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

OMA Energy Committee Agenda
November 14, 2018

Welcome and Introductions — Brad Belden, Belden Brick, Chair

State Public Policy Report — Ryan Augsburger, OMA Staff

- State Government Overview
- Power Plant Bailouts (Nuclear & Coal)
- HB 247 Market Protection Legislation

Energy Engineering Report — John Seryak, PE, RunnerStone, LLC

- PJM Resiliency
- PowerForward
- Economic Development
- OMA Sustainability Peer Network
- Utility Efficiency Programs Update

Counsel's Report — Kim Bojko, Carpenter Lipps & Leland, OMA Energy Counsel

- PUCO Case Highlights
- Ohio Supreme Court Activity
- OMA Joint Comment on MOPR

Natural Gas Market Trends — Richard Ricks, NiSource, Columbia Gas, Ohio

Electricity Market Trends — Susanne Buckley, Scioto Energy

Lunch

Meeting sponsored by:

To: OMA Energy Committee
From: Ryan Augsburger
Re: Energy Policy Report
Date: November 14, 2018

Overview

Election activity has dominated activity around Cap Square over the past quarter, but energy policy discussions have been taking place with an eye toward lame duck government when accountabilities can be less attentive.

In the General Assembly, proponents continue to push for bailouts of uneconomical power plants. Meanwhile new efforts are underway at the PUCO to allow utilities to own renewable energy, a challenging prospect under Ohio's deregulated generation law. Also at the PUCO, with the wrap up of the PUCO's PowerForward report, utilities are seeking new riders to pay for "grid modernization," but the details of the proposals have been murky.

Nationally, it appears the Trump Administration is backing away from plans to require customers to subsidize unprofitable power plants.

Finally, Ohio elected a new Governor. Governor Mike DeWine will have his turn to put his stamp on state energy policy.

Trump Administration Orders Subsidies to Benefit Former FirstEnergy Power Plants

For the past year, FirstEnergy together with some coal interests have been busy lobbying the federal government for nuclear and certain coal power plant bailouts. Earlier this year the Federal Energy Regulatory Committee (FERC) rejected a rule proposal by the Department of Energy that would have subsidized certain base-load power plants including nukes.

Then in early summer a Department of Energy draft order became public signaling that the Trump Administration will order subsidies under the guise of "national security." By late summer, without every seeing a formal order, news reports detailed the effort had been shelved….apparently due to impossible legal hurdles.

PJM Jumps Opines on Resiliency

As news of a federal government bailout to protect resiliency, grid operator PJM Interconnect had been clear to dispel the myths of poor fuel diversity and electric supply shortages affecting "reliability." However, more recently, PJM issued a report justifying some possible basis for grid "resiliency." See John Seryak's report on PJM activity.

FirstEnergy Solutions Files Bankruptcy

FirstEnergy's (FE) affiliate corporation, FirstEnergy Solutions (FES) that owned the power plants has been underwater for some time. Hence they sought government bailout. As was expected, FES filed for bankruptcy protection in March. The company also notified regulators of intent to shutter the power plants in a few years.

In the months since, a settlement between the stakeholders has been proposed and was recently modified. The companies used the bankruptcy and plant closure announcements to lever political support for state and federal bailouts.

Federal Tax Reform Driving Down Electric Prices, But Not in Ohio

It took utilities in Ohio longer to pass along savings to customers stemming from federal tax reform last winter. Only FirstEnergy remains unresolved, and now if offering to pass along the tax savings to customers if customers will pay over $500 million in new grid modernization. The OMA Energy Group has been active in these proceedings. See 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.

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. Adding to the intrigue, FirstEnergy Solutions was allowed to exit their ownership of OVEC as a result of their bankruptcy earlier in August. The move puts more pressure on remaining owners such as AEP to pay FES share.

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. Local government officials are now leading the charge for bailouts to prevent the plants from closing and jeopardizing job loss locally. Proponents of bailout are also now trying to build justification for the need for lower carbon generation and business planning to refuel the plants.

Electric Generator Tax Levied on 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 in spring.

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 for charges like OVEC and FirstEnergy credit support. These are big ticket cost items for energy-intensive customers. Appeals are still pending and the OMA Energy Group's opposition has been noticed widely.

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.

Senate President Obhof has commented frequently that HB 114 was a priority for Senate action early in 2018. In May the Senate revised the bill and tacked on provisions to relax siting requirements for wind farms. The revised bill is a mixed bag for manufacturers but includes an opt-out to provide relief to manufacturers. An analysis of the Senate revisions is available.

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.

PowerForward
Over the past year, the PUCO has been holding testimony to hear perspectives on how technology can be used to improve the power grid. While the PUCO is not responsible for managing the grid the state agency regulates the utilities who own the grid and therefore the PUCO has a say in transmission investments utilities seek to recoup from customers. The PUCO is the sole judge for distribution investments utilities seek customer payment. Without question it is prudent for state regulators to stay abreast of how technology is fostering grid modernization. A report has been published recently and can be found at the PUCO website.

Goldplating Ahead?
Ohio electric utility executives have been announcing to investors their bold new initiatives to upgrade their parts of grid touting costs in the tens of billions of dollars. These transmission and distribution costs, if found to be needed by federal and state regulators, will layer new costs onto customers. The OMA Energy Group will be monitoring utility requests and will be commenting on the need and benefit of improvements to customers. Utility applications for customer cost-recovery that fail to provide offsetting customer benefit will be met with scrutiny and possible objection by this organization.

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 and many segments of new pipelines are operational. 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.

Natural Gas Production
Ohio natural gas and gas liquid production is up. See meeting materials. See Columbia Gas report.

Cleveland Plain Dealer

FirstEnergy agrees to cut rates to reflect lower federal taxes but wants new increases for wire upgrades

Updated 2:21 AM; Posted Nov 11, 5:59 AM

By John Funk, The Plain Dealer
jfunk@plaind.com

CLEVELAND, Ohio – FirstEnergy customers are in line for lower monthly electric bills, but not as low as they would have been, under the terms of a deal the Akron-based company quietly negotiated with the staff of the Public Utilities Commission of Ohio and then persuaded some opponents to sign onto.

The good news is that monthly consumers' bills could fall by about $3.90. The bad news? A rate increase of proportions still not revealed.

At issue has been the company's refusal to obey a PUCO request that it lower its rates to reflect the federal corporate tax cut in place since Jan. 1, and the PUCO's unrelated slow approval of new rate increases to pay for phase one of a massive reconstruction of the company's local wires and equipment with a system managed by digital technology.

FirstEnergy filed a "settlement" of these issues on Friday evening in a PUCO docket, signed by the commission staff and by some of the groups that had sought to comment but not by others, effectively ending their ability to have a say in the issue. The company wants approval by Dec. 31.

The company has insisted that its rates could not be adjusted until 2024, and in the last 10 months collected about $900 million more than it should have from customers.

A showdown on the tax issue has been brewing. A little over two weeks ago the commission unanimously approved an order compelling every Ohio utility to explain by Jan. 1 how it would return the extra money it had collected. Asim Haque, chairman of the commission, adamantly vowed that Ohio utilities would give back "every dime" and "every dollar" of money over collected.

Under the terms of the deal filed Friday, the commission staff is now recommending the PUCO approve two company requests for rate increases that have languished in the agency's dockets, one of them since 2016.

The old cases ask for $500 million in rate increases – a down payment on a rebuild and upgrade to the company's local Ohio distribution lines and equipment, replacing them with stronger and "smarter" technology.

Included in the upgrades are 700,000 "smart meters" that would give consumers much more control of how much electricity they use and when they use it.

In a statement issued late Friday, the company trumpeted the agreement as a win for consumers, saying it would return almost $900 million to customers and that it would "keep bills affordable" as the company rebuilds its wire systems.

The statement said that a residential customer using about 1,000 kilowatt-hours a month would see delivery charges fall by about $3.90 because of the agreement. The statement noted, however, that most of the over-collections for taxes would be reimbursed over the next 25 years.

Consumers may not have noticed, but FirstEnergy bills have already fallen slightly because the company earlier adjusted four special rate "riders" (added to the base delivery rate) to reflect the federal tax cut. At the time, a FirstEnergy spokeswoman said the adjustments would reduce average consumer bills by about $10 a year.

One opponent was the Ohio Manufactures' Association Energy Group. Ryan Augsburger, a spokesman, questioned the basis of the compromise. “Manufacturers appreciate the PUCO’s work to return tax savings to customers, but it’s unclear why the two issues have been combined,” he said.

Edward Hill, an economist and professor of public administration at Ohio State University, said the long payback window amounts to a zero-interest loan from customers to the company, and one that is not adjusted for inflation.

FirstEnergy’s proposed system upgrades are more than just replacing wires, installing smart meters and adding a few digital controls.

The upgrades, according to the company, would revolutionize how power is delivered and sold while reducing the duration of power failures and even preventing some of them.

The technology would include automated equipment on a minimum of 200 major distribution lines capable of isolating power failures and restoring service more quickly to affected customers.

The upgrades would also include “time-of-date” rates, a feature that some consumers may have trouble adjusting to. As the term implies, rates would vary, increasing as overall demand increased. Homes equipped with the smart meters could automatically respond, following instructions customers programed into them.

Samuel Belcher, president of FirstEnergy Utilities, noted in the company’s prepared statement that the new technology the company is proposing “is consistent with technology supported by the PUCO." He was referring to the commission’s development earlier this year of a set of proposals for grid modernization, issued in August under the title “PowerForward.”

Hill said the development of new grid technologies by the company, even if they are consistent with the roadmap envisioned by the PUCO, should come with a full-blown rate case, which would detail the costs as well as reveal what FirstEnergy is already collecting and spending for ongoing maintenance and replacement of its wires.

“They are already being paid to maintain and replace the system incrementally. They are now arguing that everything is new.

"This is nuts,” Hill said. “It’s why you need a new rate case” rather than adding “riders” to existing rates.

Such a case would take months, not the few weeks that FirstEnergy is asking for.

The sudden settlement proposal comes just days before Charles Jones, CEO of FirstEnergy, is scheduled to give a presentation before the Edison Electric Institute regarding the company’s future. And it comes just two weeks after Jones mentioned the grid upgrades during an earnings teleconference with financial analysts questioning the growth in the company’s future earnings potential.

Among others opposing the deal are the Ohio Consumers' Counsel, the Northeast Ohio Public Energy Council (NOPEC) and the Natural Resources Defense Council.

Consumers' Counsel spokesman J.P. Blackwood noted Saturday that “not a single residential advocate was convinced to support the FirstEnergy settlement.

“The PUCO recently announced it expects utilities to share with Ohioans ‘every dime’ of the utilities’ reduced federal taxes," he said. “Ohio consumers may have to pay FirstEnergy $500 million in nickels to receive $800 million in tax reduction dimes.”

"In the bigger picture, Ohioans need their legislature to reform the PUCO’s settlement process that is too favorable to utilities and their rate increases.”

From Gongwer Statehouse News:

AEP Seeks Quick Approval Of Renewable Generation, Prompting Concerns

Some consumer advocacy groups are detailing their concerns as AEP Ohio seeks a speedy resolution on its proposal to develop 900 megawatts of new renewable generation.

The company unveiled details of its plan last month by amending its long-term forecast and is asking the Public Utilities Commission of Ohio to consolidate that and two other pending cases to facilitate quick approval.

Aside from its amended forecast, the other cases center on a request for the approval of specific solar resources and the creation of a new Green Power Tariff to fund proposed projects.

But parties opposed to AEP's approach argue in recent PUCO filings that each case deals with separate legal questions and that the company is seeking to bypass several necessary hurdles set up to police the process and protect consumers.

The Ohio Manufacturers' Association Energy Group, acknowledging the usefulness of consolidation in some circumstances, said the lack of commonality between the three cases means AEP's request should be denied.

"The commission has established a defined process by which utilities can own or operate renewable generation facilities," OMAEG argued. "It should follow that process rather than agree to AEP Ohio's attempt to short-circuit the process in hopes that doing so would allow AEP Ohio to begin charging customers for generation that it and its affiliates developed more quickly than if proper procedure were followed."

Other concerns stem from the Ohio Consumers' Counsel, which argues the company has yet to demonstrate adequate need for the projects and the increased costs consumers might pay for them.

The OCC wrote that Revised Code requires a developer seeking an exception in the competitive market to demonstrate adequate consumer need for each specific facility. AEP instead, the counsel argues, is suggesting a "generic" need exists for the entire 900 megawatts of proposed generation.

"AEP's attempt here to use its forecast for 900 megawatts of renewable power to meet the exception under the statute is unlawful and should fail," the counsel wrote. "If monopoly AEP wants to proceed with its proposal to charge captive customers on their electric bills for the 300 MW Highland Solar facility or the 100 MW Willowbrook Solar facility, it is required to first prove the consumer 'need' for each of these facilities individually."

Also stirring up debate is PUCO staff's proposal that the commission waive the requirement for a hearing to be held within 90 days. Staff did not propose a specific date in which to hold a hearing, but AEP Ohio and its allies say such a delay "should not be taken lightly."

"If consolidation is not granted, the statutory deadline should be strictly followed," AEP argued. "If consolidation is granted, however, the company would agree to waive the 90-day requirement and employ the staff's proposed call-and-continue procedure as long as that process is coupled with an expedited procedural schedule…."

The Natural Resources Defense Council, which has praised the company's plans, urged the commission to establish a set schedule to move forward.

"The commission should reject staff's request for an open-ended call and continue and should provide a case timeline that protects the ability to obtain the potential value that AEP is seeking to capture for its customers," NRDC wrote.

FES to ask state for customer-paid subsidy to save nuclear plants

Updated Oct 21; Posted Oct 21

FirstEnergy Solutions, which sought bankruptcy protection from its creditors in March in a case that continues, is preparing to ask state lawmakers to create a special funding system to funnel more money from Ohio consumers and business to the company's cash-starved nuclear power plants. The proposal would create "zero emission credits," or ZECs, patterned after "renewable energy credits," or RECs, that helped jump-start Ohio wind and solar projects. FES has not released details such as how much the ZEC program would cost customers or whether it would end at some point in the future. Previous ZEC proposals have languished in legislative committees. (*Plain Dealer file*)

By John Funk, The Plain Dealer

CLEVELAND, Ohio - FirstEnergy Solutions is hoping to emerge from federal bankruptcy court as a competitive nuclear power company, backed by new state subsidies and operating under new federally mandated market rules.

The company already has begun the groundwork for that transformation, hiring a team of experienced lobbyists who have been quietly talking to state lawmakers about developing new legislation to subsidize the continuing operation of the Perry nuclear power plant in Lake County and the Davis-Besse nuclear plant in Ottawa County, east of Toledo.

Simultaneously, the company has begun bankrolling a new grassroots campaign consisting of locally elected mayors, commissioners and school officials, as well as trade unions and economic development groups.

The Ohio Clean Energy Jobs Alliance became public about 10 days ago with a news conference in the Ohio statehouse aimed at letting people know what the company believes the impact of closing the Perry and Davis-Besse plants will have on Ohio's economy.

The event occurred the day after the Lordstown Energy Center, the state's latest large gas turbine power plant began operating. Gas-fired power plants have been one of the primary reasons nuclear plants are failing.

The FES plan is to convince state lawmakers that saving the nuclear plants with new customer-paid subsidies is a better and less costly scenario than letting them close, said David Griffing, FES vice president of government affairs and Donald Moul, president and chief nuclear officer of FES generation companies, in an interview this week.

Griffing said details of the subsidy - such as how much more an average retail customer would have to pay and for how long - have not been worked out. The legislation would be the company's third effort to convince lawmakers that saving the power plants is worth spending the political capital.

The company's first two efforts to win nuclear subsidies through a program of "Zero Emission Credits" stalled amidst heavy opposition from the Ohio Consumers' Counsel and the Ohio Manufacturers' Association as well as a number of environmental groups. The legislation never made it out of House and Senate public utilities committees despite multiple hearings.

The first proposal would have added about $5 a month to the electric bills of homes served by FirstEnergy, but much more to commercial and industrial bills, raising $300 million a year in new money for the company for 16 years.

A second, amended proposal would have cost consumers about $2.50 a month extra, or $30 a year for 12 years. Commercial and industrial customers would have seen an additional 5 percent on top of their monthly bill, or $3,500, whichever was lesser and would have raised about $180 million a year in new money for the company.

"Are we going to take another run at this? The answer is yes," Griffing said. "So we have been talking to people. We have been talking about what didn't work last time, you know what were their concerns last time.

"What does a new one need to look like? So we have been structuring that and pulling that together. We haven't circulated that [specific proposal] with anyone yet, anywhere."

That will change after Nov. 6 when Ohioans decide who will be the next governor and some seats could change in the House and Senate, leading to possible changes in legislative leadership.

"Our plan, post-election, we would begin to work with the leadership and we believe this is something that needs to be on the legislative agenda very early in 2019," said Griffing.

"You will have a new governor in place with a whole slew of new leaders. We have been doing our best to educate both sides. We are not trying to pick winners and losers."

The company hopes lawmakers would approve the plan by June or July, allowing it to order new fuel for Davis-Besse, now scheduled to shut down in May 2020.

FES is also looking at the success of nuclear companies in Illinois, New York and New Jersey in winning state subsidies by arguing that nuclear power plants are economic drivers as well as sources of "carbon-free" electricity. In other words, nuclear energy is clean energy, at least when compared to coal and natural gas.

In New Jersey, a bill approved in May of this year authorized a state-wide rate increase raising about $300 million annually to help the Public Service Electric & Gas Co. keep its nuclear plants running. The bill included a new rule mandating an increase in "clean energy," eliminating all fossil fuel (such as coal, gas and oil) by 2050.

And in Illinois, a 2016 measure to subsidize Exelon nuclear plants and save the jobs they provide won support, or at least no opposition, from the Natural Resources Defense Council, the Sierra Club and the Environmental Defense Fund because the bill included subsidies for energy efficiency and renewable energy.

Moul explained the argument this way: "Ninety percent of the zero carbon generation in Ohio comes from Davis-Besse and Perry. If you really care about carbon, these plants are very important.

"If you really believe a megawatt of generation coming from wind or solar is worth a boost [subsidy], why is nuclear any different?" he argued.

The laws creating the nuclear subsidies in New Jersey and Illinois also mandate statewide rate increases, affecting every household and business in the state, whether or not they buy power from the utility owning the nuclear plants.

Will FES try that in Ohio this time around?

"That's a great question," said Griffing. "That would take some negotiation, but our view is that the zero-emission generation is a value to the entire state."

The company may have already tipped its hand on the issue of statewide rate increase versus utility-only in a recent filing with the Federal Energy Regulatory Commission.

FERC in June tossed out certain market rules PJM Interconnection had proposed and asked for new rules that allow states to subsidize some power plants without affecting the entire 12-state PJM market. FERC also asked for written comment from the utilities and others.

In its FERC filing FES argues that a statewide rate increase to subsidize a power plant makes sense.

Given the Commission's intent to "confine the cost of a particular state policy decision to consumers within the state that made that policy decision," the most efficient approach may be to develop an average, state-wide ... capacity rate paid for by all load [customers]within that state," the company's lawyers wrote.

Energy

PJM: Uneconomic Power Plant Retirements Do Not Threaten Grid
November 9, 2018

PJM issued a report wherein it said that, contrary to proposals that have been advanced throughout the past year, the pending retirements of uneconomic coal and nuclear power plants do not threaten grid resiliency.

As such, PJM concluded that bailout efforts such as those proposed by the Department of Energy and the White House are not necessary.

PJM's report **can be read here**. *11/7/2018*

OMA Members Seek Sustainable Solutions in Findlay
November 2, 2018

Members of the **OMA Sustainability Peer Network** (SPN) converged on Findlay on October 26 to learn how Whirlpool Corp. is reducing waste and innovating the manufacturing processes at its dishwasher plant.

The event included a tour of the **North Findlay Wind Campus**, which is supplying **Whirlpool Corp.'s Findlay plant** and **Ball Corp.** with onsite wind energy under a twenty-year power purchase agreement.
The wind farm is operated by OMA Connections Partner, **One Energy**.

The SPN is open to OMA manufacturing members. Members work together to share best practices related to efficiency, waste reduction and other facets of sustainable manufacturing. Sign **up here** or contact OMA's **Ryan Augsburger** to learn more. *10/26/2018*

Members of OMA's Sustainability Peer Network pose for a group shot at Whirlpool Corp.'s Findlay plant.

PUCO Orders Utilities to Reduce Rates
October 26, 2018

In good news for Ohio utility customers, the Public Utilities Commission of Ohio (PUCO) **ordered Ohio's regulated public utilities** to file applications to reduce their rates due to the Tax Cuts and Jobs Act of 2017 (TCJA).
The Commission ordered electric, natural gas, water and wastewater utilities whose rates are regulated by the PUCO and serve more than 10,000 customers to file an application by Jan. 1, 2019 to reduce rates.

In its order, the Commission noted a few utilities have already reduced certain riders, or adjusted base distribution rates through recently approved rate cases.

The Commission also stressed that utilities that fail to file an application to reduce rates in compliance with this order may be subject to monetary fines.

The OMA Energy Group **intervened in this proceeding** in order to ensure that members' interests are protected and that the full benefit of the TCJA is passed back to customers, as required by law. *10/24/2018*

PUCO Establishes Planning Groups
October 26, 2018

This week the Public Utilities Commission of Ohio (PUCO) issued an order to establish the PowerForward Collaborative, and its subgroups, the Distribution System Planning Working Group

(PWG) and the Data and Modern Grid Workgroup (DWG).

The PowerForward Collaborative is an overarching workgroup of utility stakeholders, and will be led by the PUCO staff. The collaborative is tasked with observing marketplace development to ensure PowerForward's principles and objectives are being fulfilled.

The **PowerForward Roadmap** contemplates that the collaborative will discuss issues associated with electric vehicle infrastructure, as well as a process for the deployment of non-wires alternatives.
The PWG and DWG will include discussions surrounding the integration of distributed resources and non-wires alternatives into the system, data access and data privacy.

The collaborative's first meeting will be Dec. 6, 2018, at the PUCO offices in Columbus.You can opt in to **PowerForward email updates**. *10/25/2018*

DOE Utility Bailouts Foundering in White House
October 19, 2018

Reports from the nation's capital indicate that the generating plant bailouts proposed by Department of Energy Secretary Rick Perry have run into opposition within the White House, because of concerns about their certain negative effect on the economy, and on consumers. That is very good news for Ohio manufacturers.

Message to the Ohio General Assembly (which is being pushed by Ohio utilities for expensive state-level bailouts): If it doesn't pass muster among the president's economic advisors, it should not pass muster with you. *10/17/2018*

OMA Seeks Court Reconsideration on $294 Million in Utility Overcharges
October 19, 2018

Together with Kroger and the Office of the Ohio Consumers' Counsel, the OMA has **filed to ask the court to reconsider** its recent ruling to allow DP&L to retain $294 million in charges which were deemed unlawful by the Supreme Court of Ohio.

Under the court ruling, Ohio electricity consumers can be illegally overcharged but have no recourse to refunds. The statute that the court relied on in its ruling needs to be changed, and would be by HB 247, sponsored by Rep. **Mark Romanchuk** (R-Mansfield). *10/17/2018*

OMA Files Against AEP Proposal for 900 Megawatts of Solar Generation
October 19, 2018

The OMA Energy Groups is **urging the Public Utilities Commission of Ohio** to deny an AEP attempt to bypass a "need" determination for its proposal to stick its customers with the costs of 900 megawatts of solar generation it proposes to build.
In the robust competitive market for generation in Ohio, consumers can, and do, purchase renewable energy in increasing amounts. Consumers are also increasingly developing their own renewable energy resources.

There is no "need" (except perhaps for the utility) for this mandate on consumers. *10/17/2018*

Supreme Court of Ohio Decision re. DP&L Unlawful Charges Sets Bad Precedent
October 12, 2018

On October 4, 2018, the Supreme Court of Ohio issued a decision dismissing the appeal brought by the OMA Energy Group, among others, regarding the Public Utilities Commission of Ohio's (PUCO) decision to allow the Dayton Power and Light Company (DP&L) to withdraw its second electric security plan (ESP II) after the court had previously determined that the PUCO-approved ESP II included $294 million in unlawful transition charges to customers.

Three justices joined the majority opinion, one justice concurred, and three justices dissented. The majority of the court decided that even though the PUCO approved an unlawful charge and then refused to rectify its error when told to do so by the court, customers would see no relief because a new ESP is now in place.

Kim Bojko of Carpenter Lipps & Leland, energy counsel to OMA Energy Group, wrote: "This decision sets a bad precedent for future cases because it allows the PUCO's failure to properly implement a court order to go unchecked, to the detriment of customers."

Dayton Daily News **covered the case**. *10/11/2018*

Lake & Ottawa County Coalition Trying to Save Nuclear Plants
October 12, 2018

The Blade **reports** that a coalition, Ohio Clean Energy Jobs Alliance, consisting of representatives of local government, schools, economic development groups, skilled trade unions, and businesses, has formed to propel legislative efforts to preserve the nuclear power plants, Davis-Besse east of Toledo and Perry Plant east of Cleveland. The coalition is driven by economic impacts should the plants close. The plants have been unable to compete against cheap and abundant natural gas, and efforts for customers to subsidize operations have been rejected.

OMA's Managing Director of Public Policy Ryan Augsburger said, "We will be learning more about their proposal and discussing it at OMA's November 14 energy committee meeting. Any effort to subsidize uneconomical power plants is suspect at best. While manufacturers support nuclear power, it needs to be competitive." *10/11/2018*

AEP to Pass $600M TCJA-Related Savings to Customers
October 5, 2018

AEP Ohio filed a **proceeding with the PUCO** to address the Tax Cuts and Jobs Act of 2017 (TCJA) issues in its rates charged to customers. The OMA Energy Group (OMAEG), along with other parties, intervened in this proceeding in order to ensure that members' interests are protected and that the full benefit of the TCJA is passed back to customers, as required by law.

After extensive negotiations with AEP, PUCO staff, and the other parties to the case, all parties reached a settlement that resolves the tax issues and begins including the effects of the TCJA in the rates charged to customers, including refunds, immediately.

The total value of the settlement to AEP customers is estimated to be more than $600 million.

OMA energy counsel Kim Bojko, Carpenter Lipps & Leland, wrote: "This settlement reasonably addresses the changes in federal tax law brought about by the TCJA and allows all of AEP's customers to begin realizing tax savings on their monthly bills in November or December. As such, OMAEG joined all other parties to this case in agreeing to the settlement. The parties anticipate that this settlement could be approved in time for November bills to reflect these tax savings." *10/1/2018*

AEP Seeks New Customer Rate Mandate
September 28, 2018

In an affront to Ohio's policy supporting competitive electric generation markets, AEP asked the PUCO for permission to develop over 900 MW of renewable generation, which would be paid for by customers.

In its filing the Ohio utility claims it needs the generation in order to supply non-shopping customers with generation. In response, OMA energy counsel Kim Bojko of Carpenter Lipps & Leland wrote in her analysis of the case: "AEP Ohio concedes that the PJM wholesale markets are adequately supplying capacity and energy to the AEP Ohio load zone. Nonetheless, AEP Ohio argues that these self-supplied renewable resources are required to "most effectively" meet its obligation to provide a standard service offer (SSO) to its customers."

The OMA Energy Group is a party to the PUCO case and will be asking tough questions to protect Ohio manufacturers from being forced to pay more distribution charges if there is not clear justification and benefit.

Contact OMA's **Ryan Augsburger** to learn more about how your company can support the effort.*9/25/2018*

LIFT Announces New Round of Lightweighting Innovation Projects
September 28, 2018

Lightweight Innovations For Tomorrow (LIFT), a Manufacturing USA institute, has just announced the launch of its third round of technology projects.

This round of projects will total more than $6.5 million in combined federal and industry investment to enable a number of critical lightweight solutions. New projects will explore joining dissimilar materials, complex structures and environmentally-friendly approaches to coating metals.

OMA is LIFT's state partner in Ohio.

Read **about the funded projects here**. *9/27/2018*

Energy Policy Drives Economic Development in Ohio
September 21, 2018

Panelists discussed how energy policy can drive economic development during the Midwestern Governors Association held in Columbus this week.

Jake Oster, Head of Energy Policy for Amazon, highlighted how his company is committed to using renewable energy and is developing a system to enable customers to more easily procure renewable power.

Panelist Dana Saucier, Senior Managing Director, JobsOhio, highlighted how competition is driving new energy industry investments in Ohio. He also highlighted the economic benefits to Ohio stemming from the abundance of natural gas in the region.

Moderator Asim Haque, Chairman, the Public Utilities Commission of Ohio, described how his agency has been working to prepare for significant grid modernization.

The governor celebrated the new natural gas power plants coming online in Ohio. *9/20/2018 Governor Kasich participated on an energy panel during the Midwestern Governors Association meeting this week. Kasich is the chair of the association.*

U.S. EPA Proposes Rules to Rescue Coal Power Plants
September 7, 2018

In late August, the U.S. EPA officially proposed the administration's **Affordable Clean Energy Rule**which is in stark contrast to the Obama administration Clean Power Plan (CPP). If approved, the new rule would replace the CPP.

The Trump proposal is intended to spur coal mining by dialing back environmental emissions restrictions that have hamstrung coal's competitiveness against more efficient natural gas. Interested parties have 60 days to provide comment according to the **EPA fact sheet**.

While the OMA and other organizations are still conducting review and analysis, the editorial board of *Bloomberg News* offered a blistering critique of the Trump proposal citing how competitive power markets are helping to lower carbon dioxide emissions more than any government mandate.

The **Bloomberg editorial** said, "True, it doesn't help that President Donald Trump is doing all he can to stave off coal's inevitable decline. In addition to the EPA's new, doubly misnamed "Affordable Clean Energy" proposal, the president's Energy Department is pushing a separate strategy to force electricity-grid operators to buy power from coal plants that are at risk of closing — all in the name of national security." *9/6/2018*

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)

All Bill Status: 3/22/2017 - House Ways and Means, (First Hearing)
3/14/2017 - Referred to Committee House Ways and Means
3/2/2017 - Introduced

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-105

HB114 **RENEWABLE ENERGY STANDARDS** (BLESSING III L) To modify requirements for renewable energy and energy efficiency, to permit mercantile customers to opt out of utility plans for energy efficiency and peak demand reduction, and to modify requirements for wind projects and wind farms.

Current Status: 6/27/2018 - Senate Energy and Natural Resources, (Eighth Hearing)

All Bill Status: 6/20/2018 - Senate Energy and Natural Resources, (Seventh Hearing)
6/6/2018 - Senate Energy and Natural Resources, (Sixth Hearing)
5/16/2018 - **SUBSTITUTE BILL ACCEPTED**, Senate Energy and Natural Resources, (Fifth Hearing)
1/10/2018 - Senate Energy and Natural Resources, (Fourth Hearing)
10/18/2017 - Senate Energy and Natural Resources, (Third Hearing)
6/14/2017 - Senate Energy and Natural Resources, (Second Hearing)
6/7/2017 - Senate Energy and Natural Resources, (First Hearing)
4/26/2017 - Referred to Committee Senate Energy and Natural Resources
3/30/2017 - **PASSED BY HOUSE**; Vote 65-31
3/30/2017 - Bills for Third Consideration
3/29/2017 - **REPORTED OUT AS AMENDED**, House Public Utilities, (Third Hearing)
3/21/2017 - House Public Utilities, (Second Hearing)
3/14/2017 - Referred to Committee House Public Utilities
3/14/2017 - House Public Utilities, (First Hearing)
3/7/2017 - Introduced

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: 5/22/2018 - House Public Utilities, (Fourth Hearing)

All Bill Status: 3/20/2018 - House Public Utilities, (Third Hearing)
2/13/2018 - House Public Utilities, (Third Hearing)
1/23/2018 - House Public Utilities, (First Hearing)

3/29/2017 - Referred to Committee House Public Utilities
3/21/2017 - Introduced

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)

All Bill Status: 5/9/2017 - House Public Utilities, (Second Hearing)
5/1/2017 - Referred to Committee House Public Utilities
4/25/2017 - House Public Utilities, (First Hearing)
4/10/2017 - Introduced

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: 6/29/2018 - **SIGNED BY GOVERNOR**; Appropriation eff. 6/29/18, bill eff. 9/28/18

All Bill Status: 6/28/2018 - Sent to Governor for Signature
6/7/2018 - Consideration of Senate Amendments; House Does Concur, Vote 58-30
5/23/2018 - **PASSED BY SENATE**; Vote 32-0
5/23/2018 - Bills for Third Consideration
5/23/2018 - Bills for Third Consideration
5/16/2018 - **SUBSTITUTE BILL ACCEPTED & REPORTED OUT**, Senate Energy and Natural Resources, (Third Hearing)
4/10/2018 - Senate Energy and Natural Resources, (Third Hearing)
3/21/2018 - Senate Energy and Natural Resources, (Third Hearing)
2/28/2018 - Senate Energy and Natural Resources, (Second Hearing)
2/20/2018 - Senate Energy and Natural Resources, (First Hearing)
2/6/2018 - Referred to Committee Senate Energy and Natural Resources
1/17/2018 - **PASSED BY HOUSE**; Vote 96-0
1/17/2018 - Bills for Third Consideration
1/16/2018 - **REPORTED OUT**, House Energy and Natural Resources, (Fifth Hearing)
12/5/2017 - **BILL AMENDED**, House Energy and Natural Resources, (Fourth Hearing)
11/28/2017 - **SUBSTITUTE BILL ACCEPTED**, House Energy and Natural Resources, (Third Hearing)
6/20/2017 - House Energy and Natural Resources, (Second Hearing)
6/6/2017 - House Energy and Natural Resources, (First Hearing)
5/23/2017 - Referred to Committee House Energy and Natural Resources

5/16/2017 - Introduced

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)

All Bill Status: 9/19/2017 - **SUBSTITUTE BILL ACCEPTED**, House Public Utilities, (Fifth Hearing)
6/20/2017 - **SUBSTITUTE BILL ACCEPTED**, House Public Utilities, (Fourth Hearing)
6/6/2017 - Referred to Committee House Public Utilities
6/6/2017 - House Public Utilities, (Third Hearing)
5/31/2017 - House Public Utilities, (Second Hearing)
5/23/2017 - House Public Utilities, (First Hearing)
5/23/2017 - Introduced

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)

All Bill Status: 1/16/2018 - House Public Utilities, (Fifth Hearing)
12/12/2017 - House Public Utilities, (Fourth Hearing)
12/5/2017 - House Public Utilities, (Third Hearing)
11/28/2017 - House Public Utilities, (Second Hearing)
6/20/2017 - House Public Utilities, (First Hearing)
6/6/2017 - Referred to Committee House Public Utilities
5/24/2017 - Introduced

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: 5/22/2018 - **SUBSTITUTE BILL ACCEPTED**, House Public Utilities, (Sixth Hearing)

All Bill Status: 2/20/2018 - House Public Utilities, (Fifth Hearing)
2/13/2018 - **SUBSTITUTE BILL ACCEPTED**, House Public Utilities, (Fourth Hearing)
1/30/2018 - House Public Utilities, (Third Hearing)
10/17/2017 - House Public Utilities, (Second Hearing)
9/12/2017 - House Public Utilities, (First Hearing)
6/6/2017 - Referred to Committee House Public Utilities
5/31/2017 - Introduced

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)

All Bill Status: 10/17/2017 - Referred to Committee House Public Utilities
10/11/2017 - Introduced

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 - **REPORTED OUT AS AMENDED**, House Energy and Natural Resources, (Fifth Hearing)

All Bill Status: 1/30/2018 - House Energy and Natural Resources, (Fourth Hearing)
1/23/2018 - **BILL AMENDED**, House Energy and Natural Resources, (Third Hearing)
1/16/2018 - House Energy and Natural Resources, (Second Hearing)
11/28/2017 - **SUBSTITUTE BILL ACCEPTED**, House Energy and Natural Resources, (First Hearing)
10/31/2017 - Referred to Committee House Energy and Natural Resources
10/26/2017 - Introduced

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

All Bill Status: 1/23/2018 - Introduced

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

All Bill Status: 3/19/2018 - Introduced

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

All Bill Status: 3/28/2018 - Introduced

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: 5/22/2018 - House Public Utilities, (First Hearing)

All Bill Status: 5/15/2018 - Referred to Committee House Public Utilities
4/17/2018 - Introduced

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)

All Bill Status: 9/12/2017 - Referred to Committee House Energy and Natural Resources
9/12/2017 - Introduced

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)

All Bill Status: 3/20/2018 - House Energy and Natural Resources, (First Hearing)
1/16/2018 - Referred to Committee House Energy and Natural Resources
1/16/2018 - Introduced

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

All Bill Status: 10/17/2017 - Introduced

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)

All Bill Status: 2/15/2017 - Referred to Committee Senate Energy and Natural Resources
2/14/2017 - Introduced

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)

All Bill Status: 2/15/2017 - Referred to Committee Senate Energy and Natural Resources
2/14/2017 - Introduced

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)

All Bill Status: 3/1/2017 - Senate Ways and Means, (First Hearing)
2/22/2017 - Referred to Committee Senate Ways and Means
2/21/2017 - Introduced

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)

All Bill Status: 10/24/2017 - **SUBSTITUTE BILL ACCEPTED**, Senate Public Utilities, (Fourth Hearing)
6/8/2017 - Senate Public Utilities, (Fourth Hearing)
6/1/2017 - Senate Public Utilities, (Third Hearing)
5/18/2017 - Senate Public Utilities, (Second Hearing)
5/4/2017 - Senate Public Utilities, (First Hearing)
4/26/2017 - Referred to Committee Senate Public Utilities
4/6/2017 - Introduced

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)

All Bill Status: 10/12/2017 - **SUBSTITUTE BILL ACCEPTED**, Senate Public Utilities, (Sixth Hearing)
6/28/2017 - Senate Public Utilities, (Fifth Hearing)
6/22/2017 - **SUBSTITUTE BILL ACCEPTED**, Senate Public Utilities, (Fourth Hearing)
6/15/2017 - Senate Public Utilities, (Third Hearing)
6/8/2017 - Senate Public Utilities, (Second Hearing)
6/1/2017 - Senate Public Utilities, (First Hearing)
5/24/2017 - Referred to Committee Senate Public Utilities
5/23/2017 - Introduced

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: 6/26/2018 - **SUBSTITUTE BILL ACCEPTED**, Senate Public

Utilities, (Fifth Hearing)

All Bill Status: 1/18/2018 - **SUBSTITUTE BILL ACCEPTED**, Senate Public Utilities, (Fourth Hearing)
6/28/2017 - **BILL AMENDED**, Senate Public Utilities, (Fourth Hearing)
6/27/2017 - **SUBSTITUTE BILL ACCEPTED**, Senate Public Utilities, (Third Hearing)
6/22/2017 - Senate Public Utilities, (Second Hearing)
6/15/2017 - Referred to Committee Senate Public Utilities
6/15/2017 - Senate Public Utilities, (First Hearing)
5/25/2017 - Introduced

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)

All Bill Status: 9/27/2017 - Senate Energy and Natural Resources, (First Hearing)
9/20/2017 - Referred to Committee Senate Energy and Natural Resources
9/14/2017 - Introduced

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)

All Bill Status: 12/13/2017 - Referred to Committee Senate Energy and Natural Resources
12/5/2017 - Introduced

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

All Bill Status: 11/29/2017 - **ADOPTED BY SENATE**; Vote 31-0
11/29/2017 - Bills for Third Consideration
11/15/2017 - **REPORTED OUT**, Senate Energy and Natural Resources, (Fourth Hearing)
10/18/2017 - Senate Energy and Natural Resources, (Third Hearing)
10/11/2017 - Senate Energy and Natural Resources, (Second Hearing)
9/27/2017 - Senate Energy and Natural Resources, (First Hearing)
9/20/2017 - Referred to Committee Senate Energy and Natural Resources

9/14/2017 - Referred to Committee Senate Rules and Reference Committee
9/14/2017 - Introduced

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: 6/27/2018 - **PASSED BY SENATE**; Vote 31-1

All Bill Status: 6/27/2018 - Bills for Third Consideration
6/7/2018 - **REPORTED OUT**, Senate Public Utilities, (Second Hearing)
5/24/2018 - Senate Public Utilities, (First Hearing)
4/11/2018 - Referred to Committee Senate Public Utilities
3/21/2018 - Introduced

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SCR-21

Energy Engineering Report

OMA ENERGY COMMITTEE – NOVEMBER 2018

RUNNERSTONE

INFORMATION IS POWER

Sustainability Peer Network

RUNNERSTONE
INFORMATION IS POWER

Whirlpool CORPORATION

ONE ENERGY
WIND FOR INDUSTRY®

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

Efficiency programs

$25,000 for energy management projects!
- ❑ Ohio Department of Services Agency (DSA)
- ❑ Requirement – must have received an audit through DSA's Energy Efficiency Program for Manufacturers
- ❑ Show project invoices for the current fiscal year (Oct '18 – Sept '19)
- ❑ You can still get an audit! 75% cost share up to $22,500

- ❑ Contact jseryak@gosustainableenergy.com asap.

Utility efficiency programs
- ❑ Program filings coming up in 2019
- ❑ Have a need? Let me know!

PUCO - Power Forward

"…create(s) efficiencies that can be passed along to customers either through the proliferation of a more diverse set of retail market offerings or through cost savings associated with the different types of products and services."

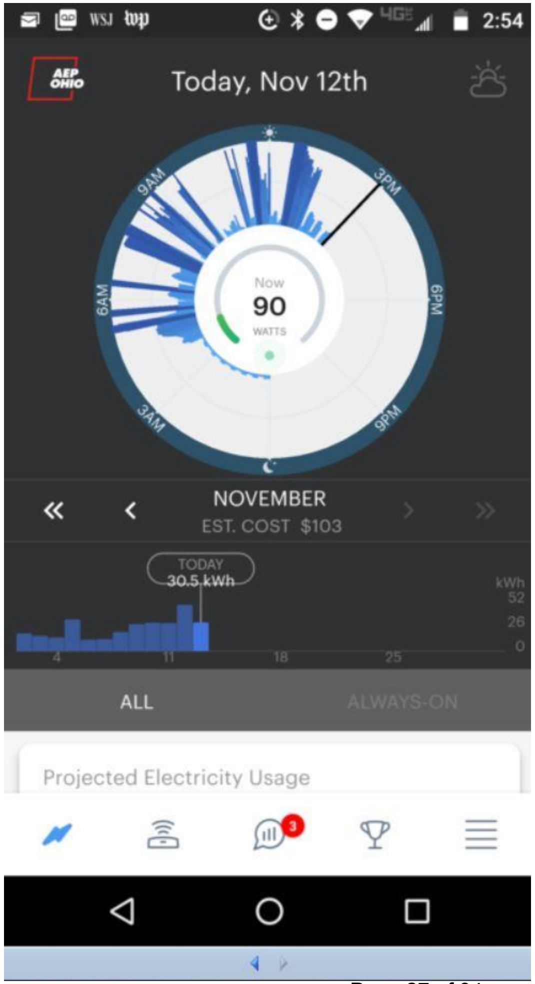
<u>PowerForward</u> recognizes innovation, markets, and non-wires alternatives should lead to customer savings and improved market offerings.

PUCO - Power Forward

The argument of the future!

- ❑ Behind the meter: markets and customers
- ❑ Front of the meter: regulated electric distribution utility

- ❑ Exceptions - Utility can go behind the meter:
    - ❑ Where social inequality exists
    - ❑ Limited, specific residential applications
    - ❑ When undeveloped markets and state interests coincide



PUCO - Power Forward

The argument of the future!

- Non-wires alternatives (NWA)
  - Will be considered as substitutes to traditional "wires" upgrades
  - Ex. batteries

- Not addressed
  - When is a customer-sited non-wires alternative more cost-effective than the utility-side non-wires alternatives?
- Also
  - Utilities will file Integrated Distribution Plans
  - No action on cyber security
  - Electric vehicle charging, batteries will be first-in examples

PUCO – Transmission & Economic Development Rules

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Transmission

- "The transmission cost recovery rider shall be avoidable by all customers who choose alternative generation suppliers and the electric utility no longer bears the responsibility of providing generation and transmission service to the customers."
- Provide customers ability to manage transmission costs
  - Transmission market pricing
  - Bill on the coincident transmission peak (NSPL)

Economic Development

- Energy intensive users, benefit to state GSP via exports, capital investment, jobs, one term
- Is energy management being utilized?

PJM – Study and statement on Fuel Security

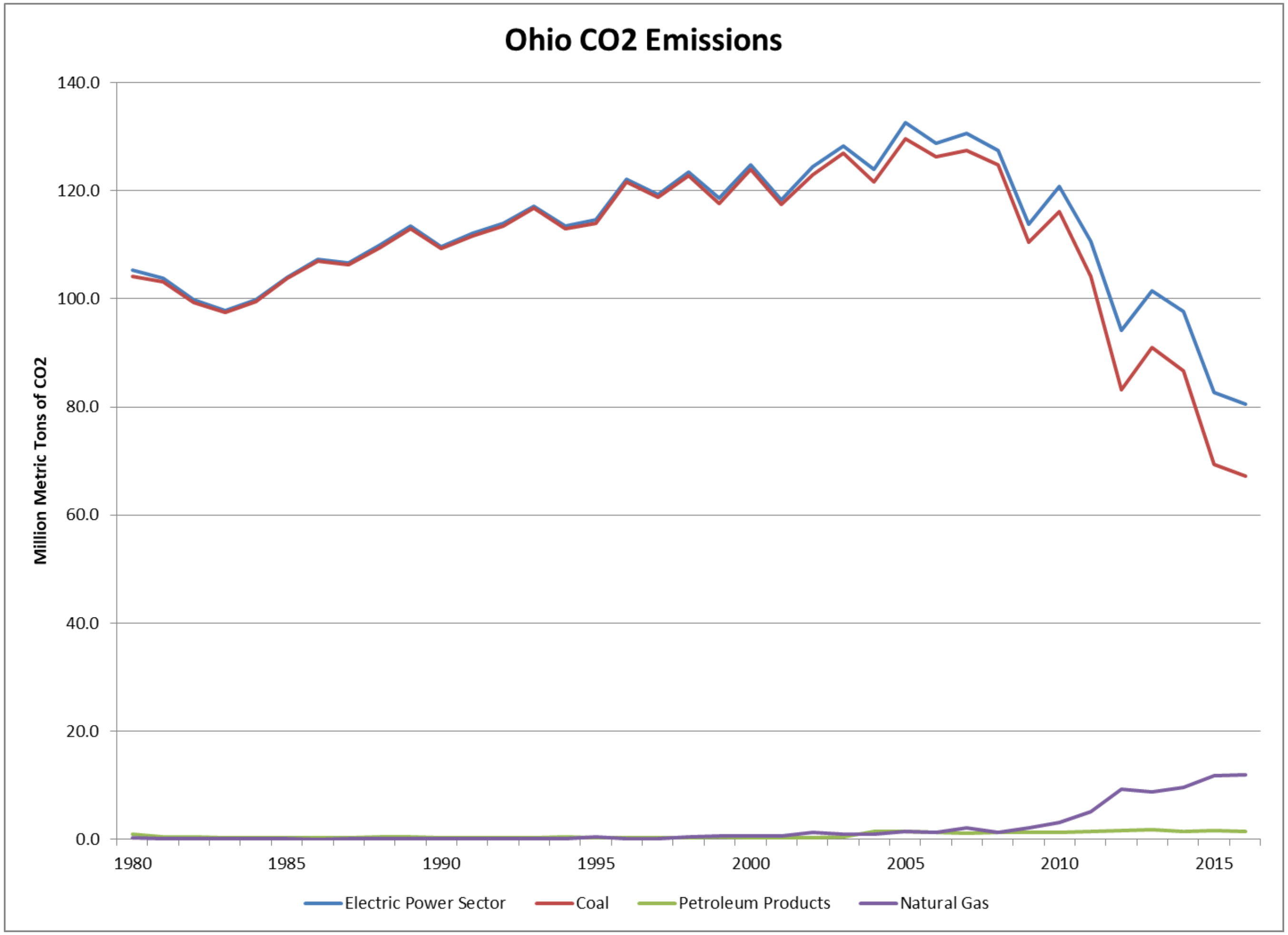
PJM press release on fuel security

- Importance: fuel security at heart of requests for extra charges for nukes, coal
- Analysis to be published Dec. 2018.
- PJM: "The findings underscore that PJM is reliable today."
- PJM modeled a range of factors
- Sequence of dispatch: Normal operations → demand response → reserve shortage → load shed

- Ifs
  - If 14-day cold snap + pipeline disruption = some reserve shortage pricing
  - If cold snap + pipeline disruption + escalated retirements + no new buildings = some load shedding
  - Thus, value on-site fuel storage in electricity markets

- Our conclusion: valuing fuel storage premature
  - Not considered: expanded renewables, demand response, unlikely retirement and new build combo

Carbon – Where we are at



Carbon – Where we are at

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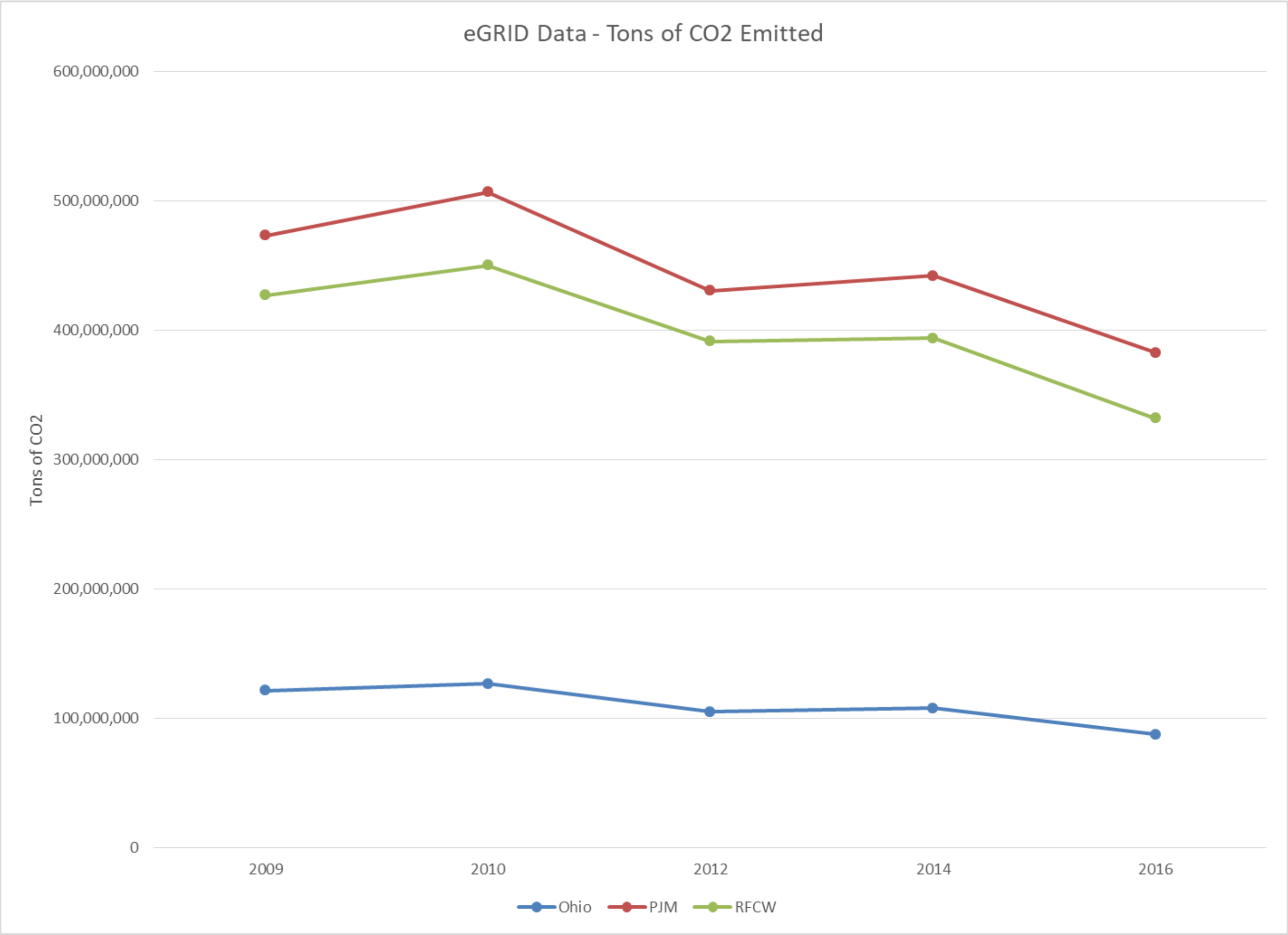

Ohio Environmental Protection Agency

John R. Kasich, Governor
Mary Taylor, Lt. Governor
Craig W. Butler, Director

OCT 3 0 2018

United States Environmental Protection Agency
EPA Docket Center
Attn: Docket ID No. EPA–HQ–OAR–2017–0355

RE: Ohio EPA Comments on U.S. EPA's August 31, 2018 Proposed "Emission Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units; Revisions to Emission Guideline Implementing Regulations; Revisions to New Source Review Program" [83 FR 44746]

Dear Acting Administrator Wheeler:

The Ohio Environmental Protection Agency (Ohio EPA) appreciates the opportunity to comment on the above referenced U.S. EPA proposed rulemaking regarding Clean Air Act (CAA) Section 111(d) to address greenhouse gas emissions from existing fossil fuel-fired electric generating units (EGUs). U.S. EPA previously finalized an emission guideline under this CAA Section 111(d) for these sources commonly referred to as the Clean Power Plan (CPP). Ohio EPA submitted comments indicating substantial concerns with the proposed CPP on December 1, 2014.[1] U.S. EPA proposed to repeal the CPP on October 16, 2017. [82 FR 48035] Ohio EPA supported such a repeal and provided comments on the proposal on April 25, 2018. And lastly, U.S. EPA provided an advanced notice of this proposed rulemaking (ANPRM) with an opportunity to comment on December 28, 2017. [82 FR 61507] Ohio EPA submitted comments on the ANPRM on February 26, 2018.

The CPP called for the unprecedented overhaul of the power generation, transmission and distribution system to limit carbon dioxide emissions by the federal government under the stationary source control program of CAA Section 111(d). Ohio disagreed with the legal underpinnings of this plan and we support the proposed changes that align the program

[1] Ohio EPA's comments on the proposed repeal does not include all the comments it made on the original proposal (docket ID No. EPA-HQ-OAR-2013-0602) and Ohio EPA does not waive any of the comments previously made that are not repeated here.

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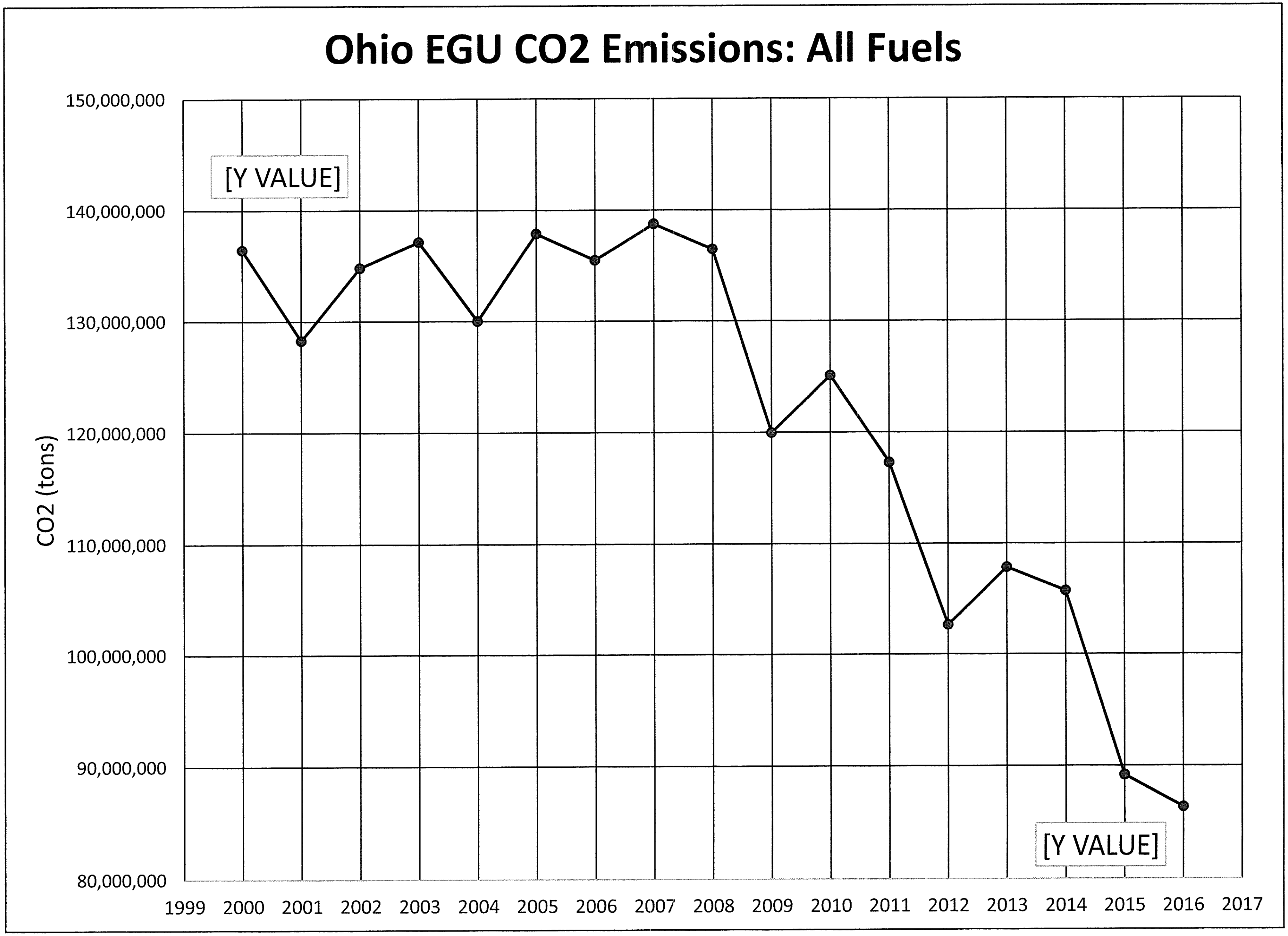
with the congressional intent of the CAA. In addition, wholly without intervention from the federal government, Ohio is undergoing a transformation in the energy and electric sector that is market driven. For example, Ohio's generation mix is being positively influenced by shale gas, renewables and energy efficiency which is keeping costs low, as well as reducing emissions. This is being accomplished without additional regulatory burden or other regulatory drivers. Specifically, Ohio utilities have reduced carbon dioxide emissions from electric generation by 38% from 2005 levels without a federal mandate or a multistate agreement.

Make no mistake, Ohio believes we have an obligation to be good stewards of the environment by having an energy policy that is protective of public health and air quality. Ohio EPA requests that U.S. EPA proceed to replace the CPP with ACE. Ace is, in our opinion, lawful, technically sound, and workable and will help Ohio continue to achieve our goal to protect Ohioans and the air we breathe. This is an opportunity for U.S. EPA to correct the significant flaws and illegality of the CPP. Please find attached our comments on the proposed rulemaking to replace the CPP with the Affordable Clean Energy (ACE) rule.

Sincerely,

Craig W. Butler
Director, Ohio EPA

Cc: Robert Hodanbosi, Chief, Ohio EPA Division of Air Pollution Control


Ohio EGU CO2 Emissions: All Fuels
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CARPENTER LIPPS & LELAND LLP

ATTORNEYS AT LAW

280 PLAZA, SUITE 1300
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COLUMBUS, OHIO 43215

MEMORANDUM

To: OMA Energy Committee
From: Kim Bojko, OMA Energy Counsel
Re: Energy Committee Report
Date: November 14, 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.
  - 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.
  - OCC has appealed the PUCO's approval of the stipulation in this case to the Supreme Court of Ohio.

- **AEP-Specific Tax Case (18-1007-EL-UNC)**
  - As the PUCO's investigation into the impact of the Tax Cuts and Jobs Act of 2017 (TCJA) on the rates charged to customers by public utilities continues, AEP initiated its own proceeding to address the impact of the TCJA on rates that it charges customers. AEP has not filed any specific proposal to address the TCJA, even though it asked the PUCO for expedited treatment of this proceeding. OMAEG intervened in this case in order to ensure that members in AEP's service territory receive the full benefits of the TCJA.

- The parties reached a settlement resolving this proceeding that will result in customers receiving the full benefits of the Tax Cuts and Jobs Act of 2017 (TCJA), including TCJA benefits that AEP has been deferring since the beginning of this year. Staff of the PUCO estimates that the total value of the settlement to customers will be over $500 million. Those benefits will come both through a new Tax Credit Savings Rider and reductions in AEP' s collection under the Distribution Investment Rider (Rider DIR). For a complete breakdown of the settlement, please see the summary titled *Settlement Reached in AEP Tax Case*, prepared by Carpenter Lipps & Leland LLP.
- The PUCO quickly approved this settlement and customers should now be seeing tax savings on their monthly bills.

- **AEP Request to Develop Renewable Resources (18-501-EL-FOR)**
  - AEP requested that the PUCO permit it to amend its longer-term forecast report to allow AEP and its affiliates to develop at least 900 MW of renewable projects. AEP concedes that PJM wholesale markets already provide sufficient capacity, yet strangely argues that these proposed renewable projects are necessary for AEP to meet its obligation to provide customers with a standard service offer (SSO). The proposal appears to be an attempt by AEP to charge customers for generation supplied by itself and its affiliates, which is contrary to Ohio' s state law and policy, which support competitive electric generation markets.
  - AEP has additionally opened separate proceedings seeking approval of specific projects.
  - OMAEG has intervened in these proceedings.
  - The PUCO established a procedural schedule in this case. Although the PUCO agreed with OMAEG and others that AEP was required to establish a need for renewable projects before it seeks cost recovery for specific projects, it established an extremely accelerated procedural schedule that provides for a hearing on the issue of need to commence in December. This schedule threatens to impede the due process rights of parties who are seeking to challenge AEP's unlawful foray into the anticompetitive development of renewable generation.

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.
  - OMAEG appealed the PUCO's decision in this case to the Supreme Court of Ohio on May 21, 2018.
  - Subsequent to OMAEG's appeal, the PUCO approved Duke's request to continue this ESP, including recovery from customers under its Distribution Investment Rider (Rider DIR) with a cap of $5 million per month, despite the fact that this would lead to recovery in excess of the cap that the PUCO approved at the time this case was initially decided. OMAEG has asked for rehearing on this decision.

- **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.
  - OMAEG filed reply comments regarding Duke' s proposed Manufactured Gas Plant (MGP) Rider to collect costs from customers for the remediation of gas plants which are no longer in service. In those comments, OMAEG argued that the parties to these cases are entitled to a hearing on these issues, that Duke should continue exploring cost recovery from other parties to mitigate the burden on customers, and that any cost recovery should be carefully audited and only persist for a limited duration.

- **Duke Global Settlement (Case Nos. 17-32-EL-AIR, et al., 17-872-EL-RDR, et al., 17-1263-EL-SSO, et al**
  - <u>Distribution Rate Case (Case No. 17-0032-EL-AIR)</u>
    - Duke filed an application to increase its distribution rates by $15.4 million. The application proposes to increase the rates starting on January 1, 2018. OMAEG and other customer groups intervened.
    - The Staff Report recommended a revenue decrease in the range of $(18.4) million to $(28.9) million.
  - <u>Price Stabilization Rider (Case Nos. 17-872-EL-RDR, et al.)</u>
    - Duke filed an application to populate its non-bypassable Price Stability Rider (PSR), which was established in its ESP case at $0 (Case Nos. 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).
  - <u>ESP IV Case (Case Nos. 17-1263-EL-SSO, et al.)</u>
    - 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.
  - <u>The Global Settlement</u>
    - The Distribution Rate case, PSR case, and ESP IV case were consolidated in an attempt to reach a global settlement. Duke, Staff, and several other parties reached a settlement intended to resolve these cases. The settlement addresses 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, allowed the parties to argue for additional customer benefits through the PUCO's investigation of the new tax law, and allowed OMAEG to maintain its position that recovery of OVEC costs from customers is unlawful. Other parties oppose the settlement.

- The PUCO has concluded its hearing on the settlement. The parties will now submit briefing, and then the PUCO will issue its decision on this matter. Counsel for OMAEG has participated throughout the hearing process.

FirstEnergy:

- **FirstEnergy Tax Proceeding and Grid Modernization Cases (18-1604-EL-UNC, 17-2436-EL-UNC, 16-481-EL-UNC)**
    - Pursuant to the PUCO' s Order in its tax investigation that required all utilities to file an application to implement the effects of the Tax Cuts and Jobs Act of 2017 (TCJA) into rates, the FirstEnergy Companies filed an application to initiate a process to resolve TCJA matters in customer rates (Case No. 18-1604-EL-UNC). Simultaneous with this filing, OMAEG and others were presented with a proposal negotiated between FirstEnergy and Staff that would provide the tax refund while also allowing FirstEnergy to collect new charges from customers for its grid modernization efforts, in addition to the above-market charges it already collects from customers under the Distribution Modernization Rider and the Distribution Capital Investment Rider. It appears that the PUCO has made these issues a high priority and fast-tracked the proposed agreement between Staff and FirstEnergy.
    - A settlement was reached between the FirstEnergy Companies, Staff, and some intervening parties. OMAEG did not join the settlement, but continues to evaluate.

Dayton Power & Light (DP&L):

- **Distribution Rate Increase (Case Nos. 15-1830-EL-AIR, et al.)**
    - 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.
    - 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.
    - On June 18, 2018, DP&L, Staff, and a number of parties reached a settlement agreement, which OMAEG agreed not to oppose. After Staff agreed with DP&L that a rate increase was appropriate, OMAEG worked diligently to minimize the impact of that rate increase on customers. Through the filing of objections and negotiations, OMAEG was able to minimize the amount of that increase, secure a rate design that will diminish the burden of the rate increase on several OMAEG members, and ensure that the tax relief resulting from the decrease in the federal corporate income tax is fully passed on to customers, including the amount that has already been collected from customers since January 1, 2018 when the new tax law took effect.
    - The PUCO held its hearing on the settlement on July 23 and 24, 2018, where only the electric suppliers IGS and RESA opposed the agreement.
    - The PUCO approved the settlement reached between the parties in this case.

- **Electric Security Plan (Case Nos. 16-395-EL-SSO, et al.)**
  - DP&L filed an amended application on October 11, 2016, proposing to withdraw its Reliable Electricity Rider (RER) request. Instead, it sought 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 reached a settlement, 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 $105M/year for 3 years from customers, with an option to request a two-year extension. The Distribution Investment Rider (DIR-B) rider was eliminated (which had been 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 slightly discount those members' previous rates. Thus, those members will receive a collective total of $18,000 per year in shareholder dollars to compensate them for the increase in rates.
  - After a hearing, 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.
  - The PUCO denied rehearing on its decision to modify the settlement. f

<u>Statewide:</u>

- **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.
- The PUCO 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 initiated 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.
  - The PUCO announced the next step in its PowerForward process. The PUCO established working groups and proceedings for each of the three PowerForward working groups: the PowerForward Collaborative, the Distribution System Planning Working Group, and the Data and the Modern Grid Working Group. The PUCO stated that it was establishing these proceedings in order to ensure that its PowerForward roadmap is being fulfilled. The PUCO invited interested parties to participate in these proceedings so that their views can be considered throughout this process.

- **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. 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.
- The PUCO held a hearing on the deferral order on July 10, 2018. The PUCO took testimony from Duke, AEP, and other parties. The PUCO directed all utilities to continue making these deferrals until the PUCO decides otherwise.
- AEP and Duke have now both opened separate proceedings to deal with the TCJA.
- 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.
- On October 24, 2018, the PUCO ordered all Ohio regulated public utilities with 10,000 customers or more and that have not yet implemented the Tax Cuts and Jobs Act of 2017 (" TCJA") to file an application explaining how the public utility will pass along to customers its tax savings from the TCJA. Public utilities must file their applications or proposals by January 1, 2019 or be subject to a forfeiture of $10,000 per day. OMAEG will monitor the forthcoming applications in order to ensure that members receive the full benefit of the TCJA. For a complete review of the PUCO' s decision, please see the summary entitled *PUCO Ordered Utilities to File Tax Refund or Be Subject to Forfeiture*, prepared by Carpenter Lipps & Leland, LLP.

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 Supreme Court of Ohio 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.

  - 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 The Kroger Co. 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. OMAEG argued that the PUCO's decision was an unlawful transition charge similar to the SSR that the Supreme Court of Ohio found to be unlawful. The issues in both appeals have been fully briefed. The matter is pending oral arguments.
  - 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.
  - OMAEG, along with The Kroger Co. and The Office of the Ohio Consumers' Counsel, asked the Court to reconsider its decision that the appeal is moot. The request noted that the Court had not properly considered that this case falls into an exception because this same harm could befall customers in the future if the Court fails to require the PUCO and utilities to abide by the Court' s orders. The Appellants also argued that the Court should order refunds to customers for the unlawful charges that DP&L collected.

<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 13-2385-EL-SSO, et al.)**
  - In AEP's ESP III case, the PUCO authorized AEP to establish a zero rate placeholder power purchase agreement (PPA) Rider.
  - The PUCO then issued an Order affirming its decision 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 further 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, and a number of other parties 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.
- 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.
- Oral argument took place on June 26, 2018, with counsel for OMAEG and the Office of the Ohio Consumers' Counsel arguing against the illegal establishment of this the PPA Rider.
- In an unprecedented filing, AEP filed a statement with the Supreme Court of Ohio asking the Court to dismiss the appeals of OMAEG and OCC as moot in light of the Court' s decision in DP&L more than four months after this case was argued before the Court. This filing does not comply with the Court' s rules. The Court has since stated that OMAEG and OCC will have an opportunity to respond to AEP' s unusual request before the Court makes a decision. OMAEG will, of course, oppose AEP' s position on this issue.

<u>FirstEnergy:</u>

- **Appeal of FirstEnergy's ESP IV (Case No. 2017-1444) (Appeal of Case No. 14-1297-EL-SSO)**
  - In FirstEnergy's ESP IV case, the PUCO authorized FirstEnergy to recover $131 million per year from customers under the Distribution Modernization Rider (Rider DMR), even though Rider DMR contains no promises or commitments on the part of FirstEnergy to actually engage in distribution modernization and represents an unlawful subsidy that could support FirstEnergy's generation component in violation of Ohio law.
  - In ESP IV, the PUCO also approved an unlawful expansion of the Delivery Capital Recovery Rider (Rider DCR) and unreasonably approved a Government Directives Rider in violation of its own precedent.
  - OMAEG, along with other parties appealed the PUCO's decisions in this matter to the Supreme Court of Ohio.

- OMAEG and others requested that the Court stay the collection of customer money under these unlawful riders by FirstEnergy while this case is pending.
- Oral argument is scheduled for January 9, 2018.

Federal Actions

FERC:

- **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.
  - In a 3-2 decision, FERC found that PJM's current tariff is unjust, unreasonable, and unduly discriminatory because it fails to account for state policies that subsidize favored sources of generation, thus disrupting the competitive wholesale market. FERC is now considering how to best address state subsidies provided to certain generation resources in order to avoid market disruption.
  - OMAEG joined several other industrial consumer groups in filing comments and reply comments urging FERC to adopt measures to account for out-of-market subsidies. Those comments were filed on October 2, 2018 and November 6, 2018, respectively.

- **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 went 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.
    - 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.

- **FES Bankruptcy Proceeding (18-569-EL-UNC)**
    - On March 31, 2018, FirstEnergy Solutions Corporation (FES) filed for bankruptcy in the United States Bankruptcy Court. The PUCO opened an investigation into the various issues raised by FES' filing to reorganize under Chapter 11 of the United States Bankruptcy Code. In its Entry, the PUCO states that it is opening the proceeding "to protect Ohio consumers from any adverse impacts due to the recent filing by FES." The PUCO notes that such a bankruptcy filing is rare but not unprecedented. The PUCO also assures consumers that in no event will customers have electric generation service interrupted as a result of the FES bankruptcy filing because the PUCO, electric distribution utilities, and PJM have measures in place to ensure continued delivery of power. The PUCO cannot, however, guarantee that FES' contracts will not be impacted.

- FES has now asked for approval of its sale to Exelon Generation Company, the parent company of Constellation Energy. The proposed sale relates to FES' retail business and includes primarily the purchase of customer contracts that FES has with various customers either directly or through aggregation programs and does not include FES' generation plants. The purchase price is $140 million.

CARPENTER LIPPS & LELAND LLP

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MEMORANDUM

TO: Ohio Manufacturers' Association Energy Group

FROM: Kim Bojko, Carpenter Lipps & Leland LLP

DATE: October 25, 2018

SUBJECT: PUCO Ordered Utilities to File Tax Refund Case or Be Subject to Forfeiture (*In re: Investigation of Financial Impact of Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies* (Case No. 18-47-AU-COI))

On October 24, 2018, the PUCO ordered all Ohio regulated public utilities with 10,000 customers or more and that have not yet implemented the Tax Cuts and Jobs Act of 2017 ("TCJA") to file an application explaining how the public utility will pass along to customers its tax savings from the TCJA. Public utilities must file their applications or proposals by January 1, 2019.

Given that significant time has passed since passage of the TCJA, the PUCO reiterated its intent to ensure that all benefits resulting from the TCJA are passed on to customers, explaining that customers should receive the savings derived from the change in federal law and that the TCJA was never intended to compensate utilities or increase their returns. The PUCO explained that the proceeding was initiated to determine when and how tax savings would be passed on to customers, not if they would be passed on.

If any utility fails to file by January 1, 2019, the utility may be subject to a forfeiture of $10,000 per day for noncompliance pursuant to R.C. 4905.54.

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

DATE: September 28, 2018

SUBJECT: Settlement Reached in AEP Tax Case (18-1007-EL-UNC)

I. INTRODUCTION

In lieu of waiting for an order to be issued in the Public Utilities Commission of Ohio's (Commission) investigation into the impacts of the Tax Cuts and Jobs Act of 2017 (TCJA) on Ohio customers, Case No. 18-47-AU-COI, AEP Ohio filed its own proceeding to address the TCJA-related issues in its rates charged to customers. OMAEG, along with several other parties, intervened in this proceeding in order to ensure that members' interests are protected and that the full benefit of the TCJA is passed back to customers, as required by law. After extensive negotiations with AEP, Staff of the Commission, and the other parties to the case, all parties have reached a settlement that resolves the tax issues and begins including the effects of the TCJA in the rates charged to customers, including refunds, immediately.

II. TERMS

The following are the terms of the settlement:

- The total value of the settlement to AEP customers is estimated by Staff to be over $500 million. A portion of the tax savings benefit is currently being passed back through existing riders (approximately $65.7 million). Another portion will be passed through to customers though a new Tax Credit Savings Rider (TCSR). A final portion will be passed though the existing Distribution Investment Rider (Rider DIR).
- For the normalized ADIT balance (estimated at $278 million as of June 30, 2018), AEP will begin flowing the amortization of excess ADIT (as of January 1, 2018) back to customers upon approval of this settlement through Rider DIR. As a result of flowing some tax savings through Rider DIR, although the DIR caps themselves are not decreasing, the credit will be applied to the DIR rate base, effectively reducing Rider DIR about $11 million per year.
- For the non-normalized ADIT balance (estimated at $177.6 million), AEP will begin flowing the amortization of excess ADIT (as of January 1, 2018) back

to customers upon approval of this settlement through the TSCR. The credit will be allocated between residential and non-residential customers based upon 50 percent demand using 5 CP and 50 percent energy ($69 million to residential and $108.6 million to non-residential).

- The savings that AEP has realized since January 1, 2018 as a deferred liability (plus interest) will be passed back to customers over a 14-month period. The estimated $20.4 million annual credit (plus interest) will be passed through the TSCR, allocated to customer classes based on a percentage of base distribution revenues.
- An additional $1 million annually will be used for bill assistance for low-income residential customers.

III. BILL IMPACTS

AEP provided sample bill impacts for customers based on customer class and usage. A sampling of those bill impacts for non-residential customers are listed below:

<u>Ohio Power Rate Zone</u>

Customer Class	kWh	KW	Current	Settlement	Difference	% Change
GS-2	180,000	500	$18,839.96	$18,602.86	-$237.07	-1.3%
GS-2 Primary	300,000	1,000	$25,586.93	$$25,296.59	-$290.34	-1.1%
GS-2 Subtransmission	1,500,000	5,000	$132,234.52	$130,560.45	-$1,674.07	-1.3%
GS-3 Secondary	325,000	500	$29,118.21	$28,720.19	-$398.02	-1.4%
GS-3 Primary	650,000	1,000	$56,292.04	$55,502.20	-$789.84	-1.4%
GS-3 Subtransmission	3,250,000	5,000	$241,602.35	$237,985.78	-$3,616.57	-1.5%
GS-4 Subtransmission	13,000,000	20,000	$939,737.37	$925,298.30	-$14,439.07	-1.5%
GS-4 Transmission	32,500,000	50,000	$2,336,007.42	$2,299,923.35	-$36,084.07	-1.5%

Columbus Southern Power Rate Zone

Customer Class	kWh	KW	Current	Settlement	Difference	% Change
GS-2 Secondary	100,000	500	$12,404.19	$12,257.28	-$146.90	-1.2%
GS-2 Primary	100,000	1,000	$17,312.96	$17,143.50	-$169.46	-1.0%
GS-3 Secondary	325,000	500	$26,889.77	$26,493.12	-$396.65	-1.5%
GS-3 Primary	650,000	1,000	$51,408.22	$50,628.26	-$779.96	-1.5%
GS-4 Transmission	32,500,000	50,000	$2,169,318.01	$2,133,224.22	-$36,093.79	-1.7%

IV. CONCLUSION

This settlement reasonably addresses the changes in federal tax law brought about by the TCJA and allows all of AEP's customers to begin realizing tax savings on their monthly bills in November or December. As such, OMAEG joined all other parties to this case in agreeing to the settlement. The parties anticipate that this settlement could be approved in time for November bills to reflect these tax savings.

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MEMORANDUM

TO: Ohio Manufacturers' Association Energy Group

FROM: Kim Bojko, Carpenter Lipps & Leland

DATE: September 21, 2018

SUBJECT: AEP Ohio Proposal to Amend Long-Term Forecast Report to Allow AEP Ohio and Its Affiliates to Develop Renewable Resources

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In order to demonstrate the need for at least 900 MW of renewable energy as required under SB 221, the Ohio Power Company (AEP Ohio) filed an amendment to its long-term forecast report.[1] AEP Ohio would pass the costs of these projects onto customers through the Renewable Generation Rider (Rider RGR). Rider RGR was established in AEP Ohio's purchase power rider proceeding, which OMAEG opposed and then appealed.[2] Although AEP Ohio will file for approval of specific renewable project proposals in separate dockets, it is seeking a determination of need by the PUCO in its forecasting case.

AEP Ohio concedes that the PJM wholesale markets are adequately supplying capacity and energy to the AEP Ohio load zone. Nonetheless, AEP Ohio argues that these self-supplied renewable resources are required to "most effectively" meet its obligation to provide a standard service offer (SSO) to its customers. AEP Ohio submits through testimony that these customer-funded projects will result in lower electric costs for customers over time, and that a study it commissioned shows that customers are in favor of these projects. Of course, other interested parties have not had the opportunity to examine through discovery and hearing whether these propositions advanced by AEP Ohio are valid.

This proposal by AEP Ohio represents a renewed attempt to charge customers for generation supplied by itself and its affiliates in a manner that undermines the competitive markets that Ohio law requires. Without offering more than a speculative justification for necessity of this new, nonbypassable charge to customers, AEP Ohio seeks to reenter the generation market without competing with other generators of renewable energy. Customers are not well-served by this attempt, as they are deprived of the safeguard of a competitive generation

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1 AEP Ohio asks the Commission to allow AEP Ohio and its affiliates to develop and own a total of *at least* 500 MW nameplate capacity of wind energy projects in Ohio and *at least* 400 MW nameplate capacity for solar projects in Ohio.

2 Notably, even the settlement regarding Rider RGR only allowed for AEP and its affiliates to own up to 50% of these renewable resources. Yet, AEP makes no mention of this limitation in this application, which appears to suggest that AEP Ohio and its affiliates will own all of the developed renewable resources.

market that would otherwise ensure that customers are not overcharged for generation service. This proposal, if adopted, would be a step backwards for deregulation and competitive markets.

AEP Ohio proposes an accelerated schedule for this proceeding, claiming that such a schedule is necessary for the Company to take advantage of temporarily available tax credits for these new renewable projects. OMAEG should intervene in this proceeding to ensure that members are protected against anticompetitive attempts to increase electric costs to customers to the benefit of AEP Ohio and its affiliates.

Natural Gas Update
OMA Energy Committee

Richard Ricks

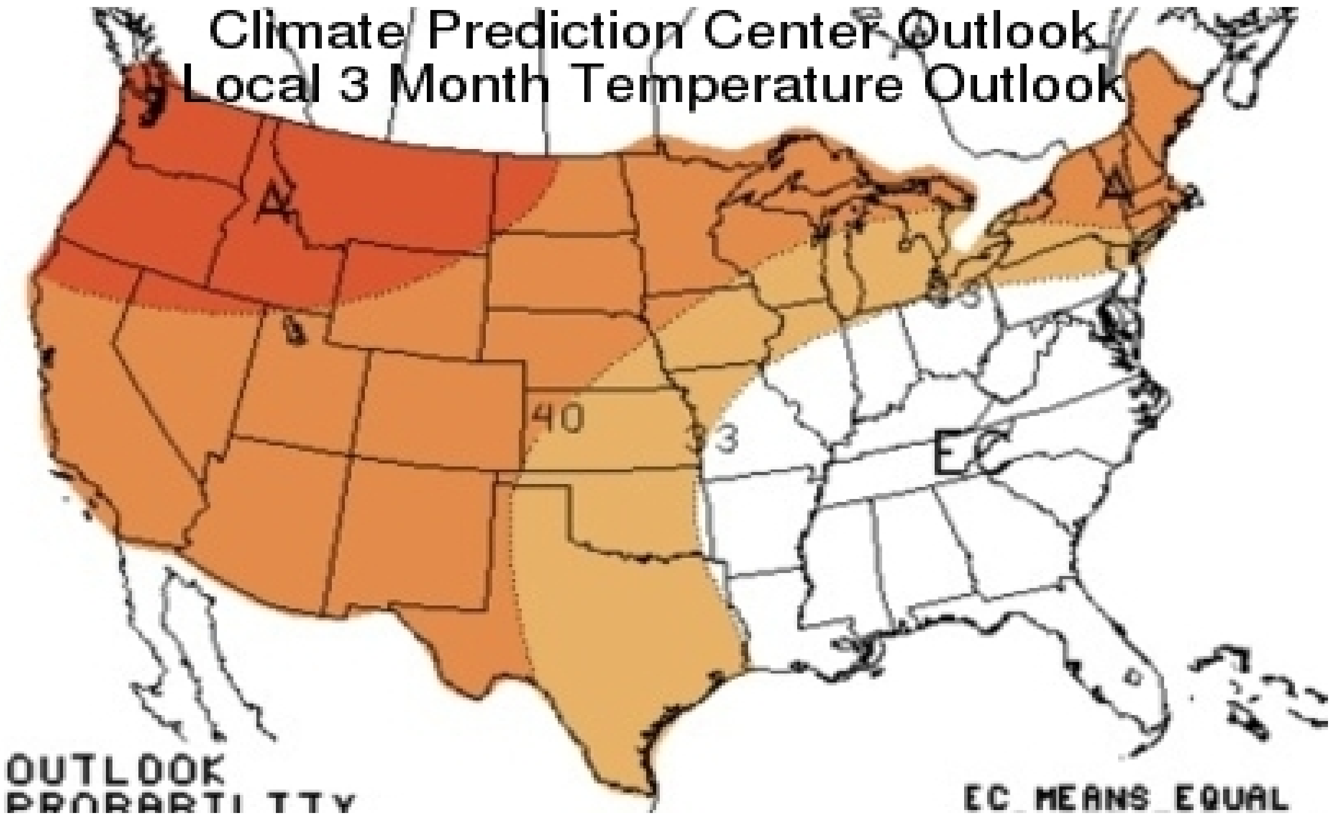
NiSource

November 14, 2018

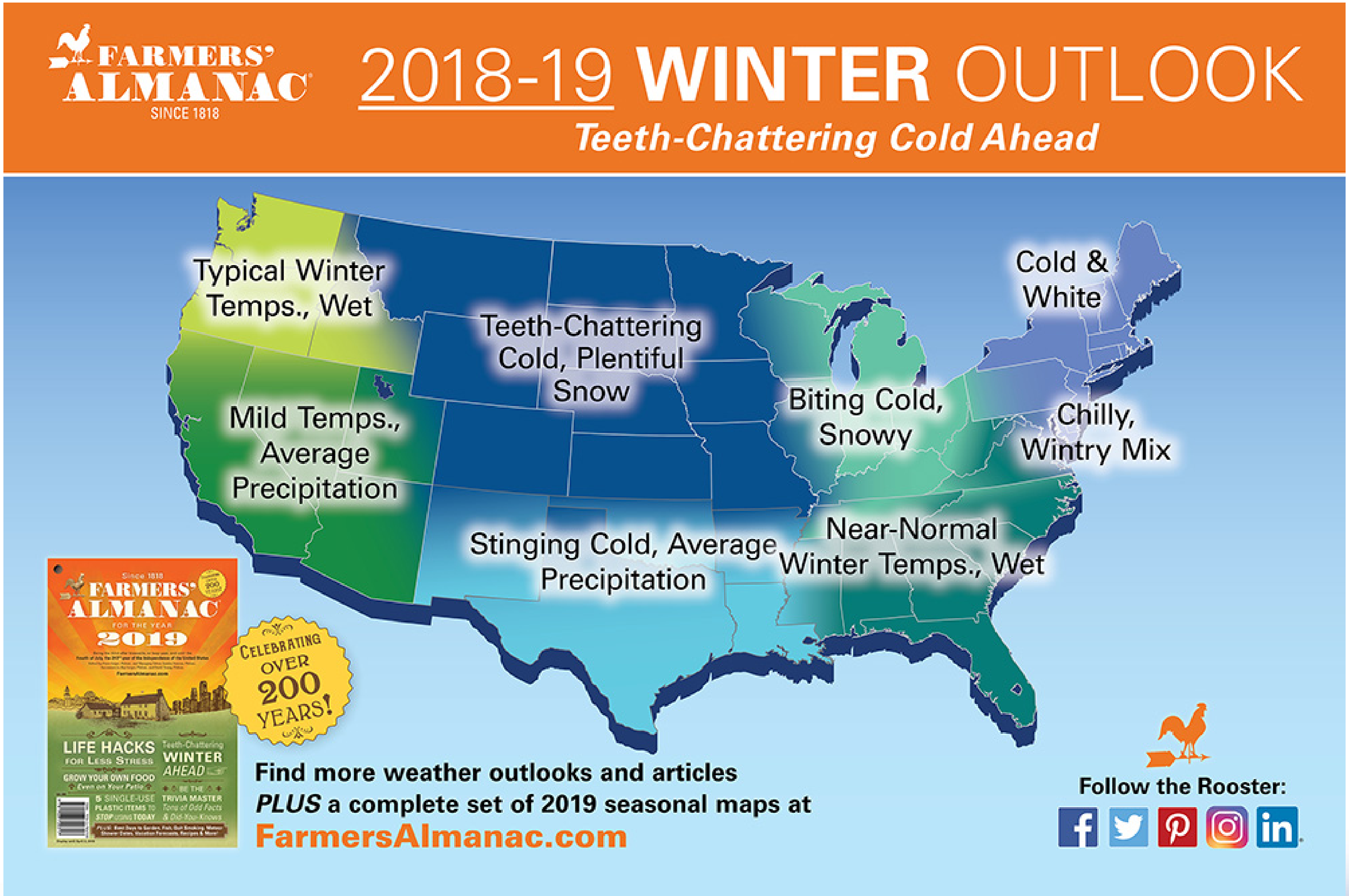
Columbia Gas of Ohio

A NiSource Company

NOAA Temperature Outlook – Dec, Jan, Feb 18/19

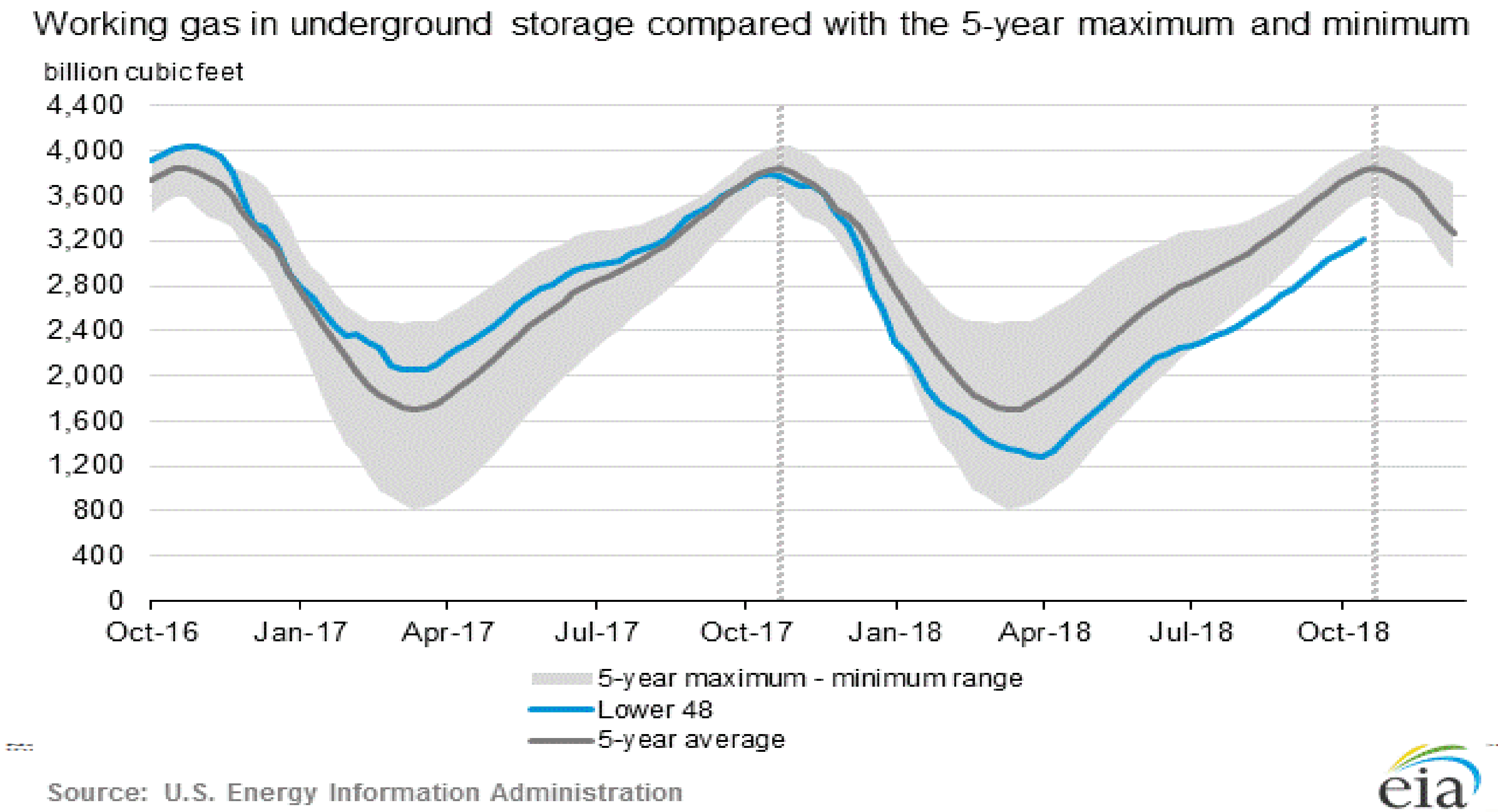


Farmers' Almanac Winter Outlook – Frigid



Storage - Below the "5 Yr Average"

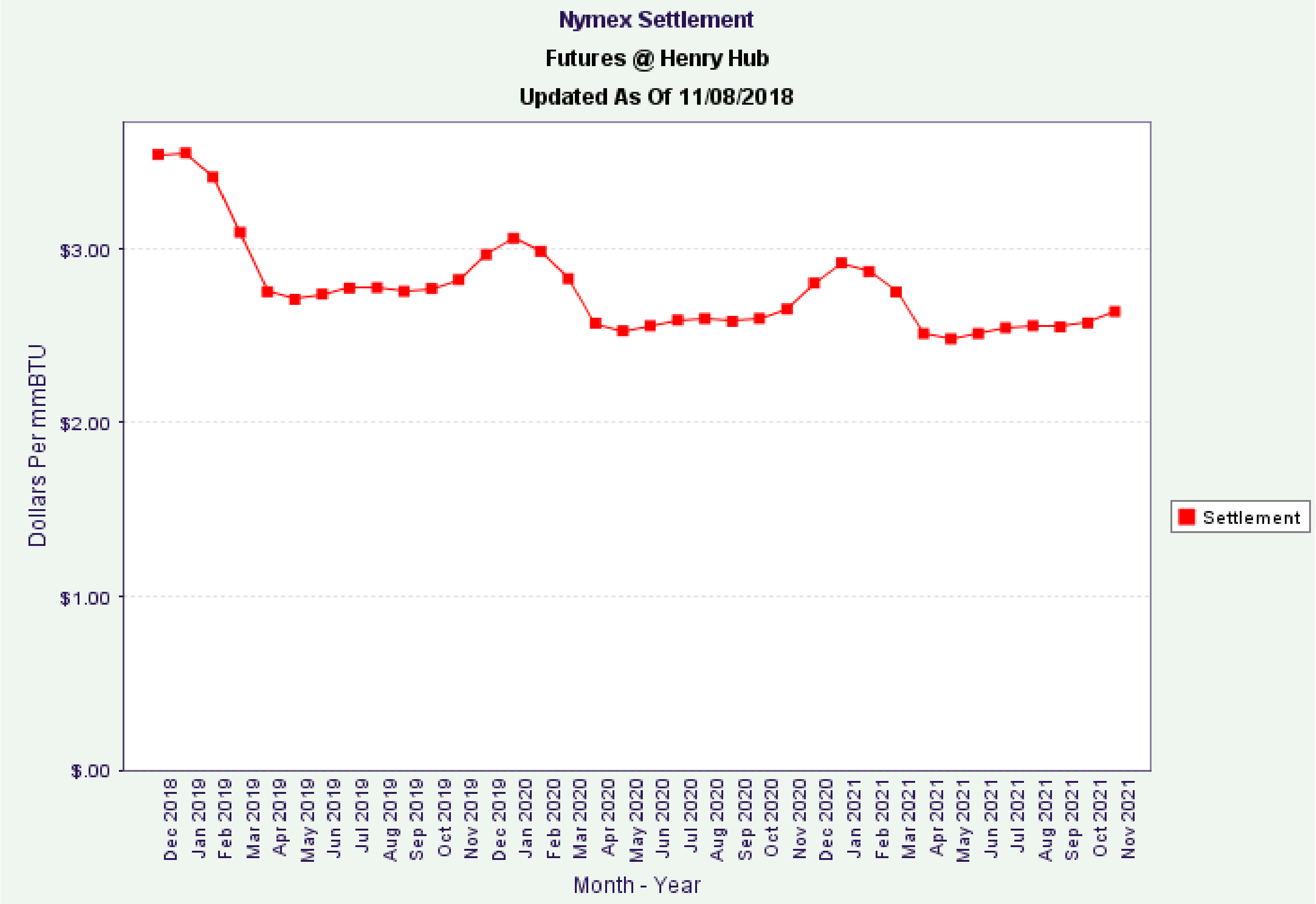
Working gas in storage was 3,208 BCF as of Friday, November 2, 2018, according to EIA estimates. This represents a net increase of 65 BCF from the previous week. Stocks were 580 BCF less than last year at this time and 621 BCF below the five-year average of 3,829 BCF. At 3,208 BCF, total working gas is below the five-year historical range.



Columbia Gas of Ohio
A NiSource Company

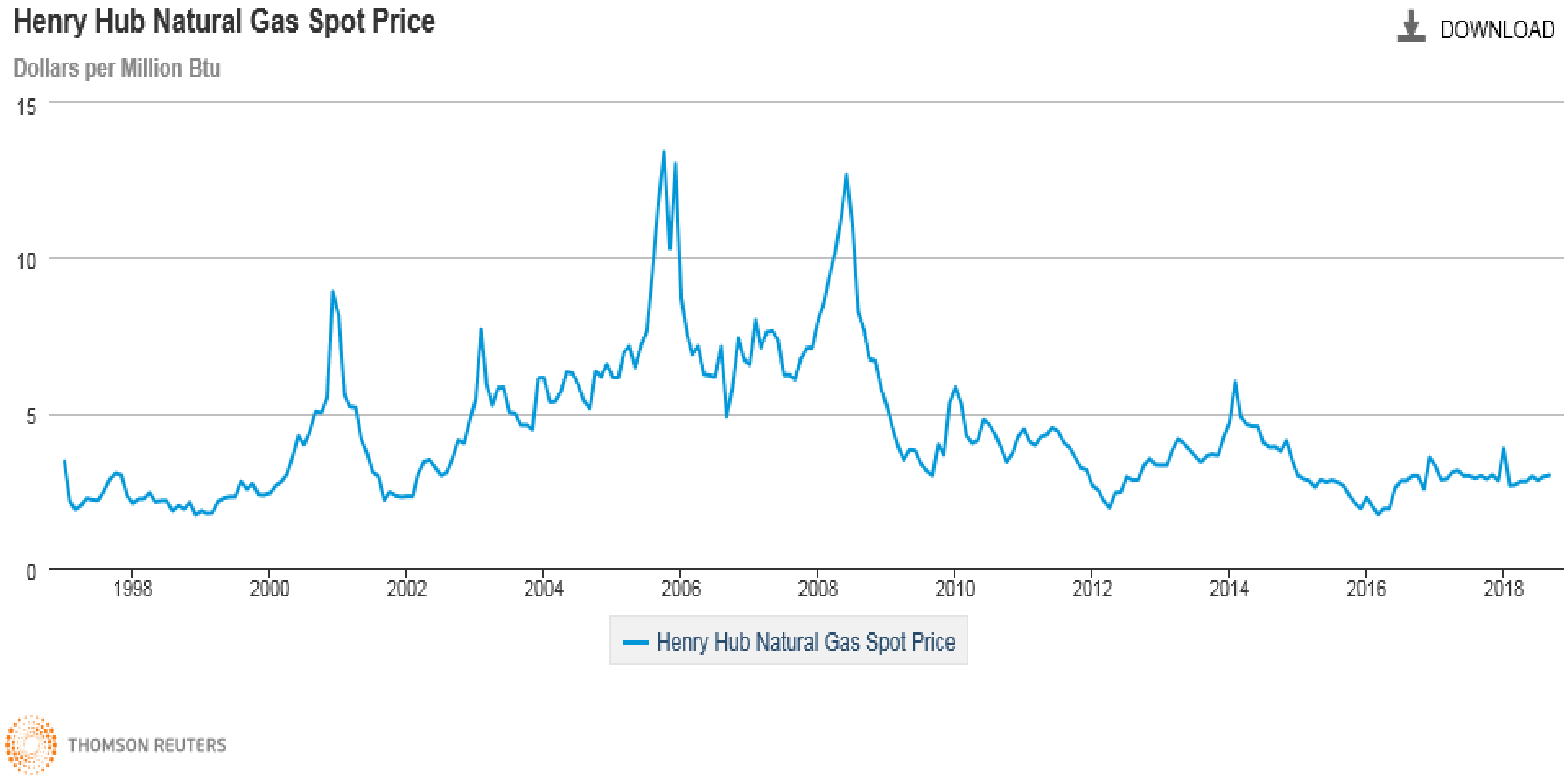
NYMEX Futures Settlement - 11-8-18

Nymex Strip



NYMEX Prompt Month Settlement – 5 Years

NYMEX Prompt Month Settlement History



Columbia Gas of Ohio
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NYMEX Term Pricing – November 9, 2018

TERM	PRICE 8-10-18	PRICE 11-9-18
3 month	$2.97	$3.50 (+$0.53)
6 month	$3.05	$3.18 (+$0.13)
12 month	$2.90	$2.98 (+$0.08)
18 month	$2.88	$2.92 (+$0.04)

Columbia Gas of Ohio
A NiSource Company

Select Hub Pricing – Higher for Short Term
November 9, 2018

HUB LOCATION	8-9-18	11-9-18	
Henry Hub	$2.98	$3.60	(+$0.62)
TCO Pool	$2.83	$3.47	(+$0.64)
Houston Ship Channel	$3.05	$3.80	(+$0.75)
Dominion South Point	$2.53	$3.36	(+$0.83)
TETCO M-3	$2.62	$3.43	(+$0.81)
TGP Zone 4	$2.64	$3.44	(+$0.80)

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

NOTE: The recently depressed pricing points on Dominion, TETCO, & TGP have firmed up with the recent, additional pipeline projects in Ohio, WV, & PA to get the Utica/Marcellus supply to a market.

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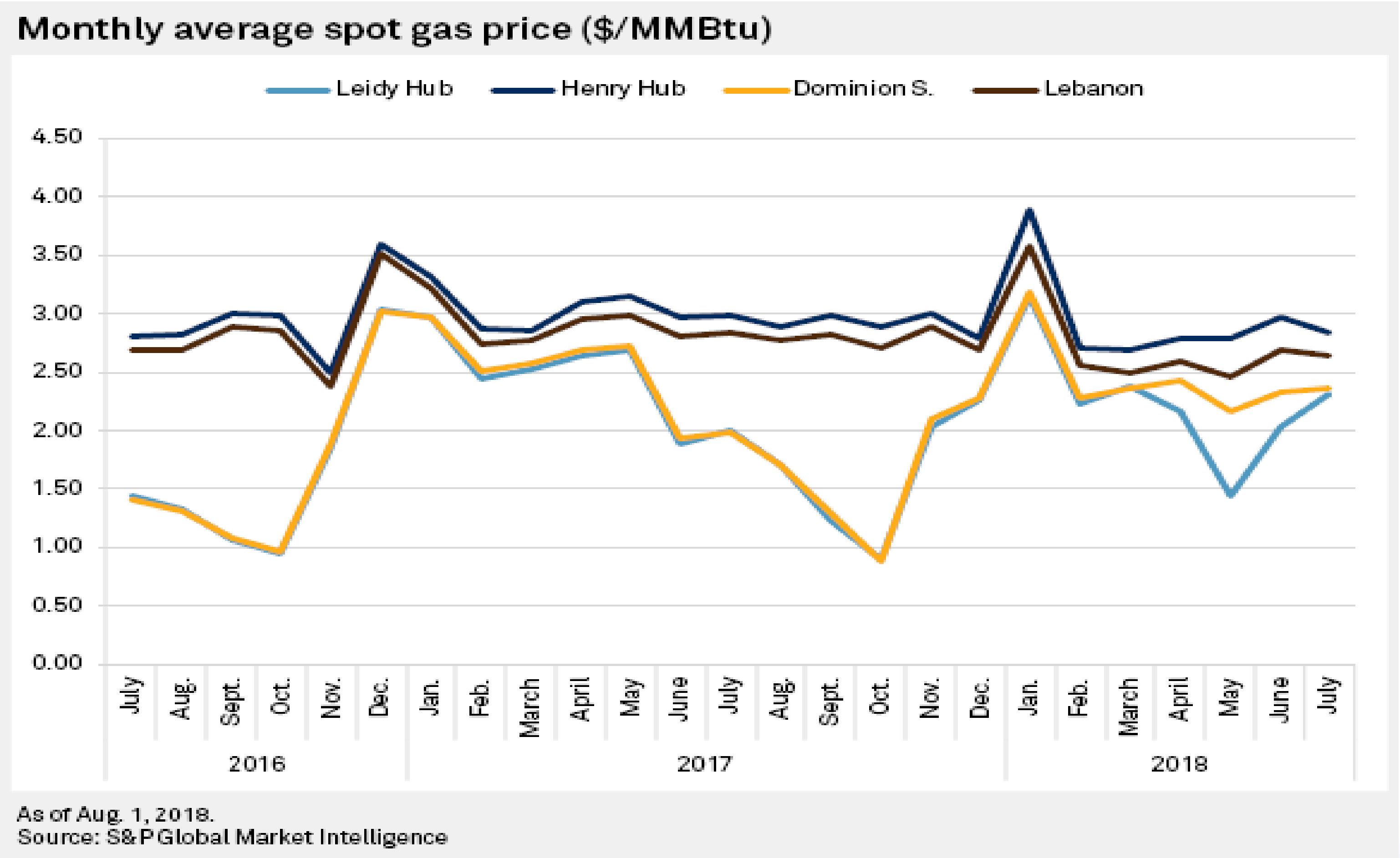
Dominion South Point Basis Narrower with New Pipelines



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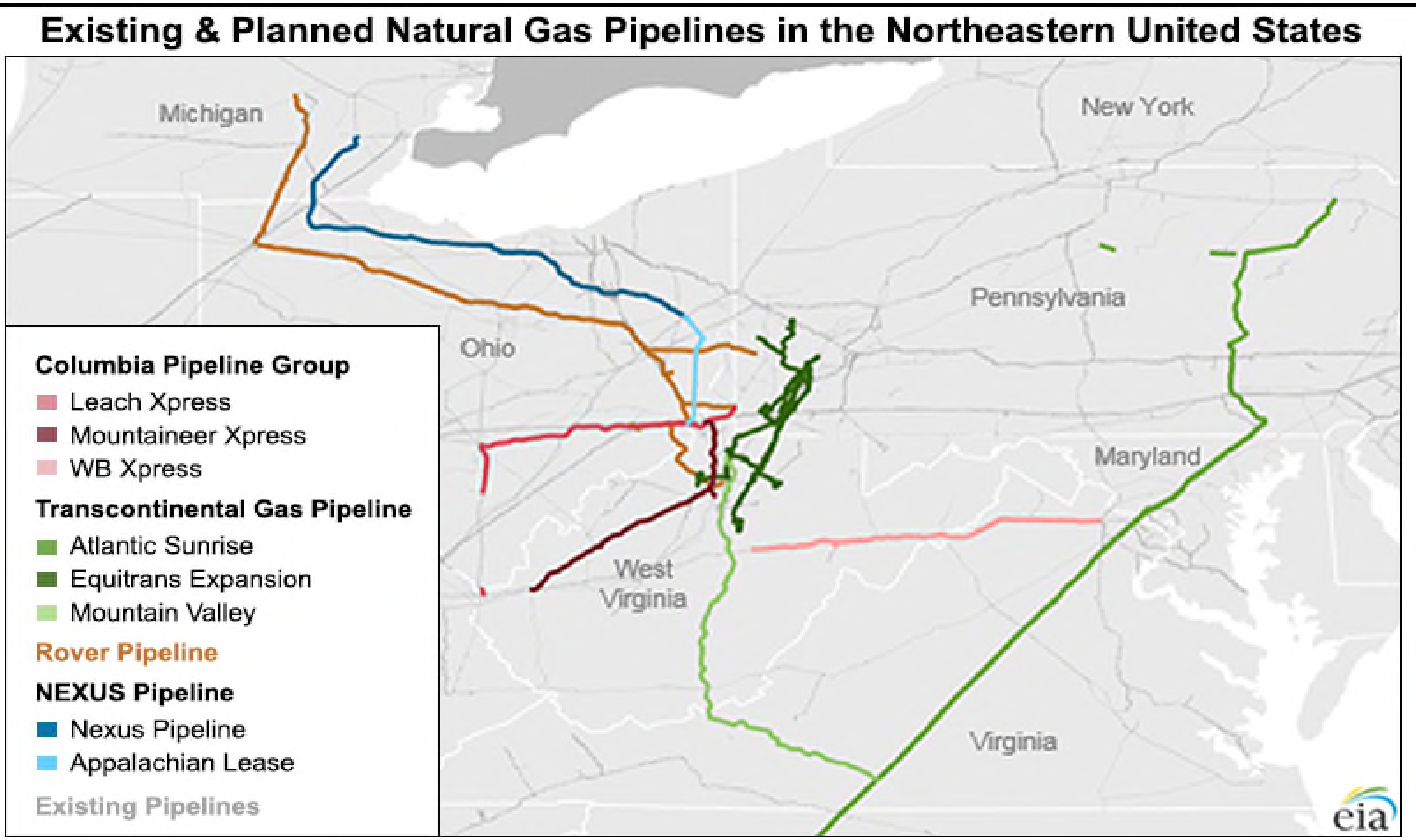
Utica & Marcellus Pipeline Projects:
> 23 BCF/Day



Source: Energy Information Administration

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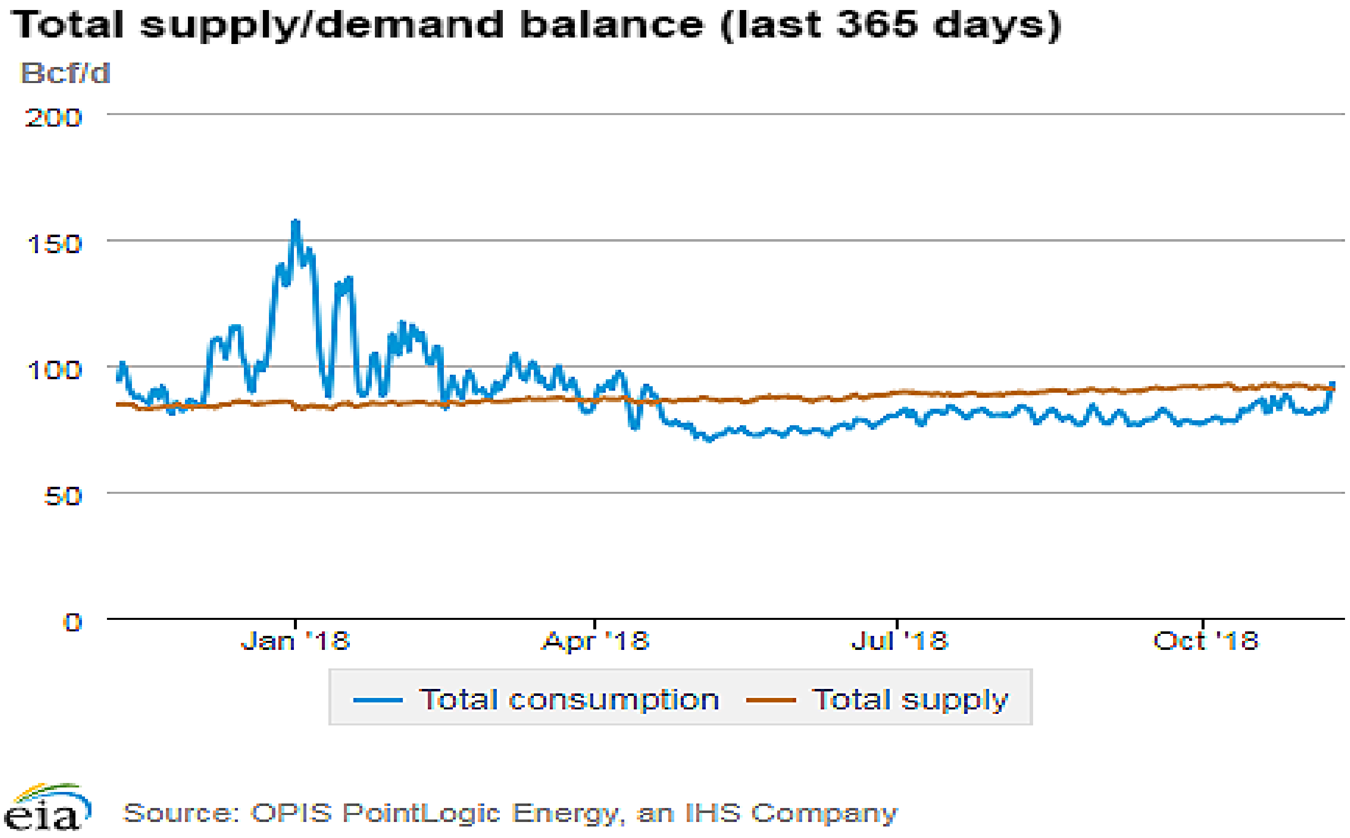
Natural Gas Production in the primary US Supply Basins



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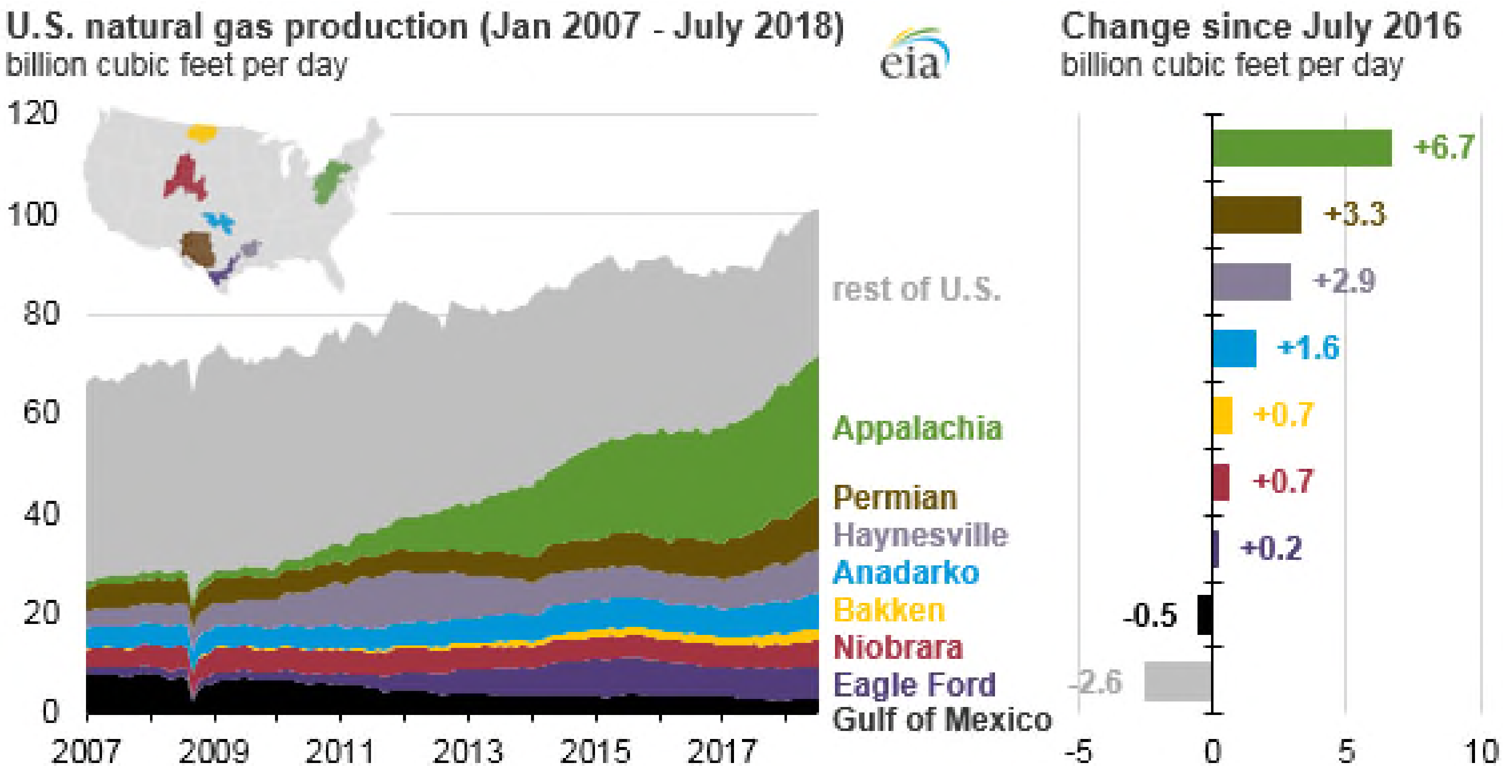
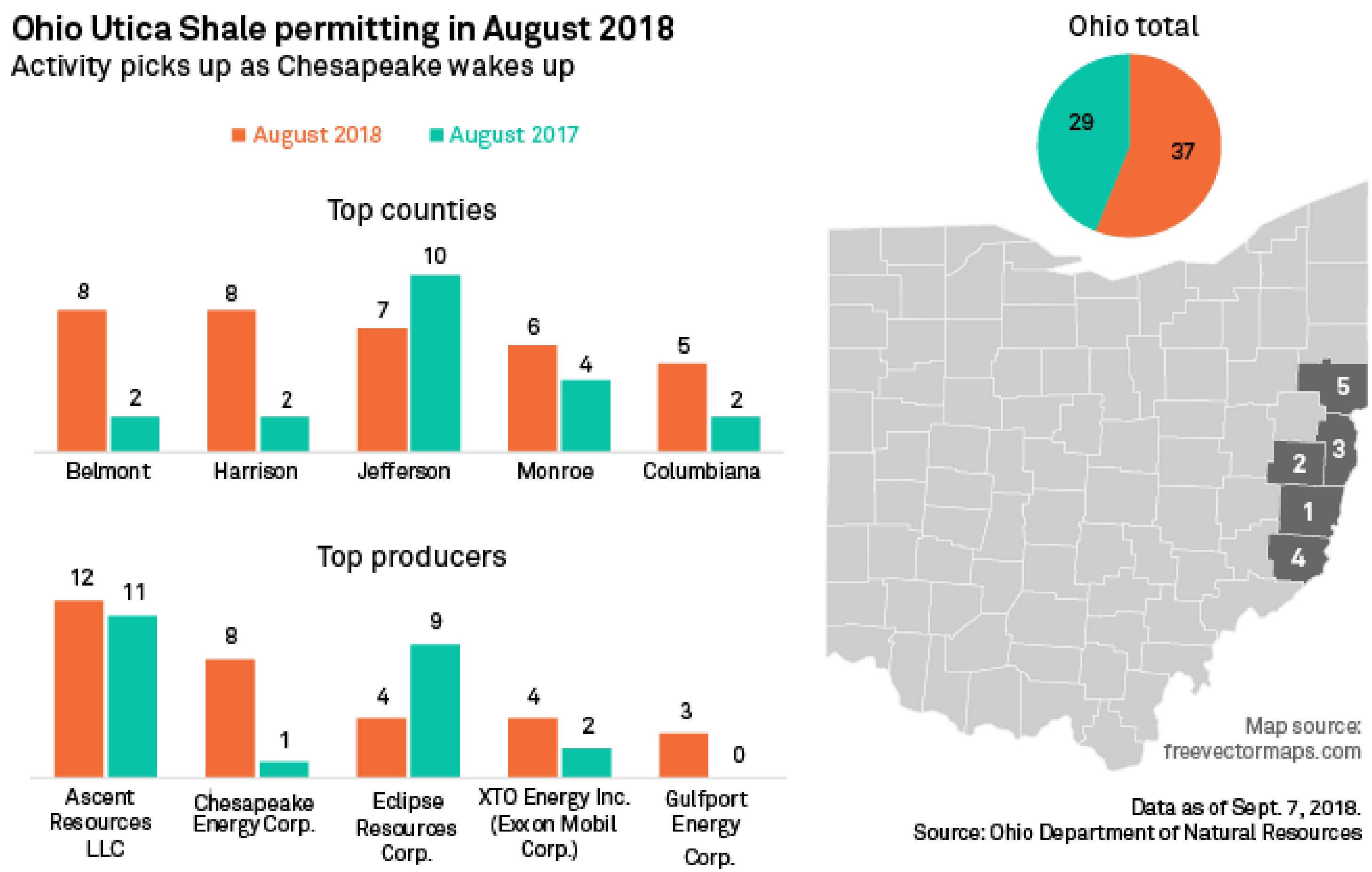
Natural Gas Production in the primary US Supply Basins



Ohio Drilling Permits Aug YOY Up – Sept YOY down though



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World's Largest Nat Gas Producing Entities & Countries

Producers/Entities

Gasprom	17.9 TCF/Year
Royal Dutch Shell	3.9 TCF/Year
Exxon Mobil	3.7 TCF/Year
PetroChina	3.4 TCF/Year

Countries (% of Global Supply)

USA	20%
Russia	17.3%
Iran	6.1%
Canada	4.8%
Qatar	4.8%

Global Annual Gas Market approximately 120 TCF/Year (North America 30 TCF; Russia 25 TCF; Asia 22 TCF; Europe 20 TCF; Middle East 15 TCF; South & Central America 5; & Africa 4 TCF)

Source: 9-11-18 Enerfax Daily & BP's Statistical Review of World Energy 2018

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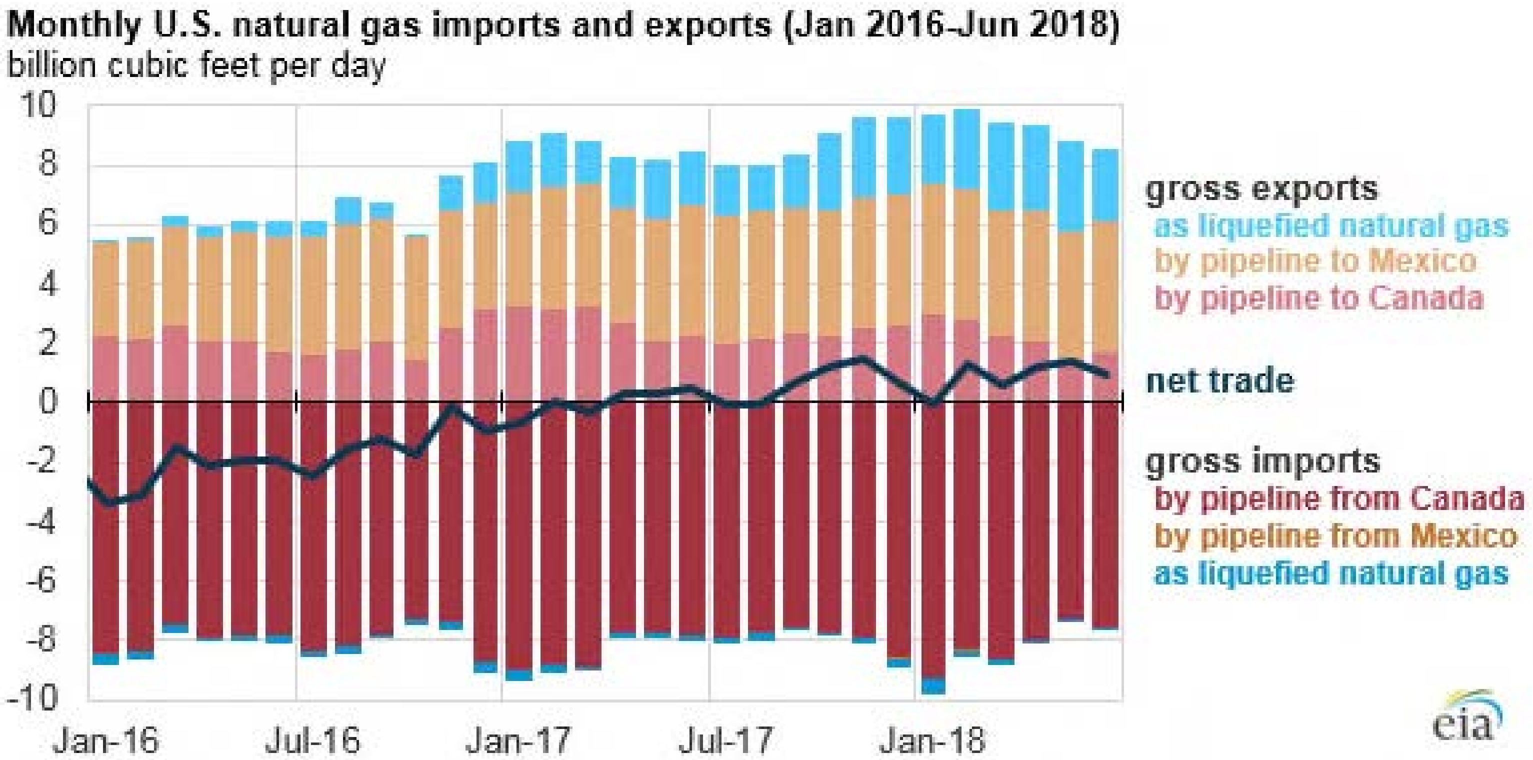
US Exports and Imports



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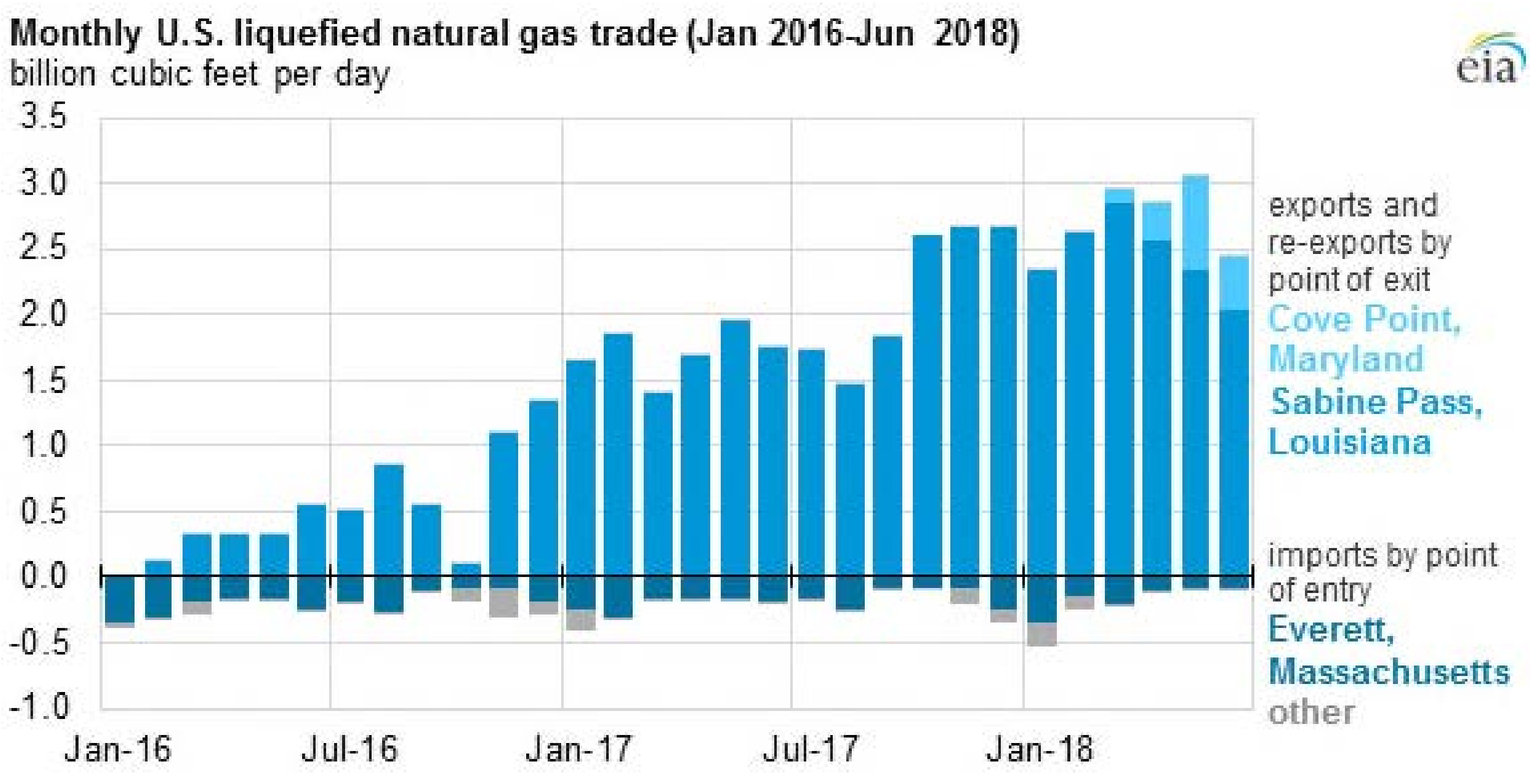
US LNG Trade



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A NiSource Company

Oil & Gas Rig Count Details – Up Slightly

North America
BAKER HUGHES RIG COUNT

BAKER HUGHES a GE company

Rotary Rig Count

11/9/18

Location	Week	+/-	Week Ago	+/-	Year Ago
Land	1057	11	1046	169	888
Inland Waters	3	0	3	2	1
Offshore	21	3	18	3	18
United States Total	1081	14	1067	174	907
Gulf Of Mexico	21	3	18	3	18
Canada	196	-2	198	-7	203
North America	1277	12	1265	167	1110
U.S. Breakout Information	**This Week**	**+/-**	**Last Week**	**+/-**	**Year Ago**
Oil	886	12	874	148	738
Gas	195	2	193	26	169
Directional	74	1	73	0	74
Horizontal	935	6	929	159	776
Vertical	72	7	65	15	57

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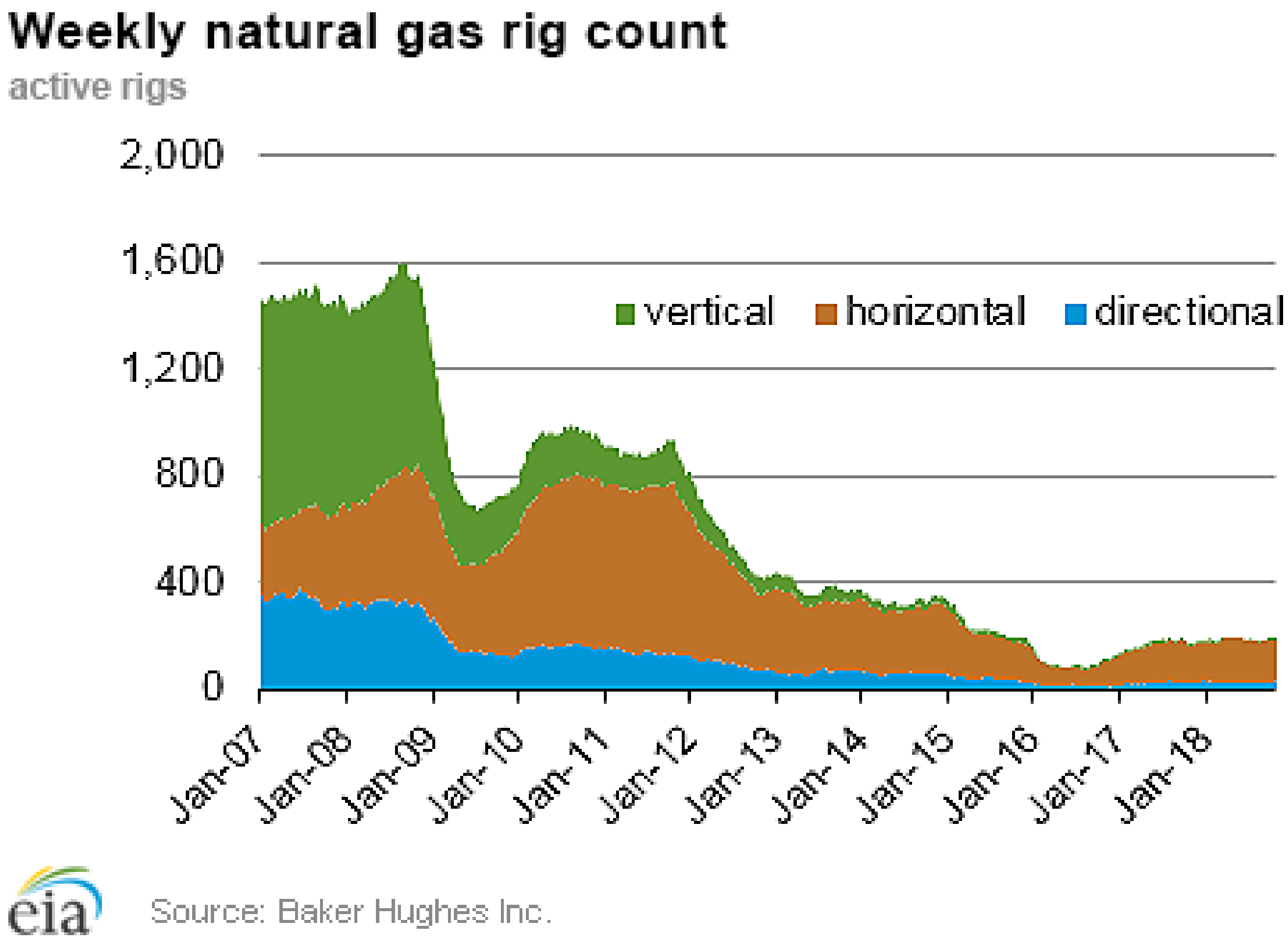
A NiSource Company

Gas Rig Count – Up Slightly



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Natural Gas/Energy Recent Developments

- Chatterjee replaces McIntyre as FERC Chair person

- New York's Attorney General sues Exxon on the basis of allegedly misleading investors regarding climate change disclosures

- Colorado Proposition 112 failed 57.5% to 42.5%; If passed, it would have drastically limited oil & gas drilling through out the state

WHAT'S THE 2018/19 WINTER ENERGY PRICING OUTLOOK?

October 19, 2018

It is hard to believe that we are already talking about winter since we just turned off the air conditioning, but it can not be denied: Its almost November! Historically, the winter months offer the highest and most volatile energy pricing, but what should you expect *this* coming winter?

Weather

Nationally, the summer of 2018 had the most cooling degree days on record. (A cooling degree day is the number of degrees that a day's average temperature is above 65 degrees F.) That means more energy was used to cool this summer than *any* other year. These high temperatures were led by the month of September which was 4 degrees higher than 30-year normal temps.

Predicting weather for this winter is obviously a risky endeavor but numerous weather models are calling for a cooler than normal winter once we get past November. The El Nino pattern is predicted for this winter which can cause heavier snowfall and colder temperatures in Texas, the Midwest and the Southeast. Based on additional indicators such as sunspot cycles and snow cover in Eurasia, meteorologists are targeting February 2019 as the month to watch for extremely cold temperatures.

Bottom Line: If the weather models play out as predicted then this is bullish to pricing.

Natural Gas Storage

The extreme cold temperatures during the first part of this year created one of the largest ever withdrawals of natural gas from storage. This coupled with the high demand for natural gas in the electric generation sector due to the hot summer has left natural gas storage at its lowest levels since 2005.

These levels are currently 14% below the five-year average and 9% below the five-year minimum. Based on the weather forecasts, the Energy Information Association predicts natural gas inventories will end the heating season in March at 1.3 Bcf, which makes it one of the five lowest ending inventories since 2004.

Looking at the past decade, the last time storage was anywhere near this low going into the heating season was 2014. During that time NYMEX prices were near $4.00 for the prompt month. Current prices for November are $3.30.

Bottom Line: Entering heating season with inventories 14 % below the five-year average is bullish to pricing.

Outages and Retirements
Nuclear generation outages in September set a 10-year record with over 10.9 GW of capacity going offline for maintenance and refueling. This occurred at the same time we experienced one of the hottest Septembers on record. This has led to less efficient, higher-priced generators setting hourly rates resulting in a 5% increase in electricity prices over the past month, just as we are heading into the winter.

Long term, coal retirements continue to be at the forefront of the news as the Trump Administration tries to figure out who will pay to subsidize them. Competition from cheaper natural gas generation is squeezing out the worst performing coal units with many of them running less than 40% of the time. This is too costly for most utilities, forcing them to make hard decisions about their continued viability. Nationally, the cumulative retirements ofcoal generation since 2010 have now reached 50,000 MW’s.

Bottom Line: Nuclear outage coinciding with time hot weather resulted in higher prices going into the winter. Eliminating high-priced coal generation from the grid is neutral to long term pricing but could create short term volatility during times of high demand.

Natural Gas Production
The rate of natural gas production continues to overcome many of the bullish factors. Production of dry gas in the lower 48 states has reached nearly 86 BCF/d which is a 13% increase over last year at this time. Shale production continues to take center stage contributing over 56 BCF/d or 65% of the total production. This is a staggering 27% increase over last year. Although prices are holding at relatively low levels producers are extracting premium value for the liquids contained in the gas stream. This premium value is keeping the producers pumping.

Bottom Line: The increase in natural gas production is the major anchor keeping prices down and is bearish to winter pricing.

Natural Gas Fired Electric Generation
Electric generation using natural gas as a fuel continues to increase. In the PJM footprint alone, 11 GW for 18% of the region’s total was added while 14.4 GW for 19% of coal was retired. Although not making up entirely for the lost production, the new generation operates at much lower costs than did the retired coal generation assets. This is mainly due to the efficiency of the new generation technology. Those generators utilizing the newer natural gas fired technology can typically generate electricity at 35% below the cost of the older coal technology.

Bottom Line: Making electricity cheaper is bearish to pricing.

Conclusion
Even though there are multiple bullish factors leading into the winter the fact that natural gas production is so high is dampening short term price impacts. However, if there is prolonged cold in

the early part of the winter there is a risk of volatile short- term pricing as traders will be watching the already low inventories quickly be consumed.

Bottom Bottom Line: If you have any open positions this winter consider locking in a good portion to protect your prices.

HOTTEST OHIO ENERGY STORIES OF THE SUMMER

September 7, 2018

The energy markets in Ohio do not disappoint when it comes to excitement. This summer proved to be another season full of potential policy changes and market anomalies.

Trump Gives Coal CPR

Trump announced a roll back of pollution controls on coal-fired power plants to slow the pace of the transformation in the power sector toward natural gas. Market forces of cheap natural gas have strained the economics of coal-fired generation for a decade; more than 200 coal plants have closed since 2010. The EPA's proposed relaxed standards are meant to slow the sharp pace of retiring coal plants to a rate of 20% between now and 2030. Without the new standards the rate of decline is predicted to be 29%.

The proposal eliminates the requirement of certain pollution controls if the plant invests in efficiency improvements. It is expected that efficiency improvements will only be made in regulated states where captive ratepayers must foot the bill. Opponents say that the few plants this may help will not outweigh the negative health impacts of the standards.

FES Announces More Plant Closures

FirstEnergy Solutions (FES), the bankrupt subsidiary of FirstEnergy Corp., announced it will deactivate more than 4,000 MW of coal and oil generation in Ohio and Pennsylvania in 2021 and 2022. This announcement comes on the heels of its previous notification to PJM of its plan to shutter the 908 MW Davis-Besse nuclear plant, the 1,268 MW Perry nuclear plant and the 1,872 MW Beaver Valley nuclear plant in 2021.

FES blames the closures on the market, which it says “does not adequately compensate generators for the resiliency and fuel-security attributes that these plants provide.” FES has taken this argument to the Trump administration pleading that the closure of these plants is a national security issue and calling on Section 202(c) of the Federal Power Act. The rarely used wartime section of the act does allow the Secretary of Energy to issue temporary orders if “emergency reasons of a sudden increase in demand for electric energy or shortage of electric energy” were to occur.

More closures do reduce supply; however, with a 21% capacity reserve, electricity scarcity is a hard argument to make. Nevertheless, the Trump administration has circulated a “confidential” draft plan which would require grid operators to buy electricity from the struggling plants before any other source, thereby propping up the financials of these plants.

PJM Pricing Changes on Horizon

Late last year, PJM began considering increasing payment to power generators that are less responsive to pricing signals such as coal and nuclear plants. In a highly technical proposal, PJM discussed changing its Locational Marginal Price (LMP) dispatch algorithms. Baseload units are generally not bidding in their marginal costs to PJM because, in the low-price environment, they are only profitable a few hours during the day. Under these conditions these plants accept the LMP prices that are set by more price-responsive units (i.e., natural gas units).

PJM points to the need to more accurately reflect the resources required to incentivize flexible resources and to minimize out-of-market uplift payments which are needed to keep high-priced units running for reliability. Bottom line: Market analysts are predicting LMP prices to increase, capacity prices to decrease, with a net effect of 2% to 5% increase overall.

Low Natural Gas Storage, Who Cares?

Natural gas storage is 20% lower than the five-year average and 8% lower than the five-year minimum, yet pricing is still near record lows. Prices at $2.80 per MMBTU, which is where we are today, has occurred when storage has been 500 BCF *over* the average, yet today we are 600 BCF *below* the average!

Shale production is crushing the market fundamentals as we know them. The cost of pulling natural gas out of the shale regions continues to decline and production output is at all-time highs. This production is in close proximity to consumers reducing risk of long haul pipeline constraints. Furthermore, regional pipelines are being built at a frantic pace to move the gas to higher-priced markets.

Even with the increase in demand for natural gas from power generation it is not enough to prop up prices. Record-breaking production levels at low operating costs are keeping a lid on what ordinarily would be high prices going into the fall and winter.

PLC Bonanza

This summer has been the thirteenth hottest summer on record for PJM and has caused a higher than normal number of notifications to customers who wish to control their for Peak Load Contribution (PLC). Customers can lower their capacity costs from suppliers by reducing load during the five highest-peak hours on the PJM system. Catch the right hours with a load curtailment and customers’ capacity costs will go down proportionally.

Energy professionals provide notifications to customers as to when these hours may occur based on projected PJM system demand. The target number for these notifications is no more than seven or eight in any given summer in order to capture the five hours. This year most providers have sent out at least eleven and we are still only in early September.

SHALE BOOM TURNS 10

August 14, 2018

Ten years ago, *Just Dance* by Lady Gaga was the hit song, the Celtics beat the Lakers for the NBA Championship, the financial markets were getting ready to melt down and barely a drop of natural gas was being produced from the shale regions. While all things come to pass – with the exception of Lady Gaga who still is a righteous performer – the shale revolution has shifted global energy fundamentals for generations to come. Here are the biggest market shifts.

Import/Export of Shale Gas and Hydrocarbons

Let's put this production boom into perspective. For the period 2000 – 2007, U.S. natural gas production grew less than 1%. For the period 2007 – 2017, production grew by 40% and is anticipated to grow by an additional 60% over the next 20 years. Of the 80 Bcf/d of production in the U.S. today nearly 55 Bcf/d is dry shale gas production. Ten years ago, shale gas only contributed 5 Bcf/d!

In 2007, the U.S. was expected to be one of the largest, if not **the** largest importer of Liquefied Natural Gas (LNG). Import terminals were constructed and ready to receive LNG from the global market just as shale production started to come on the radar. Since that time, this cheap local production killed the import idea but birthed the concept of exporting LNG. Now these terminals are feverishly being modified to export LNG to the global markets. By 2025 it is expected that the U.S. will be one of the world's largest exporters of LNG.

Finally, pipelines to Mexico and Canada are pushing more and more natural gas out of our country. We now export nearly half of the natural gas needed in Mexico. Ten years ago our net import position was around 10 Bcf/d and now we are net exporters of almost 3 Bcf/d. This new position of net exporter of natural gas and associated hydrocarbons makes us more energy independent, certainly influencing international dynamics.

Price

Short term, this glut of production has driven natural gas prices to all time lows altering the game for participants. Prior to the shale revolution, NYMEX natural gas prices were on average 75% higher than where they are today and with much more volatility. Storms in the Gulf of Mexico would whip up the prices on the risk that production could be shut in on the drilling platforms. It would not be unusual for prices to double based on the threat of a hurricane. Ten years later, there is virtually no volatility in the natural gas market. Traders barely care about hurricanes since most of the production is in the market areas. Furthermore, basis prices (difference between Henry Hub and the market area) are consistently negative in the Appalachian region making it the cheapest gas available.

Contributing to the low prices are improvements in drilling and extraction costs. Data consultant, IHS Markit, has estimated that over 1200 Tcf of natural gas resourses can be extracted from the ground at Henry Hub prices below $4/MMBTu. **At the current rate of production that equates to 41 years of production under $4!**

Power Generation Shift

Ten years ago there was a renaissance of new nuclear power projects and clean coal technologies making the headlines. Nearly a dozen new nuclear power plants were in the permitting stages and many were talking about CO2 sequestration related to new coal plants. Within a few years many of these plans were completely scrapped with the advent of the cheap, abundant natural gas. In addition to the fuel economics, natural gas-fueled power generation technology became extremely efficient. The result: Manufactured electricity that is cheap, clean and offers generation plants that are easier to build than nuclear – or coal – fired power plants.

In 2007, the generation mix in the U.S. was 49% coal, 20% nuclear and 22% natural gas. Today the mix is 30% coal, 20% nuclear and 32% natural gas, a trend that is expected to continue in favor of natural gas. IHS Markit predicts natural gas to grow to almost 50% of the power produced by 2040.

Investment

The American Chemistry Council estimates there are 310 petrochemical projects currently under construction or in planning for over $185 billion in potential capital investment. This compares with $85 billion worth of projects completed since 2010. The reason for this significant increase in investment is that chemical products produced in the U.S. can now use natural gas as their feedstock while the rest of the world uses oil. Prices for the chemical products such as ethylene, acetylene, and benzene generally track crude oil, so using cheap natural gas to make these products is a huge global competitive advantage. The U.S. petrochemical industry is providing a continuous flow of investment to capture this margin, positioning the U.S. to be the leader in satisfying global demand for chemicals.

Additionally, the Oil and Gas Journal reports that the U.S. will spend $18 billion in natural gas pipelines in 2018 which is up 144% from the previous year. This capital is earmarked for the construction of over 2,800 miles of pipeline. This is major money that is being pumped into energy infrastructure. It is unlocking the value of this new energy asset and positioning the U.S. to be an even bigger global player in the future. Talk about a game changer!

Electricity Market Update

November 14, 2018

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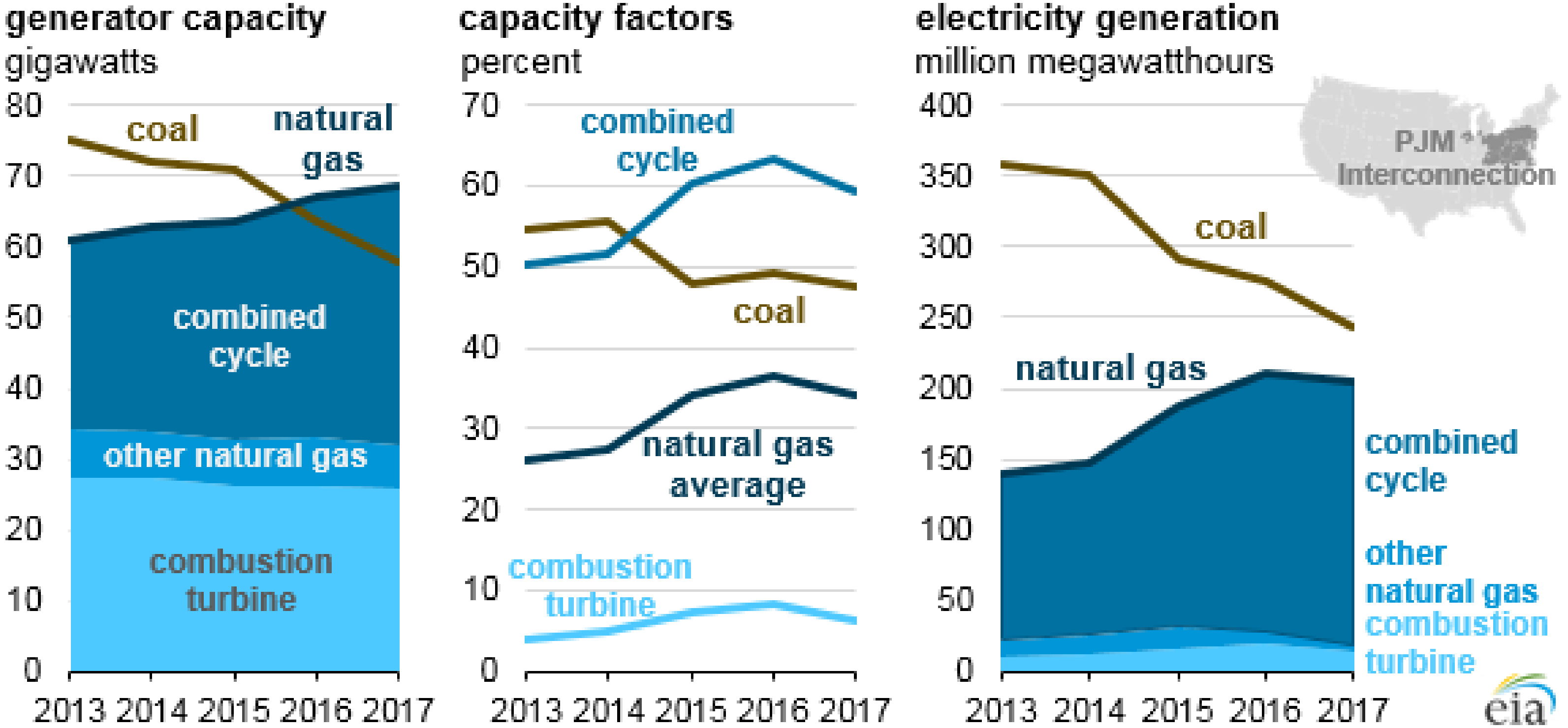
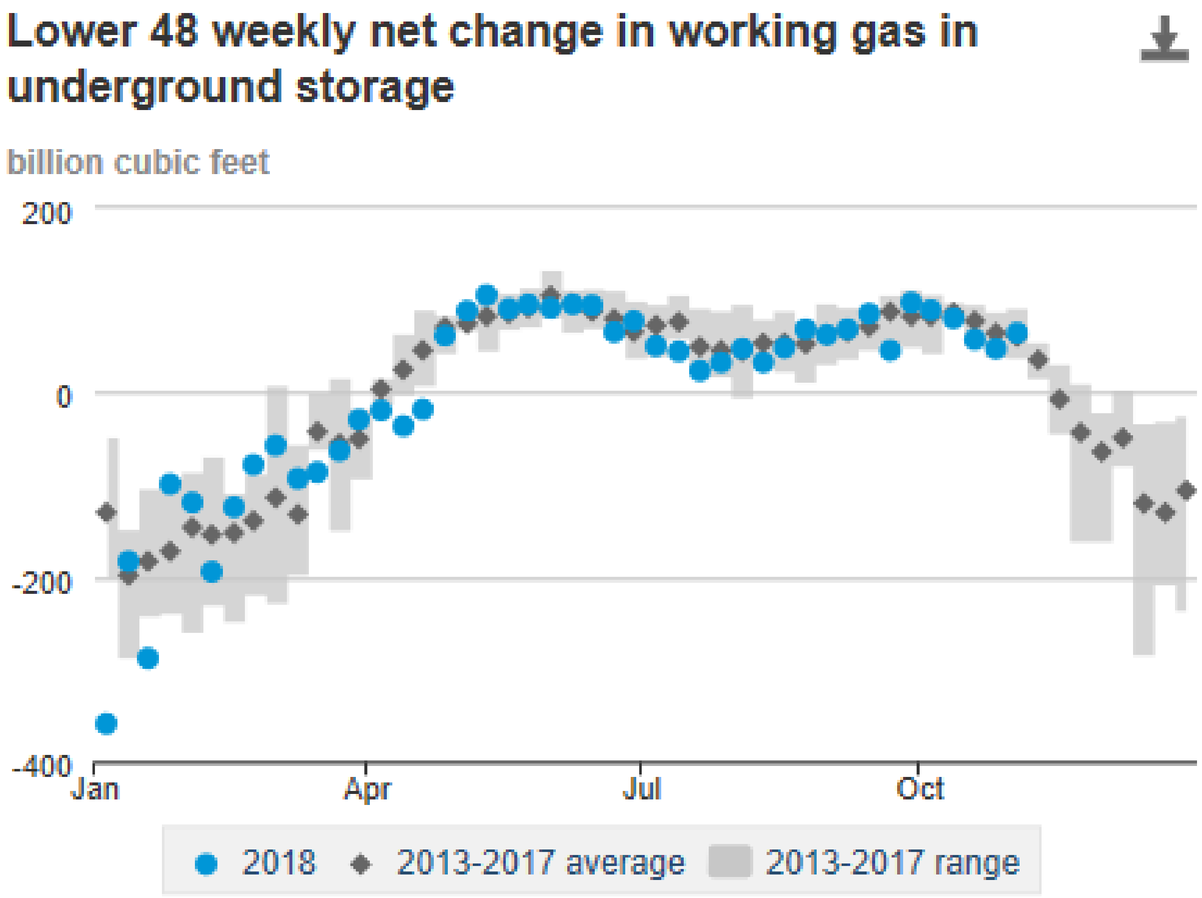
Generation Diversity

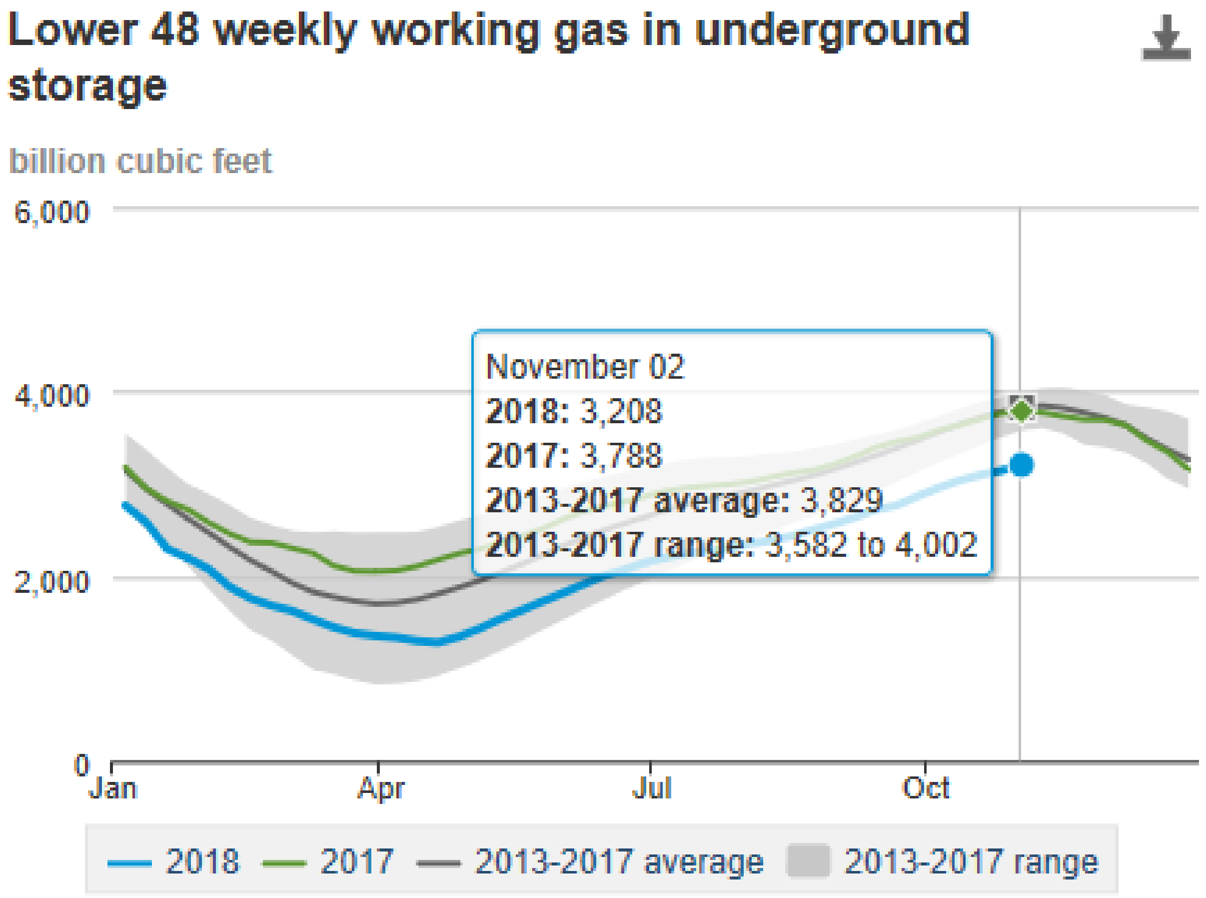
PJM electric generator capacity, capacity factors, and electricity generation (2013-2017)



Source: U.S. Energy Information Administration, *Power Plant Operations Report*

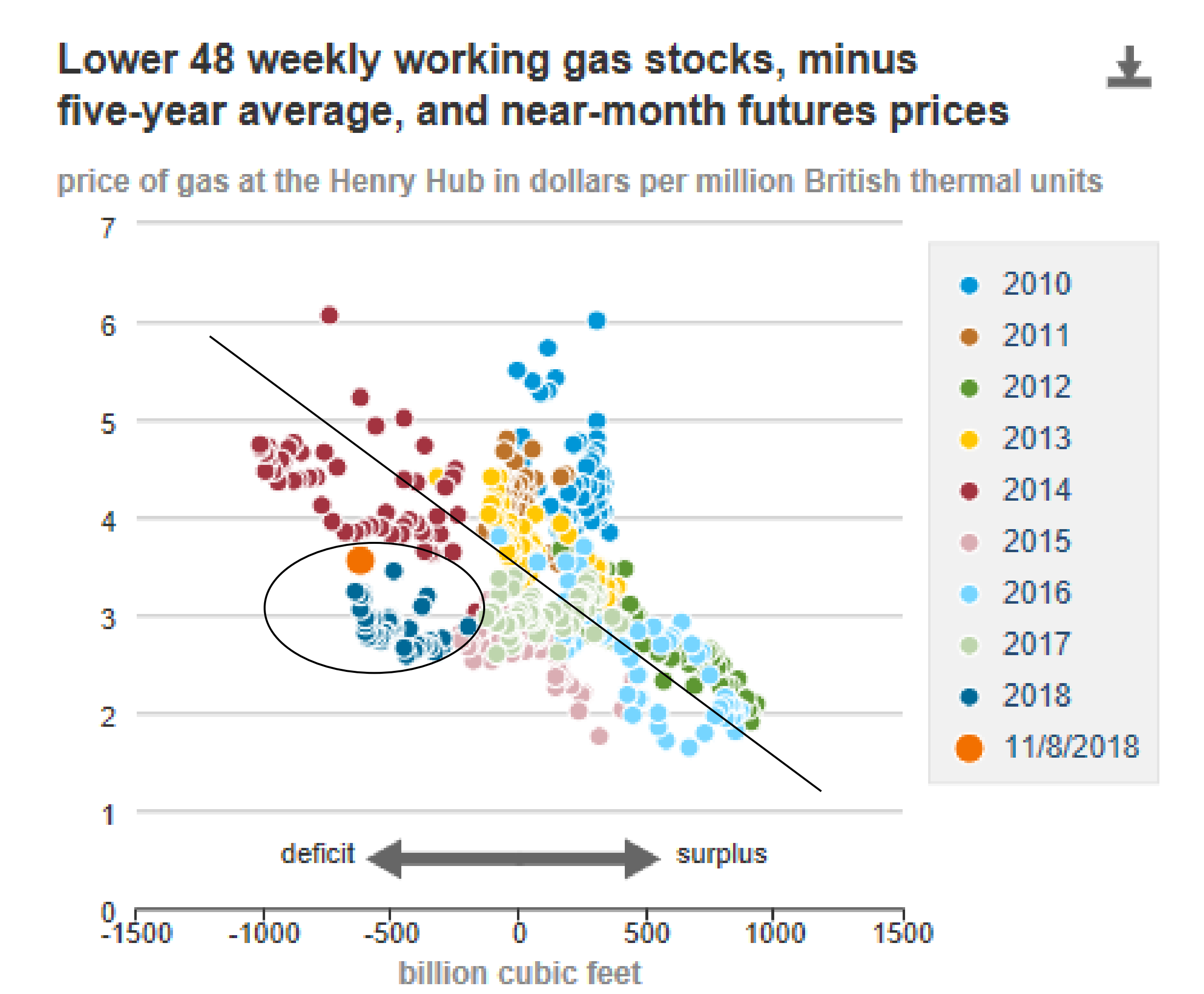
Natural Gas Storage



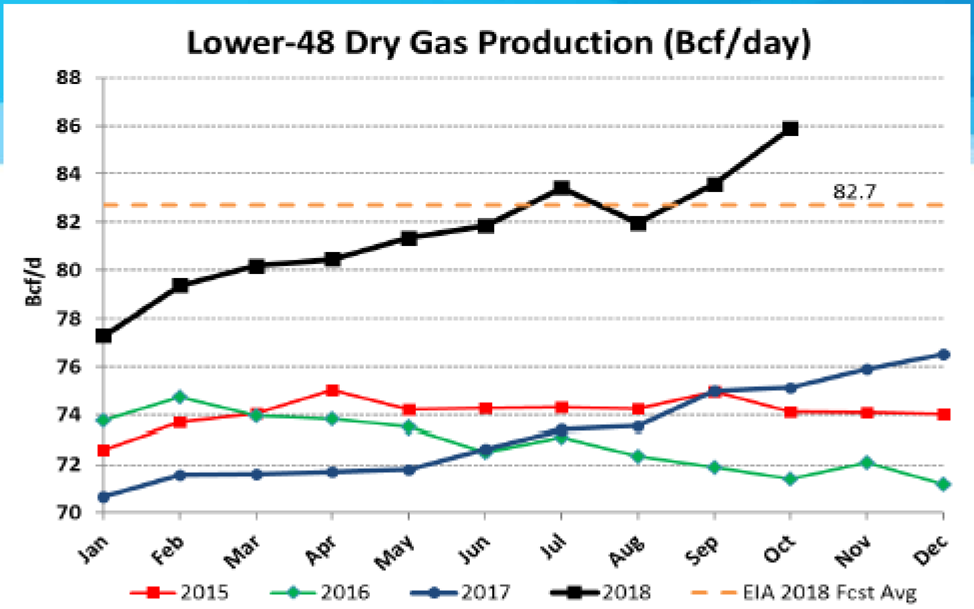


16 % below 5 year average

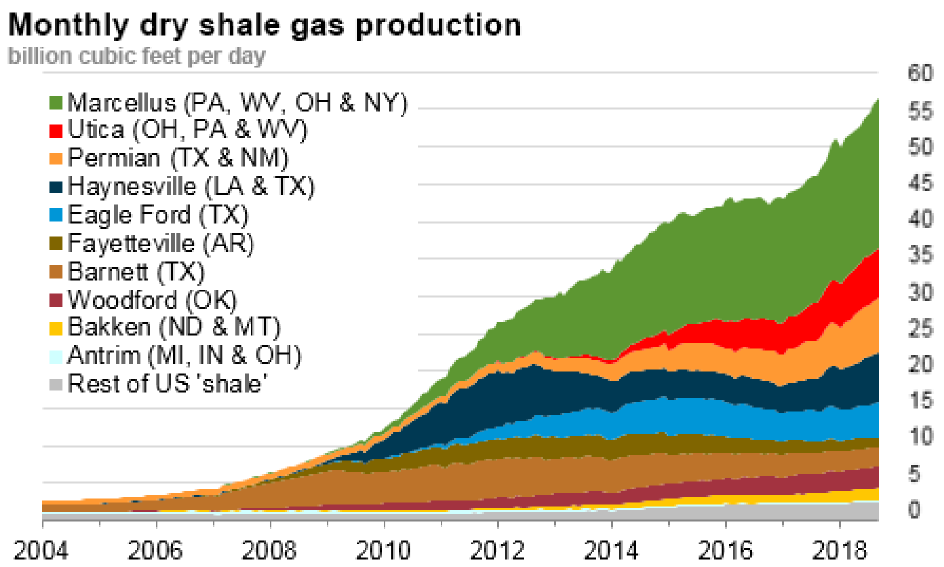
Nat Gas Price vs. Storage



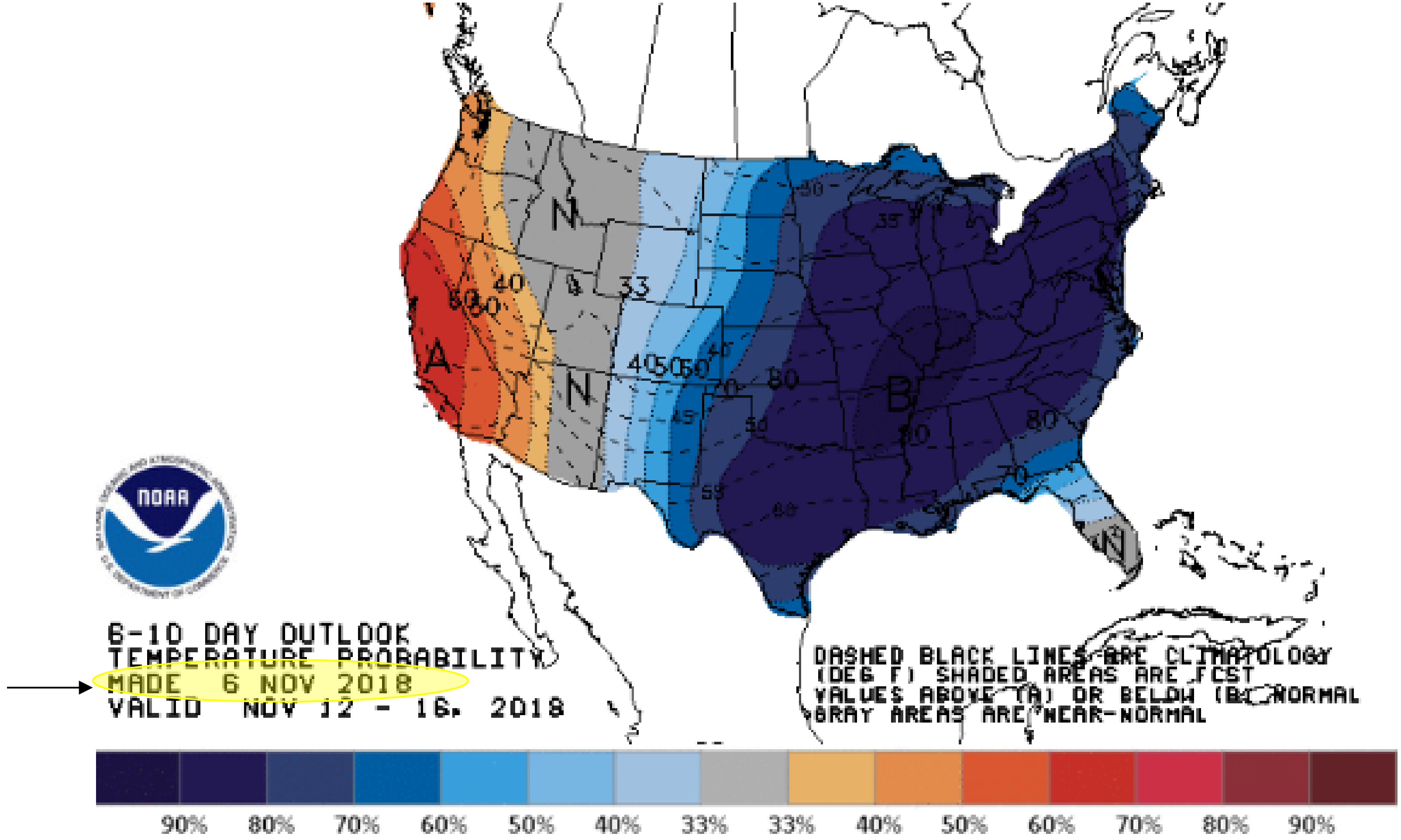
Natural Gas Supply/Demand



Marcellus and Utica make up 31% of Lower 48 production



Temperature Forecast



NYMEX Prompt Month

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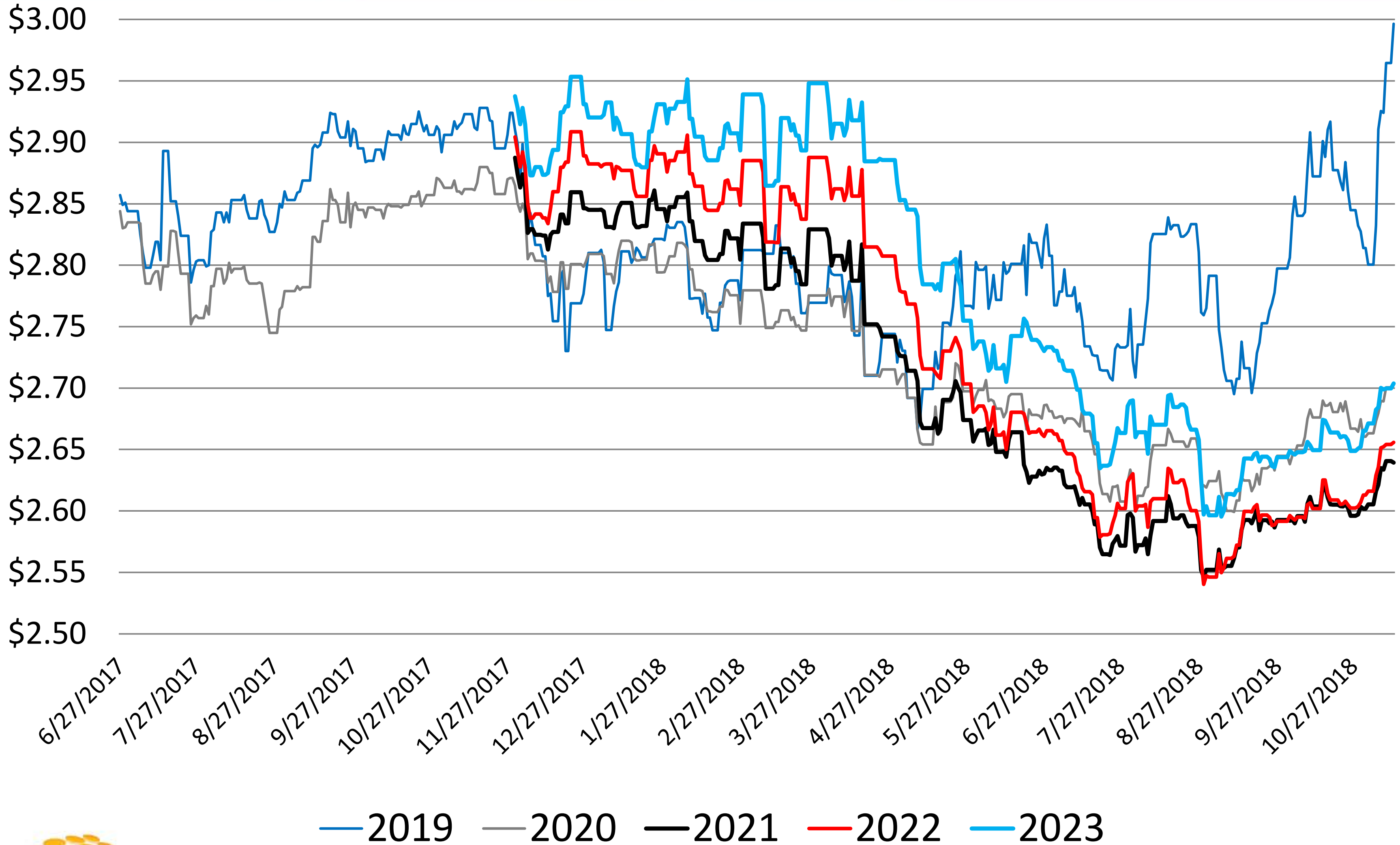
NYMEX Natural Gas Futures



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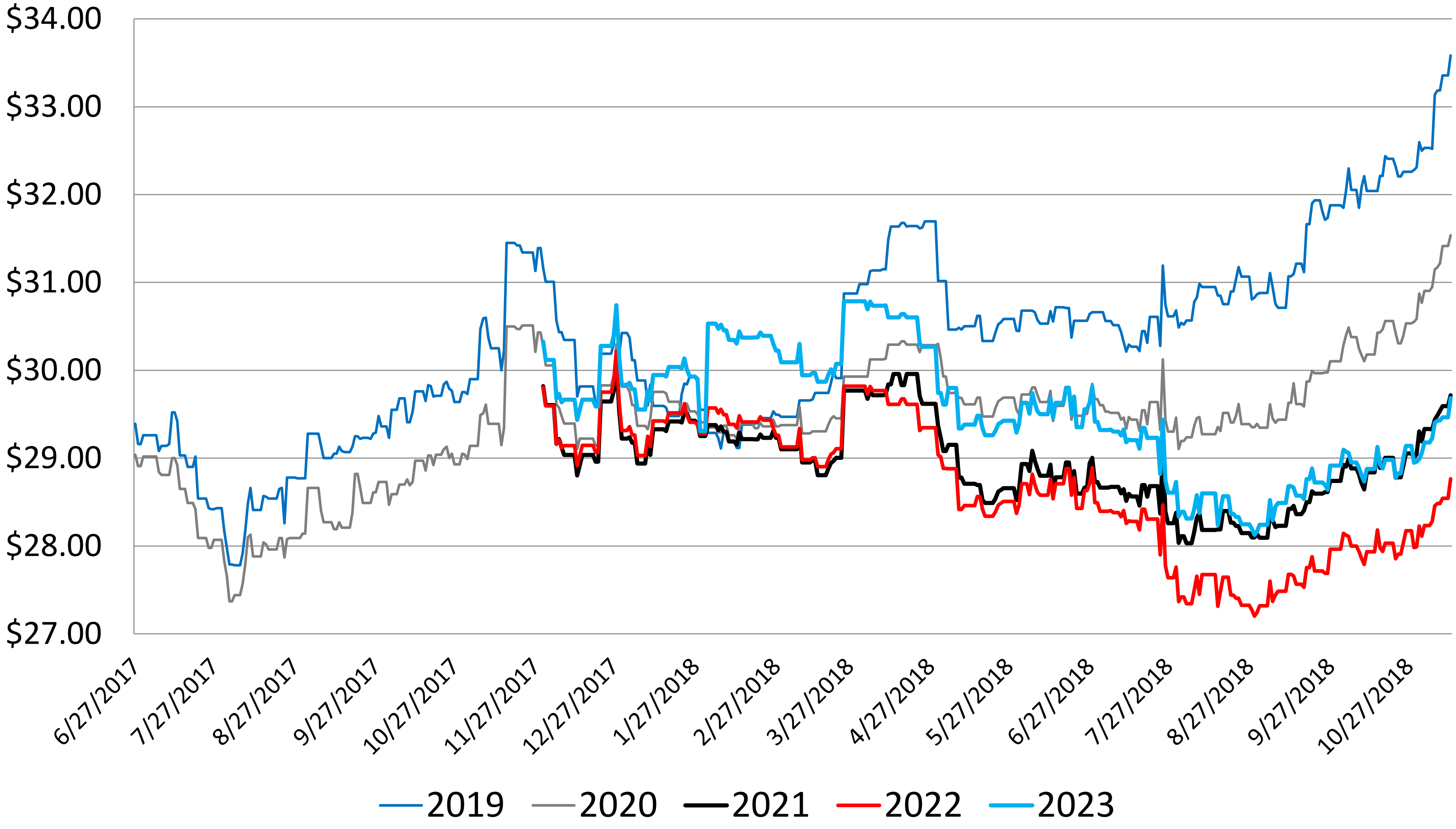
AEP/Day Hub ATC Electric Forwards



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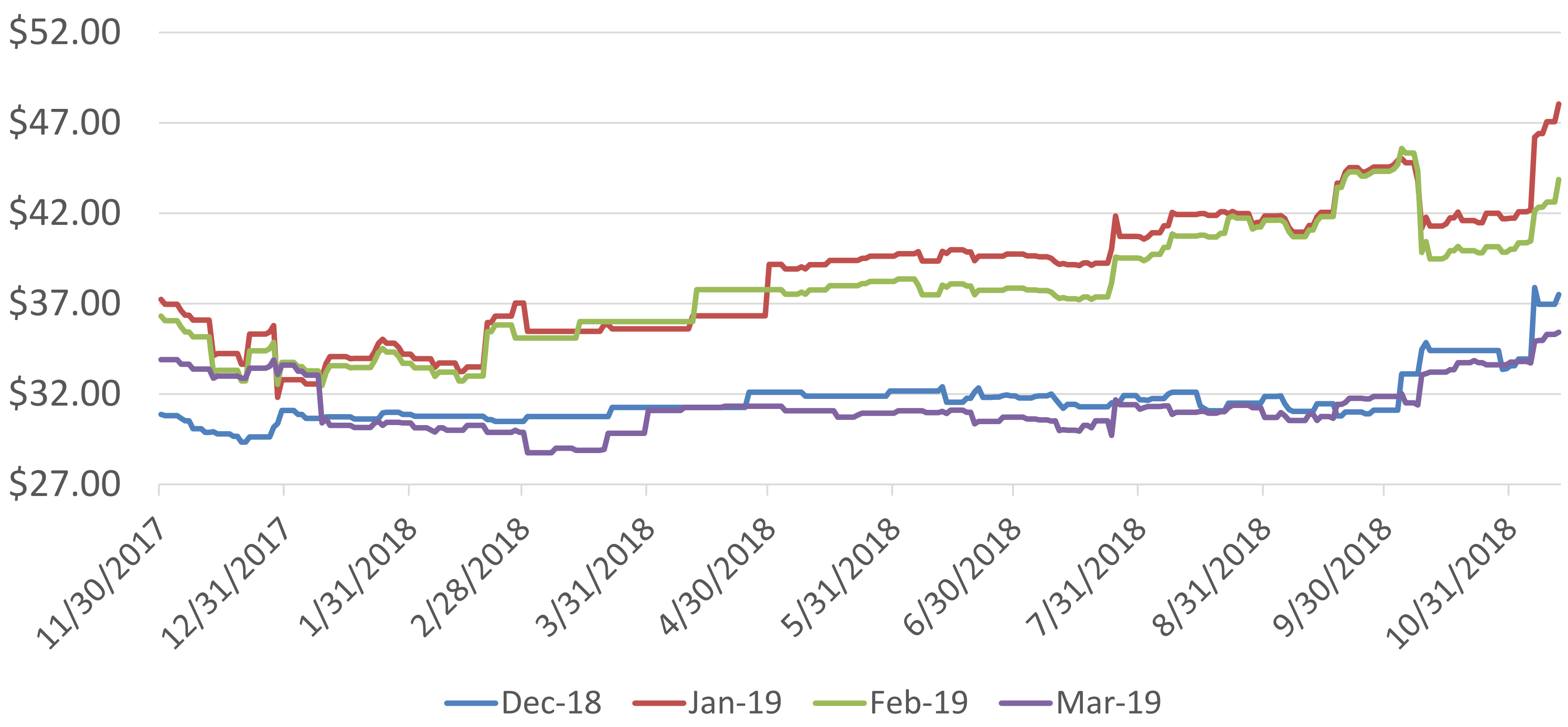
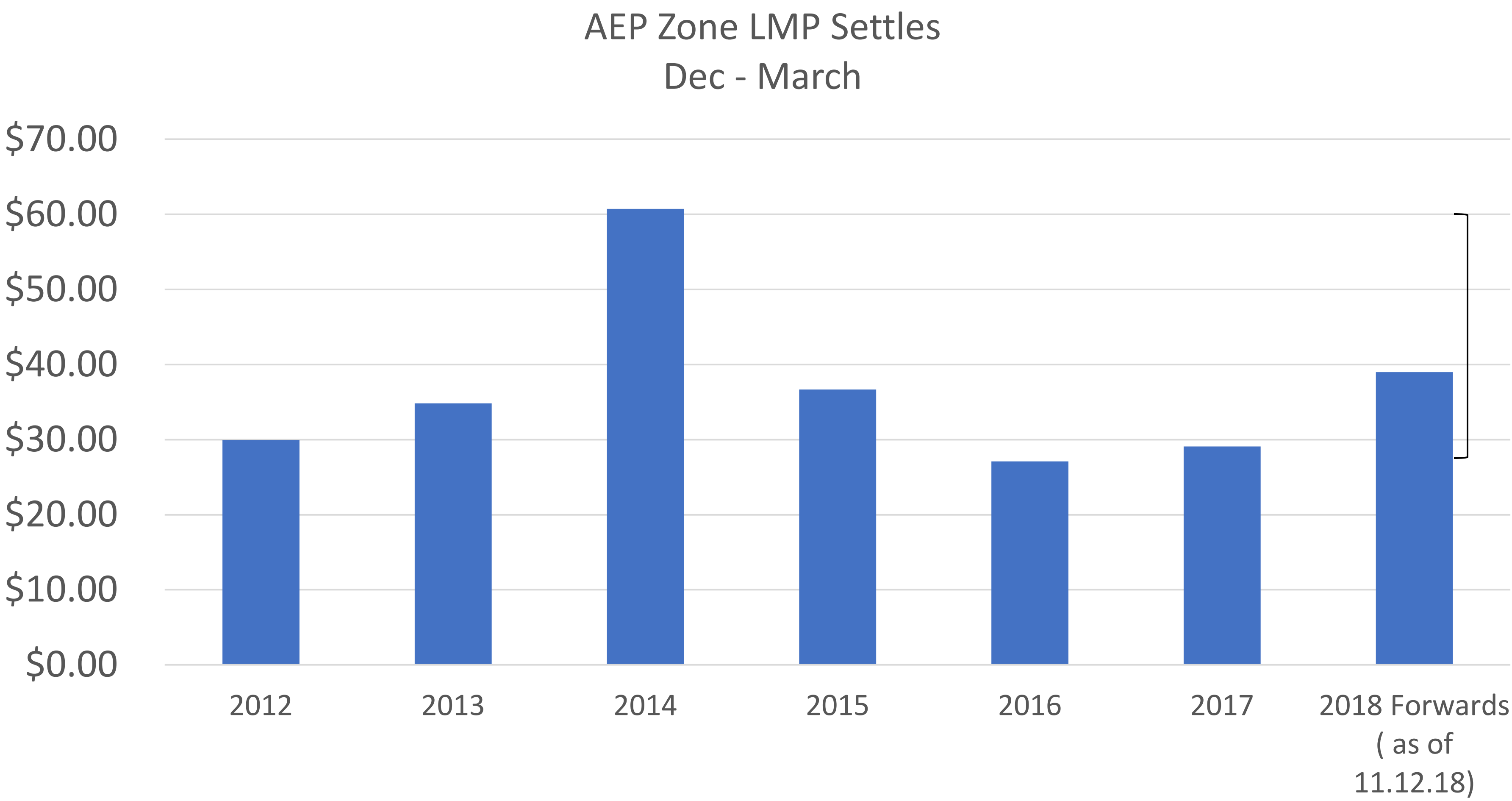
Winter 18/19 Monthly Forwards



Historic Day Ahead Pricing



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Historic Day Ahead Pricing

PJM Summer 2018 - 5 Coincident Peak Hours			
Date	**Day**	**Hour Ending**	**Peak Load (MW)**
8/28/2018	Tuesday	17:00	154,452
9/4/2018	Tuesday	17:00	149,364
6/18/2018	Monday	17:00	149,188
9/5/2018	Wednesday	17:00	148,615
8/27/2018	Monday	17:00	146,503