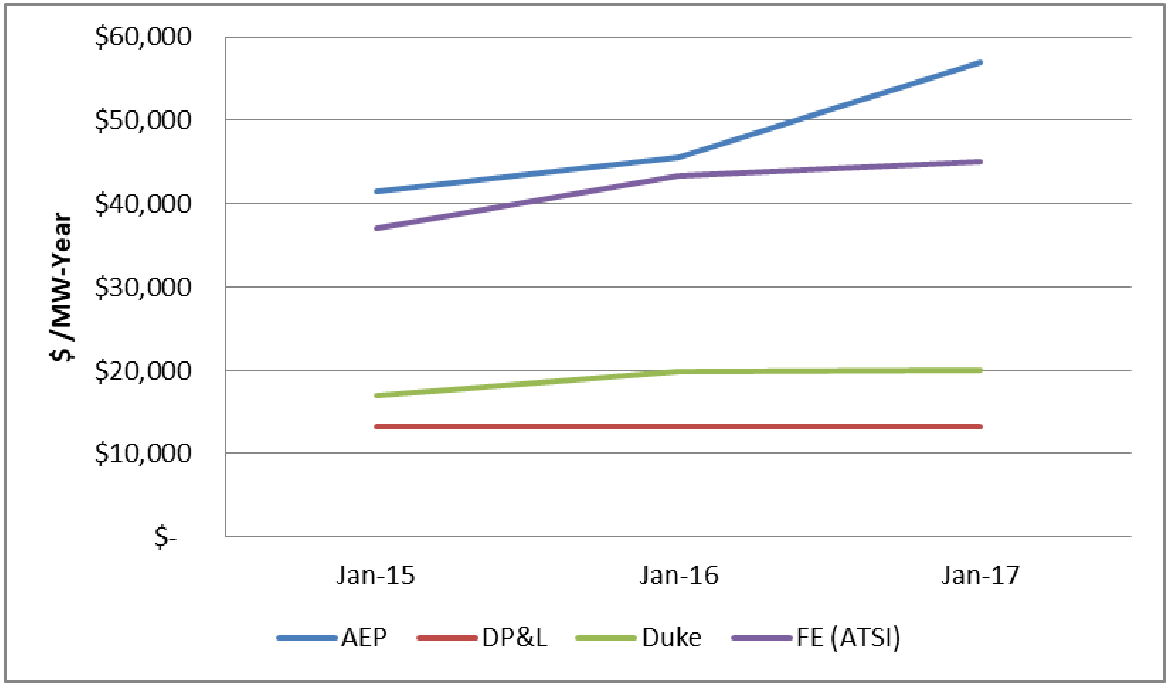
RUNNERSTONE
INFORMATION IS POWER

- Example of impact:
  - Old: 50 MW Wind + 25 MW Storage = 75 MW of Transmission Capacity
  - New: 50 MW Wind + 25 MW Storage = 50 MW of Transmission Capacity
- Implications:
  - Storage can be added as soon as possible without interconnection request
  - Quick deployment could allow for improved capacity factor of intermittent resources

Transmission Update

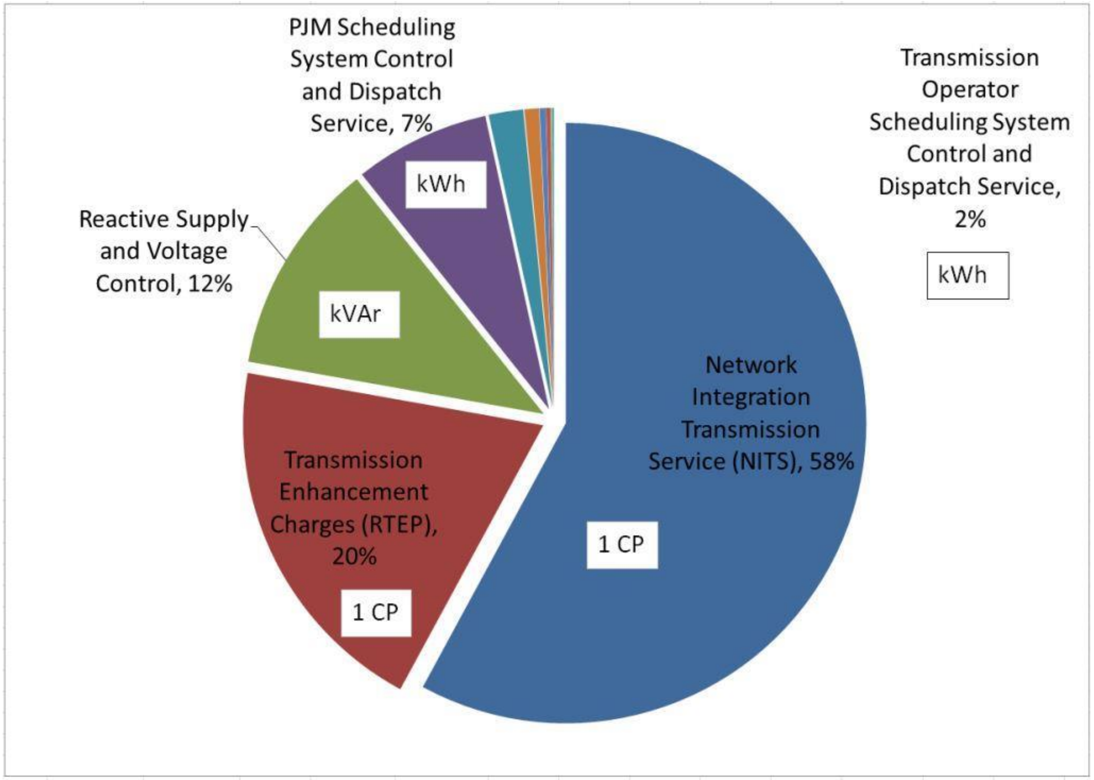
1. Underlying increase in transmission costs
2. In some cases, costs allocated on monthly peaks, instead of NSPL
3. Cost determinate monthly peak, instead of NSPL

- Network Integration Transmission Service (NITS) rate has ranged:
  - Steady (DP&L)
  - Large increase (AEP, FE)

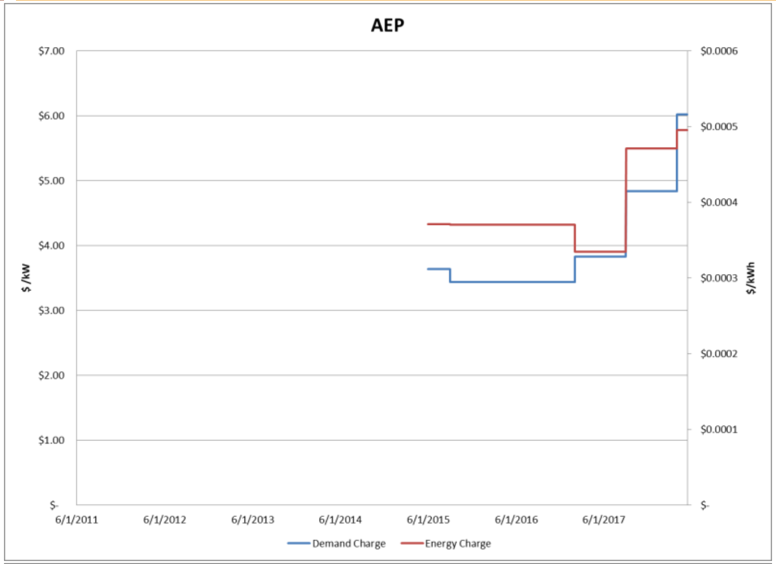


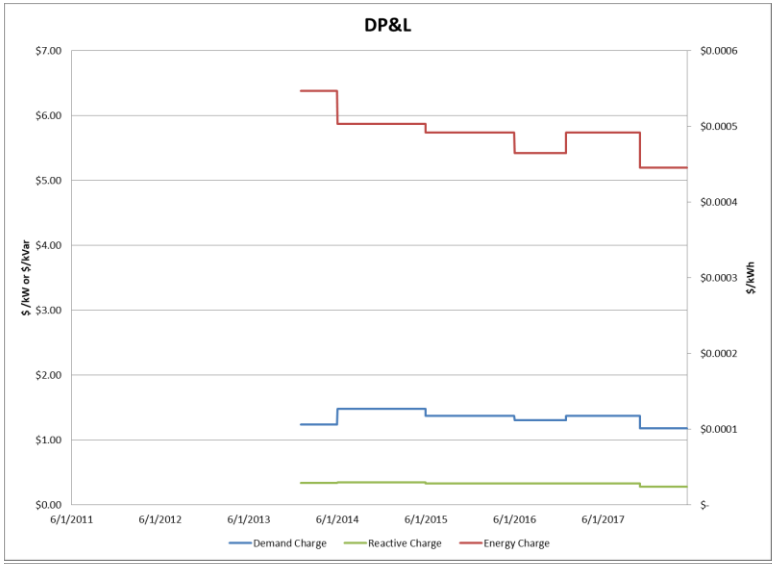
Transmission Costs – What's In It?

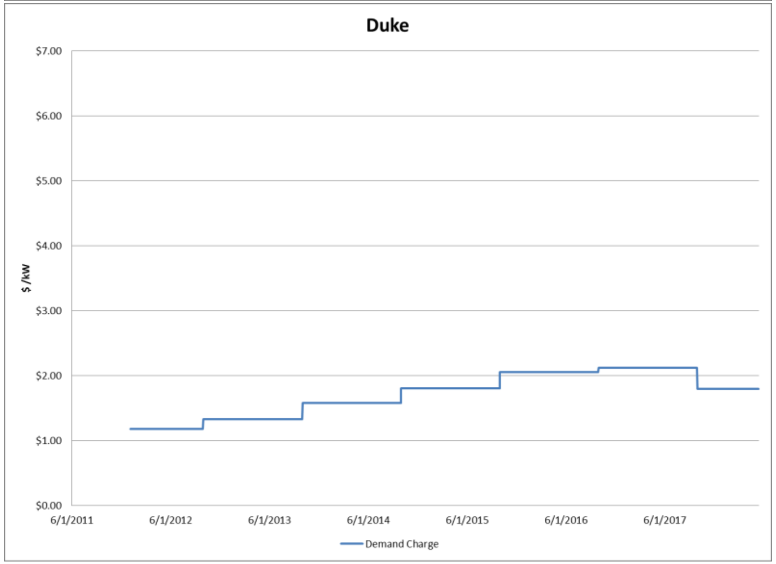
- Transmission plus ancillary costs
  - ~80% of transmission costs billed to the distribution utility on the 1 CP [coincident peak, also called the Network Service Peak Load (NSPL)]
- Distribution utilities
  - Allocate and bill out based on monthly peaks
  - Billing determinant is on monthly peak
- Impact
  - 1 CP can be managed, monthly peak not so much

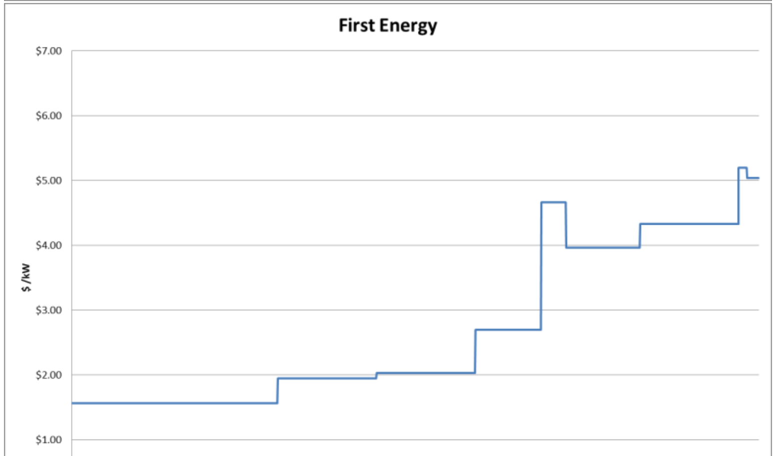


Transmission Trends









Transmission Costs – What We (And You) Can Do

What we (and you) can do

- OMAEG
  - Argue for cost causation principles – work to get transmission costs allocated and charged on a 1 CP basis
  - AEP – BTCR Pilot
  - DP&L – TCRR Pilot
  - FE – Rider NMB Pilot
  - Duke – Transmission will be based on the 1 CP for everyone

- What you can do:
  - Join pilots, if eligible
  - Manage your 1 CP / NSPL

CARPENTER LIPPS & LELAND LLP

ATTORNEYS AT LAW

280 PLAZA, SUITE 1300
280 NORTH HIGH STREET
COLUMBUS, OHIO 43215

MEMORANDUM

To: OMA Energy Committee
From: Kim Bojko, OMA Energy Counsel
Re: Energy Committee Report
Date: May 16, 2018

Active Administrative Actions in which OMAEG is Involved:

American Electric Power (AEP):

- **Application to Expand ESP III Case/New ESP (Case Nos. 16-1852-EL-SSO, et al.)**
  - On November 23, 2016, AEP filed its application to amend its ESP extending the term through May 2024 and to add several new riders and charges. AEP also requested an expedited procedural schedule.
  - The PUCO has set a procedural schedule requiring intervenor testimony to be filed by May 2, 2017, Staff testimony by May 30, 2017, and setting the evidentiary hearing to begin on June 6, 2017
  - OMAEG filed the testimony opposing AEP Ohio's plans for microgrids, renewable energy, submetering, and electric vehicle charging stations.
  - On August 25, 2017, most parties reached a Settlement resolving this matter. The Settlement extends the term of the ESP through May 31, 2024 and provides for Distribution Investment Rider caps that are significantly lower than AEP requested, an OVEC PPA Rider that does not affect pending appeals to the Supreme Court regarding the lawfulness of the PPA Rider, and a Renewable Generation Rider (RGR) which will be populated in a separate proceeding that all parties reserve the right to challenge.
  - The PUCO approved the settlement reached between many of the parties with slight modifications affecting residential customers and suppliers. Through the settlement, OMAEG was able to secure benefits for some members who will participate in the BTCR and IRP programs and maintain its opposition to OVEC cost recovery from ratepayers.

Duke Energy Ohio (Duke):

- **ESP Application (Case Nos. 14-841-EL-SSO, et al.)**
  - Order issued on April 2, 2015 approving the establishment of a PPA rider (Rider PSR), but Duke was not authorized to collect any PPA costs through Rider PSR.
  - The PUCO denied all applications for rehearing and the case can now be appealed to the Supreme Court of Ohio. OMAEG’s notice of appeal is due May 21, 2018.

- **2013/2014 EE/PDR Recovery (Case Nos. 14-457-EL-RDR and 15-534-EL-RDR)**
  - Duke and Staff filed a stipulation seeking to resolve the shared savings mechanisms relating to Duke's 2013 and 2014 programs which OMA and others opposed.
  - The PUCO issued a decision on October 26, 2016, approving the stipulation, which provides Duke $19.75 million in shared savings incentives.
  - Rehearing is pending.
- **Shared Savings Mechanism Extension Case (Case No. 14-1580-EL-RDR**)
  - Duke sought PUCO approval of its request to extend the use of its shared savings incentive mechanism in 2016.
  - OMA and others opposed the proposal and filed reply briefs on September 8, 2016, and are awaiting a PUCO decision.
- **EE/PDR Portfolio Plan (Case No. 16-576-EL-POR)**
  - On June 15, 2016 Duke filed its EE/PDR plan.
  - OMA and several other intervening parties reached a settlement to implement Duke's comprehensive EE/PDR portfolio, effective from 2017 through 2019. OMAEG successfully negotiated a shared savings cap and tiered incentive levels. OMA also obtained language to prohibit Duke from collecting shared savings on banked savings, and to initiate a CHP program with positive incentives. OMA further obtained funding for EE programs in the amount of $50,000 per year.
  - On September 27, 2017, the PUCO issued an Order adopting the parties' settlement in this case with one modification. The PUCO modified the settlement to limit Duke's annual recovery of EE/PDR program costs, including shared savings, to 4% of Duke's 2015 operating revenues for the years 2018 and 2019.
  - Duke applied for rehearing, arguing that the cost cap was unlawful and OCC applied for rehearing, arguing that the settlement should not have been approved at all.
- **Distribution Rate Case (Case No. 17-0032-EL-AIR)**
  - On March 2, 2017, Duke filed an application to increase its distribution rates, beginning on January 1, 2018. OMAEG and other consumer groups intervened.
  - Duke, Staff, and several other parties reached a settlement intended to resolve this case, along with Duke's ESP and PSR cases. The settlement addresses issues including Duke's distribution service revenue requirements, reliability standards, rate of return, return on equity, the new federal tax law, audit refunds, ESP riders, and other matters. OMAEG agreed not to oppose after ensuring that the settlement, if adopted, would reduce the distribution base rates charged to customers by $19 million, not impose excessive distribution-related charges on customers, allow the parties to argue for additional customer benefits through the PUCO's investigation of the new tax law, and allow OMAEG to maintain its position that recovery of OVEC costs from customers is unlawful. Other parties, including OCC, environmental groups, and retail suppliers are opposing the settlement.
- **MGP Remediation Rider (Case Nos. 17-596-GA-RDR, et al.)**
  - On March 31, 2017, Duke filed an application to recover 2016 costs for investigation and remediation of its Manufactured Gas Plant (MGP) site. In Duke's natural gas distribution case (Case No. 12-1685-GA-AIR), the PUCO approved up to $55.5 million for investigation and remediation costs incurred from January 2008 through December 2012.
  - OMAEG intervened in April 2017.

- **Price Stabilization Rider (Case Nos. 17-872-EL-RDR, et al.)**
  - On March 31, 2017, Duke filed an application to populate its Price Stability Rider (PSR), which was established in its ESP case at $0 (Case No. 14-841-EL-SSO et al.) Duke proposes to include in Rider PSR the net costs associated with its contractual entitlement in generating assets owned by the Ohio Valley Electric Corporation (OVEC). Rider PSR would be non-bypassable.
  - OMAEG and other parties filed a joint motion to dismiss Duke's application on the grounds that the PSR was already established on a zero placeholder basis in the 2014 ESP case and the PUCO does not have authority to review Duke's application outside of an ESP under its general authority over utilities. Alternatively, the parties requested the proceedings be stayed until the PUCO has decided the applications for rehearing in the ESP case and appellate review is completed.
  - See summary of comprehensive settlement under Distribution Rate Case above.
- **ESP IV Case (Case Nos. 17-1263-EL-SSO, et al.)**
  - In June, Duke filed an application for its fourth ESP. In its application for a six-year ESP, Duke proposes to continue its Distribution Capital Investment Rider (Rider DCI) and Rider PSR and introduce several new riders. On June 19, 2017, OMAEG intervened.
  - See summary of comprehensive settlement under Distribution Rate Case above.

FirstEnergy:

- **ESP IV Application (Case No. 14-1297-EL-SSO)**
  - FirstEnergy, Staff, Ohio Energy Group, OPAE, IGS, and others filed a stipulation seeking PUCO approval of FirstEnergy's ESP IV Application together with authority to establish and populate a PPA rider (Rider RRS) with the costs associated with certain plants owned by its affiliate, FirstEnergy Solutions.
  - The stipulation also contains provisions addressing: grid modernization; energy efficiency; and a plan to transition to decoupled rates.
  - The PUCO modified and approved the stipulation.
  - On November 14, 2016, OMAEG submitted an application for rehearing of the PUCO's Fifth Entry on Rehearing, which adopted Rider DMR, which will collect from customers approximately $132.5 million per year, adjusted for recovery of taxes, for a total of three years, with a possible extension of two additional years.
  - The PUCO approved FirstEnergy's implementation of its Rider DMR, effective January 1, 2017, and denied OMAEG's request to stay the collection of Rider DMR revenues or, in the alternative, permit collection subject to refund.
  - In August, the PUCO issued its Eighth Entry on Rehearing rejecting FirstEnergy's request to modify the revenue collected under Rider DMR and its request to reduce the scope of the Non-Market Based Services Rider (Rider NMB) Opt-Out program to just the signatory parties to the stipulation. The PUCO agreed with OMAEG that the NMB Opt-Out program should be open to all parties.
  - OMAEG has now appealed the PUCO's decisions to the Supreme Court of Ohio.

<u>Dayton Power & Light (DP&L):</u>

- **Distribution Rate Increase (Case Nos. 15-1830-EL-AIR, et al.)**
    - The PUCO set June 1, 2015 to May 30, 2016 as the test period and September 30, 2015 as the date certain.
    - Staff of the PUCO recommended a distribution rate increase of roughly $23-28 million, which is less than the $65 million DP&L had requested. Staff also noted that its recommendations did not account for recent changes in federal tax law and that its recommendations could change based on the outcome of the PUCO' s investigation into the impact of those tax changes. For a more comprehensive summary of the report, please see the attached memorandum entitled *Staff Report in DP&L Distribution Rate Case,* prepared by Carpenter Lipps & Leland, LLP.
    - OMAEG objected to several of the proposals contained in the Staff Report in this case, which will result in a distribution base rate increase to customers.
- **Electric Security Plan (Case Nos. 16-395-EL-SSO, et al.)**
    - DP&L filed an amended application on October 11, 2016, withdrawing its Reliable Electricity Rider (RER) request. Instead, it is now seeking a Distribution Modernization Rider (DMR) for a term of seven years to recover $145 million per year from customers.
    - DP&L and certain intervening parties filed a stipulation on January 30, 2017, which was opposed by numerous other intervening parties, including OMAEG.
    - On March 13, 2017, a new settlement was reached between a majority of the parties, including PUCO Staff and OMAEG (as a non-opposing party). Under the new settlement, DP&L will receive from customers $105M/year for 3 years with an option to request a two-year extension of the DMR. The Distribution Investment Rider (DIR-B) rider was eliminated (which was estimated to cost consumers $207.5M), and DP&L agreed to convert the forgone tax sharing liabilities to AES Corporation into equity payments (estimated by DP&L to be a $300M gain for customers). DP&L will also provide several OMAEG members the economic development rider (EDR) credit of $.004/kWh. For OMAEG members that do not qualify for the EDR credit, DP&L agreed to make those members see no increase in their current rates, plus a slight discount. Thus, those members will receive a collective total of $18,000 per year in shareholder dollars to compensate them for the increase in rates due to the DMR.
    - A hearing was held in April 2017.
    - The PUCO approved the settlement, but also modified it to include non-bypassable OVEC recovery. OMAEG filed an application for rehearing, arguing that this modification was unjust, unreasonable, and unlawful.
    - Rehearing is pending.
- **EE/PDR Portfolio Plan (Case Nos. 16-649-EL-POR, et al.)**
    - On June 15, 2016, DP&L filed its EE/PDR plan to continue its current EE/PDR POR for another year.
    - OMAEG, Staff, and all other intervening parties, except OCC, reached a settlement to continue DP&L's EE/PDR portfolio for 2017. OMAEG obtained continued funding for EE programs in the amount of $30,000, more favorable language, limitations on EE/PDR portfolio costs and shared savings that can be collected from customers, continuation of the CHP program and incentives, and other consumer protections. OCC is challenging the collection of lost distribution revenues.

- A hearing was held on February 7, 2017 to submit the settlement where OCC waived its right to cross-examine DP&L's witnesses.
- On September 27, 2017, the PUCO approved the settlement. OCC has applied for rehearing. Rehearing is pending

Statewide:

- **Net Metering Rules (Case No. 12-2050-EL-ORD)**
    - OMAEG filed comments urging the PUCO to adopt rules that align the compensation schemes applicable to shopping and non-shopping customers.
    - On November 8, 2017, the PUCO adopted new rules for net metering. These rules allow customer-generators to generate up to 120% of their own energy needs and allow customers who obtain their energy through a CRES provider to enter into net metering contracts with those providers. Customer-generators that generate more than they consume may receive a credit to their bill for the excess generation. That credit will be based on the energy-only component of the electric utility's standard service offer
- **Submetering Investigation (Case No. 15-1594-AU-COI)**
    - The PUCO opened an investigation to determine whether the activities of submetering entities meet the definition of a public utility.
    - On December 7, 2016, the PUCO issued a decision to expand the application of the *Shroyer test*, used to determine if a landlord is operating as a public utility, to include condominium associations, submetering companies, and other similarly-situated entities. Additionally, the PUCO created new parameters for applying the test to determine whether those entities are acting as public utilities, and thus should be subject to regulation when they resell or redistribute utility service.
    - Concerned that this expansion may unlawfully classify entities that resell or redistribute electric, gas, and water utilities in commercial settings as public utilities, OMAEG joined other commercial groups to seek rehearing of the PUCO's Order that may affect commercial shared services arrangements.
    - In June, the PUCO issued an entry on rehearing wherein it limited the application of its Relative Price Test and adoption of a Safe Harbor provision to resellers servicing submetered residential customers, stating that it will not apply to arrangements between commercial or industrial parties.
    - Rehearing is pending.
- **PUCO PowerForward**
    - The PUCO announced the launch of PowerForward to comprehensively explore technology and consider how it could serve to enhance the customer electricity experience.
    - Phase 1 featured presentations examining technologies affecting a modern distribution grid; what our future grid could offer customers; and what technologies are in development to realize such enhancements.
    - Phase 2 focused on the grid, platforms, the grid's core components, requirements for building the grid of the future, distribution system safety and reliability, planning and operations of the distribution system, and energy storage.
    - Phase 3 focused on grid modernization, the distribution system, data access, ratemaking, and rate design.

- **PUCO Tax Cut Investigation (18-47-AU-COI)**
  - The PUCO ordered an investigation into the impact of the reduction of the federal corporate income tax rate from 35% to 21%, effective January 1, 2018, on regulated utilities and to determine the appropriate course of action for passing benefits resulting from this reduction on to ratepayers. The Commission recognized that the significant reduction in the corporate tax paid by regulated utilities will impact those utilities' revenue requirements, and, thus, the rates that they collect from customers. The PUCO also directed all rate-regulated utilities to record on their books as a deferred liability, in an appropriate account, the estimated reduction in the federal corporate income tax resulting from the new law, effective January 1, 2018. This directive by the Commission should allow customers to receive the benefit of the reduction in the federal income tax starting January 1, 2018, pending the resolution of the investigation, and prevent utilities from over-collecting from customers and subsequently arguing that customers are not entitled to refunds. The PUCO also solicited comments from the jurisdictional rate-regulated utilities and interested stakeholders.
  - The four investor owned Ohio utilities— Duke, FirstEnergy, AEP, and DP&L— filed a joint application for rehearing of the PUCO' s January Order in the PUCO' s investigation into the impact of recent changes to the federal tax law on rates paid by customers. The utilities are challenging the PUCO' s accounting order requiring the utilities to record the tax savings resulting from the new law as a deferred liability beginning January 1, 2018. Requiring the creation of a deferred liability should ensure that customers are properly refunded upon the conclusion of the PUCO' s investigation. The utilities also argue that they are prohibited from refunding monies to customers because that would constitute retroactive ratemaking. OMAEG opposed this attempt by the utilities to deny customers cost relief to which they are entitled.
  - The PUCO partially granted the utilities' application for rehearing. After reiterating that the purpose of this investigation was to determine how—and not if—tax relief will be passed on to ratepayers, the PUCO granted the application for the limited purpose of determining whether utilities should be required to record their tax savings as a liability on their books dating back to January 1, 2018. In the meantime, the PUCO directed the utilities to continue recording the liability until directed otherwise by the PUCO.
  - As this case progresses, utilities have been filing updates to their riders that either adjust the riders to account for the new federal tax law or make the charges collected under those riders, subject to the outcome of this proceeding.

Judicial Actions—Active Cases Presently on Appeal from the PUCO to the Supreme Court of Ohio

Duke Energy Ohio:

- **Increase to Natural Gas Distribution Rates, Case No. 2014-328 (Appeal of Case Nos. 12-1685-EL-AIR, et al.)**
  - OMA, OCC, Kroger, and Ohio Partners for Affordable Energy appealed a PUCO order to the Ohio Supreme Court that permitted recovery from ratepayers for

environmental remediation costs associated with two former manufactured gas plant (MGP) sites.

  - On February 28, 2017, OMA's energy counsel, Kim Bojko, argued before the Supreme Court of Ohio on behalf of the Appellants requesting that it overturn the PUCO order that awarded Duke $55.5 million from customers for cleanup costs associated with the two former MGP sites that have not been in operation for 50-89 years.
  - The Court in a split 4:3 decision affirmed the PUCO's order holding that the "used and useful" standard does not apply to the ratemaking statute for "the cost to the utility of rendering the public utility service for the test period" under R.C. 4909.15(A)(4).
  - Believing that the Court failed to consider the evidence that most of the MGP sites were either vacant or unused in rending natural gas distribution service, on July 10, 2017, OMA filed a Joint Motion to Reconsider with the Court urging it to reconsider its decision and remand the case back to the PUCO to determine whether, all, part, or none of the remediation costs were incurred to render natural gas distribution service during the test period.

- **Appeal of DP&L Electric Security Plan, Case Nos. 2017-0204 and 2017-0241 (Appeal of Case Nos. 08-1094-EL-SSO, et al. and 12-0426-EL-SSO, et al.)**
  - In DP&L's ESP II case, the Supreme Court of Ohio reversed the PUCO's authorization of the Service Stability Rider (SSR) contained in DP&L's ESP II on grounds that it was an unlawful collection of transition revenue for costs incurred by the utility before retail competition began that will not be recoverable through market-based rates. The Court found that these costs were no longer recoverable under Ohio law. Thereafter, the PUCO authorized DP&L to withdraw its ESP II after collecting SSR charges for nearly three years. The PUCO also concurrently authorized DP&L to revert back to its ESP I, but allowed it to retain certain aspects of the competitive bidding process approved under ESP II. Further, the PUCO allowed DP&L to reinstate the Rate Stability Charge (RSC), which was originally approved in DP&L's ESP I, but later expired.
  - OMAEG and others filed applications for rehearing requesting that the PUCO reverse its decisions authorizing DP&L to revert back to its ESP I and to reinstate the RSC because it was an unlawful transition charge similar to the SSR that the Supreme Court of Ohio found to be unlawful. In December, the PUCO denied these requests.
  - In February, OMAEG jointly filed notices of appeal of the PUCO's Orders and subsequent entries on rehearing regarding various issues raised in DP&L's ESP I and ESP II cases. The issues in both appeals have been fully briefed. The matter is pending oral arguments.
  - In an unusual move, the Supreme Court of Ohio, on its own initiative, asked the parties to submit briefs on whether the pending appeals at the Court are now moot in light of the PUCO's approval, with modification, of the settlement in the DP&L ESP III case (Case Nos. 16-395-EL-SSO, et al.). OMAEG argued that the appeals are not moot and that the Court should resolve the issues that are disputed in these cases.
  - The PUCO heard oral arguments in the appeal of the PUCO's decision in 12-426-EL-SSO, et al. The parties await a decision.

<u>American Electric Power (AEP):</u>

- **Appeal of AEP's ESP III and PPA Rider Expansion Cases (Case Nos. 2017-0749 and 2017 0752) (Appeal of Case Nos. 14-1693-EL-RDR, et al. and 16-1852-EL-SSO, et al.)**
  - In AEP's ESP III case, the PUCO in its February 25, 2015 Order authorized AEP to establish a zero rate placeholder power purchase agreement (PPA) Rider.
  - The PUCO issued an Order on November 3, 2016, affirming its decision in the February 25, 2015 Order not to approve AEP Ohio's recovery of costs under the PPA Rider, including OVEC costs (but authorized the recovery in the PPA Rider case on the same day). The PUCO also increased the Distribution Investment Rider (DIR) caps by an additional $8.6M, bringing the total amount authorized to $589.6M from 2015 through May 2018.
  - In the PPA Rider case, AEP, Staff, Sierra Club, Ohio Energy Group, Ohio Hospital Association, IGS and others filed a stipulation seeking PUCO approval to populate the PPA Rider to recover costs certain plants owned by AEP Generation Resources as well as the costs of AEP's entitlement to the OVEC output.
  - The stipulation contained several other provisions unrelated to the PPA Rider, including: extension of the ESP III plan; expansion of the IRP program; and a proposal to develop wind and solar facilities.
  - The PUCO modified and approved the stipulation in the PPA Rider case.
  - Pursuant to the stipulation in the PPA Rider case, AEP filed an application to extend the ESP through 2024, and included other provisions agreed to in the stipulation, such as BTCR opt-out program, IRP extension and modifications, the Competition Incentive Rider, DIR extension and modifications, and a Sub-Metering Rider.
  - On rehearing, AEP stated that, in light of the FERC decision, it was going to only pursue recovery of the OVEC PPA.
  - In April, the PUCO denied OMAEG and others' applications for rehearing in both the ESP III case and the PPA Rider case. OMAEG appealed the PUCO's decisions to the Supreme Court of Ohio.
  - The parties have finished briefing and await oral argument.

<u>Federal Actions</u>

<u>FERC:</u>

- **MOPR Expansion (EL16-49)**
  - On March 21, 2016, Dynegy and others filed a complaint against PJM requesting that the Minimum Offer Price Rule be expanded to apply to existing resources.
  - The complaint aims to protect against AEP and FirstEnergy offering the subsidized affiliate generating units into the capacity market below costs, which will suppress capacity prices.
  - Dominion, American Municipal Power, and others filed a motion to dismiss on mootness grounds given FERC's order rescinding the waiver on affiliate sales restrictions granted to AEP, FirstEnergy, and their unregulated generating affiliates.
  - The Independent Market Monitor claims that the issues are not moot given the Staff's proposal adopted in the FirstEnergy ESP IV case for a DMR, and the pending DP&L DMR proposal.
  - The Complaint is still pending.

- **FERC Rulemaking (RM18-1)**
  - FERC considered a rule proposed by the Secretary of Energy that would subsidize inefficient and failing coal plants in the name of promoting grid reliability and resiliency. In reality, however, the Proposed Rule would only act as a subsidy to prop up failing generators at the expense of electric customers.
  - OMAEG filed initial comments opposing the Proposed Rule on October 23, 2017. It then filed Reply Comments to support the arguments of other manufacturing coalitions and oppose comments of parties who supported the Proposed Rule.
  - FERC agreed with OMAEG and others and rejected the proposed rule. FERC concluded that the record did not support the claim that the grid faces reliability or resiliency threats from the retirement of inefficient generation, and, even if a problem existed, FERC explained that the proposed solution was contrary to FERC' s longstanding commitment to markets and market-based solutions and did not satisfy the legal requirements for the creation of a new rule. Instead, FERC defined resiliency and sought comments and data from the regional transmission organizations and independent system operators regarding their resiliency challenges on a regional basis.
  - Rehearing is pending
- **Electric Storage Participation in Markets Rule (RM16-23-000; AD16-20-000)**
  - FERC issued a final rule in a rulemaking proceeding it initiated in order to remove barriers to participation of electric storage resources in the capacity, energy, and ancillary service markets operated by Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs). This rule addresses FERC' s concern that existing participation models in these markets unfairly favor traditional resources, thus constricting competition. It will go into effect on May 16, 2018.
- **Proposed PJM Tariff Revisions to Address Impacts of State Public Policies (ER18-1314)**
  - On April 9, 2018, PJM filed an application to address state public policies. PJM advocated for two different approaches to addressing these issues, either of which it says would be just and reasonable.
  - The PUCO filed comments advocating the rejection of PJM's approach and retention of the status quo. The PUCO noted that capacity market has recently been overhauled and that PJM has not substantiated its comments. The PUCO further pointed out that PJM failed to provide cost impacts on customers. The PUCO advocates that PJM should maintain the status quo until a better approach is found.
- **Grid Resilience in RTOs and ISOs (AD18-7)**
  - FERC opened this proceeding to evaluate bulk power system resilience. PJM filed comments that advocated a broader approach to system resilience and asserting that PJM should be involved in improving resilience.
  - The PUCO filed reply comments that supported PJM's position in favor of a broader approach to system resilience, but also urged FERC to avoid adopting PJM proposals without acknowledging the state and local role in the process. The PUCO believes that resilience is already considered in existing reliability standards and does not want ratepayers to be burdened by a new approach to resilience through increased charges without receiving any benefits.

CARPENTER LIPPS & LELAND LLP

ATTORNEYS AT LAW

280 PLAZA, SUITE 1300
280 NORTH HIGH STREET
COLUMBUS, OHIO 43215

FirstEnergy's Recently Announced "Agreement in Principle" with Certain FES Creditors

April 26, 2018

Late Monday, FirstEnergy Corp. ("FE") announced that it had entered into an "Agreement in Principle" with two groups of creditors of FirstEnergy Solutions Corp. ("FES"). The first is the steering committee for the "FES Ad Hoc Noteholder Group." This committee holds in aggregate a majority of (a) the outstanding pollution control revenue bonds that are supported by notes issued by FirstEnergy Generation, LLC and FirstEnergy Nuclear Generation, LLC and (b) the senior notes issued by FES. The second group of creditors holds a majority of the pass-through certificates issued in connection with the sale-leaseback transaction for Unit 1 of the Bruce-Mansfield Plant. Neither FES nor its Official Committee of Unsecured Creditors have yet agreed to the deal. The way the term sheet is structured, it is technically with the FE parent holding company, and not any of its regulated subsidiaries, but it is reasonable to believe that the FE holding company will ultimately look to its regulated subsidiaries to generate cash to fund its obligations under this agreement.

In essence, the agreement would provide for FES and its creditors to release all claims against FE, its nondebtor affiliates, and their respective directors, officers, employees and professionals in return for it providing the following package of support, **which appears to be at least $1.645 billion in value flowing from FE to FES** (although, as described below, some of this money may have been paid anyway had FE and FES continued their existing tax sharing arrangements):

1. Employee claims. FE will pay pre-April 1, 2018 claims and guarantees for certain employee related obligations of FES. The covered obligations include pension, deferred compensation, certain bonus obligations, and certain retiree medical costs. These payments have not been quantified, but would release FES of the obligation to make these payments.
2. Continuation of tax sharing plan. FE and FES will continue to perform under their tax sharing agreement until FES emerges from bankruptcy. Under this plan, FE currently pays FES for its usage of FES's net operating losses to offset some of FE's taxable income. This agreement also provides for FE to waive claims related to a 2017 overpayment due from FES and restore a 2018 setoff it had made based on this amount (amount not disclosed).

3. Tax notes. FE will issue FE tax notes totaling $628 million for distribution to creditors when FES emerges from bankruptcy. The amount of these notes will be reduced based on any payments of cash made by FE to FES under the tax sharing agreement prior to emergence from bankruptcy on account of FES's sale or deactivation of any nuclear or fossil fuel plants other than the West Lorain plant. The notes will bear interest based on the treasury rate and will mature on December 31, 2022. Another way of looking at this is that FE is as a guarantee that FES will receive at least $628 million in value under the tax sharing plan.

4. Pleasants Power plant transfer. Allegheny Energy Supply Company LLC will transfer the Pleasants Power plant to FES. FE will remain responsible for liabilities related to that plant that arise prior to FES's emergence from bankruptcy.

5. Release of debt claims. When FES emerges from bankruptcy, FE will release its claims against FES related to the "money pool" FE operated with FES, the intercompany lending facility it had with FES, the rail claim settlement, and the intercompany note FES issued to Allegheny Energy Supply Company LLC. While the press release does not quantify these amounts, FES in filings with the bankruptcy court indicated it owed $700 million to FE on the intercompany lending facility and $102 million on the intercompany note, so this release of claims provides at least $802 million in value to FES.

6. Cash Payment. FE will on the effective date of a chapter 11 plan provide a cash payment to FES of $225 million less the amount of the 2018 setoff restoration.

7. Free services. FE is also agreeing to provide "reasonable cooperation and coordination" on regulatory and governmental matters to FES without charging these amounts back under the existing Share Services Agreement.

It should be noted that the continuation of the tax sharing plan and the $628 million in tax notes are, in many ways, a continuation of the existing practice where the holding company pays FES for its usage of FES's net operating losses to offset taxable income generated by FE's other subsidiaries (including the regulated utilities).

The agreement does provide FE a penny warrant allowing it to enjoy a 50% share of recoveries once the unsecured PCN notes receive more than 60 cents on the dollar. The warrant must be exercised within three years of FES emerging from bankruptcy.

The deal is not effective until definitive legal documents are prepared, the boards of FirstEnergy Corp. and Allegheny Energy Supply Company LLC approve it, the deal is approved by the Bankruptcy Court in FES's bankruptcy case, and the confirmation of a Chapter 11 plan for FES. The agreement is structured to have the FES Ad Hoc Noteholder Group and the

Mansfield Creditors push FES and its Creditors' Committee to decide if they want to join in by June 15, 2018. **In essence, this represents FE's opening bid to resolve the possible claims of FE and its creditors against it and they have enlisted the FES Ad hoc Noteholder Group and the Mansfield Creditors in this bid. While the specific claims that are being released have not yet been publicly described, the size of this proposal indicates that FE must have significant concerns about litigation against it arising from its transactions with FES over the years.** It is possible that either FES or its Creditors Committee will hold out for more money from FE. It is also quite likely that the Creditors' Committee will ask the Bankruptcy Court for time to investigate possible claims of FES against FE to try to determine if the consideration is reasonable.

We will continue to monitor the situation for more developments. Please do not hesitate to contact us if you have any questions.

CARPENTER LIPPS & LELAND LLP

ATTORNEYS AT LAW

280 PLAZA, SUITE 1300
280 NORTH HIGH STREET
COLUMBUS, OHIO 43215

MEMORANDUM

TO: Ohio Manufacturers' Association Energy Group

FROM: Kim Bojko, Carpenter Lipps & Leland LLP

DATE: February 27, 2018

SUBJECT: Survey of State Responses to Tax Reform and Impact on Public Utilities and Ratepayers

---

I. INTRODUCTION

In December 2017, Congress passed, and the President signed the Tax Cuts and Jobs Act of 2017 (TCJA). Among other things, the TCJA reduces the corporate income tax rate paid by all companies, including public utilities, from 35% to 21%. The Public Utilities Commission of Ohio (PUCO) has opened an investigation into the impact of this change on rate-regulated public utilities in order to determine how to best pass the benefits of tax reform on to ratepayers in the form of reduced utility rates.

As part of its investigation, the PUCO directed the utilities to record their tax savings resulting from the TCJA as a deferred liability on their books so that they can refund customers at the conclusion of the PUCO's investigation. Ohio's investor-owned electric distribution utilities (AEP-Ohio, Duke Energy, FirstEnergy, and Dayton Power & Light) have challenged this directive by the PUCO in an attempt to thwart the PUCO's attempt to pass savings onto customers.

Meanwhile, other states have undertaken efforts to provide customers with the benefits of reduced tax obligations resulting from the TCJA. In many of those states, customers have already begun seeing benefits on their monthly bills. For the sake of comparison, a brief accounting of the actions taken voluntarily by public utilities or by the state commissions in the various states are detailed below.

II. STATE RESPONSES TO THE TCJA

- **Arizona:** Arizona Corporation Commission stated that "it is imperative that this Commission and the regulated utilities work together to pass the tax savings onto the ratepayers." Arizona ordered all public utilities to, within sixty days, file an application for tax expense adjustor mechanisms, file their intent to file a rate case within 90 days, or file any such other applications as necessary to address the ratemaking implications of the TCJA.

- **Arkansas:** Public Service Commission ordered all investor-owned utilities in Arkansas to "prepare and file an analysis of the ratemaking effects of the [Tax Cuts and Jobs Act] on its revenue requirement" and to "make adjustments to each affected entry [pending before the Commission] to incorporate changes incurred by the passing of the [Tax Cuts and Job Act]."
- **California:** California Public Utilities Commission directed all of the electric and gas utilities in California to track the savings from the tax law changes and required them to refund the savings to their customers.
- **Connecticut:** The Connecticut Public Utilities Regulatory Authority initiated a proceeding "to consider adjustments to rates that may be appropriate for Connecticut customers of regulated utilities, to account for revisions to tax laws—including corporate tax rates--contained in the recently enacted Federal Tax Cuts and Jobs Act."
- **Delaware:** Public Service Commission of Delaware ordered each rate regulated utility to file an application "addressing the impacts of the new Tax Cuts and Jobs Act of 2017 and [to] provide any new rate schedules that may be appropriate under the revised financial circumstances of the utility."
- **Florida:** Florida Public Service Commission established a generic docket "to investigate and adjust rates for 2018 tax savings."
- **Hawaii:** Public Utilities Commission opened a proceeding "to investigate the impacts of the Tax Cuts and Jobs Act of 2017" on certain regulated utilities.
- **Indiana:** Indiana Utility Regulatory Commission ordered a utility company in a pending case to increase rates to "update any schedules submitted in this proceeding that are impacted by the [Tax Cuts and Jobs] Act."
- **Iowa:** Iowa Utilities Board initiated an investigation "to gather information concerning the effect of the [Tax Cuts and Jobs Act] on utilities that are subject to rate regulation by the Board…to determine whether the retail rates of each utility are still just and reasonable."
- **Kentucky:** Kentucky Public Service Commission ordered "investigations into the impacts of the recent corporate tax rate reduction for each of the five utilities named as parties to this case;" Louisville Gas & Electric Company and the Kentucky Utilities Company agreed to pass almost $180 million in savings to customers.
- **Maryland:** Baltimore Gas & Electric announced plans to pass $82 million in tax savings to customers.
- **Massachusetts:** Eversource Electric in Massachusetts agreed to pass $56 million in savings to its 1.4 million customers, just months after the company had been approved for a $37 million increase.

- **Michigan:** Michigan Public Service Commission ordered utilities to "apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, for all impacts resulting from the Tax Cuts and Jobs Act of 2017" and to "outline the preferred method to flow the benefits of those impacts to ratepayers."
- **New Mexico:** New Mexico Public Regulation Commission ordered a utility to "make an adjustment to the illustrative cost of service for the [] rate increases to account for the following changes to the calculation of [] corporate income taxes and cost of debt."
- **Oregon:** The Public Utility Commission of Oregon is receiving applications from regulated electric and natural gas utilities to provide savings to their Oregon customers due to the recently passed tax reform legislation. These filings request the Commission to authorize deferrals to track the changes in tax obligations so that future savings may be reflected in rates.
- **Utah:** Public Service Commission of Utah opened dockets "to investigate the revenue requirement impacts of the new federal tax legislation…."
- **Washington:** Washington Utilities and Transportation Commission directed "regulated companies to track federal tax savings resulting from the passage of the federal Tax Cuts and Jobs Act to ensure those savings will benefit utility customers."
- **Wyoming:** Public Service Commission of Wyoming ordered that the "currently approved rates of each public utility and telecommunications company charged for services rendered on and after January 1, 2018, shall be subject to refund and adjustment commensurate with the difference between its federal income tax liability under the law in effect on December 31, 2017, and the law in effect on and after January 1, 2018."

III. CONCLUSION

As the PUCO continues navigating the process of passing tax relief onto customers, OMAEG will remain updated on how similar processes are developing around the country in order to most effectively advocate for the necessity of the benefits of the TCJA being passed onto ratepayers.

Constellation
An Exelon Company

North American Energy Outlook

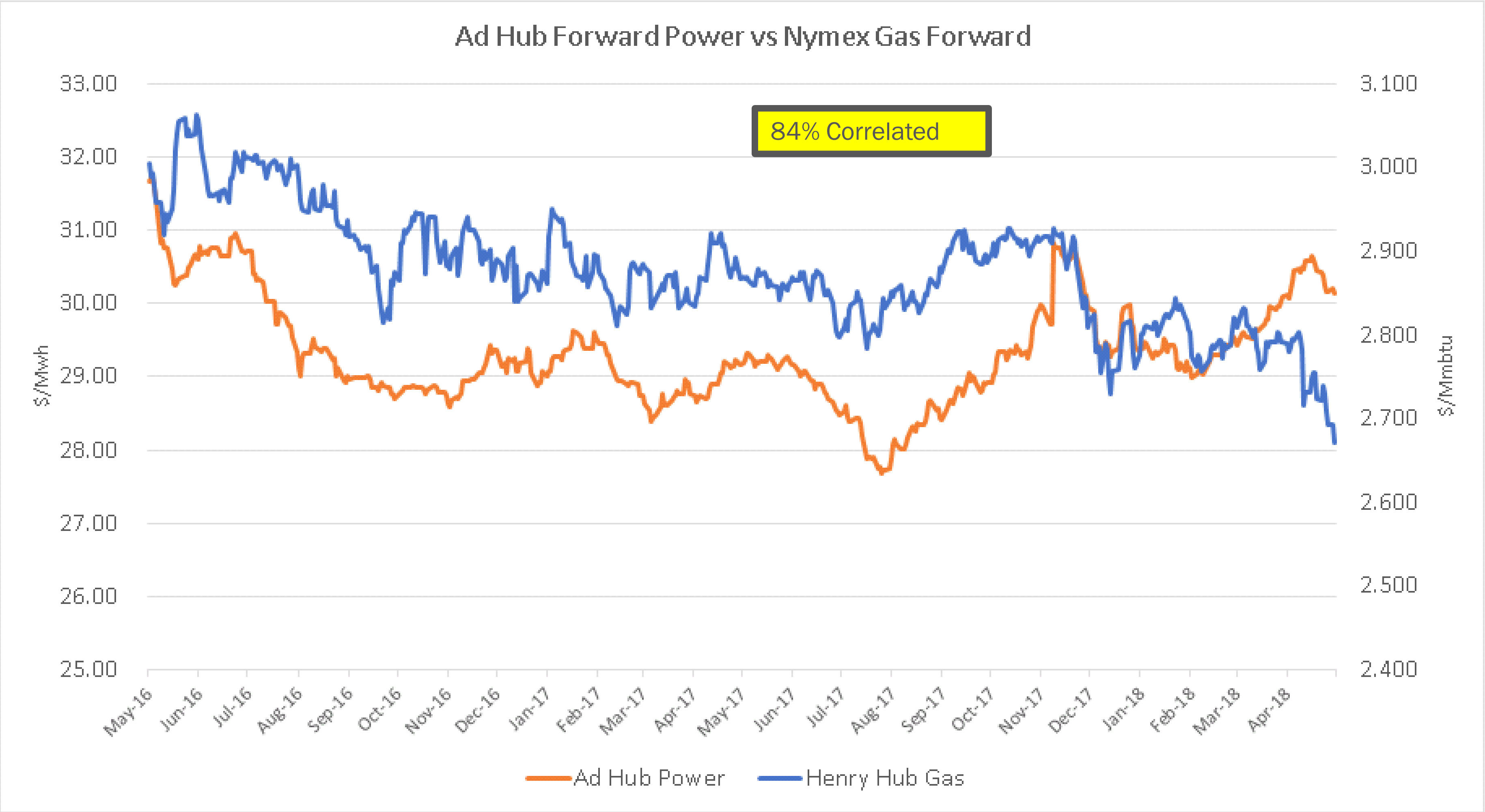
The Transformative Role of Shale in the Global Hydrocarbons Market -- and why it matters to Ohio energy end-users

May 16, 2018

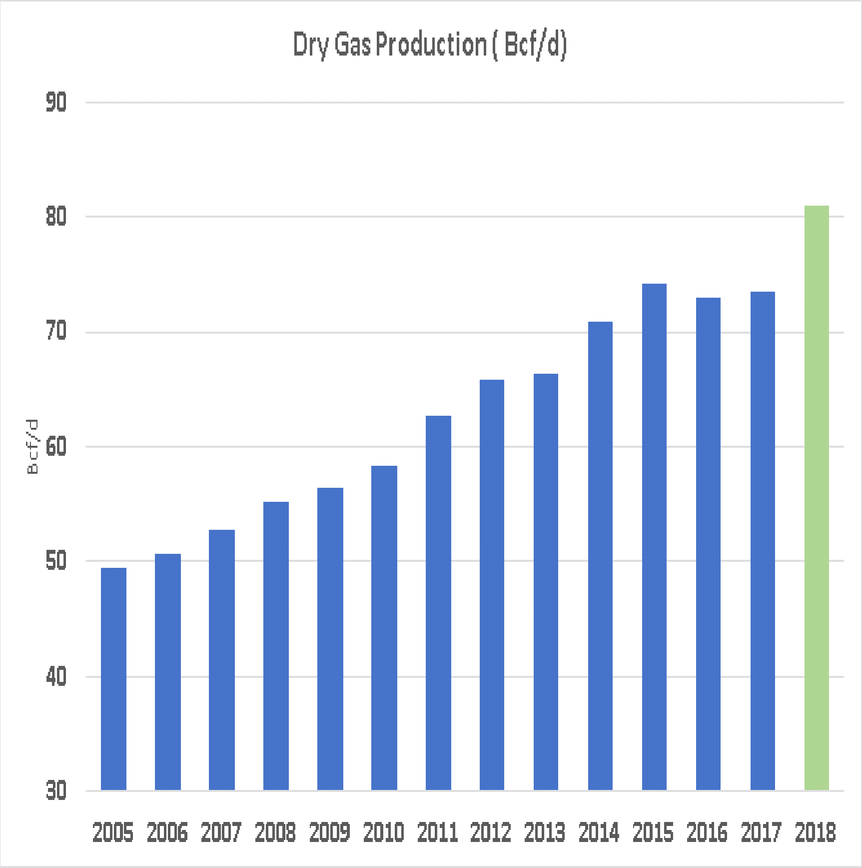
Ohio Manufacturers Association

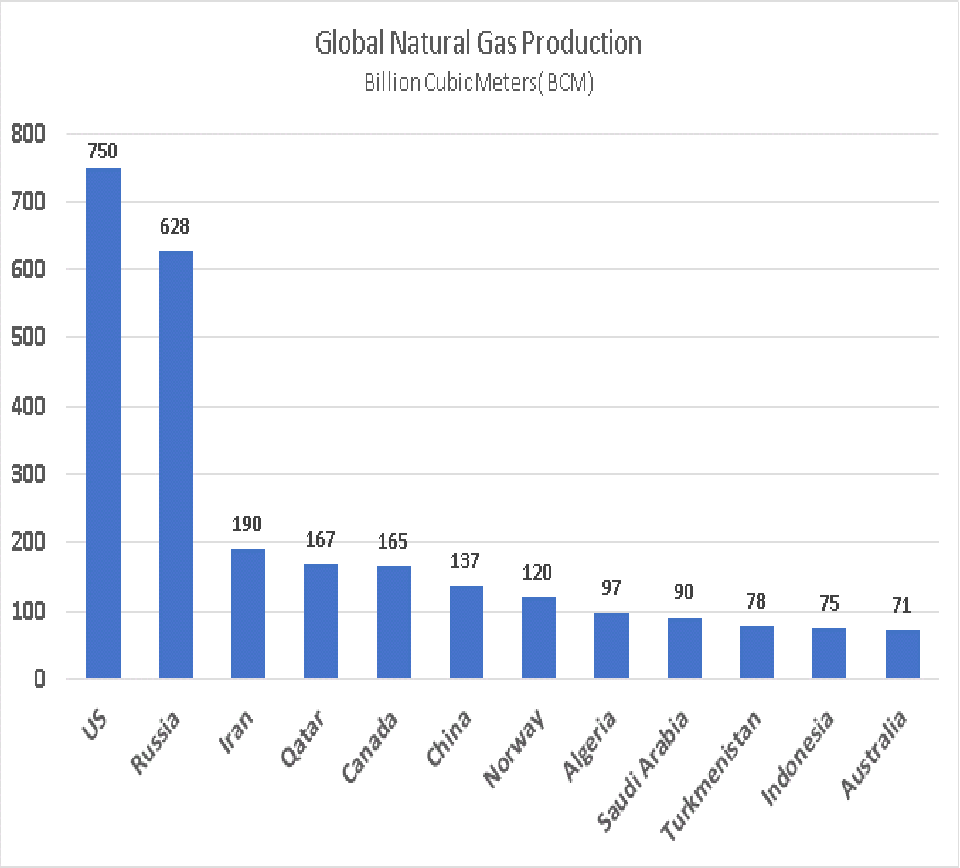
Columbus, Ohio

Natural Gas Prices and Electricity Prices are tied at the HIP



Shale Revolution Transformation: Has Made the U.S. Largest Natural Gas Producer in World

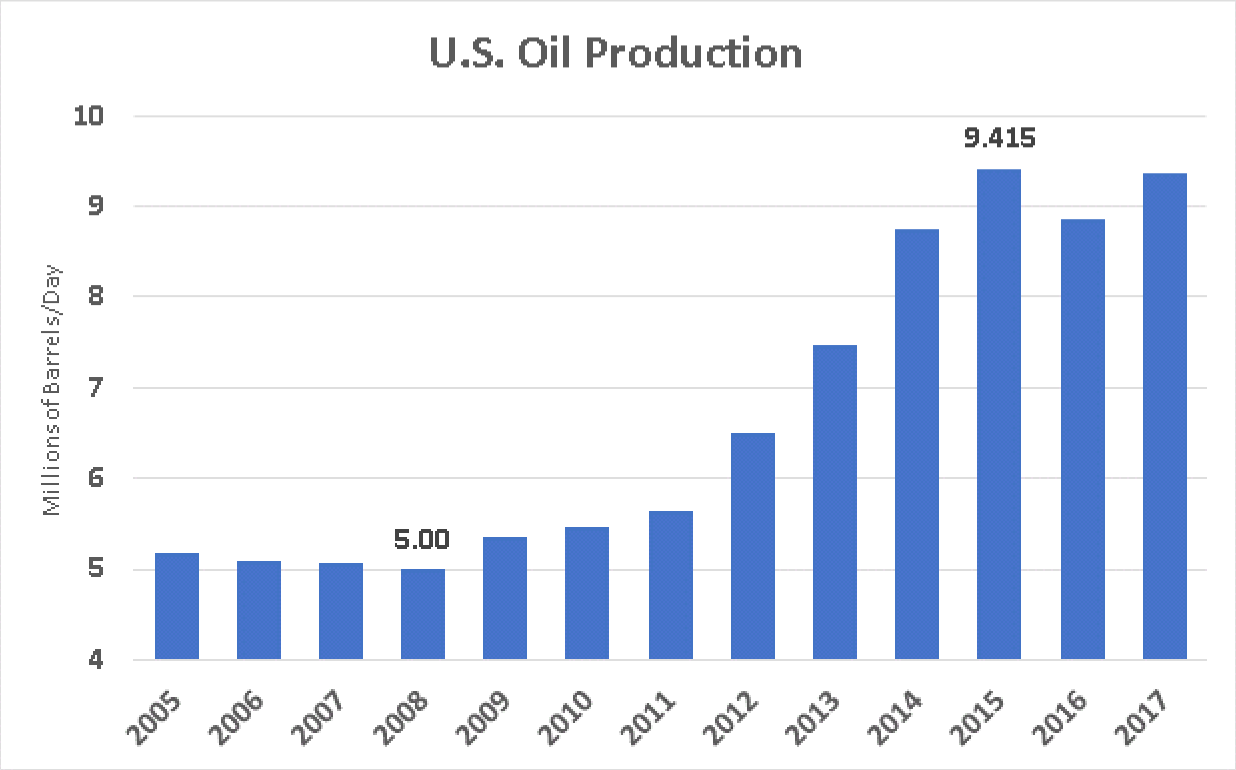




Source: EIA,

Constellation. An Exelon Company

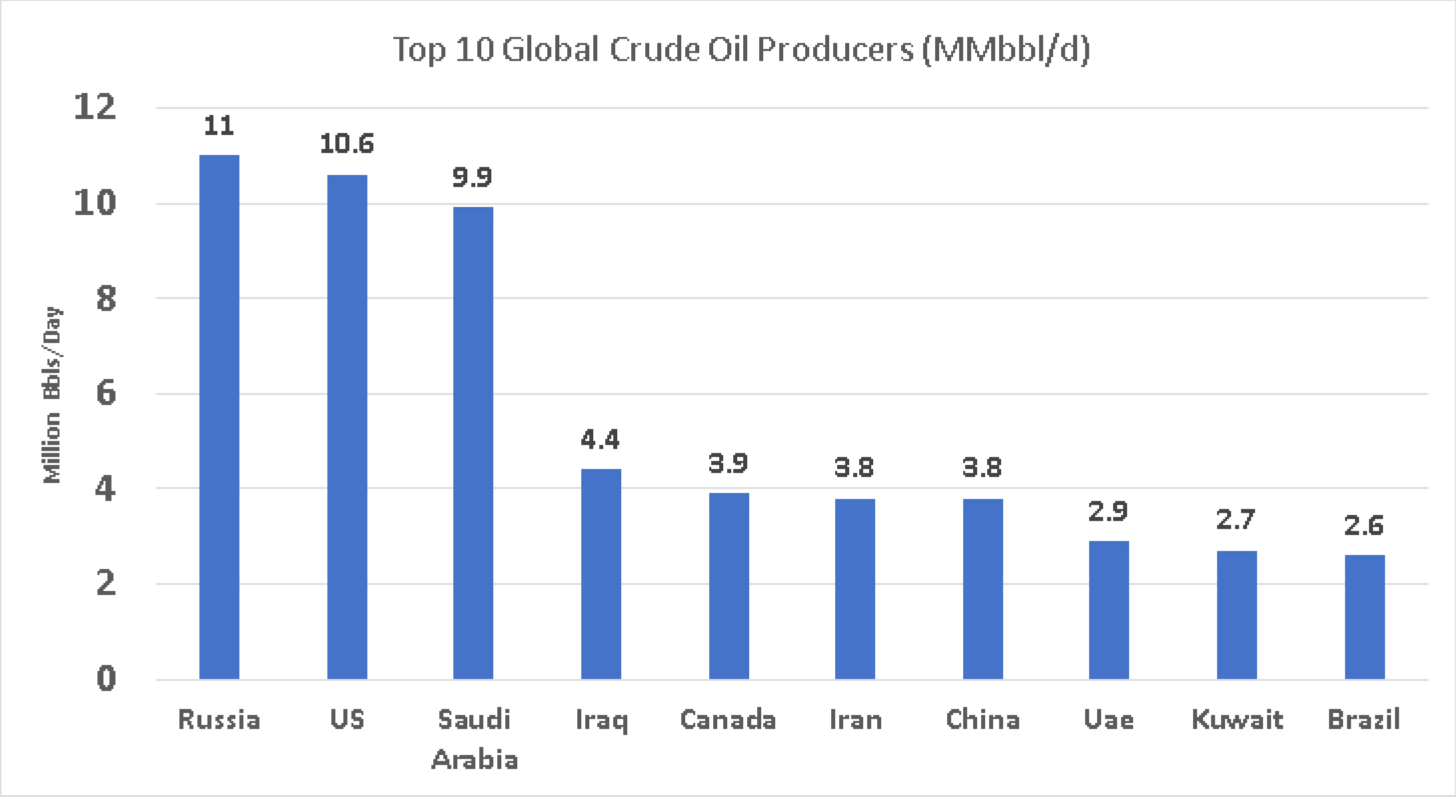
Shale Revolution Transformation -- U.S. Crude Oil Production – Growth Story



Data sources: EIA

Constellation. An Exelon Company

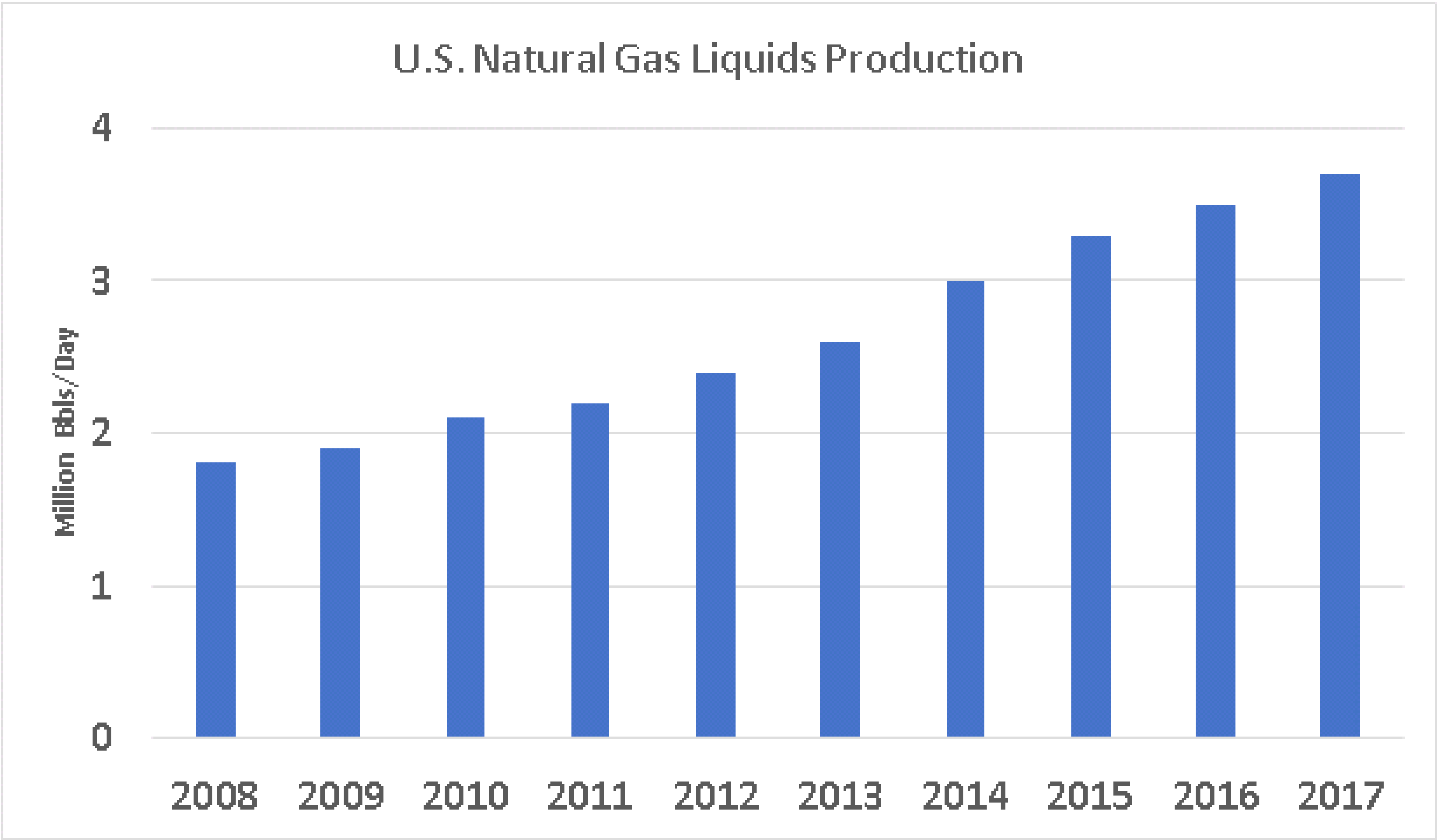
U.S. Crude Oil Production – Global Rank in 2018



Data sources: EIA, Trading Economics.com/OPEC (Jan 2018) – NOTE – Crude Oil figures do not include OPEC condensate, OPEC NGL, Russian Condensate, Russian, NGL, or U.S. NGL, or bio fuels)

Constellation. An Exelon Company

Shale Revolution has made the U.S. the largest NGL producer in the world. US NGL Production



Constellation
An Exelon Company

The U.S. – The Emergent Hydrocarbon Superpower

Hydrocarbon Superpowers -- Export

EXPORTS – The Shale Revolution -- U.S. Is Rising Star in Crude Oil Exports

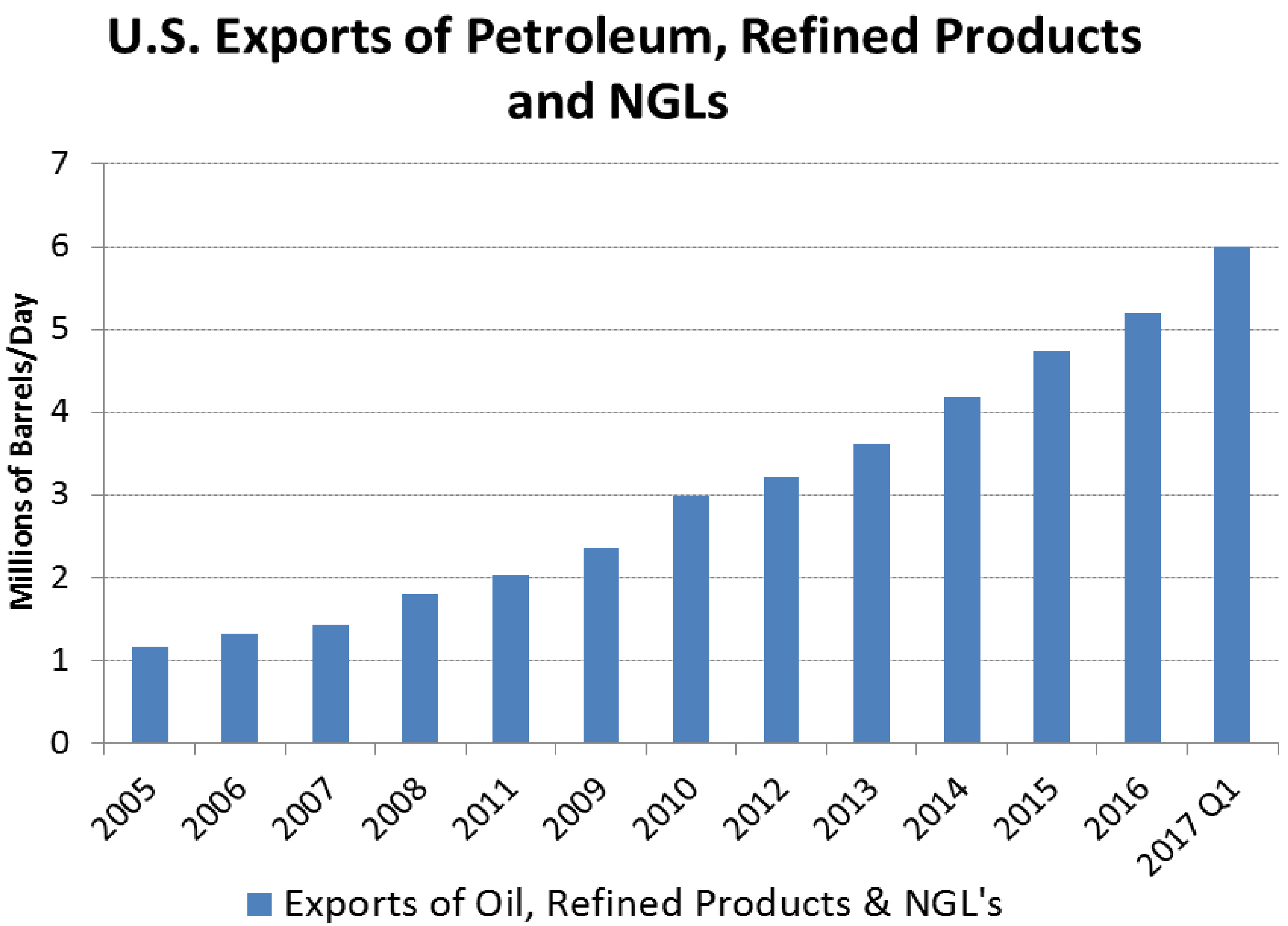
U.S. Current Crude Oil Exports -- 2.044 million barrels per day

Current estimated rank order of crude oil exporting countries:

1. Saudi Arabia – 7.3 million bbls per day (CIA Factbook 2014 – Crude Oil Exports)
2. Russia – 5.1 million bbls per day (CIA Factbook 2016 – Crude Oil Exports)
3. Iraq – 2.8 million bbls per day (CIA Factbook 2014 – Crude Oil Exports)
4. Canada – 2.7 million bbls per day (CIA Factbook 2016 – Crude Oil Exports)
5. Nigeria – 2.3 million bbls per day (CIA Factbook 2014 – Crude Oil Exports)
6. Angola – 1.7 million bbls per day (CIA Factbook 2014 – Crude Oil Exports)
7. Kuwait – 1.7 million bbls per day (CIA Factbook 2014 – Crude Oil Exports)

Source: Source: EIA Weekly U.S. Exports of Crude Oil 2/16/2018

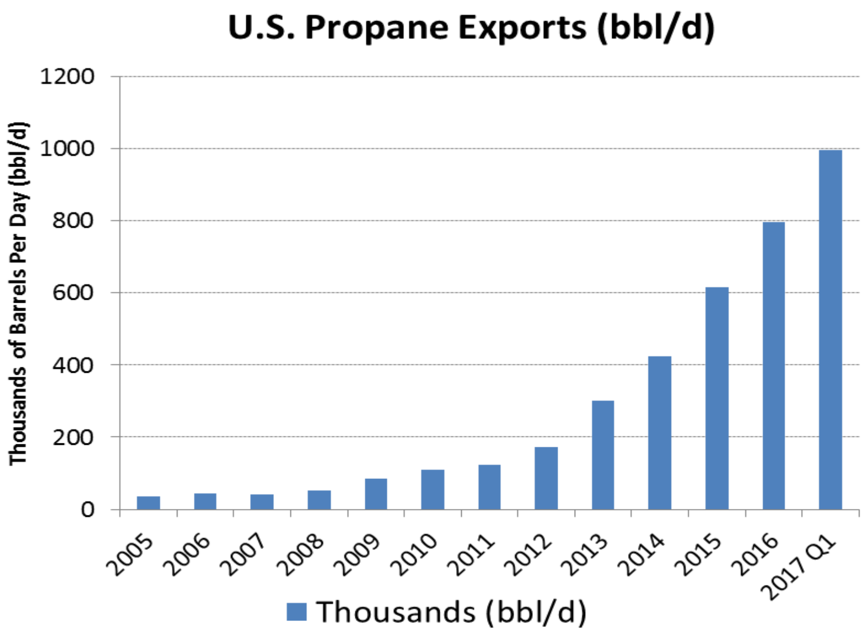
EXPORTS -- The Shale Revolution: U.S. Is Largest Exporter of Refined Petroleum Products in the World

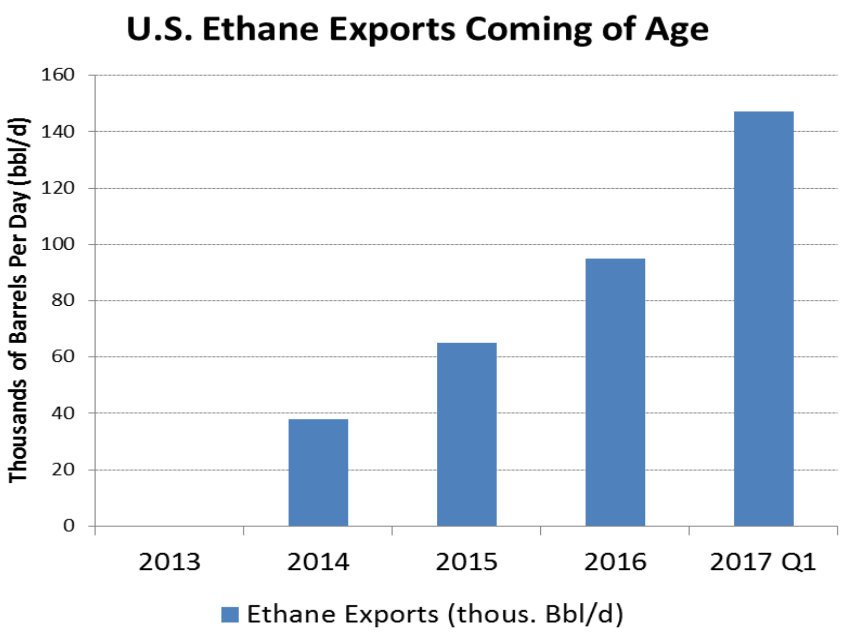


Data source: EIA

Constellation.
An Exelon Company

EXPORTS -- The Shale Revolution: NGL Exports Come of Age – U.S. World's Largest Exporter of Propane



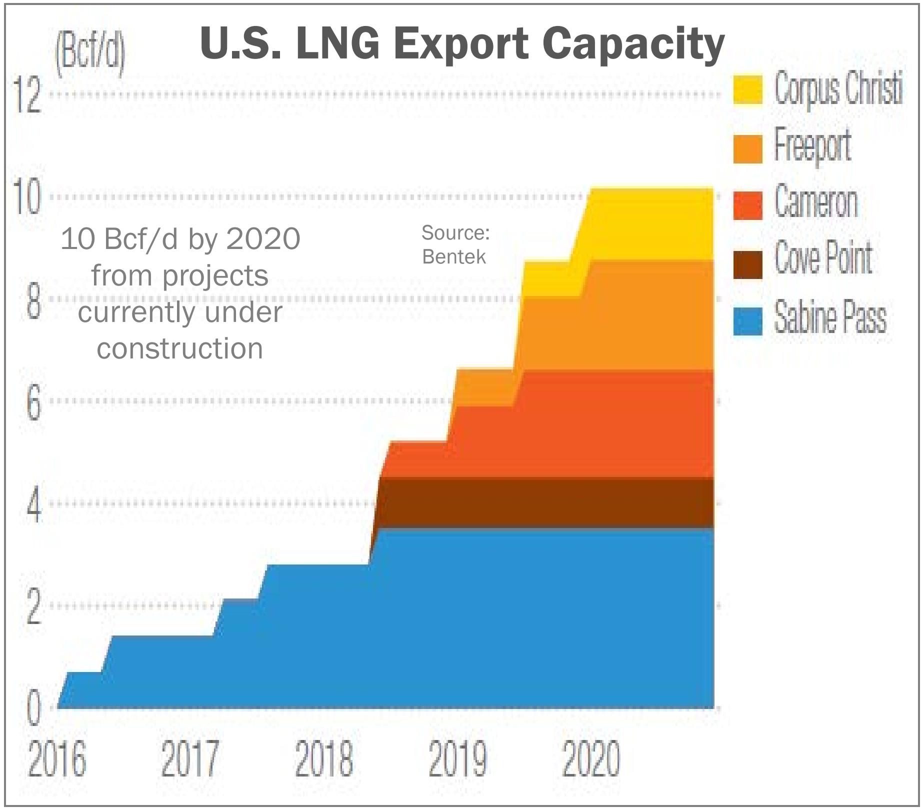


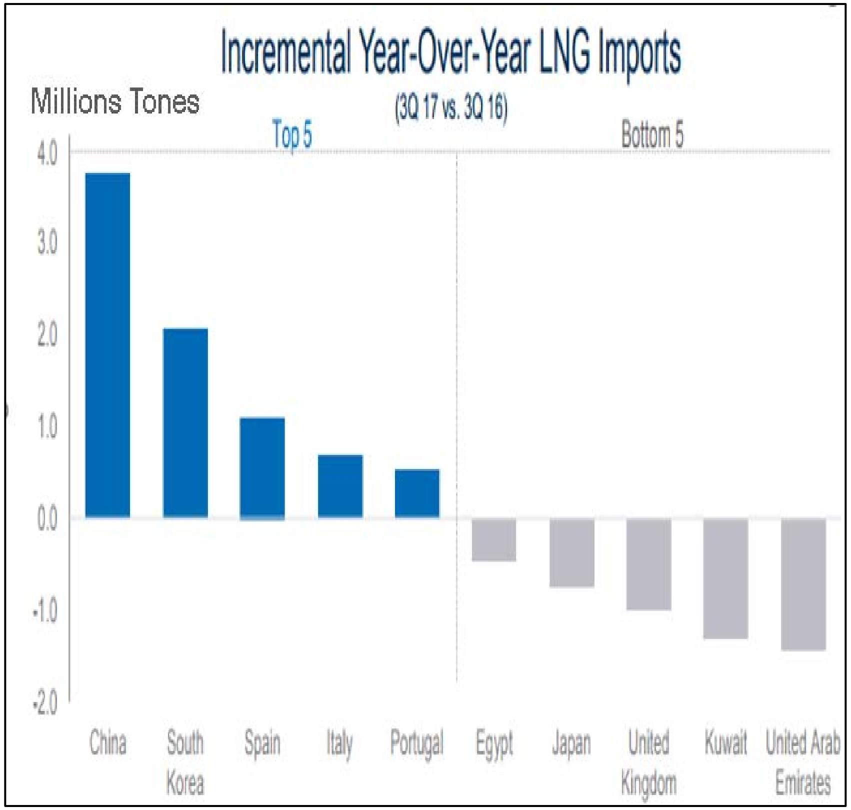
- **March 2016:** First U.S. ethane export terminal at Marcus Hook, PA begins exporting to Europe.
- **September 2016:** Second U.S. ethane export terminal begins exporting from Houston Ship Channel.
- In the past five years, U.S. exports of propane have grown ten fold. The Asian petrochemical sector is now the largest customer for U.S. exports.

Data source: EIA

Constellation. An Exelon Company

EXPORTS – U.S. Rising Star in Global LNG Market

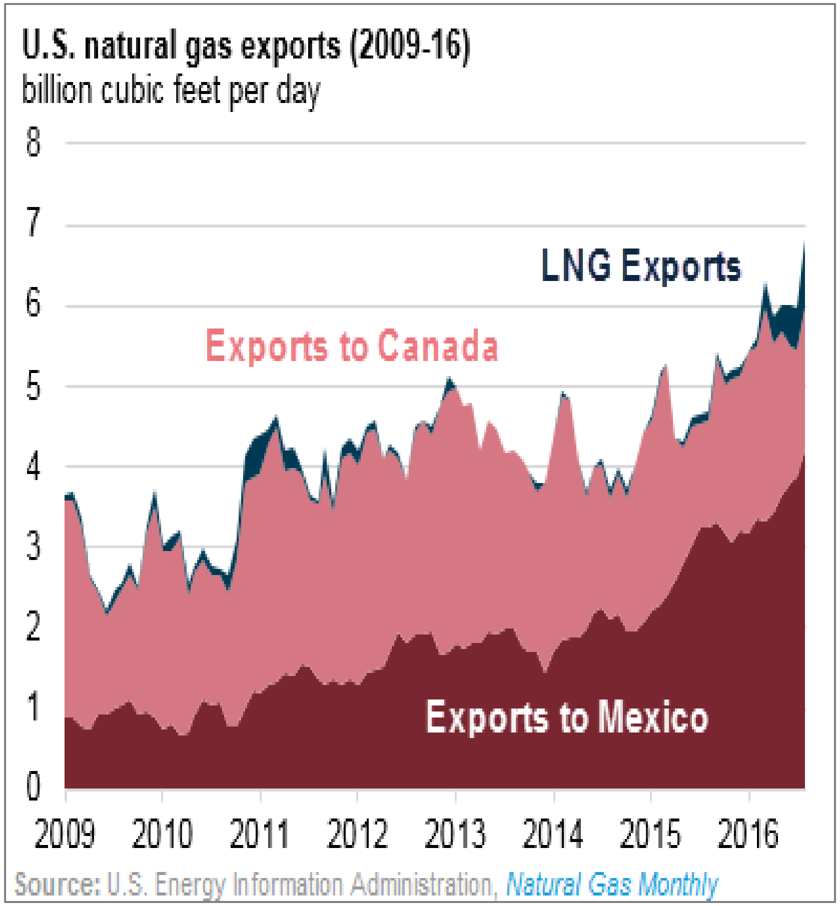


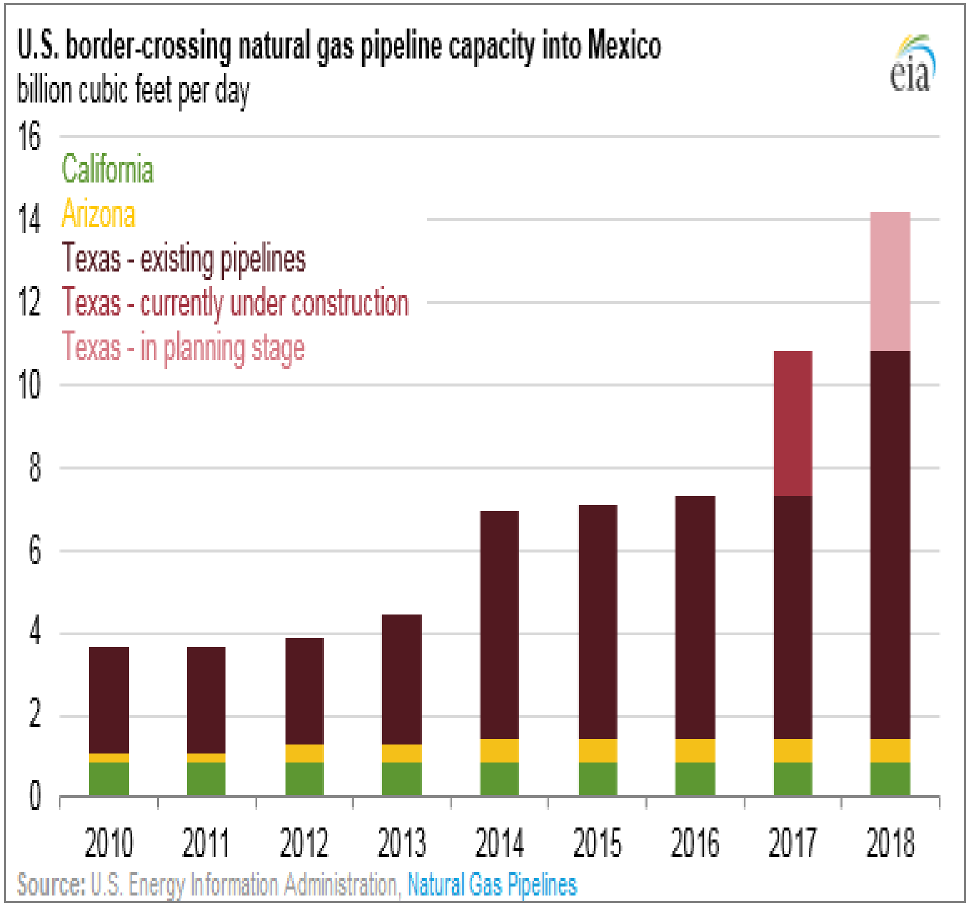


Source: Constellation, FERC, Bentek, EIA

Constellation.
An Exelon Company

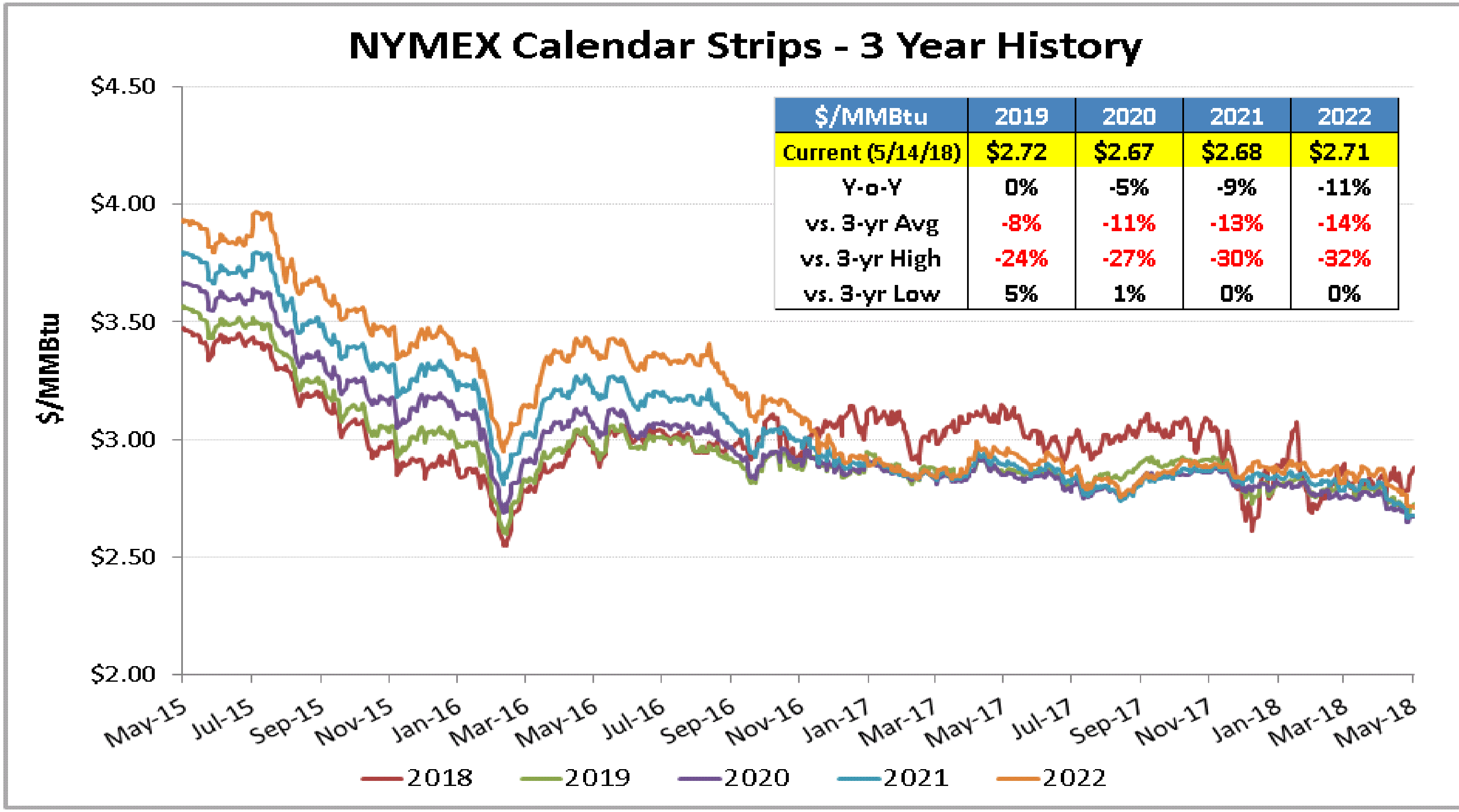
EXPORTS -- New Pipeline Capacity Supporting U.S. NG Export Growth to Mexico





Source: EIA,

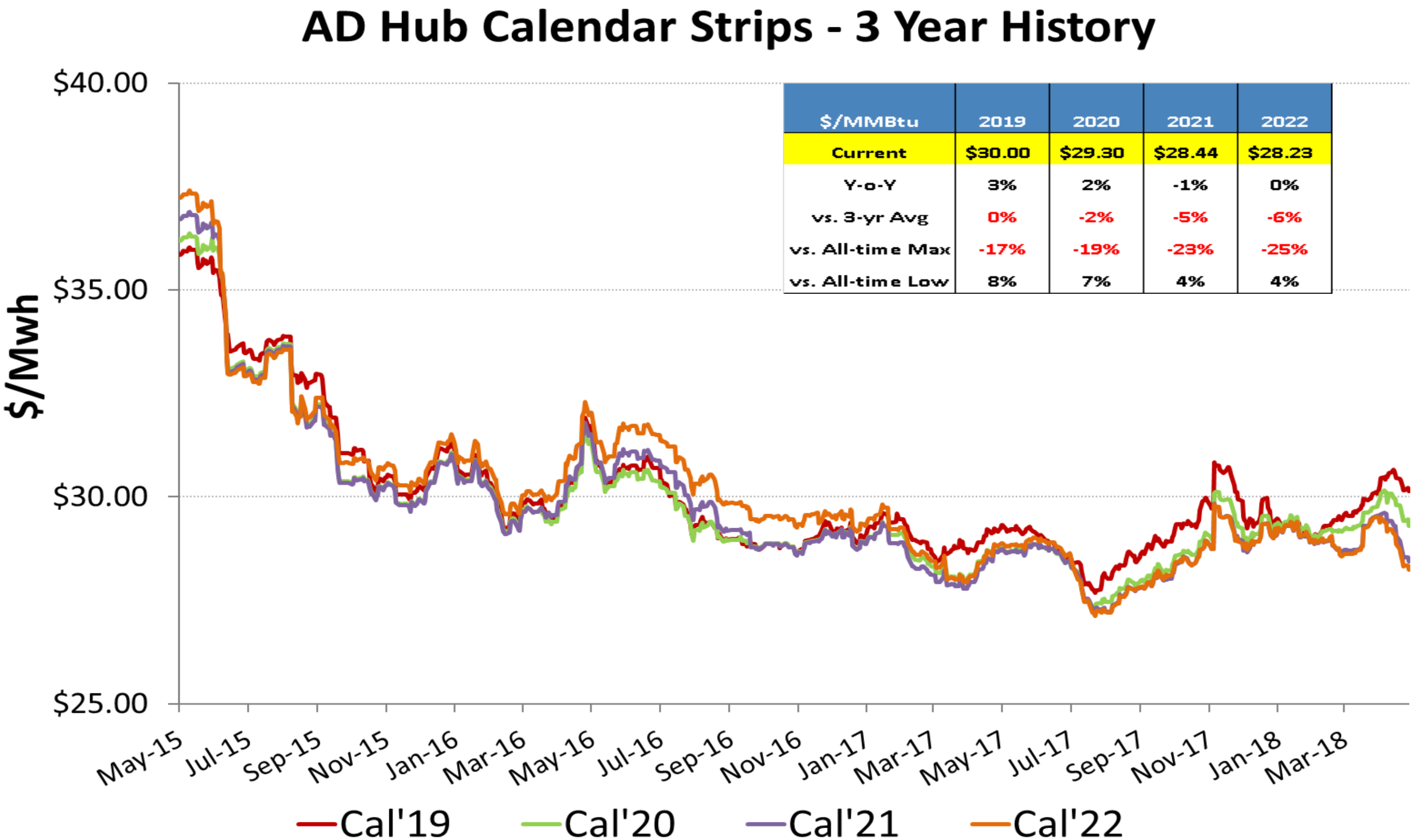
NYMEX Natural Gas Calendar Strips



$/MMBtu	2019	2020	2021	2022
Current (5/14/18)	$2.72	$2.67	$2.68	$2.71
Y-o-Y	0%	-5%	-9%	-11%
vs. 3-yr Avg	-8%	-11%	-13%	-14%
vs. 3-yr High	-24%	-27%	-30%	-32%
vs. 3-yr Low	5%	1%	0%	0%

Constellation.
An Exelon Company

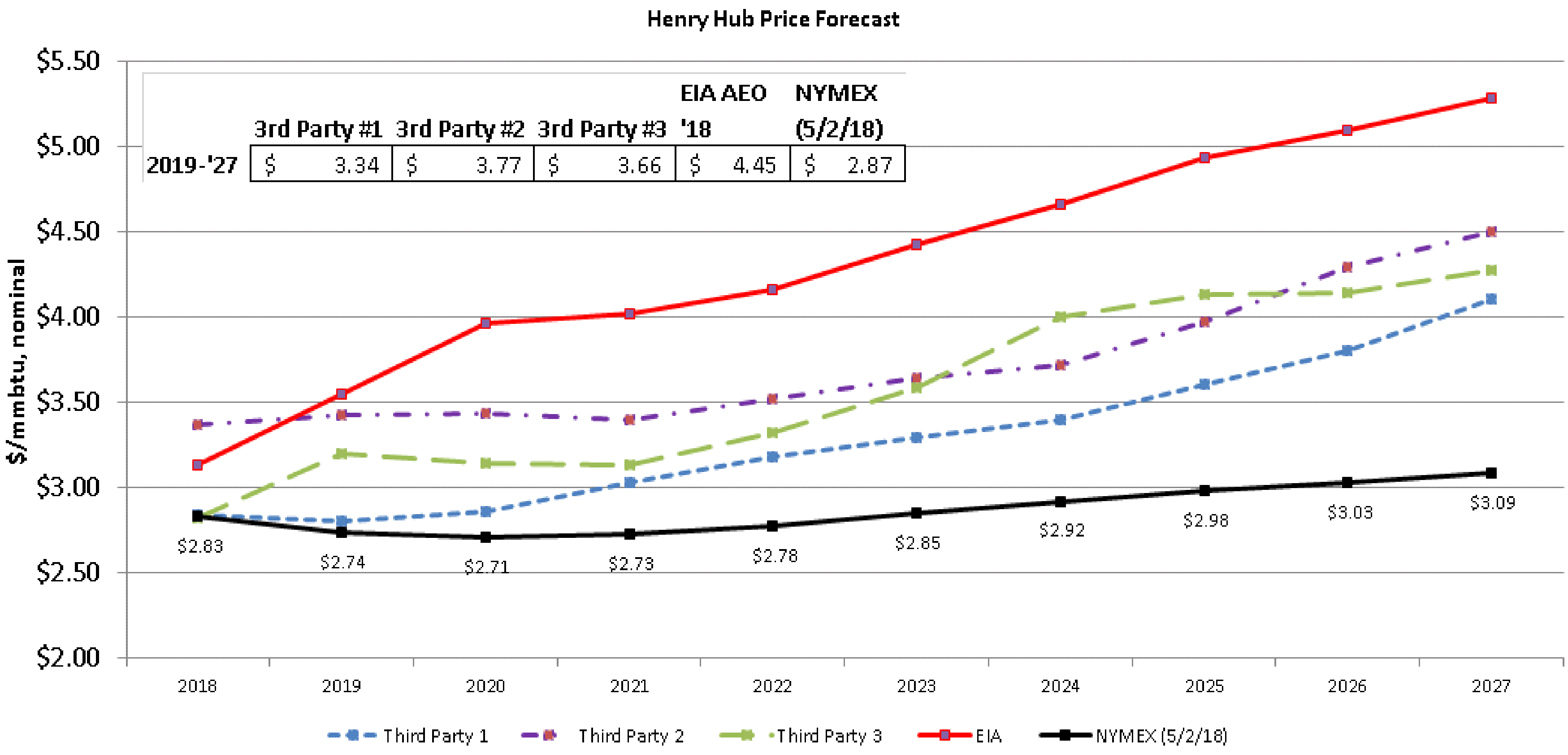
AEP-Dayton Hub Calendar Strips



$/MMBtu	2019	2020	2021	2022
Current	$30.00	$29.30	$28.44	$28.23
Y-o-Y	3%	2%	-1%	0%
vs. 3-yr Avg	0%	-2%	-5%	-6%
vs. All-time Max	-17%	-19%	-23%	-25%
vs. All-time Low	8%	7%	4%	4%

Source: CNE

NYMEX Natural Gas Forward Curve vs. Third Party Forecasts



Source: NYMEX, EIA

Constellation. An Exelon Company

Summary

The U.S. is undergoing a fundamental energy transformation

The U.S. is the emergent hydrocarbon superpower and global swing producer

The U.S. is the emergent energy exporting power

Natural Gas and Electric power prices are tied at the hip – The price of natural gas determines the price of electricity – particularly in Ohio.

The U.S. natural gas market is changing and new risks are presenting– because of exports -- subject to global pricing forces – very similar to crude oil

The potential for rising energy price volatility is back on the table

Energy prices in the forward markets are very low in nominal and real terms

Energy consumers should be very interested in forward energy prices and thinking more strategically

You cant be 100% Right – Don't be 100% wrong.

Constellation. An Exelon Company

Thank you.

Lisa DeCoteau
Principal, Commodities Management Group
Constellation
Email: lisa.decoteau@constellation.com
Office: 617-620-2578

Connect on Linkedin

Disclaimer

The information contained herein has been obtained from sources which Constellation NewEnergy, Inc. and/or Constellation NewEnergy-Gas Division, LLC (collectively, “Constellation”) believes to be reliable. Constellation does not represent or warrant as to its accuracy or completeness. All representations and estimates included herein constitute Constellation’s judgment as of the date of the presentation and may be subject to change without notice. This material has been prepared solely for informational purposes relating to our business as a physical energy provider. We are not providing advice regarding the value or advisability of trading in “commodity interests” as defined in the Commodity Exchange Act, 7 U.S.C. §§ 1-25, et seq., as amended (the “CEA”), including futures contracts, swaps or any other activity which would cause us or any of our affiliates to be considered a commodity trading advisor under the CEA. Constellation does not make and expressly disclaims, any express or implied guaranty, representation or warranty regarding any opinions or statements set forth herein. Constellation shall not be responsible for any reliance upon any information, opinions, or statements contained herein or for any omission or error of fact. All prices referenced herein are indicative and informational and do not connote the prices at which Constellation may be willing to transact, and the possible performance results of any product discussed herein are not necessarily indicative of future results. This material shall not be reproduced (in whole or in part) to any other person without the prior written approval of Constellation.

© 2018 Constellation Energy Resources, LLC. The offerings described herein are those of Constellation NewEnergy-Gas Division, LLC or Constellation NewEnergy, Inc., affiliates of each other and ultimate subsidiaries of Exelon Corporation. Brand names and product names are trademarks or service marks of their respective holders. All rights reserved. Errors and omissions excepted.

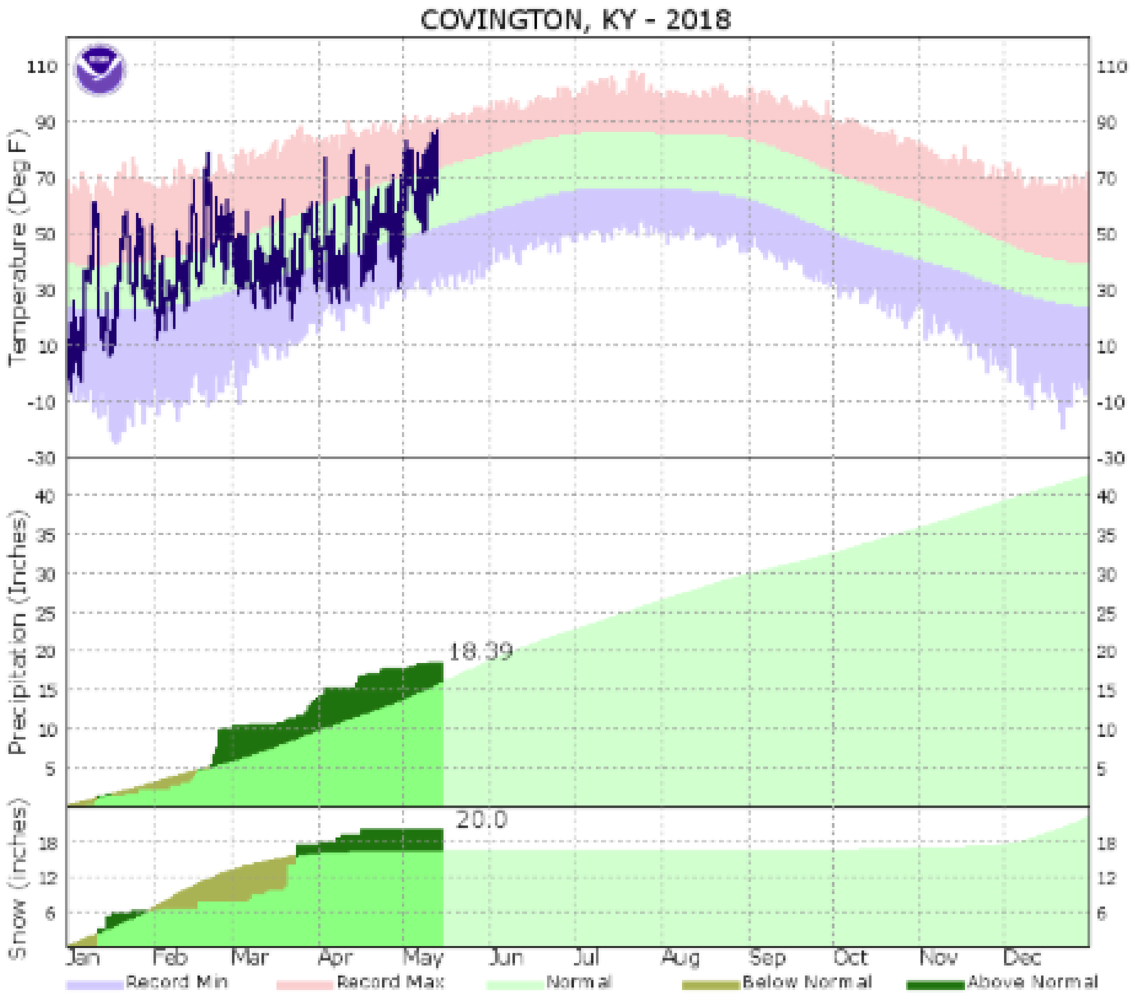
Constellation. An Exelon Company

Electricity Market Update

May 16, 2018

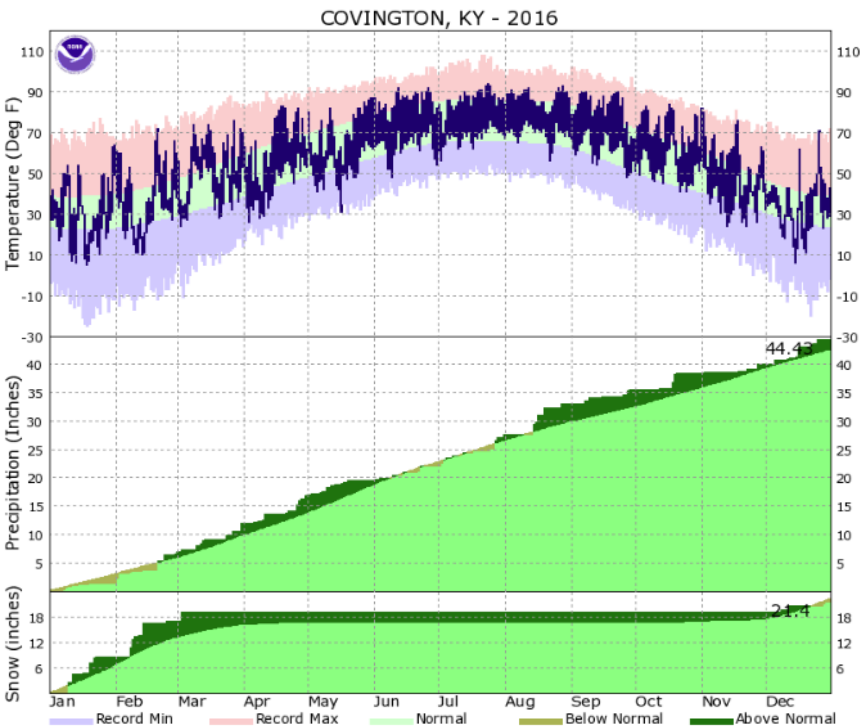
scioto energy

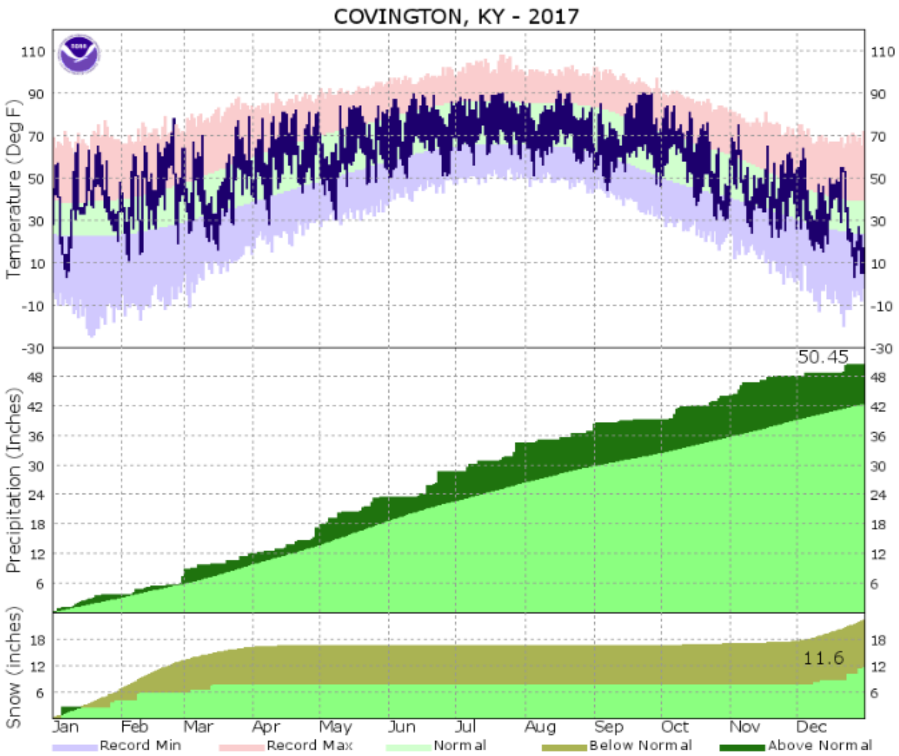
Historic Temperatures



scioto energy

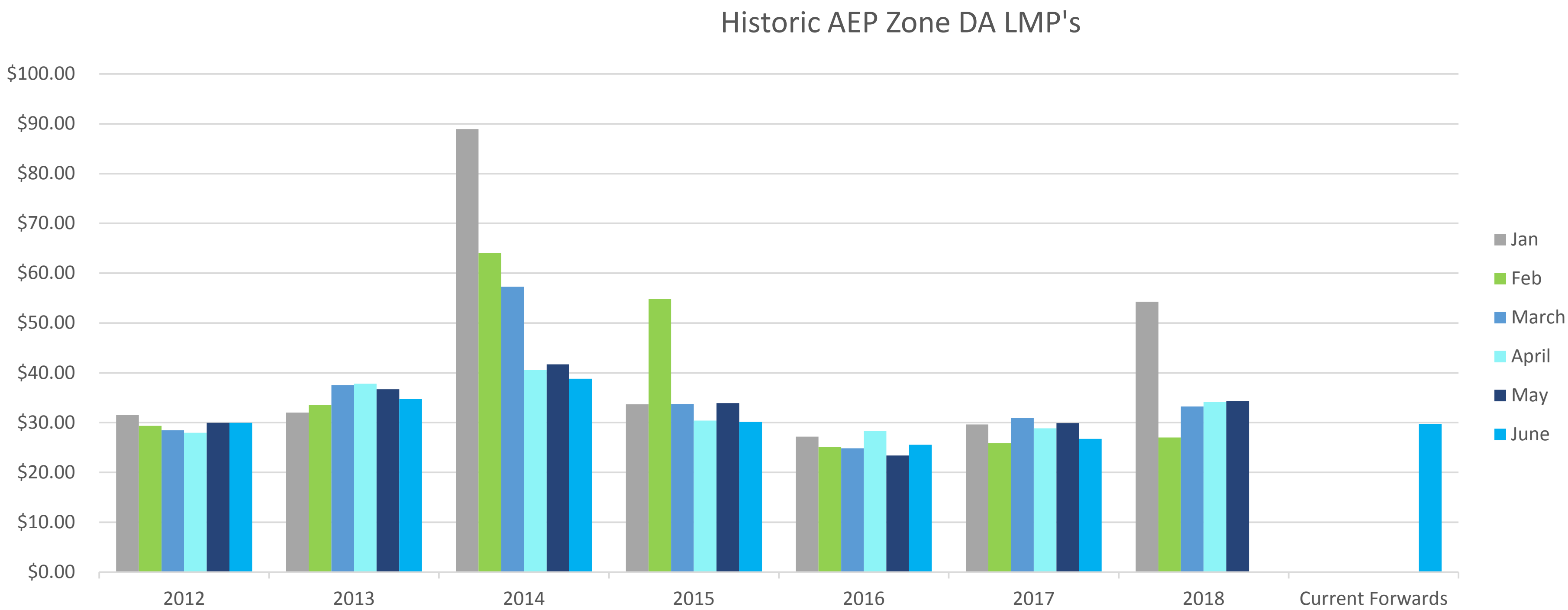
Historic Temperatures





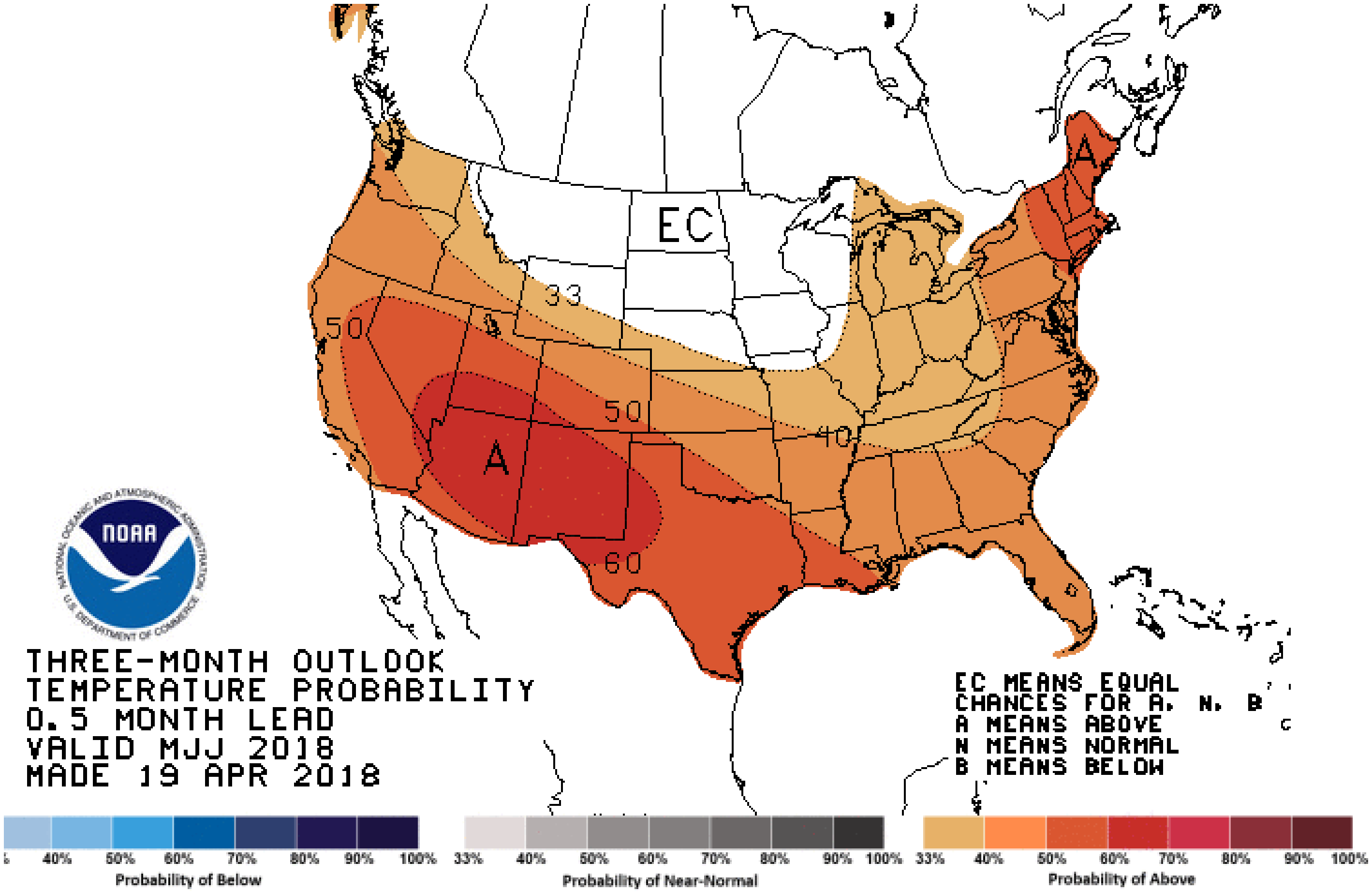
scioto energy

LMP's

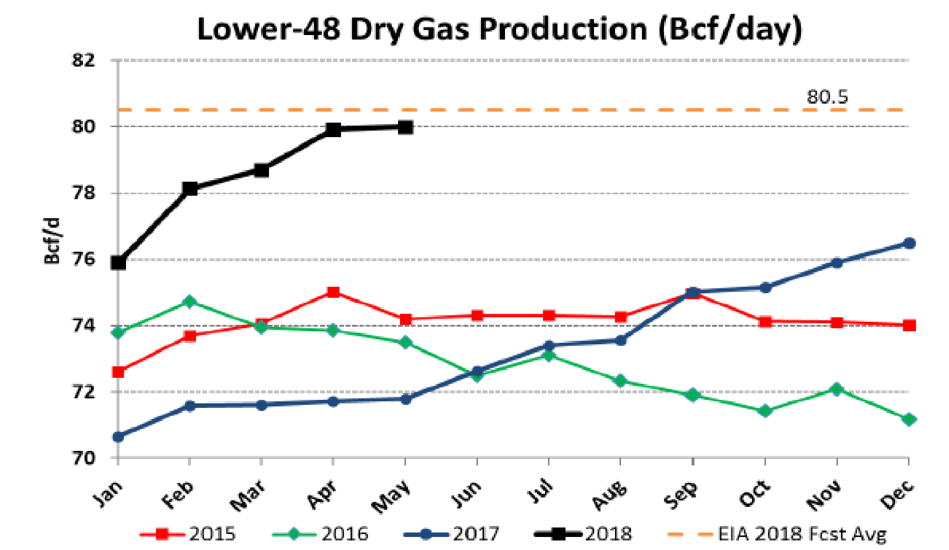


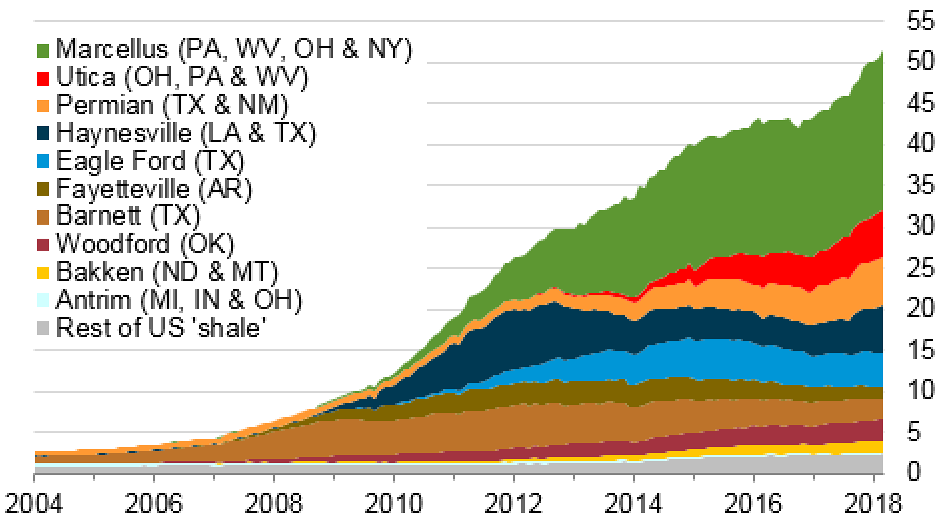
Historic AEP Zone DA LMP's
$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
2012
2013
2014
2015
2016
2017
2018
Current Forwards
Jan
Feb
March
April
May
June

Summer Temp Outlook



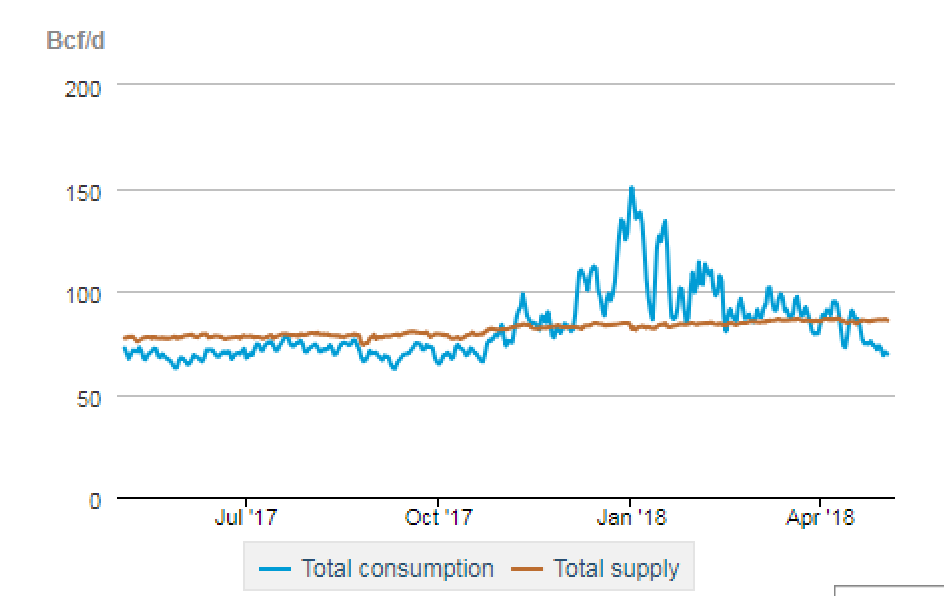
Natural Gas Production

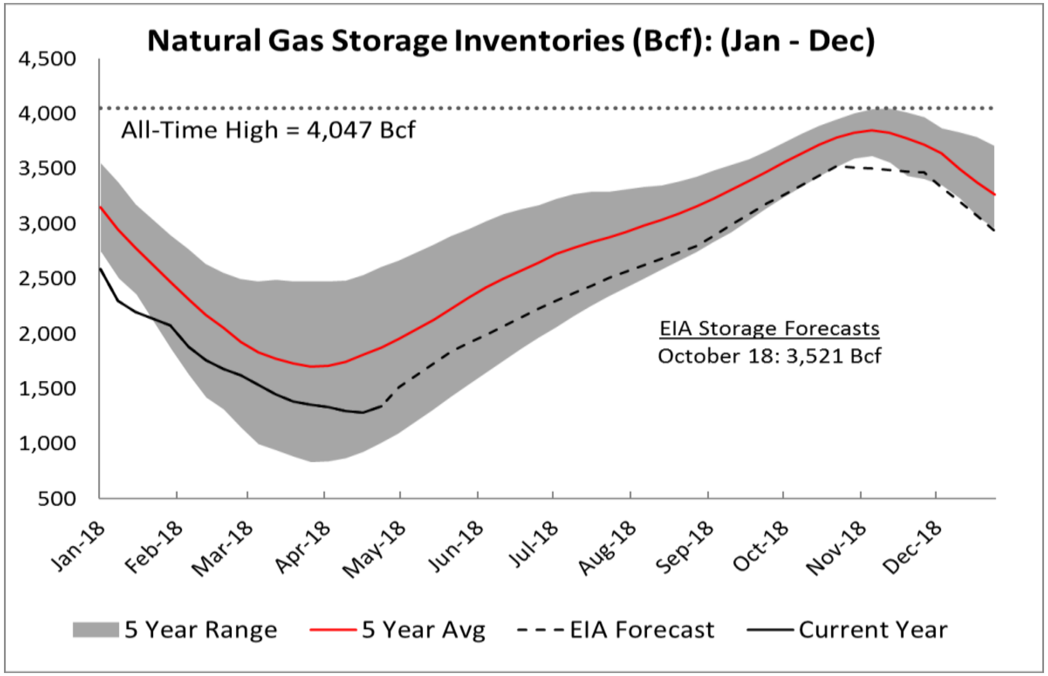




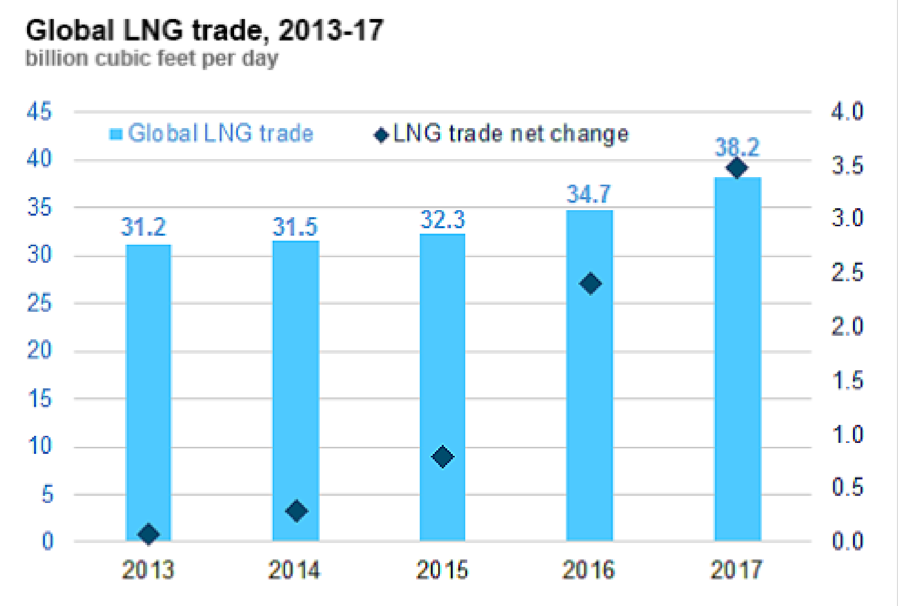
sciotoenergy

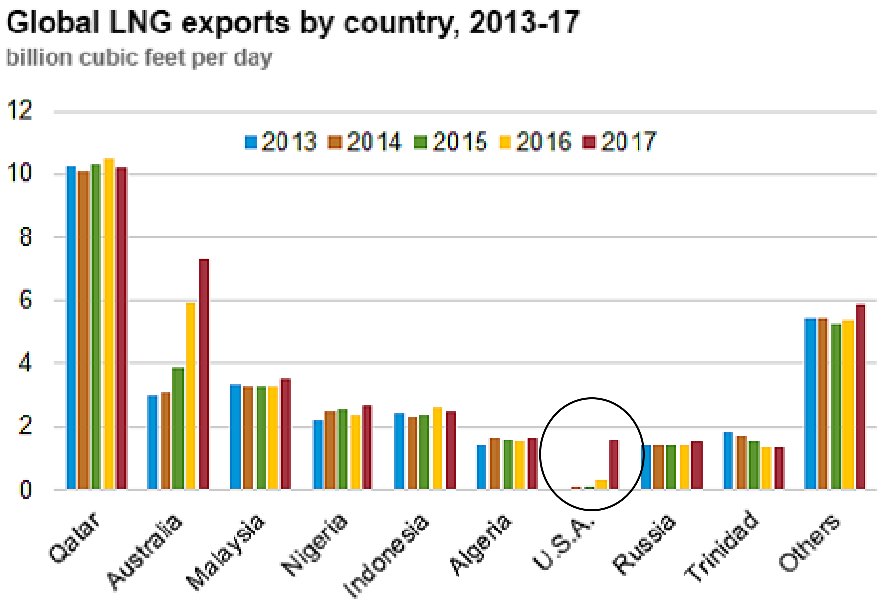
Natural Gas Fundamentals

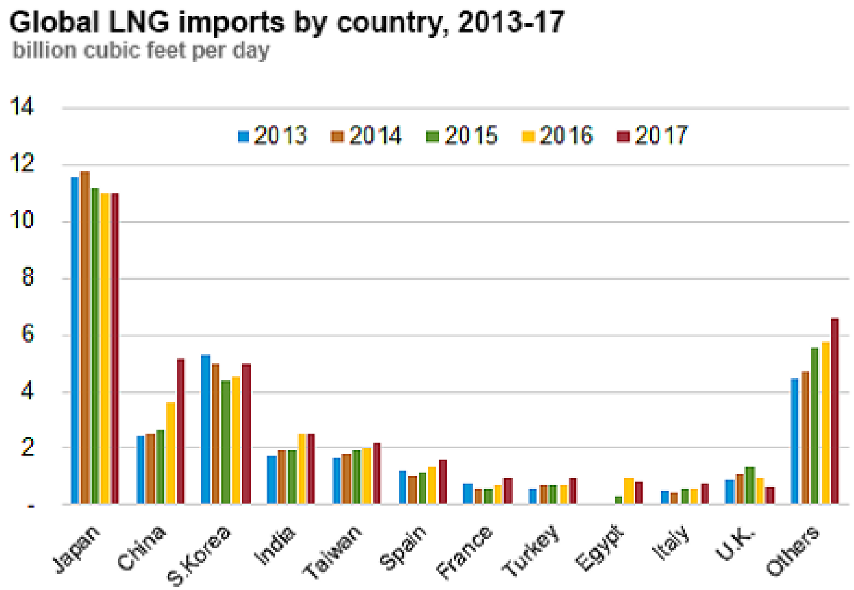




Global LNG Trade

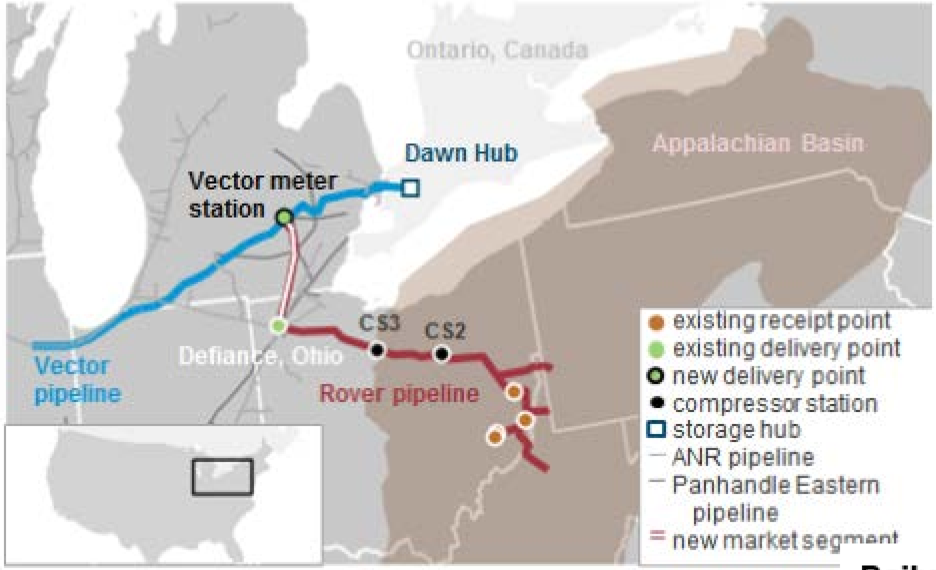






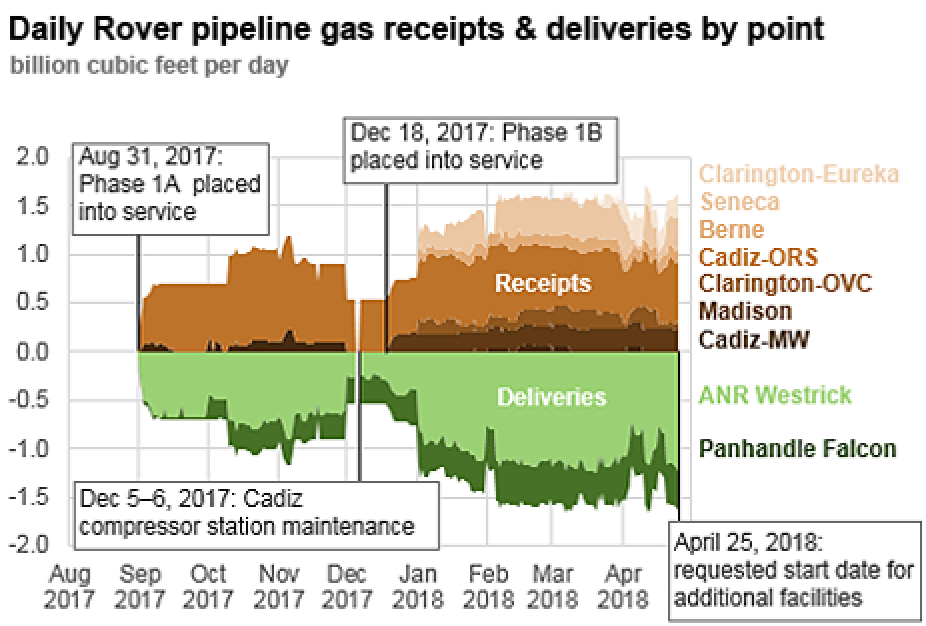
scioto energy

Rover Pipeline



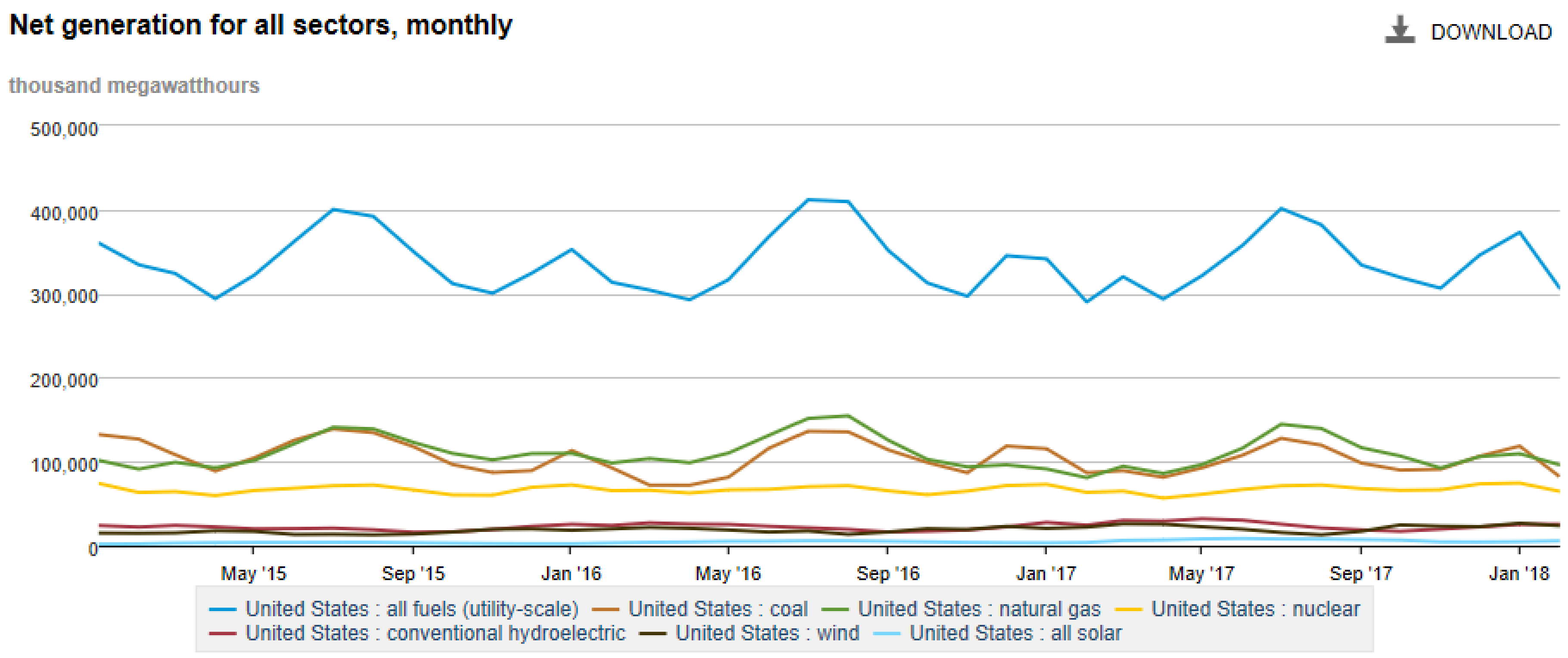
FERC approved Phase 2 Rover

- Vector Meter in service
- 1.45 BCF/d from Appalachian Basin to Michigan and Canada



sciotoenergy

Electricity Supply



sciotoenergy

New Natural Gas Generation

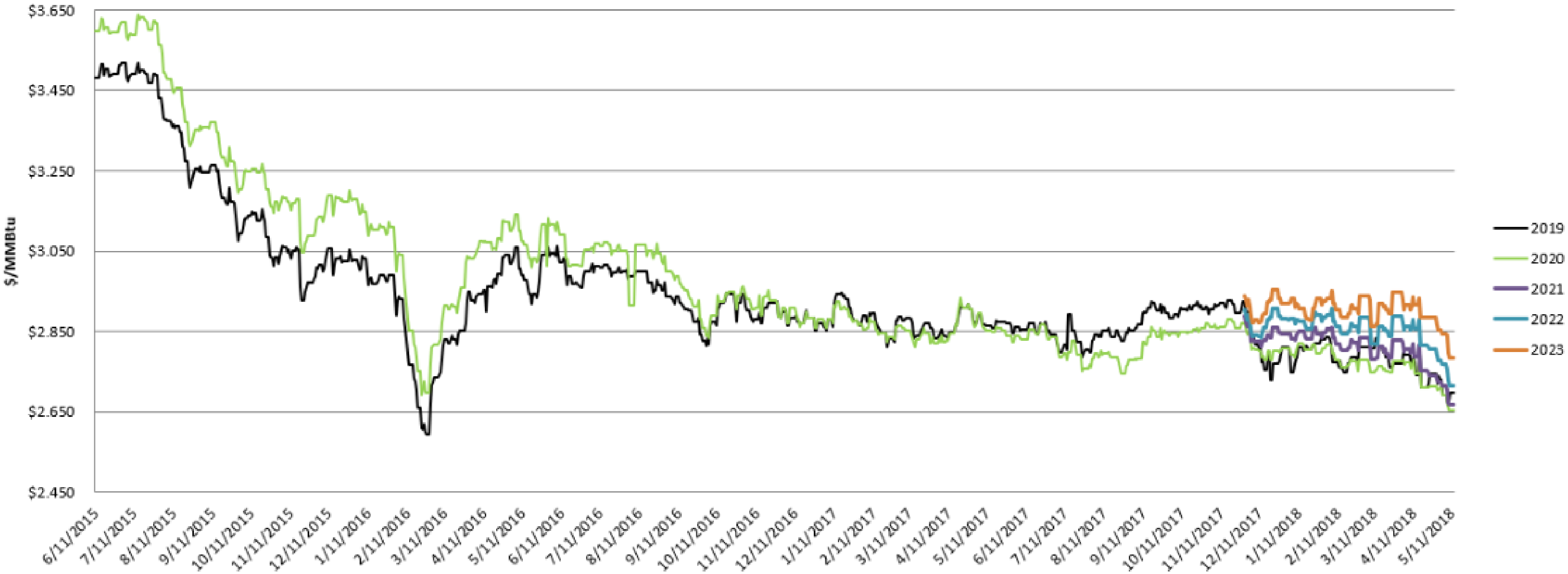
- Oregon Clean Energy Center
- Carroll County Energy
- Middletown Energy Center
- Lordstown Energy Center
- Trumbull Energy Center
- South Field Energy
- Guernsey Power Station
- Hannibal Port Power Project
- Oregon Energy Center
- Harrison County Power Plant
- Pickaway Energy Center

https://www.youtube.com/watch?v=WuCsEY6zYGQ#action=share

https://youtu.be/WuCsEY6zYGQ

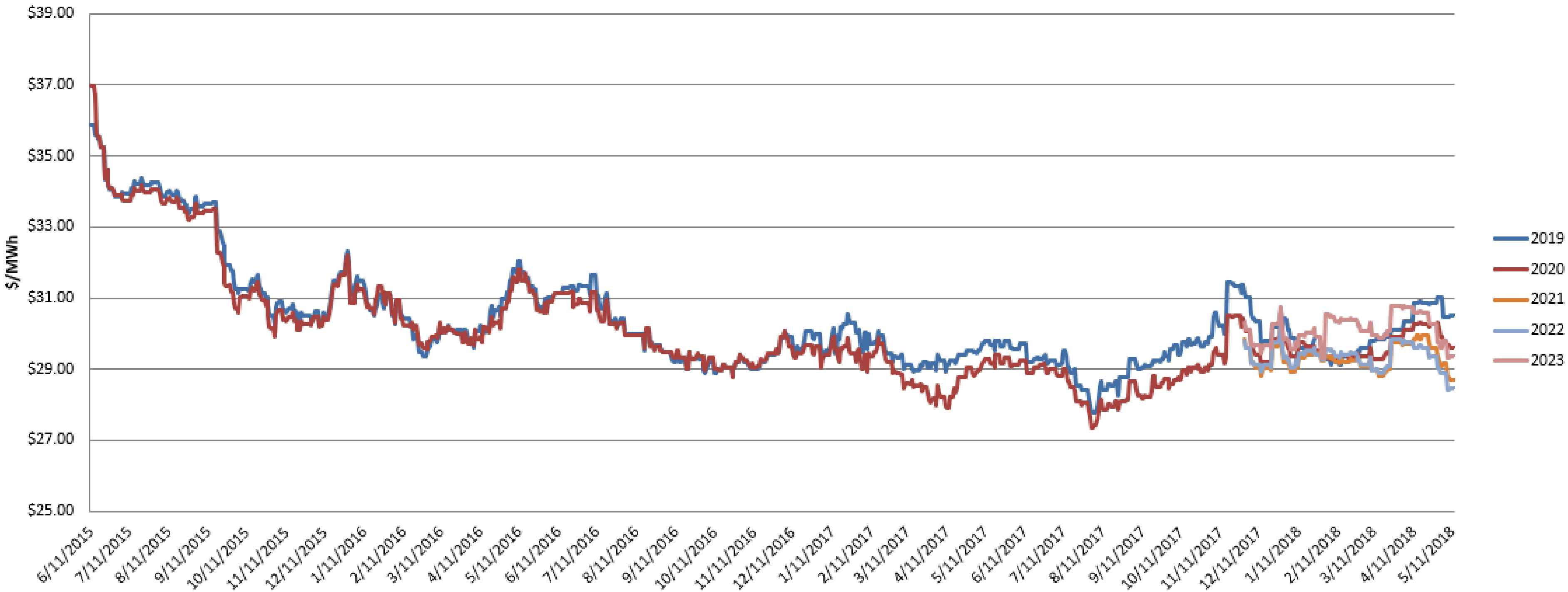
scioto energy

NYMEX Natural Gas Futures



scioto energy

AEP/Day Hub ATC Electric Forwards



scioto energy

Natural Gas Update
OMA Energy Committee

Richard Ricks
NiSource
May 16, 2018

Agenda

- **Summary**
- **Weather & Outlook**
- **Gas Storage & Pricing**
- **Gas Demand, Production & Rig Counts**
- **Recent Developments**

Columbia Gas of Ohio
A NiSource Company

Summary

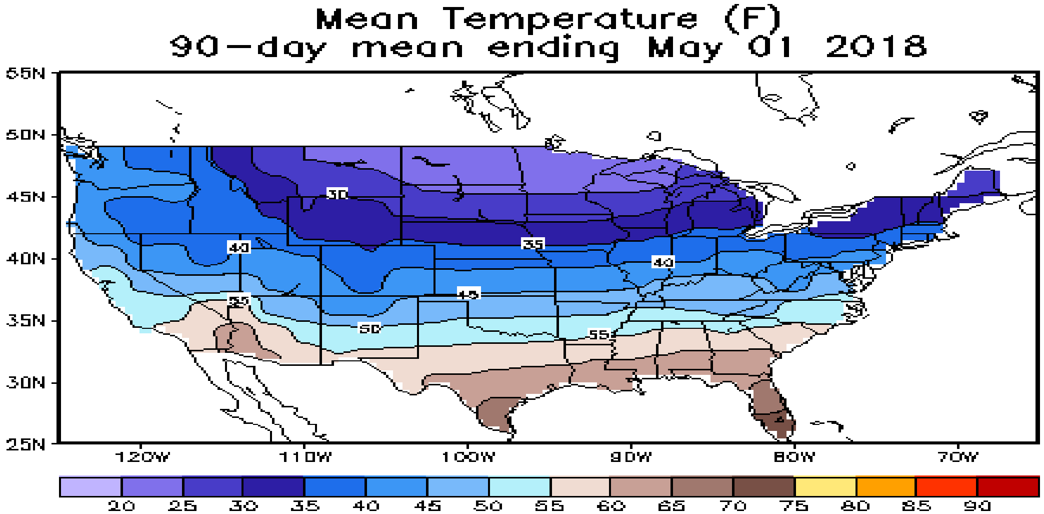
- **Natural Gas Pricing still “Low & Flat”**
- **Gas Markets still pretty “Boring”**
- **17/18 Winter was Normal**
- **Natural Gas driving Domestic Fuel Outlook**

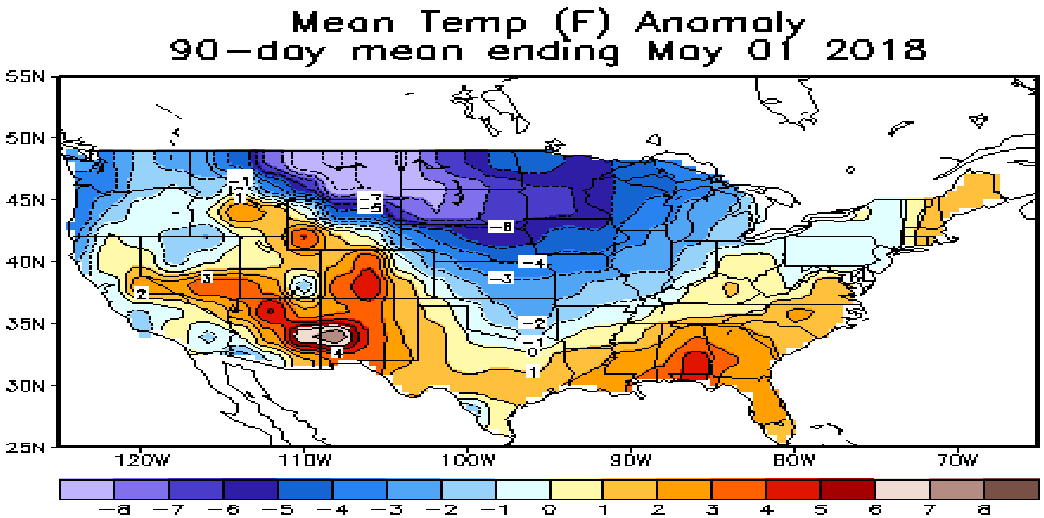
Columbia Gas of Ohio
A NiSource Company

Weather & Outlook

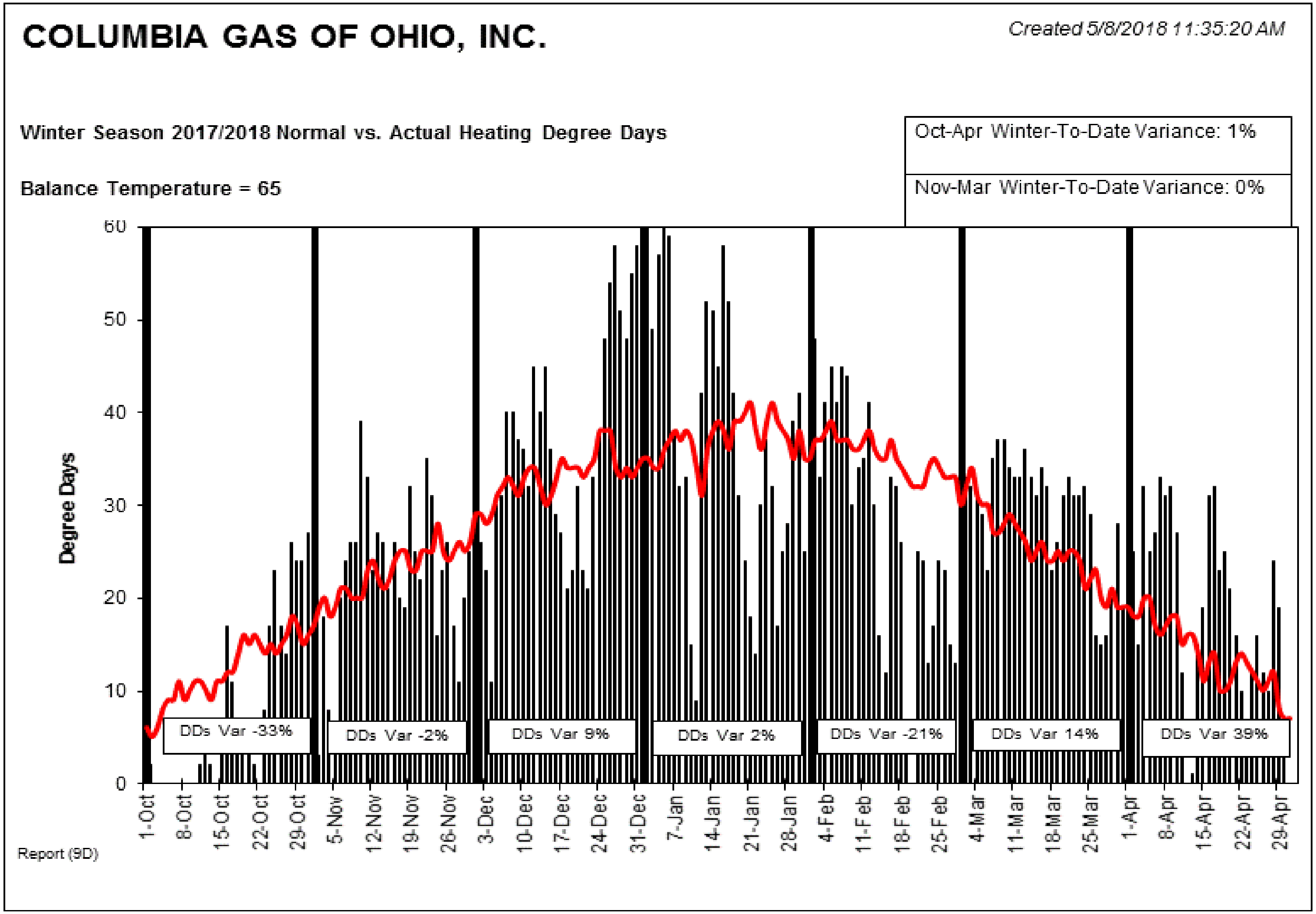
Columbia Gas of Ohio
A NiSource Company

17/18 Winter Average Temperatures – “Normal”



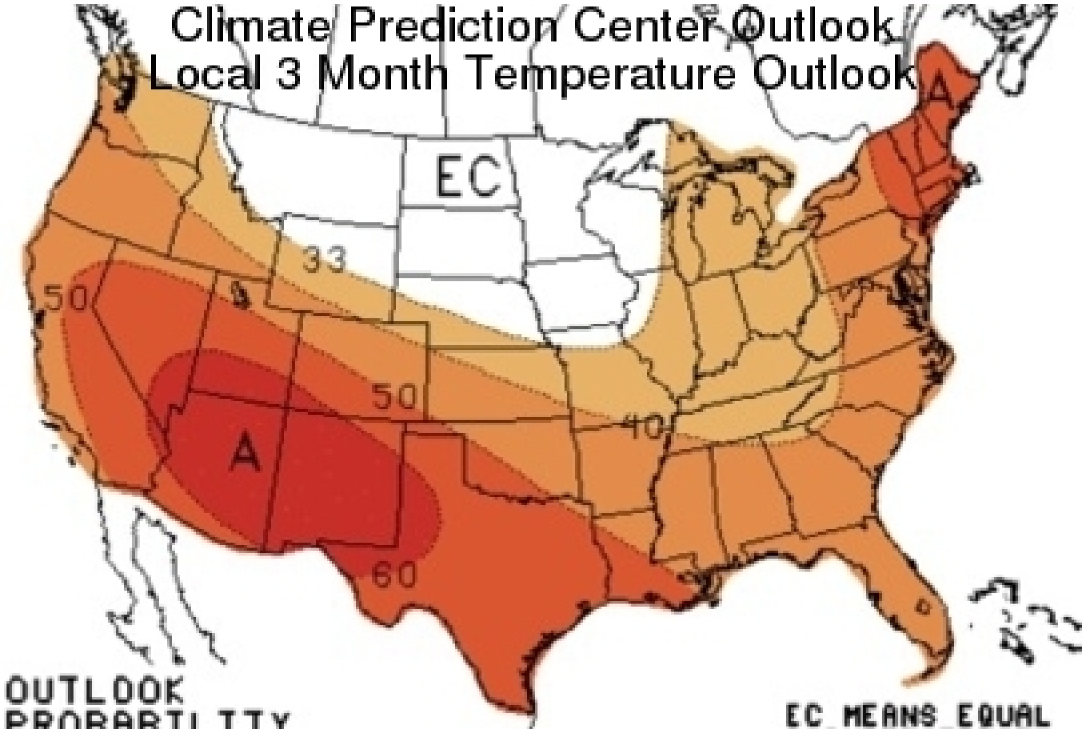


17/18 Ohio Winter Daily Degree Days – "Normal"



Columbia Gas of Ohio
A NiSource Company

Temperature Outlook: June, July & August 18

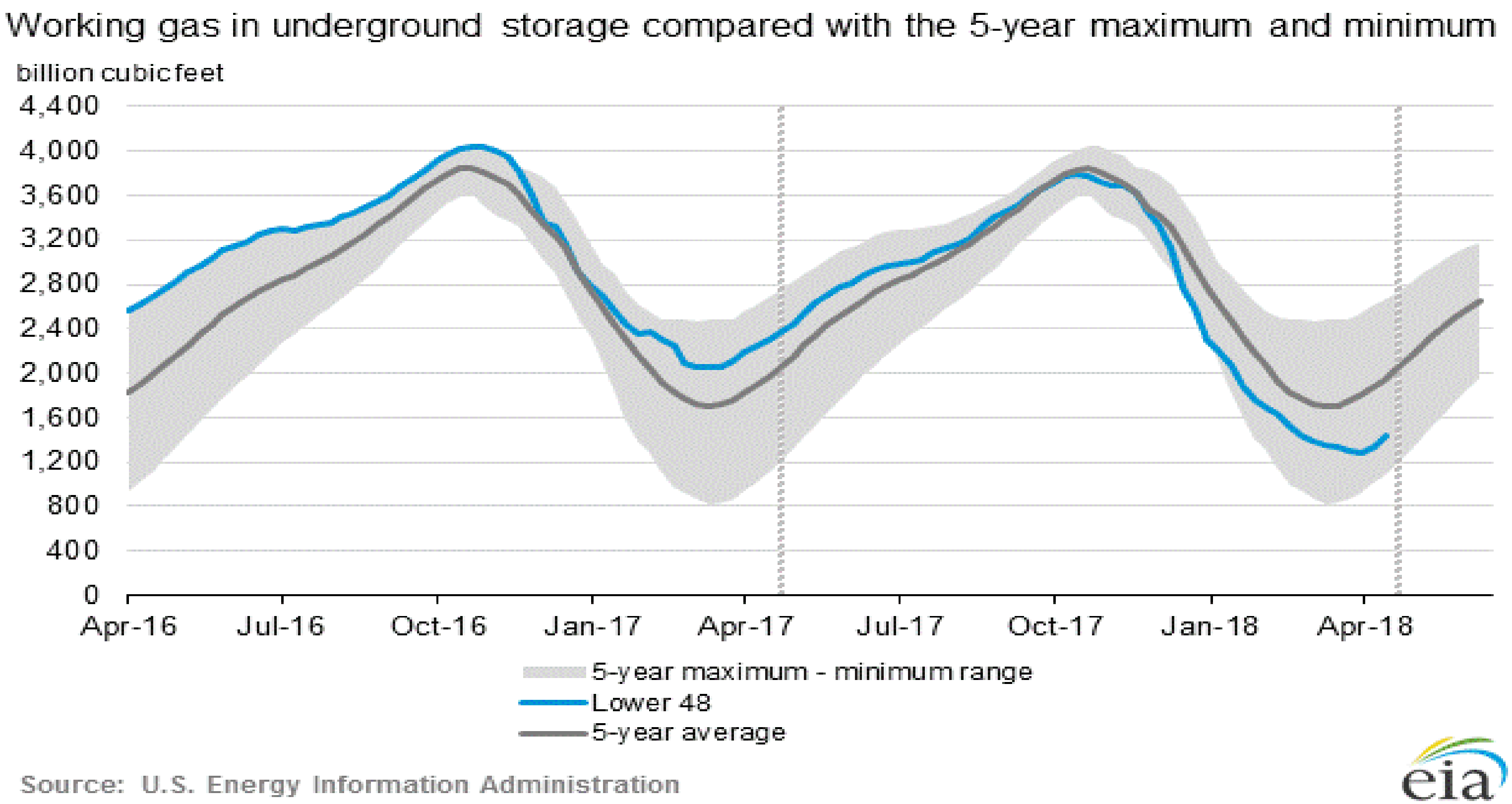


Columbia Gas of Ohio
A NiSource Company

Storage & Gas Pricing

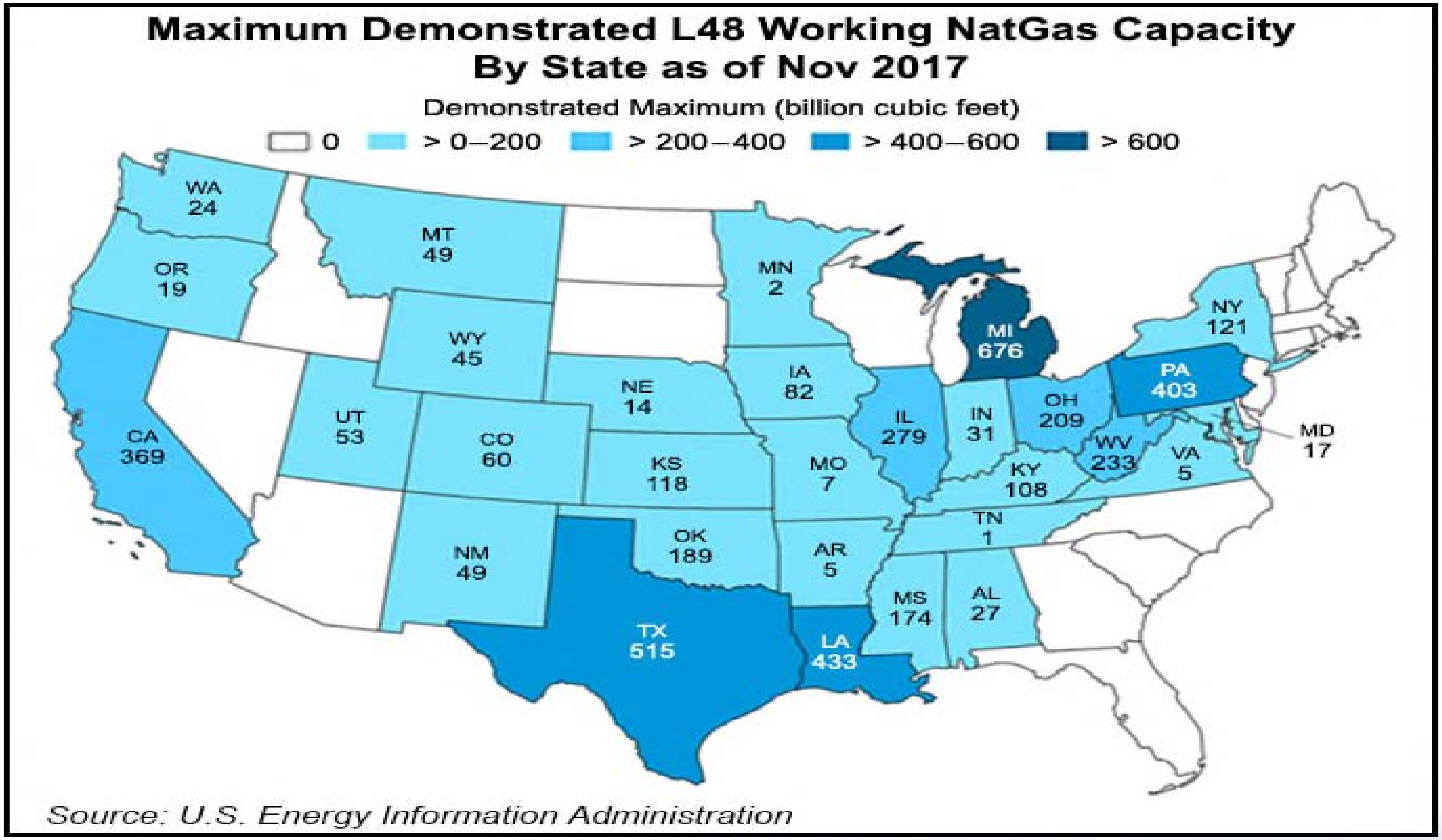
Storage - Below the "5 Yr Average" - OK

Working gas in storage was 1,432 BCF as of Friday, May 4, 2018, according to EIA estimates. This represents a net increase of 89 BCF from the previous week. Stocks were 863 BCF less than last year at this time and 520 BCF below the five-year average of 1,952 BCF. At 1,432 BCF, total working gas is within the five-year historical range.

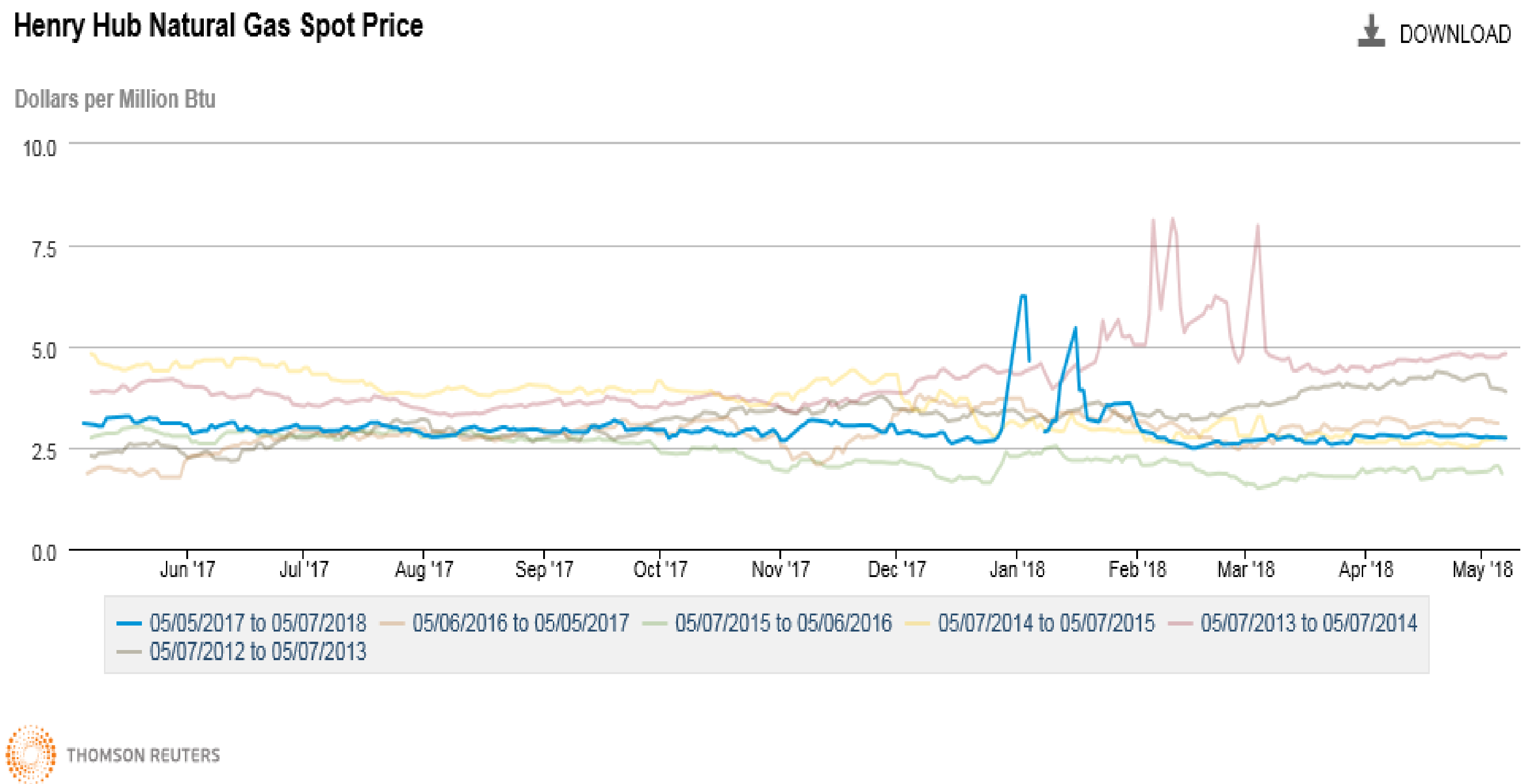


Columbia Gas of Ohio
A NiSource Company

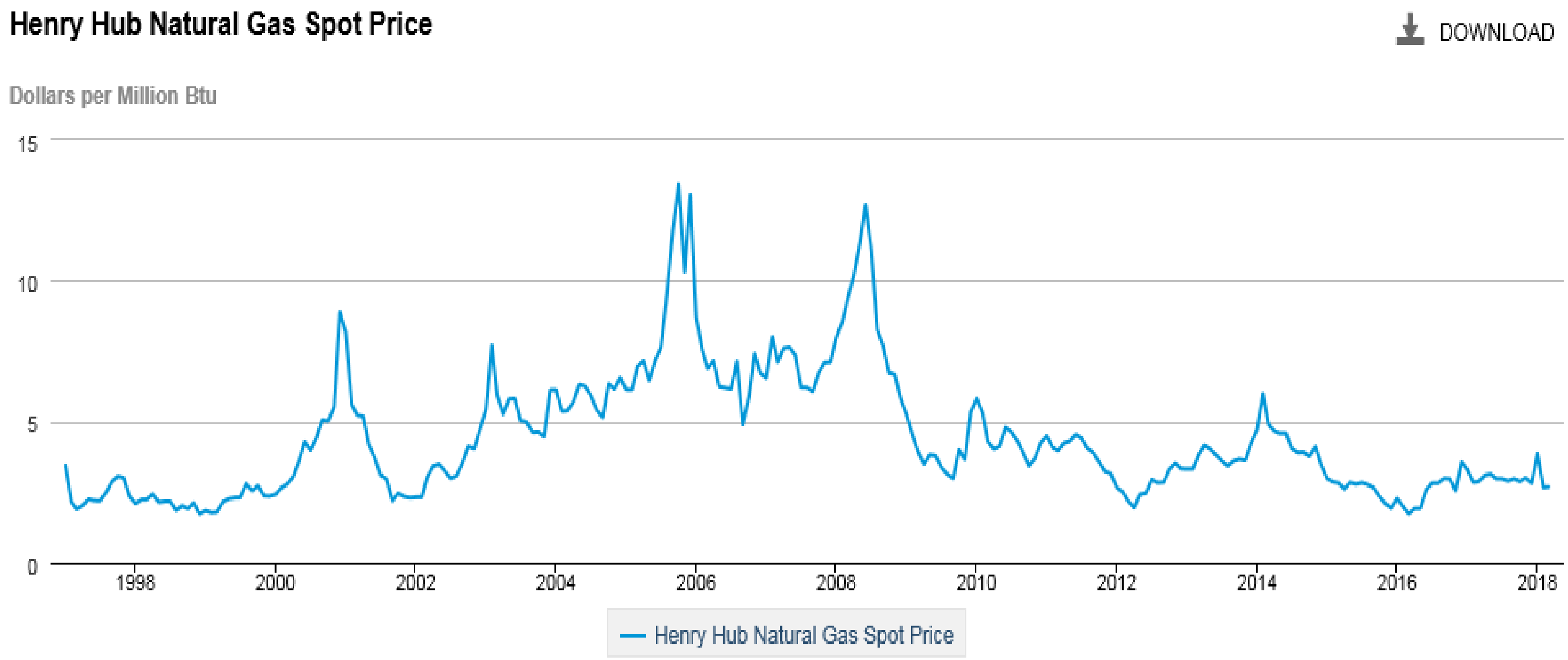
Lower 48 States Storage Capability – Ohio #7



NYMEX Prompt Month Settlement – 5 Years



NYMEX Prompt Month Settlement History



THOMSON REUTERS

NYMEX Term Pricing – May 11, 2018

TERM	PRICE 2-22-18	PRICE 5-11-18
3 month	$2.67	$2.83 (+$0.15)
6 month	$2.72	$2.83 (+$0.11)
12 month	$2.81	$2.83 (+$0.02)
18 month	$2.78	$2.76 (-$0.02)

Columbia Gas of Ohio
A NiSource Company

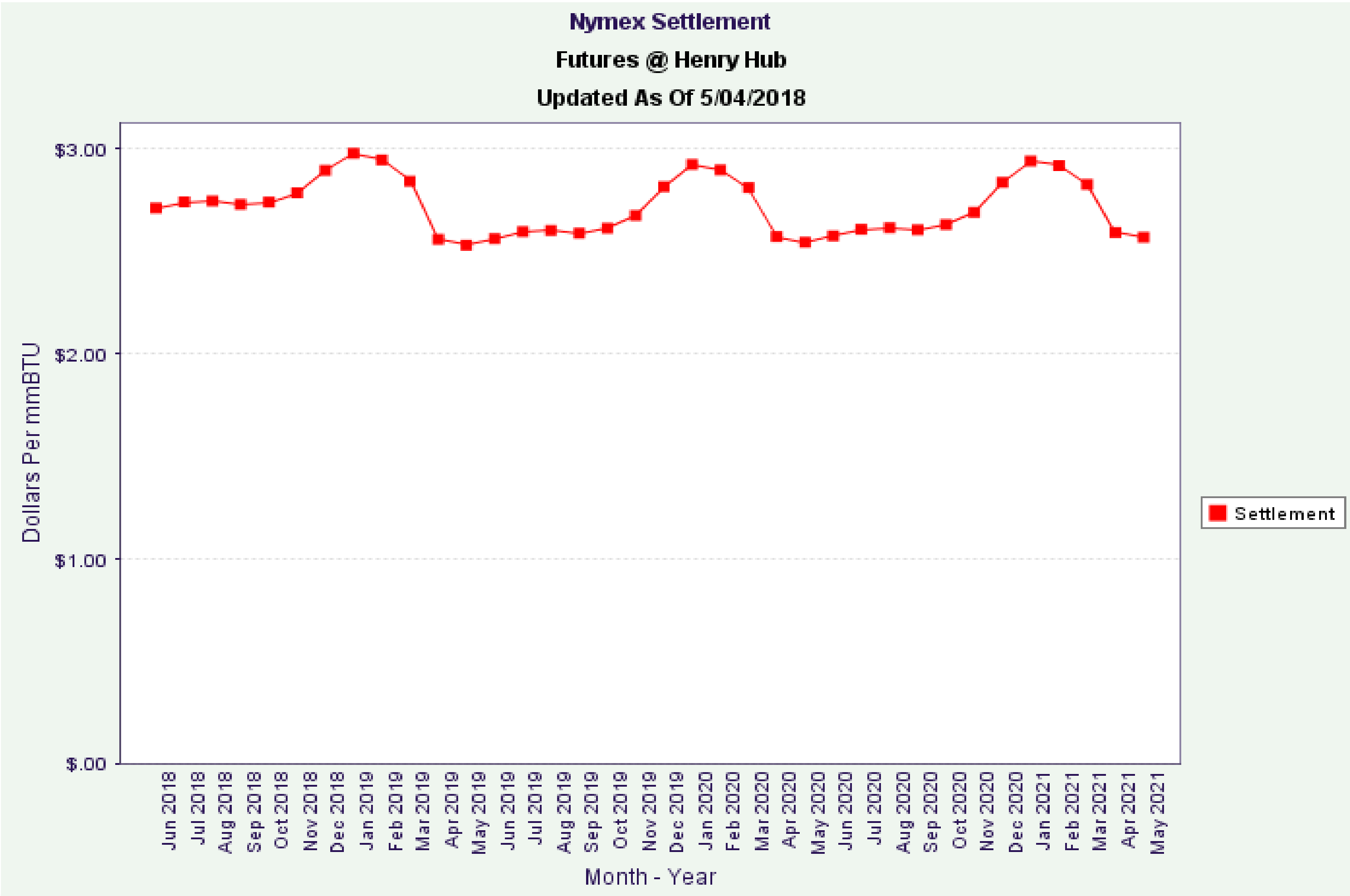
Select Hub Pricing – Flat
May 11, 2018

HUB LOCATION	2-22-18	5-11-18	
Henry Hub	$2.60	$2.73	(+$0.13)
TCO Pool	$2.36	$2.52	(+$0.16)
Houston Ship Channel	$2.61	$2.75	(+$0.14)
Dominion South Point	$2.14	$2.14	(+$0.00)
TETCO M-3	$2.24	$2.20	(-$0.04)
TGP Zone 4	$1.85	$1.65	(-$0.20)

Dominion, TCO, TETCO, & TGP pricing is Marcellus Area.

Columbia Gas of Ohio
A NiSource Company

NYMEX Futures Settlement - 5-4-18 - Flat

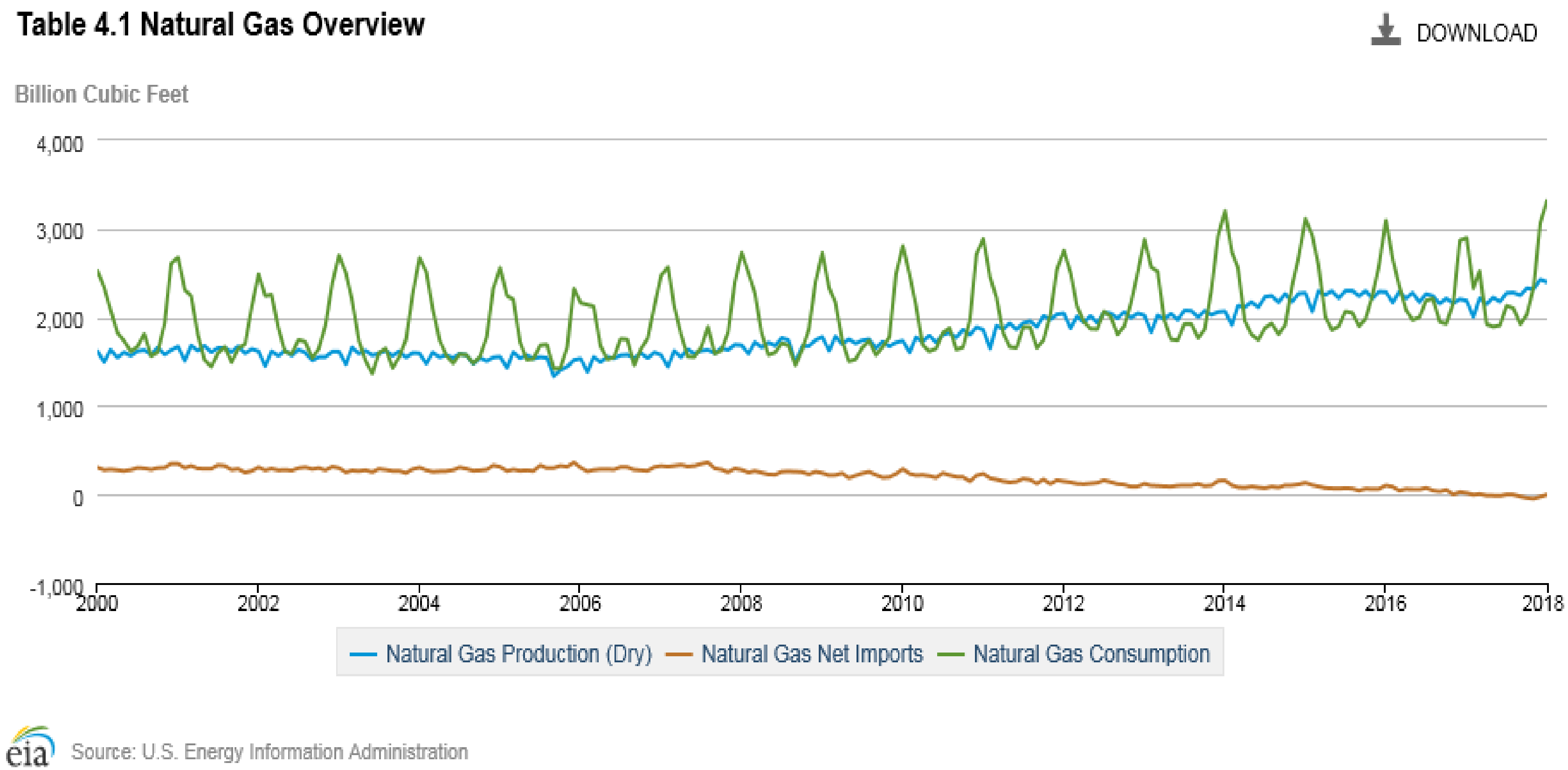


Columbia Gas of Ohio
A NiSource Company

Demand, Production & Rig Count

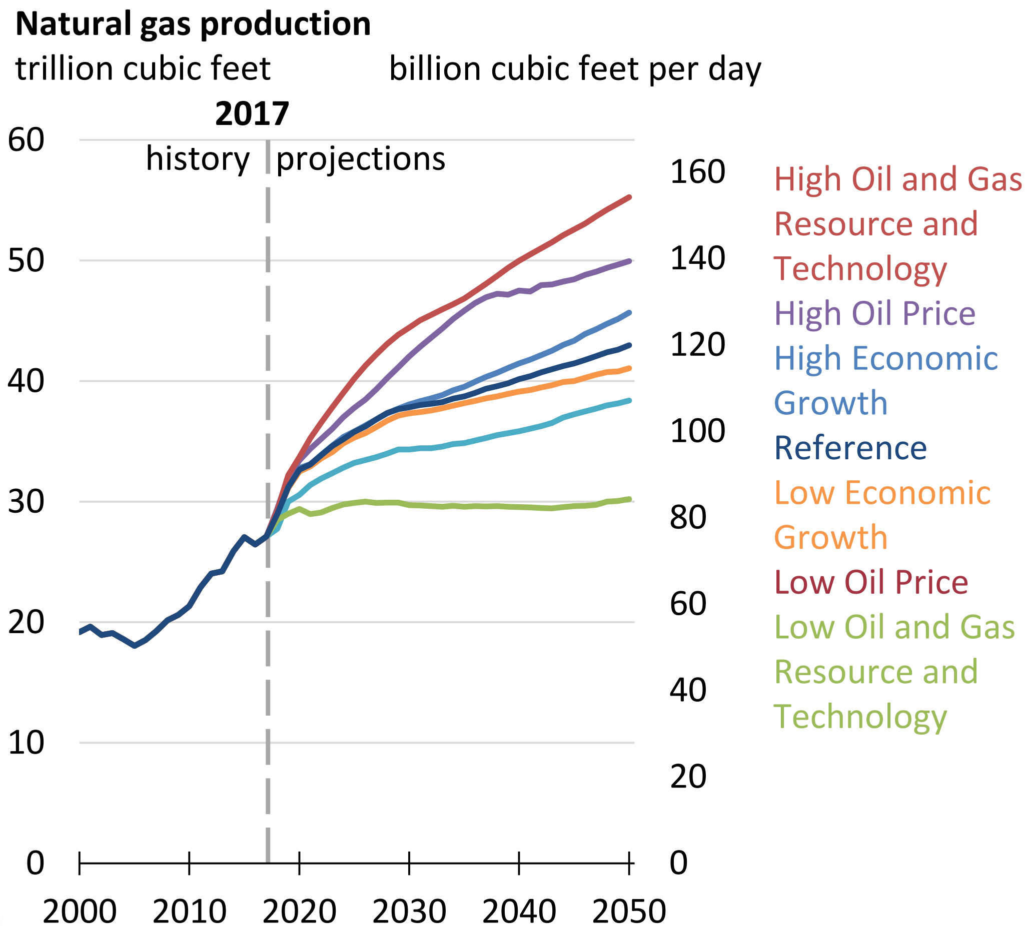
Columbia Gas of Ohio
A NiSource Company

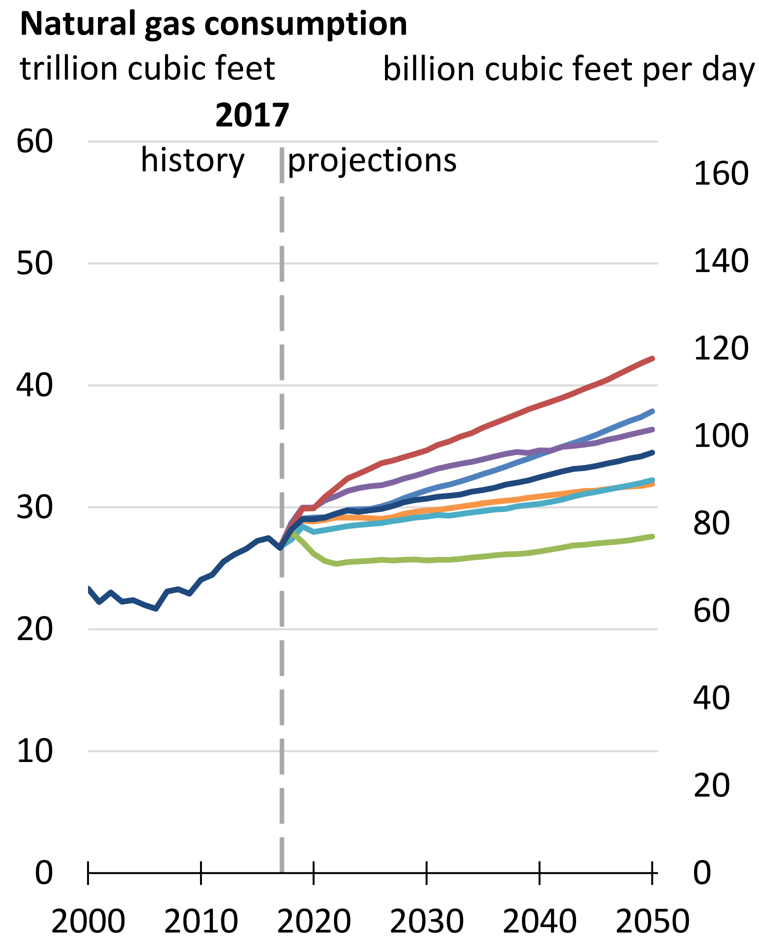
US Gas Supply & Demand: Growing



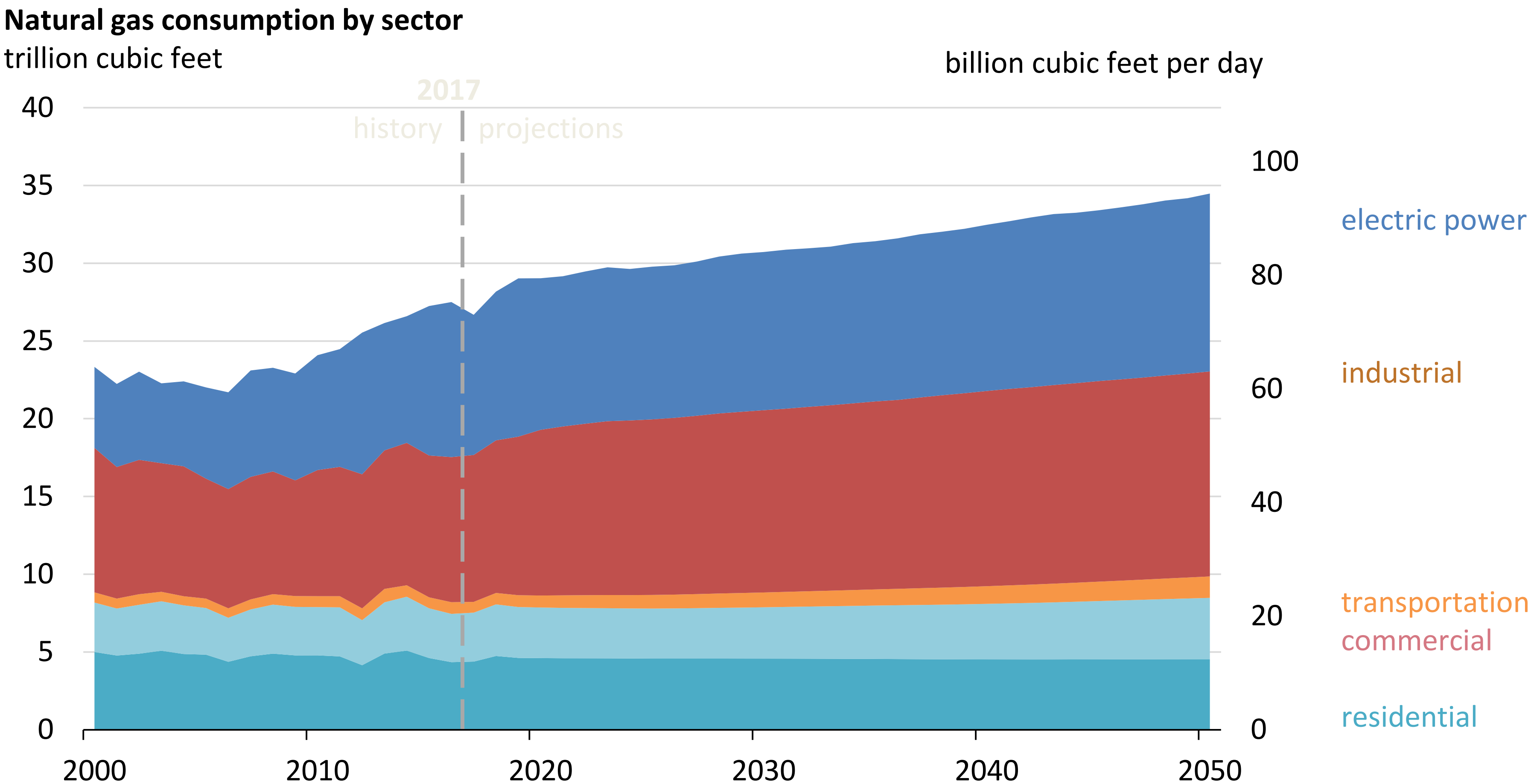
Columbia Gas of Ohio
A NiSource Company

U.S. natural gas consumption and production increase in all cases – 2018 EIA Annual Energy Outlook Report





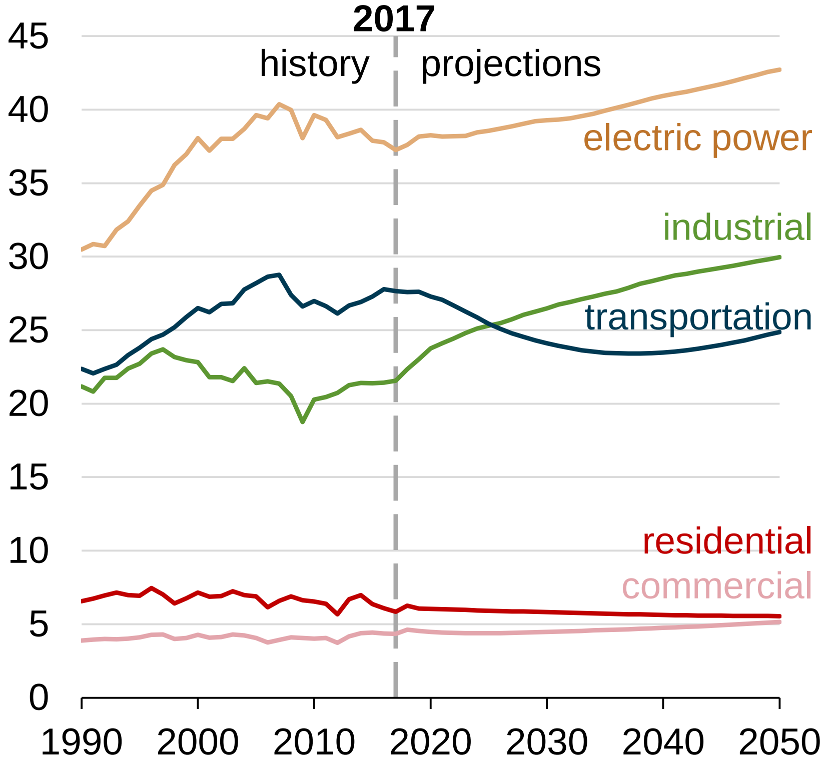
Industrial and electric power demand drives natural gas consumption growth – 2018 EIA Annual Energy Outlook



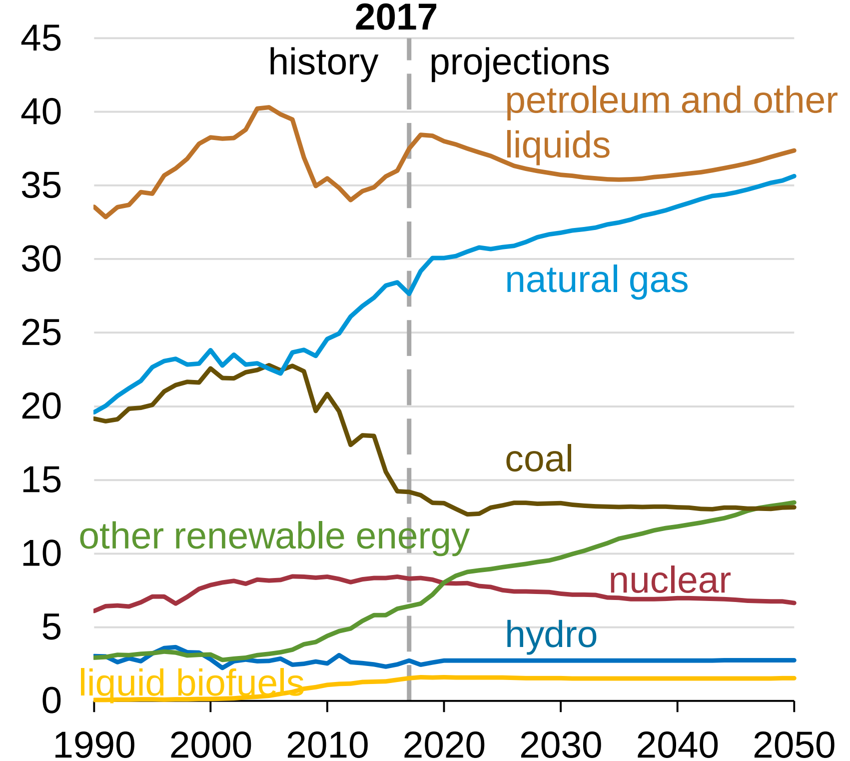
Columbia Gas of Ohio
A NiSource Company

The fuel mix of U.S. consumption changes over the projection period in the Reference case – 2018 EIA Annual Energy Outlook

Energy consumption by sector (Reference case)
quadrillion British thermal units

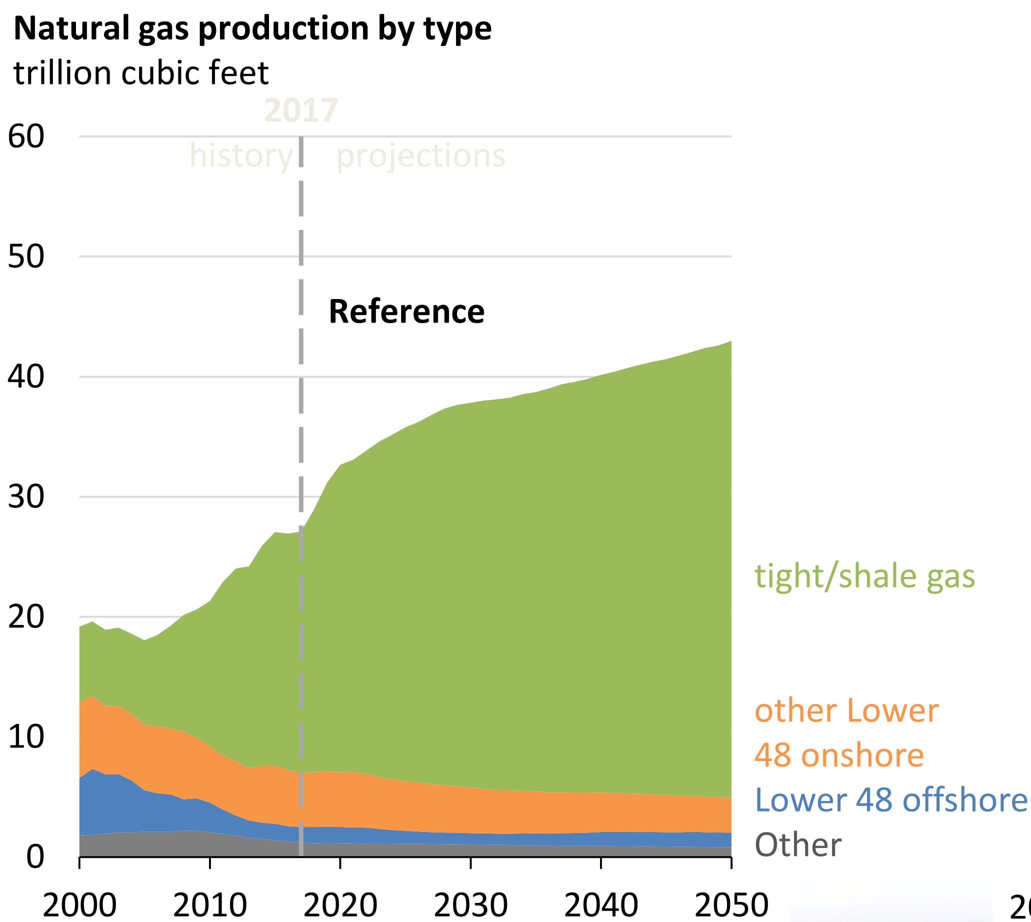


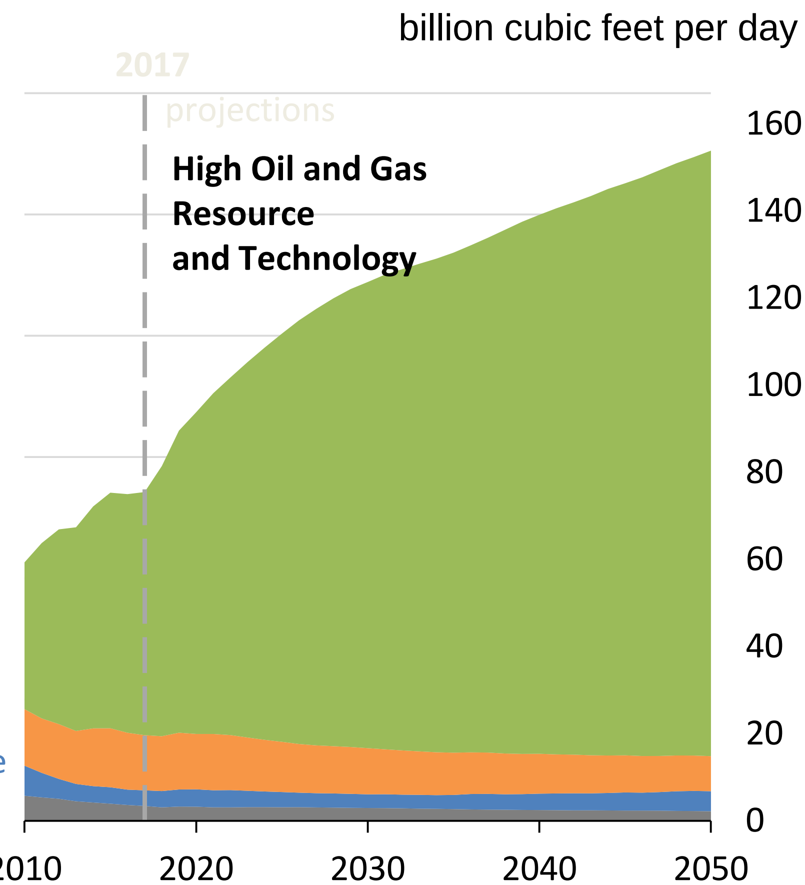
Energy consumption by fuel (Reference case)
quadrillion British thermal units



Columbia Gas of Ohio
A NiSource Company

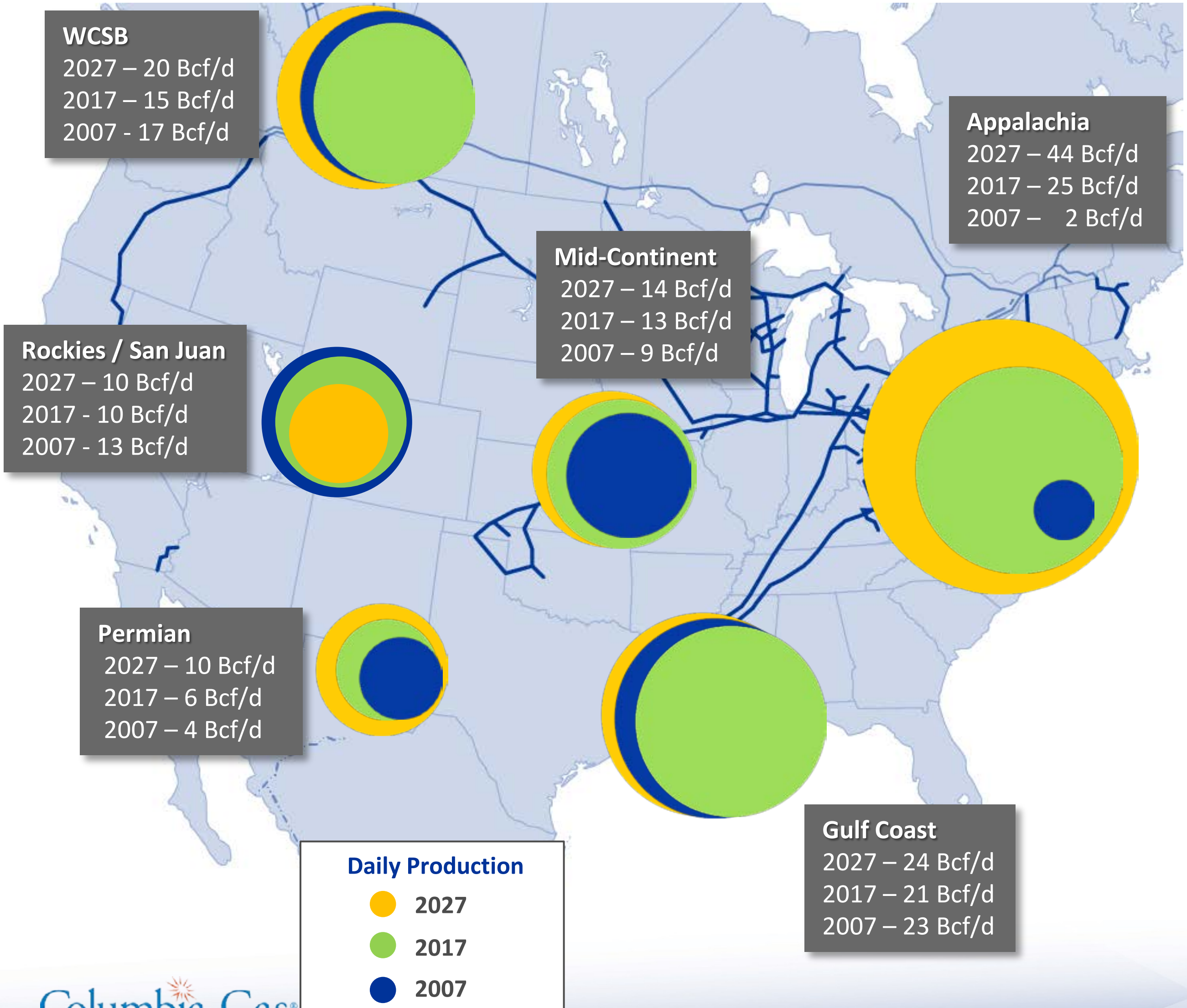
Increased U.S. natural gas production is the result of continued development of shale gas and tight oil plays— 2018 EIA Annual Energy Outlook





Note: Other includes Alaska and coalbed methane

Columbia Gas of Ohio
A NiSource Company



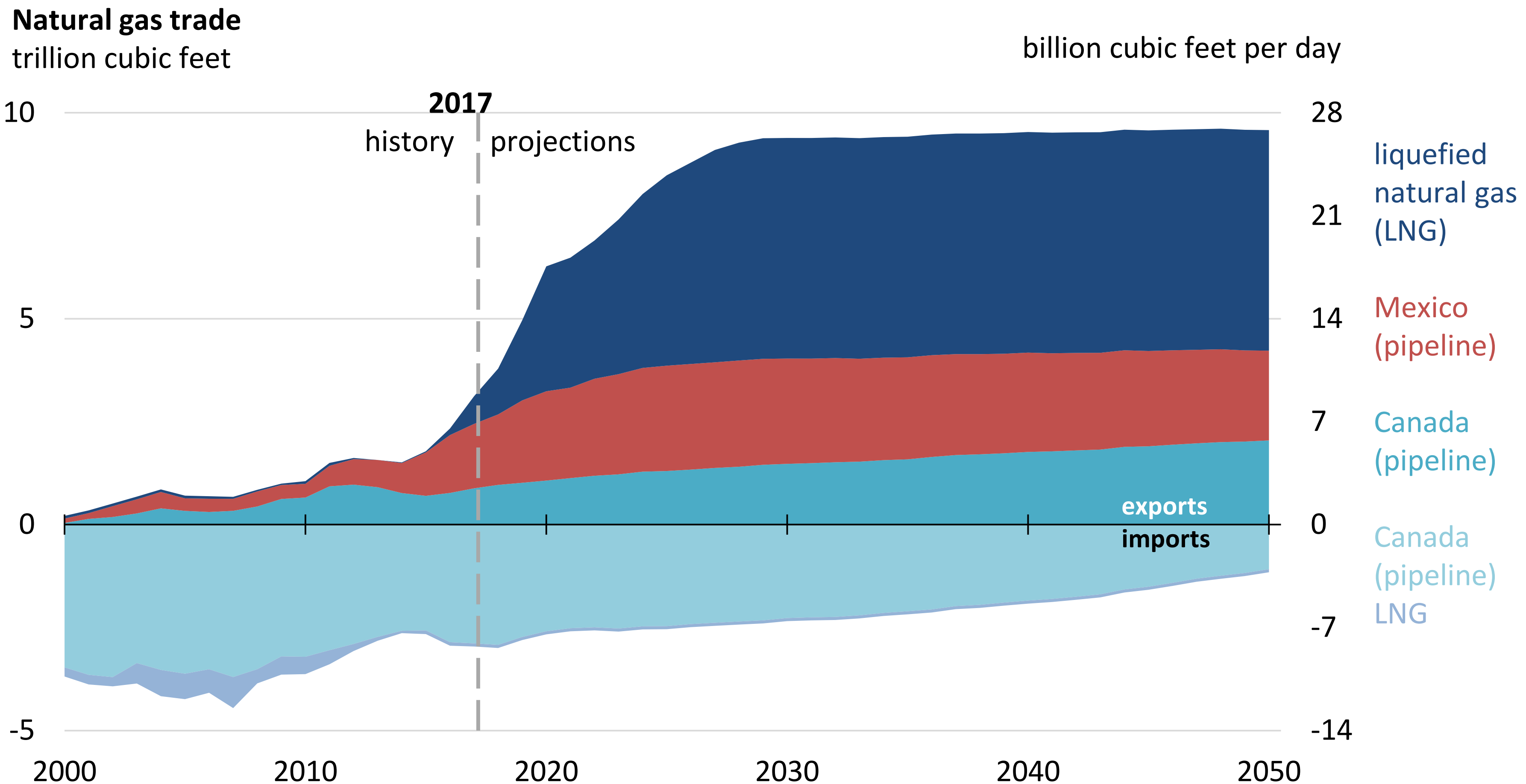
- Technological advances and drilling efficiencies have resulted in production growth of 16 Bcf/d since 2007, to 95 Bcf/d across all of North America

- An additional 28 Bcf/d of growth may be seen over the next 10 years, primarily from the Appalachian region

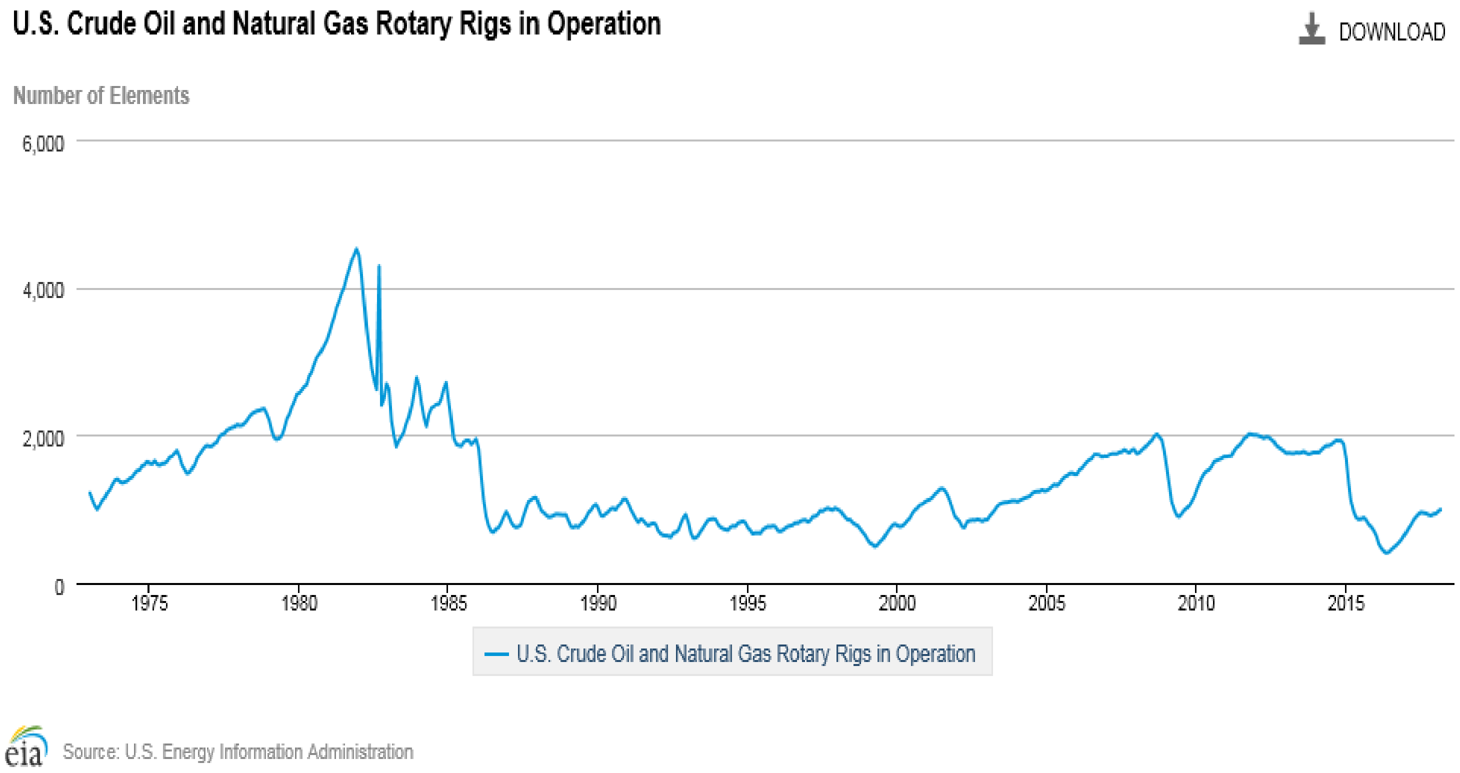
US States Natural Gas Production Rankings

1). Texas	6.8 TCF/Yr	23.7%
2). Pennsylvania	5.5 TCF/Yr	19%
3). Oklahoma	2.5 TCF/Yr	8.7%
4). Louisiana	2.1 TCF/Yr	7.4%
5). Ohio	1.8 TCF/Yr	6.2%
6). Colorado	1.7 TCF/Yr	5.9%
7). West Virginia	1.6 TCF/Yr	5.6%
8). Wyoming	1.6 TCF/Yr	5.4%

The United States is a net natural gas exporter in the Reference case because of near-term export growth and continued import decline – 2018 EIA Annual Energy Outlook Report



Gas Rig Count – Still towards Lower Range

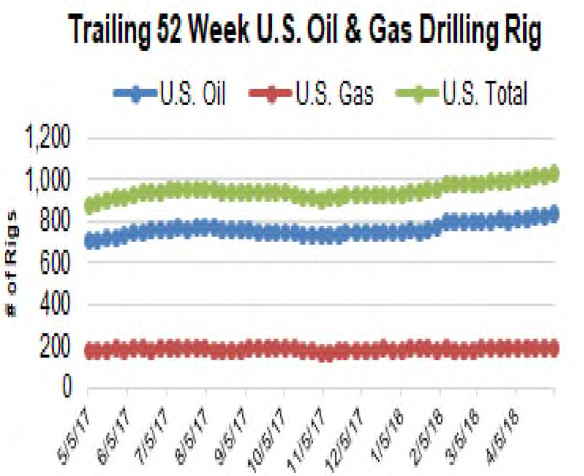


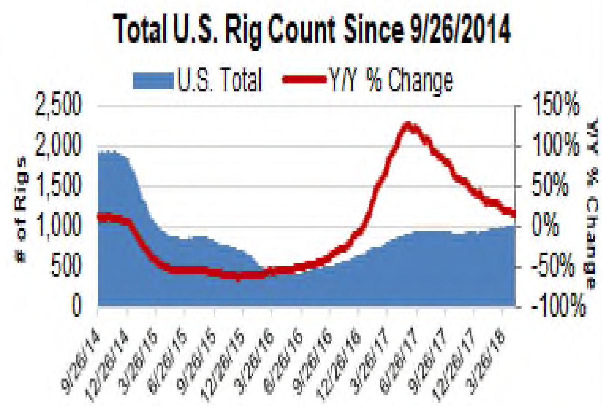
Gas Rig Count – Still towards Lower Range

Weekly U.S. Oil & Gas Drilling Rig Summary As Of 5/4/2018

Rig Type	5/4/18	4/27/18	% Change Last Week	5/5/17	% Change Last Year
Oil	834	825	1%	703	19%
Gas	196	195	1%	173	13%
Disposal/Other	2	1	100%	1	100%
Land	1,011	998	1%	853	19%
Inland/Barges	2	5	-60%	5	-60%
Offshore	19	18	6%	19	0%
Horizontal	913	901	1%	734	24%
Vertical	55	52	6%	76	-28%
Directional	64	68	-6%	67	-4%
TOTAL U.S. DRILLING RIGS	**1,032**	**1,021**	**1%**	**877**	**18%**

Source: Baker Hughes, NGI's Daily GPI calculations





Recent Developments

Natural Gas Related Developments

- Two LNG Terminals now in service & exporting; Dominion's Cove Point, VA & Cheniere's Sabine Pass, LA
- Outlook for oil pricing now in the $70 to $80 per barrel range?
- First Energy Solutions Bankruptcy (Generation Division)

Thank You

Columbia Gas of Ohio
A NiSource Company