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

Energy Committee

November 17, 2016

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2017 Energy Committee Calendar
Meetings will begin at 10:00 a.m.

Thursday, February 09, 2017
Thursday, May 18, 2017
Wednesday, August 23, 2017
Thursday, November 16, 2017

OMA Energy Committee Meeting Sponsor:

Constellation.
An Exelon Company

10:00 a.m. (EST)
1-866-362-9768
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OMA Energy Committee Agenda
November 17, 2016

Welcome and Introductions	Brad Belden, Belden Brick, Chair
State Public Policy Report • State Government Overview • Post-Election Legislation • Reregulation / Restructuring • Alternative energy freeze	Ryan Augsburger, OMA Staff
Customer-Sited Resources Report • Energy efficiency program updates • Energy efficiency peer network activity • PJM update	John Seryak, PE, RunnerStone, LLC
Counsel's Report • Subsidy Cases (Formerly PPAs) • Utility Case Highlights • FERC and Appeals	Kim Bojko, Carpenter Lipps & Leland
Presentations	
11:00 *The Utilities' Job Killing $29.4 B Subsidy*	Bill Siderewicz, Clean Energy Future, LLC
11:30 *Energy & Petrochemicals*	Dana Saucier, JobsOhio Managing Director
Electricity Market Trends	Susanne Buckley, Scioto Energy
Natural Gas Market Trends	Richard Ricks, NiSource, Columbia Gas of Ohio
Lunch	

Meeting sponsored by:

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To: OMA Energy Committee
From: Ryan Augsburger
Re: Energy Public Policy Report
Date: November 17, 2016

Overview

Following the election, lawmakers returned to the Statehouse for a short post-election, or "lame-duck" session. The prospect for energy policies to be addressed via legislation later this year is very real.

Also since our prior meeting, the PUCO has awarded FirstEnergy a partial bailout of $1 billion. Other utilities are following suit.

Meanwhile utility companies are lobbying for reregulation of power generation in Ohio, a reversal from Ohio's deregulation law.

PUCO Gives FirstEnergy Subsidy / Sets Precedent

The PUCO awarded FirstEnergy a $1B plus subsidy to prop up the company and its affiliate. Far be it from the $9B sought most recently by the Akron-based utility. Appeals will follow, but the PUCO effectively brought closure to the lengthy ESP application which initially included the power purchase agreement that was later blocked by the FERC after the PUCO approved in last March.

The OMA Energy Group (OMAEG) opposed the proposal in every chapter and will continue to seek reversal in appeal. See Counsel's report. See media clippings. Dayton Power & Light has made a very similar filing now pending at the PUCO.

Reregulation

AEP and FirstEnergy are calling for legislative *reregulation* or *restructuring*. Details of a restructuring proposal are not yet clear but legislative leaders have signaled that they will not act on the controversial issue in 2016; however, it may be considered in the 2017-2018 legislative session. Conversations are ongoing with state leaders.

AEP and FirstEnergy CEOs have asked policymakers to commit to law changes by spring 2017. Meanwhile, AEP sold their most valuable fleet of generation. The company reported profit on its regulated distribution activities were higher in Ohio than anywhere else.

FirstEnergy, long a champion of competition has publicly switched positions and is now calling for reregulation. Like AEP, it is meeting with legislators.

In 1999, with the passage of Senate Bill 3, Ohio began a transition to deregulated generation. That transition which has taken over 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 would have represented 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.

Financial Integrity Bailouts

Earlier this year we reported on favorable Supreme Court decisions that protect customers from inappropriate utility overcharges. The Court decision pertained to both AEP and DP&L but also established precedent. Dayton Power & Light has developed a legislative proposal to reverse Supreme Court decision that fairly protects customers from transition charges. The legislative proposal would authorize PUCO to impose riders on customers' electric bills to fund a utility bailout any time a utility claims their "financial integrity" is threatened. In effect, the law change authorizes the FirstEnergy subsidy recently awarded and other utility subsidies such as the latest DP&L proposal. They utility is lobbying for the legislative change during the post-election section.

PUCO Appointment

Governor Kasich appointed veteran energy attorney Howard Petricoff to the vacancy on the PUCO created by the departure of Commissioner Andre Porter. Senate President Keith Faber has questioned the qualifications of the Governor's appointee and has hinted the Senate may refuse confirmation, a step required of gubernatorial appointments. The OMA has expressed support for Commissioner Petricoff. It's the worst kept secret around capitol square that utilities don't like the pick because of his past work in support of competitive energy suppliers. Still pending.

Clean Power Plan / Federal Greenhouse Gas Regulations / 111(d)

US EPA issued a final rule in August 2015. Appeals have delayed implementation. The OMA filed comment together with the NAM and individually. Oral argument occurred was held last month.

While there was much speculation about the CPP's ability to survive legal scrutiny, the survival is now in question following the surprise election results. If / when federal carbon emissions regulation goes online, states will likely need to develop state implementation plans. Ohio policymakers have chosen to hold off on state regulations.

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. Natural gas production continues to grow in the Buckeye state even with depressed pricing. In fact, Ohio natural gas prices are among the lowest around the globe today. See attached presentation materials by JobsOhio on the new cracker project in Belmont County.

Energy Efficiency Legislation

Legislation was enacted in 2014 to revise Ohio's energy standards which required utilities to deliver a certain amount of efficiency from customers and to procure a certain amount of renewable generation. The issue has been reported and discussed at OMA meetings for over three years.

SB 310 froze the alternative energy standards for two years and created a legislative study committee to assess the impacts of the standards. A report was issued in September 2015 recommending an indefinite freeze. Governor Kasich subsequently commented that indefinite freeze was unacceptable, and that he did not favor the existing standards either. Without legislative revision, the freeze is scheduled to lift the first of 2017. Senator Seitz has introduced SB 320 to revise some provisions and to extend the freeze for another three years. In contrast Representative Amstutz (#2 ranked member of the House) introduced HB 524 which makes the freeze more permanent. Hearings on both bills are ongoing this week. There is a significant legislative support to act before year end.

Energy

[Some Corps. Want Reinstatement of Renewable Energy Requirements]

November 11, 2016

John Rego, Partner, with OMA Connections Partner, Jones Day, summarizes the state of play with respect to the state's two-year energy efficiency mandate freeze.

He says: "With the end of the two-year freeze approaching, bills have been introduced in the Ohio General Assembly that would reduce or completely eliminate the renewable energy standards. … On October 25, 2016, nine companies, ranging from Whirlpool Corporation to Nestlé to Gap Inc., … urge(d) Ohio lawmakers to lift the freeze and restore the 2008 renewable standards. The companies argued that such standards, particularly energy efficiency mandates, would help them meet their corporate sustainability goals, while saving money and attracting clean energy producers to the state."

And: "For his part, Governor Kasich has vowed to veto any effort to extend the freeze or kill the renewable requirements entirely, although he has signaled a willingness to replace the 2008 standards with less stringent requirements. Since the 2008 standards will automatically be reinstated absent new legislation before the end of the year, Kasich seems to have a strong hand to play." *11/10/2016*

Duke Energy Can Collect that $19M After All

November 4, 2016

The Public Utilities Commission of Ohio last week reversed its prior decision thus permitting Duke Energy in Ohio to recover $19.75 million in "shared savings" incentives.

The commission granted Duke's application for rehearing of its 2013 shared savings recovery case, overturning its previous ruling which held that Duke's use of banked savings to claim a shared savings incentive was improper.

On May 20, 2015, the commission issued an order determining, among other things, that Duke may only use its banked savings to reach energy efficiency/demand reduction benchmarks. Accordingly, Duke was not permitted to use banked savings to claim a shared savings incentive. Last week's action reverses this. Duke will collect the $19.75M through an increase in the existing EE/PDR rider. *10/31/2016*

PJM Visits with OMA Members

November 4, 2016

PJM Interconnection's (PJM) Paul Sotkiewicz, Ph.D., Consulting Economist, recently presented PJM regional results, as well as the Ohio-specific results, of Clean Power Plan modeling the organization has executed. Kerry Stroup, PJM's Manager, State Government Policy, also participated.

PJM is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states, including Ohio, and the District of Columbia. As a neutral, independent party, PJM operates a competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability for more than 61 million people. *11/01/2016*

Pictured – PJM's Manager, State Government Policy Kerry Stroup, PJM's Consulting Economist Paul Sotkiewicz, OMA president Eric Burkland, and VP, Administrative Services, The Belden Brick Co., Brad Belden

OMA Energy Efficiency Tour at Anheuser-Busch

November 4, 2016

OMA members who participate in OMA's Energy Efficiency Peer Network (EEPN) took a plant tour this week, hosted by OMA member, Anheuser-Busch Companies, Columbus. Multiple energy efficiency projects were showcased.

In addition to periodically touring plants, the EEPN gets together several times a year via web meeting to discuss a variety of energy efficiency technologies and case studies. The group is facilitated by OMA's consulting energy engineering partner, Go Sustainable Energy LLC.

Interested? Sign up here. There is no cost for OMA members and we'll keep you posted about 2017 activities. *11/2/2016*

$1.5 Billion Possibly at Stake in DP&L Case

October 28, 2016

Dayton Power and Light has requested that a new "Distribution Modernization Rider" (DMR) provide it $145 million per year for seven years in non-bypassable riders (the customer cannot "shop" around the rider cost).

If the DMR is grossed up for taxes as it was in the recent PUCO-approved FirstEnergy proceeding, and assuming a 35% corporate tax rate, the request increases to $223.1 million annually. Multiplied by seven years, it would result in a total cost of $1.5 billion.

See how this proposed rider would affect manufacturers with varying electricity usage here. *10/27/2016*

Energy Scenario Planning: Efficiency Investments Lower Costs

October 28, 2016

A recently released study shows investments in energy efficiency lower electricity costs better than do other scenarios modelled. The study, "Four Paths to Ohio's Energy Future," was commissioned by Advanced Energy Economy.

The study looked at four scenarios for investment in Ohio energy systems, and projected costs for 2030. A scenario heavy in energy efficiency investments lowers costs 1.71 cents/kWh from a base case without efficiency investments. *10/27/2016*

$14.57 Billion, and Counting, in Above-Market Charges

October 21, 2016

In 1999, Ohio moved to allow customers to shop for electricity generation in order to establish the benefits of competition for the state and its economy.

Since that time, through various riders approved by the Public Utilities Commission of Ohio (PUCO), customers have paid $14.57 billion in above-market charges to the state's utilities. That is, $14.57 billion more than the costs customers paid for the actual electricity they bought from competitive suppliers.

The PUCO just approved another $1 billion in above-market charges for FirstEnergy. Dayton Power and Light has proposed to the PUCO another $1.5 billion in charges. That'd be a total of $16 billion if the DP&L proposal would be approved.

For manufacturers, these riders drain away precious cash that could be used for investment and innovation in Ohio, creating more jobs and more prosperity. Join the OMA Energy Group to help stop this economic madness. *10/17/2016*

How the $1 B FirstEnergy Approved Subsidy Impacts Manufacturers

October 21, 2016

Last week the Public Utilities Commission of Ohio approved a $1 billion subsidy of FirstEnergy by customers. The ruling will cost customers $204 annually for, likely, five years.

Very large consumers of electricity look to see costs from the rider of $18 million, large users $1.9 million, and medium-sized consumers $140,000 over the period.

See a breakdown by usage here. The OMA Energy Group opposed this costly subsidy, and will continue to litigate it, now that the PUCO has acted. *10/17/2016*

PUCO OKs up to $1B in New Costs for FirstEnergy Customers

October 14, 2016

This week the Public Utilities Commission of Ohio (PUCO) approved a new "grid modernization" rider that amounts to an unwarranted subsidy for FirstEnergy that will stifle competition, drive electricity costs up and harm manufacturing competitiveness.

Eric Burkland, OMA president, issued a statement commenting on the PUCO decision to allow FirstEnergy to collect up to $1 billion in above-market customer charges:

"Today's decision by the PUCO to give FirstEnergy a subsidy through a "grid modernization" rider is a setback for electricity consumers in Ohio. If implemented, the rider essentially will serve as another new tax, potentially costing families and businesses $1 billion, while also setting a precedent for the PUCO to grant above-market customer charges to the state's other utilities to bolster utilities' financials.

"These unwarranted new costs will put another strain on the budgets of families, particularly those least advantaged, and will harm the competitiveness of businesses, especially those that are energy intensive.

“What do these electricity customers get for the new costs? Pretty much nothing. The customers are being asked to pay FirstEnergy with no direct consumer benefits. The rider is called a “grid modernization rider,” but requires FirstEnergy to do nothing to actually modernize the grid.

“Customers are paying to prop up the finances of a failing company. FirstEnergy should address its own financial troubles by using methods manufacturers and other businesses are required to use – cut costs, sell assets, sell equity – rather than rely on a customer bailout.” *10/12/2016*

DP&L Proposes New $1 Billion Rider

October 14, 2016

Dayton Power and Light (DP&L) has amended its Electric Security Plan application to the Public Utilities Commission (PUCO), proposing a $145 million per year “distribution modernization rider.”

The utility says that the rider is necessary to allow it to maintain its financial integrity and to access equity and debt capital in order to finance transmission and distribution infrastructure modernization investments. DP&L also stated that the cash flow from the rider will be used to pay interest obligations on existing debt, make discretionary debt prepayments, and allow DP&L to make capital expenditures to maintain the company’s transmission and distribution infrastructure.

The Ohio Consumers’ Counsel estimates the newly requested rider would cost Dayton-area consumers $1.01 billion over seven years.

The OMA Energy Group is an intervenor in the case to protect manufacturers’ interests. *10/13/2016*

Beer! Plant tour!

October 14, 2016

The OMA Energy Efficiency Peer Network (EEPN) has scheduled its next plant tour for Wednesday, November 2 at the Anheuser-Busch Brewery in Columbus, Ohio.

The tour will focus on energy efficiency and sustainability initiatives. Highlights will include brew kettle heat recovery; ammonia refrigeration efficiency; and compressed air pressure reduction.

Steel-toed shoes, hard hat, & safety glasses required. Limited hard hats and shoe covers available onsite.

Please register promptly as there are limited spaces remaining. Register here. *10/11/2016*

More Gas-Fired Electricity Generation Planned for Ohio

October 7, 2016

According to the Cadiz Times Recorder, EmberClear Corp. of Houston intends to build a gas-fired power plant near Cadiz in Harrison County. This would be the latest in a series of new gas-fired plants that seek to take advantage of plentiful shale gas.

The company plans a 1,000 megawatt plant on about 60 acres in the Harrison County Industrial Park. The project could provide for the electricity needs of about 1,000,000 houses.

It could take up to three years to obtain regulatory permits before a construction timeline would be developed. The project would lead to a projected investment of $900 million and provide work for an estimated 500 construction workers and 30 permanent workers. *10/6/2016*

DP&L Lobbying to Protect Utilities from Business Risk

September 30, 2016

Executives from Dayton Power & Light (DP&L) are lobbying state lawmakers for a legislative proposal that will be harmful for customers. The utility wants the General Assembly to adopt legislation during the brief post-election lame duck session that would modify PUCO rate-making laws and provide more authority to the regulator. In the package is authority to add new riders on customers’ electric bills if a utility’s fiscal integrity is threatened.

The legislative proposal would also allow utilities to charge customers “transition charges” outside the scope of law today, effectively reversing recent Supreme Court decisions that were favorable to customers. Read more from OMA Energy Counsel, Carpenter Lipps & Leland.

It’s a stunning request of the General Assembly by a utility company. The DP&L legislative proposal is similar to the PUCO proposal of FirstEnergy which asks for up to $8.9 billion in customer-paid subsidies due to its threatened fiscal integrity. Both the FirstEnergy rate case and the DP&L legislative proposal seek to shift ordinary business risk from shareholders to ratepayers.

The OMA Energy Committee will cover this and many manufacturers’ energy issues at its meeting on November 17. Members can register here. *9/29/2016*

Energy Standards Legislation Heats Up

September 30, 2016

State-established electric utility energy efficiency and renewable energy standards were frozen by legislation in 2013. The freeze is due to expire in early 2017. Some lawmakers are eager to act on the issue during the upcoming lame duck legislative session. This week, Governor Kasich renewed his intention to veto any bill that weakens or eliminates the standards. Read more in the Cleveland Plain Dealer.

The governor was reacting to a plan recently updated by Senator Bill Seitz, Chair of the Senate Public Utilities Committee, that would end the freeze in December while softening the "standards" into "goals" and make other changes. *9/29/2016*

AEP Ohio's Incentive Auction Coming Soon – Get Your Cash

September 30, 2016

Manufacturers can bid for larger incentives for their efficiency projects in AEP Ohio's upcoming Bid4Efficiency auction. The auction provides a mechanism for manufacturers to earn efficiency incentives that are greater than AEP's $25,000 maximum.

To receive incentives above the $25K cap, AEP Ohio's Bid4Efficiency program offers a reverse auction where entities start at $0.08/kWh saved for incentives, and then bid down to the price at which they are willing to take an incentive.

An RFQ submittal is necessary to secure AEP pre-approval to participate in the auctions; RFQs are due by October 14, 2016. The RFQ is short, requests only basic information, and can be completed in a short period of time.

Multiple auctions will be held between Nov. 7-11. Auctions will be for different sized pots of money for both lighting and custom project kWh savings. A customer may only win one auction.

OMA's energy consultant is ready to help you navigate the process, assist with completing the RFQ, and can advise you on a bidding strategy. Contact John Seryak for further assistance as a benefit of your OMA membership. *9/27/2016*

Crown Battery, Nissin Brake Recognized for Energy Efficiency Savings

September 30, 2016

New case studies of Ohio manufacturers Crown Battery and Nissin Brake by the Alliance for Industrial Efficiency highlight the potential of energy efficiency savings. "My advice to other manufacturers? You need to take advantage of this," said Matt Culbertson, energy engineer for Crown Battery.

According to the case studies, Crown Battery is saving $150,000-$210,000 annually, and engages plant workers by awarding "Save a Buck Dynasty" t-shirts to those with energy saving ideas. Nissin Brake has saved a cumulative $3.4 million in energy costs since 2008.

Energy efficiency savings like these have the potential to add up to an eye-popping $298 billion for the U.S. manufacturing sector through 2030, according to a study simultaneously released by the Alliance. The study investigated how manufacturing energy-efficiency can serve as a low-cost resource if carbon regulations come to fruition. Ohio ranked 5th in terms of cumulative cost saving potential and 2nd in terms of emission reduction potential. *9/28/2016*

Natural Gas Production Booming in Utica

September 30, 2016

The U.S. Energy Information Administration this week released new data on oil and gas production in the Utica shale play, indicating that energy developers are increasingly focused on natural gas.

It said: "The rapid growth in Utica/Point Pleasant natural gas production since 2012 is attributable to increases in drilling efficiency, proximity to markets, improvements in business processes, resource targeting in stacked plays, and the lengthening of horizontal laterals. Relatively low oil prices and expansions in natural gas infrastructure make the natural gas-rich portions of the reservoir more desirable for development, and therefore, increasingly the target for operators."

Monthly natural gas production from Utica wells increased from 0.1 billion cubic feet per day (Bcf/d) in December 2012 to more than 3.5 Bcf/d in June 2016. Oil production increased from 4,400 barrels per day (b/d) to nearly 76,000 b/d over the same period. *9/26/2016*

AEP Sells Three Ohio Plants

September 16, 2016

AEP this week announced the sale of three of its Ohio plants, and one in Indiana. The assets went for $2.2 billion. The plants have a capacity of 5,200 megawatts.

The Ohio plants are the gas-fired Waterford Energy Center and Darby Generating Station and the coal-fired James M. Gavin Plant. The purchasers are private equity firms Blackstone Group LP and ArcLight Capital Partners LLC.

AEP indicated it is focused on its regulated business, and not merchant power. The company has several other merchant power plants in Ohio that were not included in the sale. *9/15/2016*

FirstEnergy Should Not Get Something for Nothing

September 9, 2016

In a welcome development, the Cleveland Plain Dealer editorialized this week: "FirstEnergy should not get something for nothing from its customers."

The editorial notes the Ohio Consumers' Counsel filing: "When all is said and done, [Ohio] consumers could be charged up to nearly $8.9 billion [over nearly eight years] to support the financial integrity of FirstEnergy Corp."

The paper references a Bloomberg story that FirstEnergy "wants compensation of as much as $568 million (a year) for the added impact of salaries, vendor purchases and local employee spending in Akron." The company says that, if customers don't pay that subsidy, Akron could lose its corporate headquarters.

The Plain Dealer: "No one wants to see Akron lose a headquarters. But it's not the responsibility of Ohio ratepayers to insulate FirstEnergy's stockholders from the possibility that decisions made by FirstEnergy's managers could invite a corporate takeover."

Well said. *9/8/2016*

AEP CEO Says Sale of Generating Units in Final Stages

September 9, 2016

AEP CEO Nick Akins tells Bloomberg TV that AEP is in the "final stages" of selling its Ohio generating units. He reports "robust interest" in the assets.

Meanwhile, he indicates the company is working with the Ohio legislature to "restructure" the Ohio electricity markets. To AEP, "restructuring" means having new AEP generation (solar, wind, natural gas) paid for by consumers via non-bypassable riders, even if the consumers buy their electricity from an AEP competitor.

Watch the Bloomberg TV interview with the AEP CEO here. *9/8/2016*

Heads the Utility Wins, Tails the Customers Lose

September 2, 2016

Recently, Ohio manufacturers, and other electricity consumers, won an important case at the Supreme Court of Ohio, which invalidated a surcharge that the Public Utilities Commission of Ohio (PUCO) had approved for DP&L. The court's decision invalidated the rider because it enabled DP&L to recover "transition revenue." Transition revenue under Ohio law was to end in 2005 ("transition" refers to the system's transition from regulated generation to a competitive market).

On August 26, the PUCO acted to essentially overturn the customer-benefiting decision of the Supreme Court. Following the PUCO's logic, if a utility suffers an adverse ruling on appeal that benefits customers, the utility could then counteract the effects of the court's ruling by simply requesting to terminate its current rate plan and revert back to a prior one, or any combination thereof, whichever is more favorable to the utility.

For customers, it is: Heads the utility wins, tails the customers lose. There appears to be basically no way to win a legal appeal, if this PUCO action holds.

You can read the details in this memo from Carpenter, Lipps & Leland, OMA energy counsel. *8/30/2016*

PJM Wholesale Electricity Markets Competitive

September 2, 2016

PJM Interconnection's wholesale electricity markets produced competitive results during the first six months of 2016, according to the 2016 Quarterly State of the Market Report for PJM: January through June, according to Monitoring Analytics, LLC, the Independent Market Monitor for PJM.

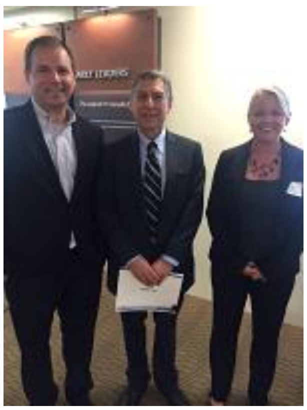
The market monitor found that energy market prices decreased significantly from the first six months of 2015 as a result of lower fuel prices and lower demand. The load-weighted average real-time price was 36% lower in the first six months of 2016 than in the first six months of 2015, $27.09 per MWh versus $42.30 per MWh.

PJM average real-time load in the first six months of 2016 decreased by 5.3% from the first six months of 2015, from 90,586 MW to 85,800 MW.

Energy prices in PJM in the first six months of 2016 were set, on average, by units operating at, or close to, their short run marginal costs. This is evidence, said the market monitor, of generally competitive behavior and resulted in a competitive market outcome. *8/30/2016*

Commissioner Petricoff Visits OMA Energy Committee

August 26, 2016



Howard Petricoff, the newest commissioner on the Public Utilities Commission of Ohio, visited with the OMA Energy Committee this week. He provided a look at his background and perspectives on the work of the commission.

The OMA was a big supporter of Petricoff's appointment by Governor Kasich. *8/25/2016*

Pictured: OMA Energy Committee Chair, Brad Belden, VP Administrative Services, The Belden Brick Co., PUCO Commissioner Howard Petricoff, and OMA energy counsel, Kim Bojko, Carpenter, Lipps & Leland LLP

AEP's Ohio Power Company Customers See Increase in Rider, OMA Energy Group Acts

August 26, 2016

For AEP's Ohio Power customers, the Phase-In Recovery Rider (PIRR) was recently increased by an average of $0.003211, from $0.004072 to $0.007282 per kWh. (The PIRR for Columbus Southern Power customers of AEP Ohio's is unchanged at $0.)

Here is a detailed memo from OMA energy consultant, Runnerstone LLC, which includes the projected incremental costs to small, medium, large and extra large power users over the lifetime of the rider increase, estimates from $8K to $8M, depending on usage.

OMA Energy Group applied for rehearing of the PUCO order, stating that "The Commission erred by violating the prohibition against retroactive ratemaking when it authorized AEP Ohio to collect carrying charges at its weighted Average Cost of Capital through the Phase-In Recovery Rider for a past period beginning in September 2012."

The PUCO has yet to issue an entry on rehearing addressing the retroactive ratemaking concerns raised by OMA Energy Group and other parties. *8/25/2016*

Ohio Produces AEP's Highest ROE

August 26, 2016

AEP reports to investors that its Ohio operations produce its highest rate of return on equity. For the year ending June 20, 2016, Ohio produced an ROE of 13.3%. That compares, for example, to Kentucky at 6.5%, Oklahoma at 8.6%, and Texas at 9.4%. *8/25/2016*

HB8 **OIL-GAS LAW** (HAGAN C) To revise provisions in the Oil and Gas Law governing unit operation, including requiring unit operation of land for which the Department of Transportation owns the mineral rights.

Current Status: 4/14/2015 - Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-8

HB23 **OIL-GAS LEASE INCOME** (AMSTUTZ R) To use one-half of any income from oil and gas leases on state land to fund temporary income tax reductions, to modify the law governing the use of new Ohio use tax collections, and to require the Director of Budget and Management to recommend whether or not income tax rates should be permanently reduced.

Current Status: 11/18/2015 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-23

HB64 **OPERATING BUDGET** (SMITH R) To make operating appropriations for the biennium beginning July 1, 2015, and ending June 30, 2017, and to provide authorization and conditions for the operation of state programs.

Current Status: 6/30/2015 - **SIGNED BY GOVERNOR**; eff. 6/30/15; certain provisions effective 9/29/15, other dates

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-64

HB72 **ENERGY IMPROVEMENT DISTRICTS** (CONDITT M) To authorize port authorities to create energy special improvement districts for the purpose of developing and implementing plans for special energy improvement projects and to alter the law governing such districts that are governed by a nonprofit corporation.

Current Status: 5/6/2015 - **BILL AMENDED**, House Public Utilities, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-72

HB83 **OIL-GAS ROYALTY STATEMENT** (CERA J) To require the owner of an oil or gas well to provide a royalty statement to the holder of the royalty interest when the owner makes payment to the holder.

Current Status: 3/10/2015 - House Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-83

HB122 **PUBLIC UTILITIES COMMISSION MEMBERSHIP** (LELAND D) To require that each major political party be represented on the Public Utilities Commission, to specify that not more than three commissioners may belong to or be affiliated with the same major political party, and to require that Public Utilities Commission Nominating Council lists of nominees include individuals who, if selected, ensure that each major political party is represented on the Commission.

Current Status: 3/24/2015 - Referred to Committee House Government

Accountability and Oversight

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-122

HB162 **SEVERANCE TAX RATES** (CERA J) To change the basis, rates, and revenue distribution of the severance tax on oil and gas, to create a grant program to encourage compressed natural gas as a motor vehicle fuel, to authorize an income tax credit for landowners holding an oil or gas royalty interest, and to exclude some oil and gas sale receipts from the commercial activity tax base.

Current Status: 5/12/2015 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-162

HB176 **GAS-FUEL CONVERSION PROGRAM** (HALL D, O'BRIEN S) To create the Gaseous Fuel Vehicle Conversion Program, to allow a credit against the income or commercial activity tax for the purchase or conversion of an alternative fuel vehicle, to reduce the amount of sales tax due on the purchase or lease of a qualifying electric vehicle by up to $500, to apply the motor fuel tax to the distribution or sale of compressed natural gas, to authorize a temporary, partial motor fuel tax exemption for sales of compressed natural gas used as motor fuel, and to make an appropriation.

Current Status: 11/18/2015 - **REPORTED OUT**, House Finance, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-176

HB190 **WIND FARM SETBACKS-COUNTY** (BURKLEY T, BROWN T) To create an alternative wind farm setback in cases where a process has been initiated to interconnect the wind farm to a transmission system and the wind farm is in the Ohio wind corridor.

Current Status: 5/18/2016 - **SUBSTITUTE BILL ACCEPTED**, House Public Utilities, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-190

HB214 **PUBLIC IMPROVEMENT-PIPING MATERIAL** (THOMPSON A) To restrict when a public authority may preference a particular type of piping material for certain public improvements.

Current Status: 5/24/2016 - House Energy and Natural Resources, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-214

HB349 **STATE EMISSIONS PLAN** (SMITH R, GINTER T) To require the Environmental Protection Agency to submit a state plan governing carbon dioxide emissions to the General Assembly prior to submitting it to the United States Environmental Protection Agency, and to declare an emergency.

Current Status: 12/8/2015 - House Energy and Natural Resources, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-349

HB390 **NATURAL GAS-ET AL** (SCHAFFER T, RETHERFORD W) To provide authorization and conditions for the operation of state programs and to make appropriations.

Current Status: 6/28/2016 - **SIGNED BY GOVERNOR**; eff. 9/28/16; certain provisions effective on other dates

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-390

HB472 **RENEWABLE-EFFICIENCY ENERGY REQUIREMENTS** (STRAHORN F) To unfreeze the requirements for renewable energy, energy efficiency, and peak demand reduction, to permit changes in and Public Utilities Commission action on electric distribution utility portfolio plans in 2016, to revise the setback requirement for economically significant wind farms, and to repeal the setback requirement for wind farms of fifty megawatts or more.

Current Status: 2/23/2016 - Referred to Committee House Public Utilities

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-472

HB473 **UTILITY SERVICE TAX-LEVY** (AMSTUTZ R) To require voter approval before a county may levy a new utilities services tax, to allow small businesses to count employees of related or affiliated entities towards satisfying the employment criteria of the business investment tax credit, to permit a bad debt refund for cigarette and tobacco product excise taxes paid when a purchaser fails to pay a dealer for the cigarettes or tobacco products and the unpaid amount is charged off as uncollectible by the dealer.

Current Status: 5/17/2016 - House Ways and Means, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-473

HB489 **MINE FUNDS** (CERA J) To credit a portion of the money derived from the Kilowatt-Hour Tax Receipts Fund to the Abandoned Mine Reclamation Fund, the Acid Mine Drainage Abatement and Treatment Fund, and the Mine Safety Fund and to make other changes to those funds.

Current Status: 5/10/2016 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-489

HB515 **HEATING FUELS-SALES TAX** (PATTERSON J, CERA J) To exempt from sales and use taxation the bulk sale of firewood and certain other heating fuels, and to reimburse the Local Government Fund and Public Library Fund and county and transit sales tax collections for the resulting revenue losses.

Current Status: 4/26/2016 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-515

HB522 **INJECTION WELLS** (PHILLIPS D) To prohibit injection of brine and other waste substances except in class I injection wells, to prohibit the conversion of oil and gas wells, to require municipal or township approval prior to the issuance of an oil or gas well permit, and to levy a fee on the injection of brine and other waste substances into a class I injection well.

Current Status: 4/26/2016 - Referred to Committee House Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-522

HB540 **OIL-GAS WELL FUND REVENUE** (CERA J) 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 and fire departments.

Current Status: 5/17/2016 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-540

HB541 **STATE AGENCY-CLEAN POWER PLAN** (LANDIS A) To prohibit any state agency from implementing the federal "Clean Power Plan."

Current Status: 5/4/2016 - Referred to Committee House Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-541

HB554 **RENEWABLE ENERGY REQUIREMENTS** (AMSTUTZ R) To revise the requirements for renewable energy, energy efficiency savings, and peak demand reduction and to revise provisions governing which customers can opt out of related programs.

Current Status: 11/16/2016 - House Public Utilities, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-554

HCR7 **TAX EXEMPT MUNICIPAL BONDS** (SPRAGUE R) To urge the President and the Congress of the United States to preserve the tax-exempt status of municipal bonds.

Current Status: 5/11/2016 - **ADOPTED BY SENATE**; Vote 33-0

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HCR-7

HCR9 **SUSTAINABLE ENERGY-ABUNDANCE PLAN** (BAKER N) To establish a sustainable energy-abundance plan for Ohio to meet future Ohio energy needs with affordable, abundant, and environmentally friendly energy.

Current Status: 6/17/2015 - **ADOPTED BY SENATE**; Vote 32-1

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HCR-9

SB45 **LAKE ERIE SHORELINE IMPROVEMENT** (SKINDELL M, EKLUND J) To authorize the creation of a special improvement district to facilitate Lake Erie shoreline improvement.

Current Status: 3/17/2015 - Senate Energy and Natural Resources, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-45

SB46 **LAKE ERIE DRILLING BAN** (SKINDELL M) To ban the taking or removal of oil or natural gas from and under the bed of Lake Erie.

Current Status: 5/11/2016 - Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-46

SB47 **DEEP WELL BRINE 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: 5/11/2016 - Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-47

SB58 **CONDITIONAL SEWAGE CONNECTION** (PETERSON B) To authorize a property owner whose property is served by a household sewage treatment system to elect not to connect to a private sewerage system, a county sewer, or a regional sewerage system under specified conditions.

Current Status: 3/4/2015 - Referred to Committee Senate Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-58

SB100 **SALES TAX HOLIDAY-ENERGY STAR** (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: 9/28/2016 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-100

SB120 **OIL-GAS LAW REVISION** (SCHIAVONI J) To revise enforcement of the Oil and Gas Law, including increasing criminal penalties and requiring revocation of permits for violations of that Law relating to improper disposal of brine.

Current Status: 3/10/2015 - Referred to Committee Senate Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-120

SB164 **UTILITY SMART METER CONSENT** (JORDAN K) To require electric distribution utilities to obtain a customer's consent prior to installing a smart meter on the customer's property

Current Status: 5/27/2015 - Referred to Committee Senate Public Utilities

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-164

SB166 **HORIZONTAL WELL EMERGENCY PLAN** (GENTILE L) To require the owner of a horizontal well to develop and implement an emergency response plan for the purpose of responding to emergencies.

Current Status: 10/7/2015 - Senate Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-166

SB185 **SPECIAL IMPROVEMENT DISTRICTS** (SEITZ B) To revise the law governing special improvement districts created for the purpose of developing and implementing plans for special energy improvement projects.

Current Status: 5/25/2016 - **REPORTED OUT AS AMENDED**, Senate Energy and Natural Resources, (Fifth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-185

SB320 **RENEWABLE ENERGY** (SEITZ B) To revise the requirements for renewable energy, energy efficiency, and peak demand reduction, to permit property owners to petition municipal corporations and townships for the purpose of developing and implementing special energy improvement projects.

Current Status: 11/15/2016 - Senate Energy and Natural Resources, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-320

SB325 **ELECTRICAL DISTRIBUTION-RENEWABLE REQUIREMENT** (JORDAN K) To repeal the requirement that electric distribution utilities and electric services companies provide 12.5% of their retail power supplies from qualifying renewable energy resources by 2027.

Current Status: 5/4/2016 - Referred to Committee Senate Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-325

SB327 **OIL-GAS LAW REVISION** (BALDERSON T) To revise provisions in the Oil and Gas Law governing unit operation and to specify that the discounted cash flow formula used to value certain producing oil and gas reserves for property tax purposes is the only method for valuing all oil and gas reserves.

Current Status: 5/11/2016 - Referred to Committee Senate State and Local Government

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SB-327

SCR6 **EXPORT-CRUDE OIL** (BALDERSON T) The urge the U.S. Congress to lift the prohibition on the export of crude oil from the United States.

Current Status: 12/8/2015 - **ADOPTED BY HOUSE**; Vote 67-24

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-SCR-6

Cleveland Plain Dealer

FirstEnergy should not get something for nothing from its customers: editorial

Editorial Board

on September 03, 2016 at 7:07 AM, updated September 03, 2016 at 7:11 AM

When Ohio deregulated its retail electricity market 15 years ago, Akron-based FirstEnergy Corp. embraced the move and restructured. But the electricity market has turned against FirstEnergy, leading to a complicated set of maneuvers by the stockholder-owned company to shore up its operations and its future. Unfortunately, a lot of those maneuvers boil down to seeking a subsidy from Ohio customers.

FirstEnergy, parent firm of the Illuminating, Ohio Edison and Toledo Edison companies, cannot and should not get something for nothing from its Ohio ratepayers. That's not how the law was supposed to work, and it's not how the Ohio electricity market should work.

Currently before the Public Utilities Commission of Ohio is FirstEnergy's latest bid for ratepayer help: an eight-year "financial hedge" request the company says is supported by the same coalition of low-income, manufacturing, municipal and other customer groups that backed an earlier power purchase deal the PUCO approved in March. (Federal regulators effectively shelved that deal -- at least as then presented -- in April.)

[May: FirstEnergy abandons its 'power purchase agreements,' but not its plan for customers to pay more]

FirstEnergy recast its controversial "power purchase agreement" late Monday, appealing to state regulators to help it steer around a FERC roadblock to adding surcharges to customer bills.

The PUCO should reject FirstEnergy's proposed financial hedge -- which by one rough estimate could cost a typical customer up to an extra $100 a year -- not because of what it would cost, but because it essentially is something for nothing in terms of direct customer benefits.

Tellingly, the Ohio Consumers' Counsel -- charged with looking after the interests of all residential utility ratepayers in the state -- strongly opposes this plan, as it did FirstEnergy's earlier power-purchase plan. "When all is said and done, [Ohio] consumers could be charged up to nearly $8.9 billion [over nearly eight years] to support the financial integrity of FirstEnergy Corp.," the Consumers' Counsel said in an Aug. 15 filing.

The commission should instead consider a PUCO staff counterproposal for a three-year Distribution Modernization Rider (estimated at about $131 million per year), as long as that rider is structured explicitly to require upgrades and spending that directly benefit customers and is calculated appropriately for that end.

A rough estimate is that the staff plan might cost a typical customer an extra $29 a year, although FirstEnergy has challenged some of the staff's math and filed a third blueprint that might cost a typical Ohio customer of the utility more -- up to $252 extra a year. (These amounts could be less, depending on some variables.)

The PUCO staff plan also includes a requirement that FirstEnergy keep its headquarters and substantial parts of its operations in Akron -- specifying additionally that the deal would evaporate if the firm is bought out.

FirstEnergy has since priced out the Akron headquarters option -- and Bloomberg News reports the utility is seeking a further subsidy from ratepayers to cover it. Bloomberg reported Monday that FirstEnergy "wants compensation of as much as $568 million for the added impact of salaries, vendor purchases and local employee spending in Akron."

July: FirstEnergy to partially close coal-fired Sammis power plant

FirstEnergy said Friday that by 2020 it will close about half of the smaller boilers at the W.H. Sammis power plant on the Ohio River because they are not "economically viable." The company will also close or sell it coke-burning Bay Shore plant near Toledo

No one wants to see Akron lose a headquarters. But it's not the responsibility of Ohio ratepayers to insulate FirstEnergy's stockholders from the possibility that decisions made by FirstEnergy's managers could invite a corporate takeover -- and with that, a chance that the surviving company might base itself outside Akron. That's one of the risks of utility deregulation – risks FirstEnergy's management welcomed, till the costs of its legacy coal and nuclear plants effectively priced that power out of the market.

FirstEnergy Says Its Headquarters Is Worth $568 Million to Ohio

Mark Drajem
drajem
August 29, 2016 — 5:00 AM EDT

FirstEnergy Corp., Ohio's homegrown utility with roots in the state that date to 1930, wants its customers to pay to ensure it stays there.

In the latest twist in a two-year battle for aid, the company has asked regulators to approve as much as $568 million a year for eight years in customer surcharges to compensate for the economic impact of having its headquarters in Akron.

FirstEnergy is among utilities across the U.S. struggling amid flat demand and low power prices bought on by cheap natural gas, and growing supplies of solar and wind energy. That hasn't swayed manufacturers, consumer advocates and environmental groups who said they were left flabbergasted by the proposed hike.

"When they first told me that was in there, I thought it was a joke," said Eric Burkland, the president of the Ohio Manufacturers' Association, which opposes the fee increase. "From a manufacturing ratepayer's perspective, it's just bizarre."

First Energy employees Hank Boka and Doug Colafella inspect the W.H. Sammis power plant in Ohio.

(Photo: Mark Drajem/Bloomberg)

While governments often offer tax breaks to lure businesses, Burkland said he was unaware of another utility asking ratepayers for payments tied to the company's headquarters. The company had initially asked the commission to approve a power-purchase agreement for its Sammis coal plant and Davis-Besse nuclear plant, which were struggling in the competitive regional power market.

In March of this year, the Public Utilities Commission of Ohio approved a settlement with FirstEnergy and American Electric Power Co., allowing them to pay above market rates for electricity from certain plants. The companies argued that allowing them to raise customer bills to keep coal and nuclear plants in operation would act as a hedge, and payoff for customers in the future once natural gas prices rebounded.

But a month later the Federal Energy Regulatory Commission announced a **review** of the contracts, saying it "has an independent role to ensure that wholesale sales of electric energy and capacity are just and reasonable."

After that decision, AEP announced it was dropping its bid for state aid, but FirstEnergy came back with a **modified plan** it said wouldn't require federal approval because it wasn't tied to purchases from specific power plants. **Staff** at the utilities commission counter-offered with something completely different: surcharges totaling $131 million a year for three years to support the company's credit rating and boost grid modernization.

FirstEnergy says it still prefers its plan but can live with the structure of the staff's plan if the amounts pledged to the company are increased. Instead of a total of $393 million in aid, it should get $558 million a year for nearly eight years, or $4.5 billion. And on top of that, it wants compensation of as much as $568 million for the added impact of salaries, vendor purchases and local employee spending in Akron.

"They should weigh the value of keeping our nexus of operations" in Akron, Eileen Mikkelsen, vice president for rates and regulatory affairs at FirstEnergy, said in an interview. "If the commission thinks that is important to the state, they should recognize that in their order."

$8.9 Billion

A requirement of the staff's proposal is that FirstEnergy remain headquartered in the state, and the company would have to forfeit the benefits of the deal if it announces it's leaving, she said.

FirstEnergy's 1,360 employees and $245 million annual payroll provide direct benefits to Akron and the state, according to Sarah Murley, an analyst with Applied Economics LLP hired by the utility. Indirectly, the company supports 2,047 jobs, and injects $110 million a year in vendor purchases and $162 million from employee spending into the local economy.

"When all is said and done, consumers could be charged up to nearly $8.9 billion to support the financial integrity of FirstEnergy," the Ohio Consumers Office said in a **brief**. "The record reflects no evidence that FirstEnergy plans to relocate its headquarters away from Akron."

In fact, the company **announced** last year that it signed a lease extension for its 19-story headquarters building, and "will remain in this downtown Akron location through June of 2025."

Opponents including rival power producers such as Dynegy Inc., have also questioned the rationale for the aid. When it first went to regulators, FirstEnergy said it was trying to help ensure a diversity of power sources, limit transmission costs, save coal-plant jobs and provide a rate hedge for customers.

"All of these benefits would be eliminated under modified (plan), to the great detriment of ratepayers and the public interest," Environmental Defense Fund said in its **brief** to the state commission. "The goals of these alternatives, simply put, are to put money in the hands of the shareholders and to make up for years of bad financial bets on fossil fuels and against clean and efficient energy."

FORIMMEDIATE RELEASE
October 12, 2016

CONTACT
Eric Burkland, (614) 224-5111

OMA Warns that PUCO Ruling in FirstEnergy Case Will Impose Up to $1 Billion in New Costs on Electricity Customers

Rider amounts to an unwarranted subsidy for FirstEnergy, says the OMA, and will stifle competition, drive electricity costs up and harmmanufacturing competitiveness.

(Columbus, OH): Eric Burkland, president of The Ohio Manufacturers' Association (OMA), issued the following statement today commenting on the Public Utilities Commission of Ohio's (PUCO) decision to allow FirstEnergyto collect up to $1 billion in unwarranted, above-market customer charges through a "grid modernization" rider:

> "Today's decision by the PUCO to give FirstEnergy a subsidy through a "grid modernization" rider is a setback for electricity consumers in Ohio. If implemented, the rider essentially will serve as another new tax, potentially costing families and businesses $1 billion, while also setting a precedent for the PUCO to grant above-market customer charges to the state's other utilities to bolster utilities' financials.
>
> These unwarranted new costs will put another strain on the budgets of families, particularly those least advantaged, and will harm the competitiveness of businesses, especially those that are energy intensive.
>
> What do these electricity customers get for the new costs? Pretty much nothing. The customers are being asked to pay FirstEnergy with no direct consumer benefits. The rider is called a "grid modernization rider," but requires FirstEnergy to do nothing to actually modernize the grid.
>
> Customers are paying to prop up the finances of a failing company. FirstEnergy should address its own financial troubles by using methods manufacturers and other businesses are required to use - cut costs, sell assets, sell equity – rather than rely on a customer bailout."

# # #

The mission of The Ohio Manufacturers' Association is to protect and grow Ohio manufacturing.

GONGWER
SINCE 1906
OHIO'S HOME FOR POLICY & POLITICS

Tuesday, November 15, 2016

FirstEnergy, Opponents Request PUCO Rehearing In PPA Case

FirstEnergy and a handful of interested parties are requesting a rehearing in a long-running case that last month resulted in the Public Utilities Commission of Ohio approving a new rider to fund the company's grid modernization efforts.

Last month, the PUCO rejected the company's proposal for a scaled-down, "virtual" Power Purchase Agreement in favor of a staff-recommended $132.5 million a year Distribution Modernization Rider. (See **Gongwer Ohio Report, October 12, 2016**)

But the company, which labeled the PUCO's decision last month "disappointing," argues the order was unlawful in part because it did not adopt the companies' suggested modifications - a failure "likely to undercut the ability of the rider to achieve its stated purpose."

Among the company's other claims are that the PUCO failed to account for the economic benefits of requiring the company's headquarters to remain in Toledo, used a 14.5% rather than 15% debt ratio in its calculations when calculating the rider, improperly used a four-year average for CFO to debt rations rather than the advised three-year average, and committed other errors.

"The commission's adoption of Rider DMR is amply supported by the record," FirstEnergy wrote. "Yet, given the commission's stated desire to further grid modernization by shoring up the companies' finances, and derivatively their credit ratings, the specifics of the rider as adopted not only fail to accomplish the commission's stated objectives but, in fact, run counter to them."

Monday was the filing deadline for the company and interested parties to urge the PUCO to take back up the case that has already stretched more than two years.

Also requesting a rehearing were the Ohio Manufacturers' Association energy Group, IGS Energy, the Northeast Ohio Public Energy Council, the Ohio Consumers' Counsel and the Northwest Aggregation Coalition, the Ohio Energy Group, PJM Power Providers Group and the Electric Power Supply Association, the Cleveland Municipal School District, Nucor Steel Marion Inc., the Sierra Club, and, in a joint filing, the Ohio Environmental Council, the Environmental Defense Fund and the Environmental Law and Policy Center.

The OCC estimates the new rider will generate about $612 million from customers over three years, with the option of a two-year extension, and that the charge is "destined to not fulfill its state purpose." As such, the group argues, the new rider is an unlawful transition charge.

"The Credit Support Rider funds are supposed to 'jump start' FirstEnergy's investment in grid modernization," the OCC wrote. "But FirstEnergy is not required to use the funds this way. So the funds may actually be used to bailout FirstEnergy's parent, FirstEnergy Corp. or its unregulated generation affiliate, FirstEnergy Solutions."

During the hearing process, opponents expressed concern at the lack of a requirement that the money raised by the DMR or the company's proposed retail rate stability rider would have to remain within the companies - a common concern in Monday's filings.

OMA urged the commission to deny implementation of the rider because it "operates as an unlawful subsidy to FirstEnergy Corp., harms economic development in the state, and does not advance the policy of the state of Ohio to ensure diversity of electricity supplies and suppliers, or prompt competitive retail generation choices.

"Not only does Rider DMR violate a number of Ohio laws and regulation regarding the provisions of electric service, but it also has a detrimental effect on the ability of Ohio businesses to effectively manage their costs, make sound investment decisions and expand operations in the state of Ohio," the group continued. "The domino effect is an increase in prices for consumers and negative consequences for businesses...as they may be forced to close or reduce operations due to increased costs."

OEC, the EDF and the ELPC argue the panel's decision was unlawful in that it provides no restriction requiring the funds to be used for grid modernization and is inconsistent with PUCO precedent.

And the Sierra Club argued the PUCO lacked jurisdiction to consider the DMR on rehearing, while similarly arguing the new rider to an unlawful transition charge. The Sierra Club claims the rider won't incentivize grid modernization and that the conditions placed on the rider are "illusory and unenforceable."

"...The commission approved the DMR even though the record demonstrates this rider is unjust, unreasonable, and not beneficial to customers," the group argued.

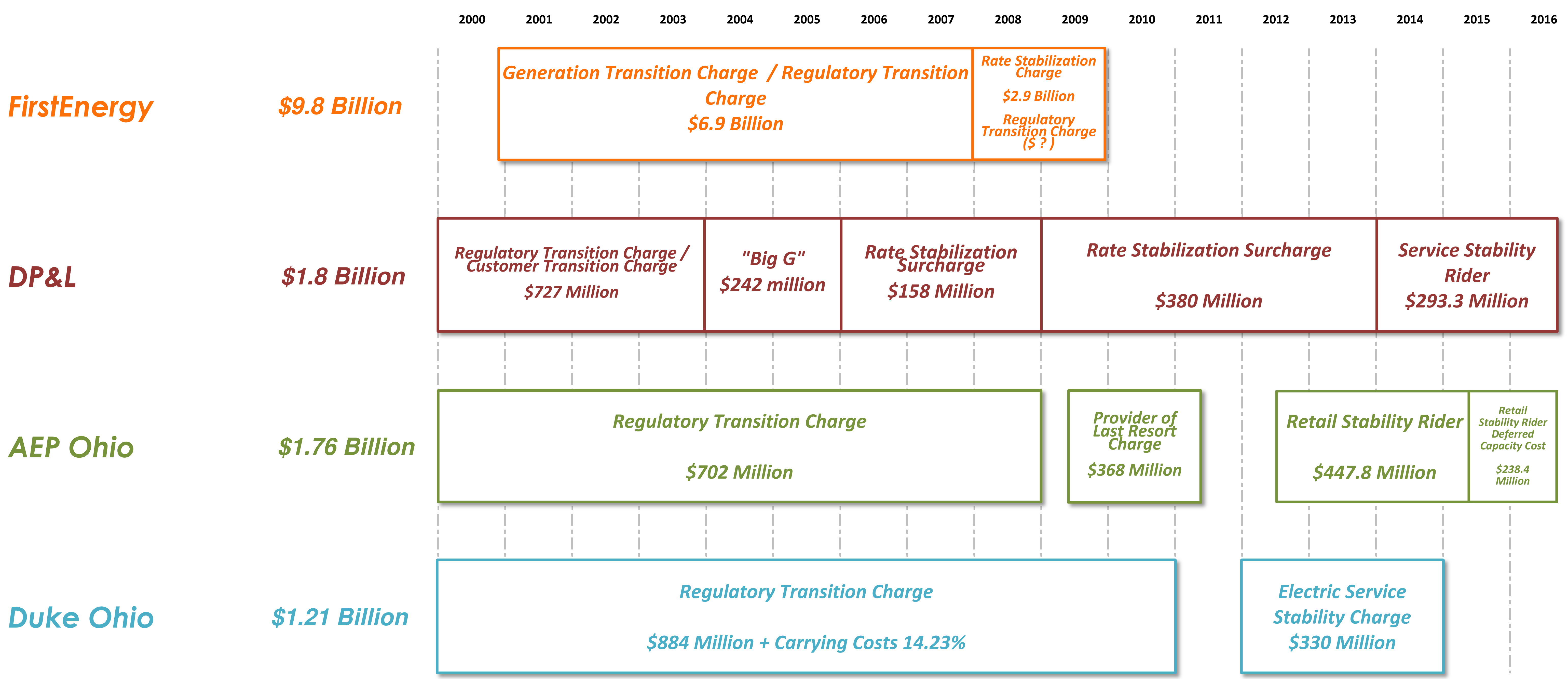
The PJM group and the EPSA similarly criticized the PUCO for not restricting DMR revenues from subsidizing the companies' generation affiliate and argued the commission's determination the previously proposed RRS rider is a "limitation on consumer shopping" is unreasonable and unlawful.

"The commission can and should correct its errors before utility customers are forced to give their money to FirstEnergy Corp. and its competitive affiliate," the groups argued.

The Cleveland Municipal School District argued the rider is aimed at boosting the company's sagging credit rating rather than supporting grid modernization. With FirstEnergy recently announcing a strategic review that could result in the sale of any or all of its 13 plants, the CMSD said the rider could have no effect on boosting that credit rating. (See **Gongwer Ohio Report, November 7, 2016**)

"Does the commission really want to subject customers to the risk that they will have pay hundreds of millions of dollars via Rider DMR and, at the end of the day, will have absolutely nothing to show for it?" CMSD argued. "The commission should grant rehearing on this ground and should remove Rider DMR as an element of ESP IV."

SUBSIDY SCORECARD - ELECTRIC UTILITY CHARGES TO OHIOANS (2000 - Sept. 2016)



$14.57 Billion

Manufacturer Size	Consumption (kWh/year)	FirstEnergy		
		Annnual Cost Estimate *	Total for 5-year DMR *	Total for 5-year DMR w/o tax gross up
Small (~$100k/yr in electricity costs)	1,000,000	$3,747	$26,229	$17,049
Medium (~$600k/yr in electricity costs)	7,500,000	$28,102	$196,714	$127,864
Large (~$6 million/yr in electricity costs)	100,000,000	$374,694	$2,622,855	$1,704,856
Extra Large	1,000,000,000	$3,746,936	$26,228,553	$17,048,560
Territory Total		~ $203 Million	~ $1.43 Billion	~ $927.5 Million

* Assumes 35% Corporate Tax Gross Up

Manufacturer Size	Consumption (kWh/year)	DP&L**		
		Annual Cost Estimate *	Total for 7 year DMR *	Total For 7 year DMR w/o tax gross up
Small (~$100k/yr in electricity costs)	1,000,000	$15,898	$111,288	$72,337
Medium (~$600k/yr in electricity costs)	7,500,000	$119,237	$834,657	$542,527
Large (~$6 million/yr in electricity costs)	100,000,000	$1,589,823	$11,128,763	$7,233,696
Extra Large	1,000,000,000	$15,898,232	$111,287,627	$72,336,958
Territory Total		~ $223.1 Million	~ $1.561 Billion	~ $ 1.015 Billion

* Assumes 35% Corporate Tax Gross Up

** Dayton Power and Light has requested that its Distribution Modernization Rider (DMR) provide $145 million per year for seven years. If the DMR is grossed up for taxes as it was in the FirstEnergy proceeding (PUCO Case No. 14-1297-EL-SSO) and assuming a 35% corporate tax rate, the request increases to $223.1 million annually; multiplied by seven years, it would result in a total cost of $1,561.5 million.

COMPANY LETTERHEAD

DATE

Public Utilities Commission of Ohio
ATTN: IAD
180 E. Broad Street
Columbus, Ohio 43215-3793

RE: Opposition Comment to DP&L ESP Case 16-0395-EL-SSO, et. Al re: Credit Support Rider

Dear PUCO:

I am writing on behalf of YOUR COMPANY NAME to request you reject the proposal by the Dayton Power and Light Company to impose new above-market rider costs on my business.

INSERT PARAGRAPH ABOUT YOUR COMPANY

Should PUCO approve the application, DP&L will be able to collect costs (via a non-bypassable credit support or DMR rider) from all their customers to subsidize their finances, making customers the financial guarantors of a publicly traded company….effectively insuring utility companies from business risk with customer dollars.

COMPANY NAME is directly impacted by this proposal. Our LOCATION facility consumes approximately x kWh/year. We estimate the additional above-market costs of this new rider to be over $x dollars during the proposed seven year term of the ESP.

If approved, the new rider will add costs to Ohio consumers and impact innovation, growth and jobs in the state by diverting dollars away from those areas to subsidize poorly managed utility companies.

As a manufacturer we must ensure that our Ohio operations remain competitive. Please protect the competitiveness of Ohio's economy and protect all consumers in DP&L's territory from this unfair rate hike, which is nothing more than a "give-away."

Sincerely,

NAME
TITLE

cc: Governor John Kasich
State SenatorLook up at:http://www.ohiomfg.com/manufacturing-advocacy-center/?vvsrc=%2fAddres
State RepresentativeLook up at:http://www.ohiomfg.com/manufacturing-advocacy-center/?vvsrc=%2fAddres
Local Chamber of Commerce Executive

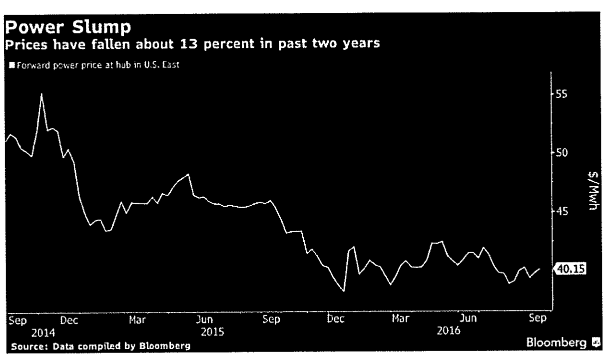
Blackstone, ArcLight to Buy AEP Plants for $2.2 Billion

Mark Chediak Jim Polson
markchediak jpolson9
September 14, 2016 — 8:04 AM EDT
Updated on September 14, 2016 — 4:27 PM EDT

American Electric Power Co., one of the largest electricity generators in the U.S., agreed to sell a set of power plants in the Midwest to Blackstone Group LP and ArcLight Capital Partners LLC for $2.17 billion.

The private-equity firms have formed a joint venture to buy four power plants generating about 5,200 megawatts in Ohio and Indiana, a company statement shows. The sale is slated to close in the first quarter of 2017. American Electric expects to net about $1.2 billion in cash after taxes, repayment of debt and transaction fees.

American Electric has been looking to get rid of power plants in the Midwest for months as it works to refocus its business on regulated assets that offer steadier returns. Power generators across the U.S. that compete in wholesale electricity markets have seen their profits squeezed by cheap natural gas, a surge in renewable energy supplies and weak demand.



"This price highlights that there is robust interest in generation assets from PE shops," Citigroup Inc. analyst Praful Mehta wrote in research published Wednesday. American Electric probably will buy back stock and invest in power lines with the proceeds, he wrote.

Blackstone spokeswoman Paula Chirhart and ArcLight spokesman Matt Nelson declined to comment. American Electric rose 0.3 percent to close Wednesday at $64.02 in New York. Shares are up 9.9 percent this year.

The Ohio plants include the gas-fired Waterford Energy Center and Darby Generating Station and the coal-fired James M. Gavin Plant. The sale also includes the gas-fired Lawrenceburg Generating Station in Indiana.

AEP Chief Executive Officer Nick Akins had said earlier this month that the company received "robust interest" in its plants up for sale and that he hoped a deal would be reached "soon." As of a Sept. 7 company presentation, AEP's unregulated generation unit owned plants capable of producing about 7,900 megawatts. AEP runs regulated utilities in 11 states, according its website.

Buyout Targets

"AEP's long-term strategy has been to become a fully regulated, premium energy company focused on investment in infrastructure and the energy innovations that our customers want and need," Akins said in Wednesday's statement. "This transaction advances that strategy and reduces some of the business risks associated with operating competitive generating assets."

Independent power generators Calpine Corp. and Dynegy Inc. may benefit because the deal values competitive plants at higher prices than their stock has been trading, Citigroup's Mehta said. Either company may be bought by private equity firms, he said.

Arclight and Blackstone "are significantly involved already in owning generation assets," Bloomberg Intelligence utility analyst Kit Konolige said by phone Wednesday. "The volatility of the power business is more suited to a private equity firm than a publicly-traded utility where the investors really prefer stability, visibility of earnings and dividends. A private equity firm is able to handle the feast-or-famine cycles."

AEP said it will provide details about its plans to invest the proceeds at a Nov. 1 analyst day. Strategic evaluation of 2,677 megawatts of competitive generation in Ohio continues, according to the statement. A 48-megawatt hydroelectric plant in Racine, Ohio, also may be sold, the company said.

The sale is subject to approval by the Federal Energy Regulatory Commission, the Indiana Utility Regulatory Commission and antitrust clearance, American Electric said. Goldman Sachs Group Inc. and Citigroup Inc. advised American Electric.

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The Dayton Power & Light Company's Efforts to Resurrect the Service Stability Rider through Legislative Measures are Misguided

On June 20, 2016, just six days after oral argument, the Supreme Court of Ohio decisively ruled that the PUCO erred in approving The Dayton Power & Light Company's (DP&L) Service Stability Rider (SSR) and reversed the PUCO's approval.[1] The Court did not provide a detailed rationale to justify its decision, but the takeaway from the decision was clear: the General Assembly's decision to allow market forces to set the price of generation services prohibits utilities from collecting transition revenue or its equivalent from customers. [2] In reaching its decision, the Court simply applied its decision involving AEP Ohio from a few months earlier wherein it declared that the PUCO erred in approving a charge similar in purpose to DP&L's SSR.[3] OMAEG applauds the Court's decisions as being in the best interests of Ohio's manufacturers.[4]

Ongoing efforts by DP&L to legislate around the Court's decision would be contrary to the market-based path set by the General Assembly over 16 years ago when it enacted legislation commonly referred to as S.B. 3 in 1999. Ohio's manufacturers have embraced competition and have reaped the benefits of purchasing electricity supply from competitive suppliers rather than with the incumbent utility. Through contracts with competitive suppliers, energy-intensive manufacturers have been able to stay competitive in the global economy by reducing or maintaining their electricity costs, which are a major cost component of their operations, while other costs are increasing. Interfering with this process would be damaging to the interests of manufacturers and the numerous economic development benefits they bring to Ohio.

In sum, for manufacturing to remain vibrant in Ohio, the General Assembly should foster an environment where competitive forces are allowed to flourish and deny DP&L's proposal.

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1 *In re Application of Dayton Power & Light Co.*, Slip Opinion No. 2016-Ohio-3490.

2 *In re Application of Columbus S. Power*, Slip Opinion No. 2016-Ohio-1608, ¶ 15 ("Transition costs (also referred to as stranded costs) are costs incurred by the utility before retail competition began that will not be recoverable through market-based rates. * * * In general, these are generation costs that the utility incurred to serve its customers that would have been recovered through regulated rates before competition began, but that are no longer recoverable from customers who have switched to another generation provider.").

3 Id. at ¶ 25 ("we find that [AEP Ohio's] [Rate Stability Rider] in this case recovers the equivalent of transition revenue and the [PUCO] erred when it found otherwise.").

4 At the time of the Court's decision on DP&L's SSR, it was estimated that DP&L had collected about $250 million through the SSR and that another $80 million remained to be collected.

Reviewed As To Form By
Legislative Service Commission

I_131_2685-2

131st General Assembly
Regular Session
2015-2016

. B. No.

A BILL

To amend section 4928.143 of the Revised Code to permit the Public Utilities Commission to modify an electric distribution utility's rates under an electric security plan if the utility's financial integrity is threatened.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 4928.143 of the Revised Code be amended to read as follows:

Sec. 4928.143. (A) For the purpose of complying with section 4928.141 of the Revised Code, an electric distribution utility may file an application for public utilities commission approval of an electric security plan as prescribed under division (B) of this section. The utility may file that application prior to the effective date of any rules the commission may adopt for the purpose of this section, and, as the commission determines necessary, the utility immediately shall conform its filing to those rules upon their taking effect.

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(B) Notwithstanding any other provision of Title XLIX of the Revised Code to the contrary except division (D) of this section, divisions (I), (J), and (K) of section 4928.20, division (E) of section 4928.64, and section 4928.69 of the Revised Code:

(1) An electric security plan shall include provisions relating to the supply and pricing of electric generation service. In addition, if the proposed electric security plan has a term longer than three years, it may include provisions in the plan to permit the commission to test the plan pursuant to division (E) of this section and any transitional conditions that should be adopted by the commission if the commission terminates the plan as authorized under that division.

(2) The plan may provide for or include, without limitation, any of the following:

(a) Automatic recovery of any of the following costs of the electric distribution utility, provided the cost is prudently incurred: the cost of fuel used to generate the electricity supplied under the offer; the cost of purchased power supplied under the offer, including the cost of energy and capacity, and including purchased power acquired from an affiliate; the cost of emission allowances; and the cost of federally mandated carbon or energy taxes;

(b) A reasonable allowance for construction work in progress for any of the electric distribution utility's cost of constructing an electric generating facility or for an environmental expenditure for any electric generating facility of the electric distribution utility, provided the cost is incurred or the expenditure occurs on or after January 1, 2009. Any such allowance shall be subject to the construction work in progress allowance limitations of division (A) of section 4909.15 of the Revised Code, except that the commission may authorize such an allowance upon the incurrence of the cost or occurrence of the expenditure. No such allowance for generating facility construction shall be authorized, however, unless the commission first determines in the proceeding that there is need for the facility based on resource planning projections submitted by the electric distribution utility. Further, no such allowance shall be authorized unless the facility's construction was sourced through a competitive bid process, regarding which process the commission may adopt rules. An allowance approved under division (B)(2)(b) of this section shall be established as a nonbypassable surcharge for the life of the facility.

(c) The establishment of a nonbypassable surcharge for the life of an electric generating facility that is owned or operated by the electric distribution utility, was sourced through a competitive bid process subject to any such rules as the commission adopts under division (B)(2)(b) of this section, and is newly used and useful on or after January 1, 2009, which surcharge shall cover all costs of the utility specified in the application, excluding costs recovered through a surcharge under division (B)(2)(b) of this section. However, no surcharge shall be authorized unless the commission first determines in the proceeding that there is need for the facility based on resource planning projections submitted by the electric distribution utility. Additionally, if a surcharge is authorized for a facility pursuant to plan approval under division (C) of this section and as a condition of the continuation of the surcharge, the electric distribution utility shall dedicate to Ohio consumers the capacity and energy and the rate associated with the cost of that facility. Before the commission authorizes any

surcharge pursuant to this division, it may consider, as applicable, the effects of any decommissioning, deratings, and retirements.

(d) Terms, conditions, or charges relating to limitations on customer shopping for retail electric generation service, bypassability, standby, back-up, or supplemental power service, default service, carrying costs, amortization periods, and accounting or deferrals, including future recovery of such deferrals, as would have the effect of stabilizing or providing certainty regarding retail electric service;

(e) Automatic increases or decreases in any component of the standard service offer price;

(f) Consistent with sections 4928.23 to 4928.2318 of the Revised Code, both of the following:

(i) Provisions for the electric distribution utility to securitize any phase-in, inclusive of carrying charges, of the utility's standard service offer price, which phase-in is authorized in accordance with section 4928.144 of the Revised Code;

(ii) Provisions for the recovery of the utility's cost of securitization.

(g) Provisions relating to transmission, ancillary, congestion, or any related service required for the standard service offer, including provisions for the recovery of any cost of such service that the electric distribution utility incurs on or after that date pursuant to the standard service offer;

(h) Provisions regarding the utility's distribution service, including, without limitation and notwithstanding any provision of Title XLIX of the Revised Code to the contrary, provisions regarding single issue ratemaking, a revenue decoupling mechanism or any other incentive ratemaking, and provisions regarding distribution infrastructure and modernization incentives for the electric distribution utility. The latter may include a long-term energy delivery infrastructure modernization plan for that utility or any plan providing for the utility's recovery of costs, including lost revenue, shared savings, and avoided costs, and a just and reasonable rate of return on such infrastructure modernization. As part of its determination as to whether to allow in an electric distribution utility's electric security plan inclusion of any provision described in division (B)(2)(h) of this section, the commission shall examine the reliability of the electric distribution utility's distribution system and ensure that customers' and the electric distribution utility's expectations are aligned and that the electric distribution utility is placing sufficient emphasis on and dedicating sufficient resources to the reliability of its distribution system.

(i) Provisions under which the electric distribution utility may implement economic development, job retention, and energy efficiency programs, which provisions may allocate program costs across all classes of customers of the utility and those of electric distribution utilities in the same holding company system.

(C)(1) The burden of proof in the proceeding shall be on the electric distribution utility. The commission shall issue an order under this division for an initial application under this section not later than one hundred fifty days after the application's filing date and, for any subsequent application by the utility under this section, not later than two hundred

seventy-five days after the application's filing date. Subject to division (D) of this section, the commission by order shall approve or modify and approve an application filed under division (A) of this section if it finds that the electric security plan so approved, including its pricing and all other terms and conditions, including any deferrals and any future recovery of deferrals, is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code. Additionally, if the commission so approves an application that contains a surcharge under division (B)(2)(b) or (c) of this section, the commission shall ensure that the benefits derived for any purpose for which the surcharge is established are reserved and made available to those that bear the surcharge. Otherwise, the commission by order shall disapprove the application.

(2)(a) If the commission modifies and approves an application under division (C)(1) of this section, the electric distribution utility may withdraw the application, thereby terminating it, and may file a new standard service offer under this section or a standard service offer under section 4928.142 of the Revised Code.

(b) If the utility terminates an application pursuant to division (C)(2)(a) of this section or if the commission disapproves an application under division (C)(1) of this section, the commission shall issue such order as is necessary to continue the provisions, terms, and conditions of the utility's most recent standard service offer, along with any expected increases or decreases in fuel costs from those contained in that offer, until a subsequent offer is authorized pursuant to this section or section 4928.142 of the Revised Code, respectively.

(D) Regarding the rate plan requirement of division (A) of section 4928.141 of the Revised Code, if an electric distribution utility that has a rate plan that extends beyond December 31, 2008, files an application under this section for the purpose of its compliance with division (A) of section 4928.141 of the Revised Code, that rate plan and its terms and conditions are hereby incorporated into its proposed electric security plan and shall continue in effect until the date scheduled under the rate plan for its expiration, and that portion of the electric security plan shall not be subject to commission approval or disapproval under division (C) of this section, and the earnings test provided for in division (F) of this section shall not apply until after the expiration of the rate plan. However, that utility may include in its electric security plan under this section, and the commission may approve, modify and approve, or disapprove subject to division (C) of this section, provisions for the incremental recovery or the deferral of any costs that are not being recovered under the rate plan and that the utility incurs during that continuation period to comply with section 4928.141, division (B) of section 4928.64, or division (A) of section 4928.66 of the Revised Code.

(E) If an electric security plan approved under division (C) of this section, except one withdrawn by the utility as authorized under that division, has a term, exclusive of phase-ins or deferrals, that exceeds three years from the effective date of the plan, the commission shall test the plan in the fourth year, and if applicable, every fourth year thereafter, to determine whether the plan, including its then-existing pricing and all other terms and conditions, including any deferrals and any future recovery of deferrals, continues to be more favorable in the aggregate and during the remaining term of the plan as

compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code. The commission shall also determine the prospective effect of the electric security plan to determine if that effect is substantially likely to provide the electric distribution utility with a return on common equity that is significantly in excess of the return on common equity that is likely to be earned by publicly traded companies, including utilities, that face comparable business and financial risk, with such adjustments for capital structure as may be appropriate. The burden of proof for demonstrating that significantly excessive earnings will not occur shall be on the electric distribution utility. If the test results are in the negative or the commission finds that continuation of the electric security plan will result in a return on equity that is significantly in excess of the return on common equity that is likely to be earned by publicly traded companies, including utilities, that will face comparable business and financial risk, with such adjustments for capital structure as may be appropriate, during the balance of the plan, the commission may terminate the electric security plan, but not until it shall have provided interested parties with notice and an opportunity to be heard. The commission may impose such conditions on the plan's termination as it considers reasonable and necessary to accommodate the transition from an approved plan to the more advantageous alternative. In the event of an electric security plan's termination pursuant to this division, the commission shall permit the continued deferral and phase-in of any amounts that occurred prior to that termination and the recovery of those amounts as contemplated under that electric security plan.

(F) With regard to the provisions that are included in an electric security plan under this section, the commission shall consider, following the end of each annual period of the plan, if any such adjustments resulted in excessive earnings as measured by whether the earned return on common equity of the electric distribution utility is significantly in excess of the return on common equity that was earned during the same period by publicly traded companies, including utilities, that face comparable business and financial risk, with such adjustments for capital structure as may be appropriate. Consideration also shall be given to the capital requirements of future committed investments in this state. The burden of proof for demonstrating that significantly excessive earnings did not occur shall be on the electric distribution utility. If the commission finds that such adjustments, in the aggregate, did result in significantly excessive earnings, it shall require the electric distribution utility to return to consumers the amount of the excess by prospective adjustments; provided that, upon making such prospective adjustments, the electric distribution utility shall have the right to terminate the plan and immediately file an application pursuant to section 4928.142 of the Revised Code. Upon termination of a plan under this division, rates shall be set on the same basis as specified in division (C)(2)(b) of this section, and the commission shall permit the continued deferral and phase-in of any amounts that occurred prior to that termination and the recovery of those amounts as contemplated under that electric security plan. In making its determination of significantly excessive earnings under this division, the commission shall not consider, directly or indirectly, the revenue, expenses, or earnings of any affiliate or parent company.

(G)(1) The commission may modify any component of the rates established for an electric distribution utility under

this section if the commission finds that the utility's financial integrity is threatened and the modification is necessary to preserve the utility's financial integrity.

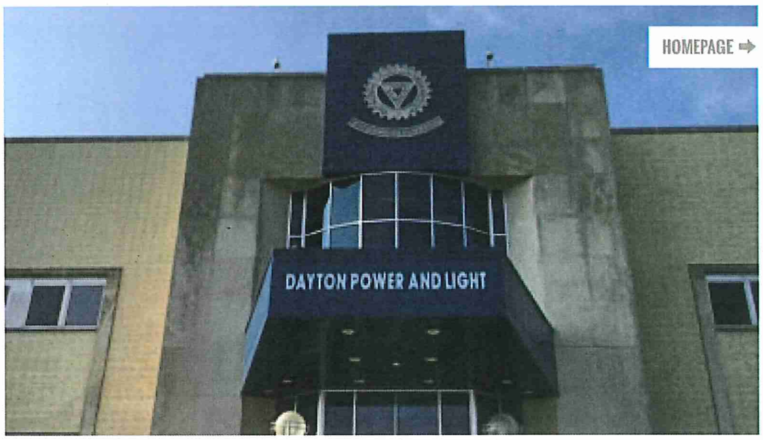
(2) A modification in rates approved under division (G)(1) of this section is lawful and is not subject to any limitation or termination period for transition plans under sections 4928.31 to 4928.40 of the Revised Code or to any limitation for corporate separation plans under section 4928.17 of the Revised Code.

Section 2. That existing section 4928.143 of the Revised Code is hereby repealed.

DP&L pushes law that would let PUCO raise rates

1

Tom Gnau - Staff Writer
11:13 a.m. Tuesday, Nov. 15, 2016 | Filed in Homepage



VIEW CAPTION

Representatives of Dayton Power and Light are lobbying for proposed legislative language that would amend existing law, letting the Public Utilities Commission of Ohio raise electric rates if a utility's financial integrity is at stake.

If the amendment becomes law, the PUCO could change electric rates "if the (PUCO) finds that the utility's financial integrity is threatened and the modification is necessary to preserve the utility's financial integrity," according to a copy of the proposed amendment obtained by the Dayton Daily News.

RELATED: Citing 'financial threats,' DP&L seeks new charges.

Rep. Niraj Antani, R-Miami Twp., confirmed Tuesday that DP&L representatives are asking legislators to consider the language.

DP&L's allies in the matter would like to have this amendment added in the coming weeks of the Ohio General Assembly current session, which is a post-election "lame duck session." he said.

"We've talked about it," Antani said.

RELATED: DP&L charge struck down by Ohio Supreme Court.

He does not think such language will be a standalone bill, but rather will be part of another bill as a legislative "vehicle."

Antani agreed that consumers may not want electric rates to go up, but at the same time, "We have to keep the lights on."

"Their financial integrity truly is at stake," Antani said of DP&L.

Proposed language reviewed by the Legislative Service Commission would amend state law to allow the PUCO to "modify" an electric distribution utility's rates under an electric security plan if that utility's financial integrity is "threatened."

RELATED: Manufacturers group wary of DP&L charges.

Ryan Augsburger, vice president and managing director, public policy services, for the Ohio Manufacturers' Association, said such legislative language would "effectively (insure) utility companies from business risk with customer dollars."

In recent weeks, DP&L has applied to the PUCO for a new rider — or additional charge — to customers' bills, citing "significant threats to its financial integrity."

In June, the Ohio Supreme Court reversed a PUCO decision that allowed DP&L to charge customers extra in its own "electric security plan."

"I think that the Supreme Court really overreached here," Antani said. "I think that PUCO should be able to set reasonable rates."

"Look, I don't want to see anybody's electric rates go up," he added. "That's not what I want. But that said, we have to be able to keep DP&L, their financial integrity, solid."

RELATED: Follow this writer's Dayton Daily News Facebook page.

The Ohio Supreme Court's ruling saved local consumers $80 million they would have paid the utility this year, the Ohio Consumers' Counsel said at the time.

Some electric utilities are facing a challenging time. Natural gas is less expensive than coal these days, making coal-fired power generation facilities more expensive to operate.

A message seeking comment was left with the office of Sen. Bill Seitz, R-Cincinnati, chairman of the Senate Public Utilities Committee. A DP&L spokeswoman asked that questions be emailed to her.

Matt Schilling, a spokesman for PUCO, said PUCO is aware of DP&L's efforts, but the commission does not comment on pending legislation.

He was unable to immediately say if the PUCO today can raise rates to protect a utility's financial health.

Reviewed As To Form By
Legislative Service Commission

L_131_2281-5

131st General Assembly
Regular Session
2015-2016

Sub. S. B. No. 320

A BILL

To amend sections 3706.25, 4928.01, 4928.02, 4928.143, 4928.64, 4928.643, 4928.645, 4928.65, 4928.66, 4928.662, 4928.6610, and 5727.75 and to enact sections 3745.28, 4928.6620, and 4928.6621 of the Revised Code to revise the requirements for renewable energy, energy efficiency, and peak demand reduction.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 3706.25, 4928.01, 4928.02, 4928.143, 4928.64, 4928.643, 4928.645, 4928.65, 4928.66, 4928.662, 4928.6610, and 5727.75 be amended and sections 3745.28, 4928.6620, and 4928.6621 of the Revised Code be enacted to read as follows:

Sec. 3706.25. As used in sections 3706.25 to 3706.30 of the Revised Code:

(A) "Advanced energy project" means any technologies, products, activities, or management practices or strategies that facilitate the generation or use of electricity or energy and

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As Introduced

131st General Assembly
Regular Session
2015-2016

H. B. No. 554

Representative Amstutz

A BILL

To amend sections 4928.64, 4928.66, and 4928.6610 of the Revised Code to revise the requirements for renewable energy, energy efficiency savings, and peak demand reduction and to revise provisions governing which customers can opt out of related programs.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 4928.64, 4928.66, and 4928.6610 of the Revised Code be amended to read as follows:

Sec. 4928.64. (A)(1) As used in this section, "qualifying renewable energy resource" means a renewable energy resource, as defined in section 4928.01 of the Revised Code that has a placed-in-service date on or after January 1, 1998, or with respect to any run-of-the-river hydroelectric facility, an in-service date on or after January 1, 1980; a renewable energy resource created on or after January 1, 1998, by the modification or retrofit of any facility placed in service prior to January 1, 1998; or a mercantile customer-sited renewable energy resource, whether new or existing, that the mercantile customer commits for integration into the electric distribution

Columbus, Ohio • Nov 16, 2016 • 57° Few Clouds

The Columbus Dispatch

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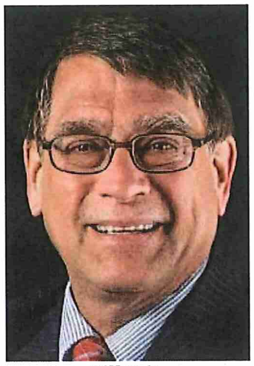
Ohio Senate bill would trim green energy goals



State Sen. Bill Seitz

REQUEST TO BUY THIS PHOTO

DISPATCH FILE PHOTO

Wind turbines generate electricity on a farm straddling Paulding and Van Wert counties in northwest Ohio.

By Dan Gearino

The Columbus Dispatch • Wednesday November 16, 2016 5:00 AM

State standards for energy efficiency would get knocked down a few notches in a new version of a controversial measure.

The proposal, made public Tuesday, faces the daunting challenges of passing the General Assembly in the few weeks before the session ends, and then overcoming the apparent opposition of Gov. John Kasich.

This is the latest version of Senate Bill 320, sponsored by Sen. Bill Seitz, R-Cincinnati, which seeks to change the state's standards on renewable energy and energy efficiency.

If nothing passes, then a two-year freeze on the standards would be lifted on Jan. 1, which the bill's supporters say would resume costly mandates.

The mandates are annual benchmarks that electricity utilities must meet for investing in renewable energy and for energy efficiency. The latter covers programs to help consumers reduce energy use. Consumers pay for the rules through charges in their electricity bills that amount to about $5 per month for a typical American Electric Power household.

In Seitz's new bill, the standard would top out at improving energy efficiency by 17 percent by 2027, which is a change from the previous 22 percent. That means utilities' programs would have a much easier time meeting the standard, which could lead to fewer energy-saving programs for consumers.

Seitz is defending the change, noting that several environmental groups have proposals with peaks of less than 17 percent.

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The clean-energy standards were part of a law passed in 2008, which was subject to the two-year freeze because of a measure passed in 2014.

Kasich signed the 2014 bill but has said he is skeptical of any new proposals that would diminish the state's commitment to clean energy. His office has not said whether he would veto the current Senate bill or a similar one in the House.

Asked for comment, Kasich spokeswoman Emmalee Kalmbach said by email: "The governor has been clear regarding the need to work with the General Assembly to craft a bill that supports a diverse mix of reliable, low-cost energy sources while preserving the gains we have made in the state's economy."

Seitz's bill is 70 pages long and covers some complicated parts of state regulations.

While one of the most noticeable shift may be the switch to a 17 percent standard for improvement in energy efficiency, experts in the field say other details are more important.

For example, the bill contains several provisions that expand what kinds of activity can be counted toward the energy efficiency standard, said John Seryak, president of Go Sustainable Energy in Clintonville, a company that helps businesses find ways to reduce energy use.

"The amount of stuff that's being counted as energy efficiency would probably, many times over, eliminate the need for utilities to do anything," he said. In other words, he doesn't see this as "greener than the greens."

Another key provision of the bill says that utilities would face no penalties for failing to meet renewable energy standards until 2020. In effect, that makes the standards optional from 2017 to 2019. The provision has been known for a few months, and it is strongly opposed by environmental advocates and businesses that make components for wind and solar power.

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Favorite Print Story

Corporate leaders urge GOP to reinstate renewable energy

Owens Corning a year ago built this 2.4-megawatt solar canopy over the parking deck at its Toledo corporate headquarters. The company is one of nine big corporations urging Ohio lawmakers to re-establish laws requiring power companies to provide annually increasing amounts of green power to customers. Lawmakers "froze" the mandates two years ago and now appear to be poised to scrap them altogether. Gov. Kasich has threatened to veto legislation doing away with rules. (Owens Corning)

By **John Funk, The Plain Dealer**
Follow on Twitter
on October 25, 2016 at 3:53 PM, updated October 25, 2016 at 4:55 PM

COLUMBUS, Ohio -- Some of the world's largest corporations employing more than 25,000 in Ohio oppose plans by state GOP lawmakers to get rid of state standards requiring utilities to sell increasing percentages of power generated by wind, solar and other renewables.

Nine corporations, including manufacturers Whirlpool and Owens Corning and food giants Nestle and Campbell Soup, **released statements** Tuesday urging state lawmakers to bring back rules requiring power companies to provide annually increasing amounts of electricity generated by wind, solar and other renewable technologies.

The nine, many of which have also worked with the Ohio Manufacturers' Association to oppose changes in Ohio's renewable energy standards, this time organized with Ceres, a non-profit group that works with global corporations and investors around the world to encourage corporate sustainability.

"Now is the time for lawmakers to strengthen Ohio's energy efficiency and renewable energy standards," said Alli Gold Roberts, policy manager at Ceres. "These standards are good for business, and failing to reinstate them will send the wrong signal to companies and investors throughout the state."

Republican majorities "froze" the rules for two years in 2014 after months of bitter hearings about renewable mandates and parallel rules requiring utilities to help customers use less electricity. Lawmakers froze that law as well, saying they wanted time to study the issue.

The study committee then heard mostly from opponents of the rules for months before proposing to make the freeze permanent -- provoking Gov. John Kasich to threaten a veto of any legislation that scraps the mandates.

GOP lawmakers both in the Ohio Senate and House last spring introduced bills that would either extend the two-year freeze on Ohio's renewable energy mandates or make them voluntary, in other words pretty much end them as standards that had to be met.

The plan since then has been to consider the legislation during hurried lame-duck sessions after the November elections.

The nine companies now urging a return to renewable standards all appear to be committed to sustainable business practices, including where they obtain their energy. And for many of them, that commitment includes recognition that the global climate is, in fact, changing.

That makes moving toward "clean energy" a major corporate goal. It's also a goal that has become increasingly attractive as solar and wind power have become cost competitive and at times less expensive than electricity generated by old power plants.

In other words, what's good for business is also good for the planet, one of the original axioms of the sustainability movement.

"Unfortunately, climate has become a political issue. There are many who don't believe in climate change and its effect," said Paul Bakus, president of U.S. Nestle corporate affairs office, and a former Ohio resident.

"We definitely see an impact of climate on our business," said Bakus. "And we have an interesting vantage point because we operate in pretty much every country in the world outside of North Korea."

The company employs 51,000 people in 47 states, including Ohio, where its employs nearly 2,800.

The company generates its own power at some of its U.S. processing plants. In Ohio, Nestle will on Dec. 1 begin buying renewable power for the Product Technology Center in Marysville (R&D center specializing in ready-to-drink beverage, premium coffee and tea), a Purina PetCare plant in Zanesville and its Quality Assurance Center in Dublin.

In addition to Nestle, Campbell Soup Co., Clif Bar & Co., Gap Inc., JLL, Owens Corning, Schneider Electric, United Technologies and Whirlpool Corp. are asking for the green standards to be resurrected.

The corporate commitment to green energy is obvious in the statements each company released Tuesday.

For example, Dave Stangis, vice president of corporate social responsibility for the Campbell Soup Co., released this statement:

"We urge Ohio's leaders to lift the state's freeze on the renewable energy and energy efficiency standards. Continuing to undo smart clean energy policies won't help us build a stronger Ohio for tomorrow. Campbell remains supportive of removing barriers and promoting incentives for low carbon energy options. We believe renewable energy and energy efficiency are good for the environment and good for business. The solar project on Campbell's Napoleon, OH site is expected to save $4 million and eliminate 250,000 metric tons of greenhouse gas over the purchase agreement's 20-year period."

Frank O'Brien-Bernini, vice president and chief sustainability officer at Toledo-based Owens Corning, which runs six factories in Ohio, put it this way:

"As a large local and global electricity consumer, continuously seeking more sustainable energy supplies, we support immediately lifting the freeze on Ohio's energy efficiency and renewable energy standards.

"Owens Corning is a market leader in manufacturing energy saving products and materials that enhance wind energy performance. This uniquely positions us to speak to the energy savings, environmental impact and job-creating value of expanding the penetration of energy efficiency and renewable energy solutions. Our recognition of renewable energy's diverse value is also reflected in our actions. In 2015, Owens Corning announced that it had executed power supply agreements of newly installed capacity that represented, at the time, the largest wind power agreements reported by an industrial company in the world. That same day, Owens Corning dedicated a 2.4-megawatt solar parking lot canopy at the company's headquarters in Toledo, the largest system of its kind in the Midwest. We support lifting the freeze."

The corporate appeal came a day after two environmental groups, the Nature Conservancy in Ohio and the Environmental Defense Fund **released an in-depth economic projection** of the impact of restoring renewable mandates and energy efficiency mandates on Ohio's economy.

September 22, 2016 06:00 by *Advanced Energy Economy*

AEE INSTITUTE

REPORT: Boosting Renewable Energy and Energy Efficiency Can Save Money for Ohio Electric Customers

Model shows that incorporating advanced energy technologies would reduce electric rates in 2030 compared with more generation from traditional power plants

Policies that ensure investment in renewables and efficiency should be part of Ohio's future energy strategy

[Columbus, Ohio – September 22, 2016] – Utilizing a combination of renewable energy and energy efficiency would save money for Ohio customers compared with relying entirely on more electricity generation from fossil-fuel sources to meet future energy needs. Those are the findings of scenarios run through a modeling tool utilized by Advanced Energy Economy Institute (AEE Institute), which show that Ohio can chart an energy strategy to provide affordable and reliable power by taking advantage of cost-competitive advanced energy technologies.

"Our Ohio model shows that it is in the best interest of electricity customers to capitalize on the benefits of renewable energy and energy efficiency," said **Graham Richard, CEO of Advanced Energy Economy**, a national business association with which the AEE Institute is affiliated. "By embracing investments in energy efficiency and renewable energy technologies, policymakers could ensure that Ohio is able to meet its energy needs at the lowest cost."

"These results demonstrate that Ohio's energy market growth is ripe for renewable energy and energy efficiency technologies that could provide ratepayers with savings when compared to doing nothing," said **Ted Ford, CEO of Ohio Advanced Energy Economy**, AEE's state partner in Ohio. "Ohio would also gain the economic benefits of renewable energy development and, with more diverse energy sources, some protection against price spikes from volatile natural gas prices."

"Four Paths to Ohio's Energy Future: Modeling Options for Meeting Electric Power Needs in 2030," published today by the AEE Institute, presents the results of four specific scenarios that are representative of multiple runs utilizing AEE Institute's modeling tool for assessing least cost options for meeting Ohio's electricity needs. The report projects rate impacts of the following four scenarios, all through 2030:

(A) A "business-as-usual" approach that does not incorporate any investments in energy efficiency or renewable energy;

(B) An approach incorporating all the renewable energy development that would be competitive in the market, but no energy efficiency;

(C) A scenario incorporating all the available energy efficiency investment that is competitive in the market, but no renewable energy; and,

(D) An option incorporating both renewable energy and energy efficiency investments that are competitive in the market.

For each scenario, the model identifies the combination of generation sources, efficiency improvements, and other measures that represent the lowest cost means of meeting Ohio's energy needs. The model also factors in assumptions based on the current and future price of natural gas, current policy barriers stalling investments in advanced energy, pending federal regulations with which the state may need to comply, and the retirement of aging coal facilities.

The analysis shows that failing to capitalize on the advanced energy technologies of renewable energy and energy efficiency would be the highest-cost path for Ohio. By contrast, policy measures that ensure that renewable energy gets to compete would diversify Ohio's energy sources, providing protection against fuel price volatility while costing no more than relying entirely on traditional generation resources, and enabling investment in energy efficiency would provide the greatest savings for customers.

The base case, Scenario A, or "business-as-usual" approach is the highest-cost of the four scenarios tested by the model. The result of this scenario would increase **rates by 2.83 cents/kWh - pushing electricity rates in Ohio up to 12.45 cents/kWh from the current price of 9.62 cents/ kWh** (U.S. Energy Information Administration)**.**

In Scenario B, the model allows renewable energy development to compete with other generation resources, while still excluding energy efficiency investments. The result of this scenario is a **small rate reduction of 0.08 cents/kWh** in 2030 compared to Scenario A.

In Scenario C, investment in energy efficiency is allowed to compete with traditional generation sources, while still excluding investment in renewable energy. This would lead to a **rate reduction of 1.71 cents/kWh** – a savings of nearly 2 cents per kWh compared to Scenario A.

In Scenario D, the model allows for both renewable energy and energy efficiency to compete with traditional generation resources leading to a **savings of 1.69 cents/kWh** compared to the base case. The savings are nearly the same as the efficiency-only Scenario C, while the addition of renewable energy would provide some protection against volatility in natural gas prices.

The analysis, which is available for download here, uses publicly available data from the Ohio's investor-owned utilities' (IOUs) planning documents to determine the rate impacts of these policy scenarios in 2030. The model, which is also available to the public (same link), can also be used to examine other scenarios not explored in this report.

About AEE and the AEE Institute

Advanced Energy Economy (AEE) is a national association of businesses that are making the energy we use secure, clean, and affordable. AEE's mission is to transform public policy to enable the rapid growth of advanced energy companies. The Advanced Energy Economy Institute is a nonprofit educational and charitable organization whose mission is to raise awareness of the public benefits and opportunities of advanced energy.

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The business voice of advanced energy

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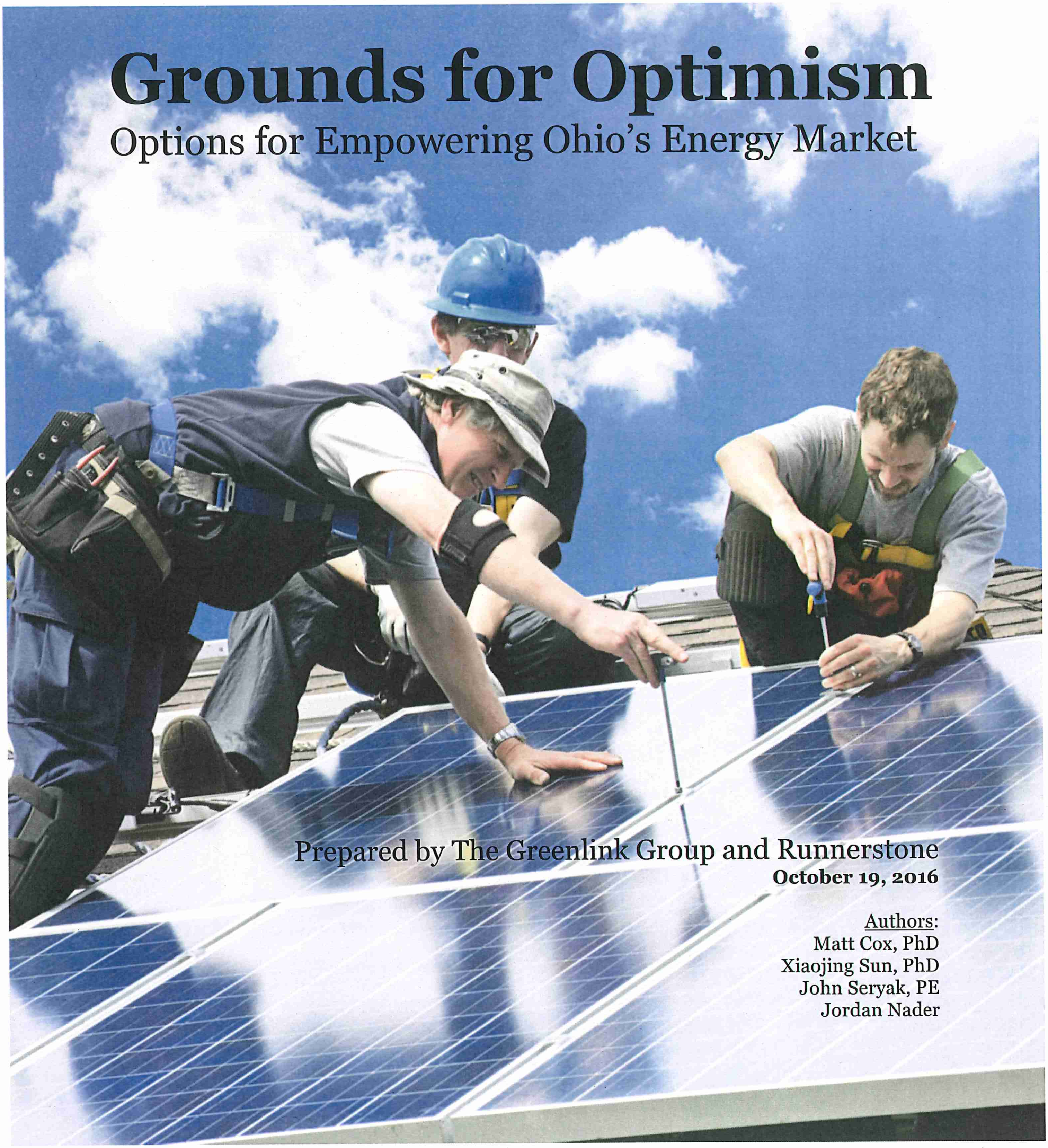
Grounds for Optimism

Options for Empowering Ohio's Energy Market



Prepared by The Greenlink Group and Runnerstone

October 19, 2016

Authors:
Matt Cox, PhD
Xiaojing Sun, PhD
John Seryak, PE
Jordan Nader

Executive Summary

Ohio policymakers have expressed interest in a set of renewable energy and efficiency policies that would maximize financial benefits to the state, while keeping Ohio on track to meet potential future environmental regulations. To evaluate the most effective mix of resources that would meet these two objectives, the Greenlink Group, in consultation with Runnerstone, produced four forecasts of the state's electricity market: a baseline case that models an extended freeze of Ohio's renewable and energy-efficiency standards, and three scenarios based on varying, but achievable, levels of renewable energy and energy efficiency.

Each of the three alternative scenarios would meet potential federal carbon reduction regulations as well as provide financial benefits to the state. Responding to concerns of Ohio policymakers regarding existing law, each of the scenarios – Accelerated Efficiency, Intermediate Pathway, and Expanded Renewables – also reduces the efficiency and renewable standard levels established in Senate Bill (S.B.) 221/310 and is based on clear trends and achievable targets within the state's growing clean energy industry. Our analysis found that the Accelerated Efficiency scenario offers the most economic and environmental benefits of the three options.

This report also offers for consideration five market-focused reforms that would advance energy innovation and investment within Ohio.

1. Ensure all electricity generator incumbents do not receive unfair advantages over new competitors
2. Modify the wind farm siting rules that block development
3. Allow on-bill repayment to spur investments in energy efficiency projects
4. Adopt a market for energy efficiency credits
5. Maintain and promote volumetric electric rate structures that incorporate price signals.

Model Results

Compared to baseline, each of the three scenarios produces net economic benefits for Ohio. To appreciate how those benefits vary, this report evaluates each scenario according to several factors:

- Net-Benefit and Benefit-to-Cost Ratio – These standard economic metrics show that the best results come from Accelerated Efficiency, although Intermediate Pathway and Expanded Renewables are close behind.
- Jobs – The renewable energy and energy efficiency industries, according to these scenarios, are expected to create between 82,300 and 136,000 new jobs in Ohio. Wind energy development, which is labor intensive and has Ohio supply chain manufacturers, is the major driver to such job growth.
- Payroll – These clean energy businesses are poised to increase Ohio's payroll by between \$4.6 billion and \$7.6 billion by 2030. Again, wind energy development generates the highest payrolls.
- GDP – The three scenarios enhance Ohio's GDP by \$6.7 billion to \$10.7 billion by 2030. Higher GDP gains are associated with greater levels of wind development.

- Health – Each scenario would avoid pollution, leading to reduced health-care costs. Savings are expected to be approximately $800 million annually in the near term and reaching $3 billion per year by 2030. Accelerated Efficiency achieves the most health care cost reductions.
- Electric Bill Impacts – The scenarios would provide customer savings between $28.8 and $50.9 million in 2030. Accelerated Efficiency offers the most cost reductions for consumers, while Intermediate Pathway produces the least of the three options.
- Clean Power Plan – Each scenario puts Ohio on a path to comply with the federal Clean Power Plan if it should be necessary. A state implementation plan (SIP) can successfully build on any of these three approaches.

The table below presents three annual benchmarks simulated for the Accelerated Efficiency, Intermediate Pathway and Expanded Renewables scenarios. See Appendix A for year-by-year benchmarks.

Description	Accelerated Efficiency		Intermediate Pathway		Expanded Renewables	
Year						
2017	3.5%	1.0%	3.5%	1.0%	3.5%	0.5%
2020	6.5%	1.3%	6.5%	1.0%	7.5%	0.5%
2026	10.0%	1.5%	12.5%	1.0%	19.5%	0.5%
2030	11.0%	1.5%	13.5%	1.5%	19.5%	1.0%
Through 2030	11.0%	18.5%	13.5%	16.0%	19.5%	10.3%
2009-2026	10.0%	16.7%	12.5%	14.2%	19.5%	9.2%
SB 221/310	12.5%	22.0%	12.5%	22.0%	12.5%	22.0%

In all, these scenarios represent no-regret strategies that will avoid handcuffing the state and maintain flexibility for Ohio. They would also place Ohio in line with what other states have already adopted and, in many cases, achieved. Regarding energy efficiency savings, for instance, Accelerated Efficiency's 2030 goals, although lower than called for in current Ohio law, were achieved by six states in 2014 and were nearly achieved by several Ohio utilities in that year. Regarding renewable energy goals, 21 U.S. states and territories have adopted more aggressive renewable portfolio standards than called for by Expanded Renewables. Stated frankly, all three scenarios set achievable and conservative goals that are in line with what other states, and even several of Ohio's own utilities, have adopted.

Table of Contents

RUNNERSTONE
INFORMATION IS POWER

CUSTOMER-SITED RESOURCES REPORT

ENERGY EFFICIENCY - DEMAND RESPONSE - CHP - RENEWABLE ENERGY - STORAGE

ENERGY COMMITTEE – NOVEMBER 2016

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- Power resources are moving behind the meter
- Customer-sited resources effect the price of electricity, can reduce costs for manufacturers, and may provide revenue. They are:

Energy Efficiency

Combined Heat & Power / Waste Energy Recovery

Demand Response

Distributed Renewables & Storage

CUSTOMER-SITED RESOURCES

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Energy Efficiency Peer Network

- 11/2 at Anheuser Busch
  - Compressed air at 85 psig
- Planning for 2017
  - Potential CHP tour
  - Spotlight: Host a tour!
- 2016 calendar
  - 3/18 - Tour @ F&P America
  - 5/25 – Webinar – LED lights
  - 7/20 – Tour @ Dannon
  - 9/16 – Webinar – Measuring energy savings
  - 11/2 - Tour @ Anheuser Busch

Join - http://www.ohiomfg.com/omas-chpweree-work-group/

Questions?
jseryak@gosustainableenergy.com
614-268-4263 x302

ENERGY EFFICIENCY

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UTILITY ENERGY EFFICIENCY PROGRAMS

ENERGY COMMITTEE – AUGUST 2016

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INFORMATION IS POWER

AEP Ohio

- **$250,000 in incentives reserved for OMA members**
- For large projects:
  - Start with $25,000 (project limit w/o auction incentives)
    - Corresponds to 312,500 kWh/yr for Custom projects
  - Add $0.043 /kWh saved for additional savings

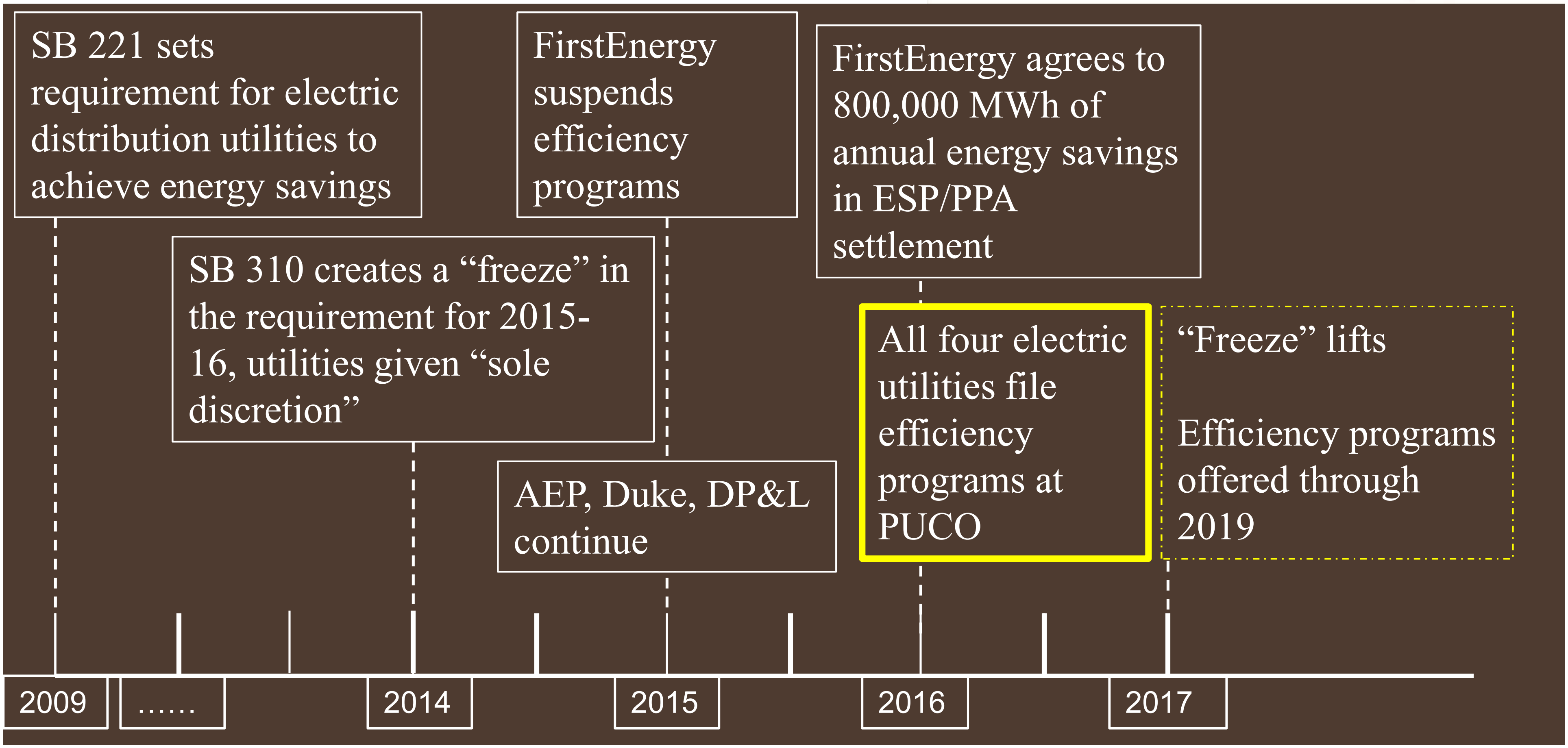
  - Contact OMA and get a larger rebate!
  - jseryak@gosustainableenergy.com

AEP OHIO

Bid4efficiency

UTILITY ENERGY EFFICIENCY PROGRAMS

UTILITY ENERGY EFFICIENCY PROGRAMS



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Primary Concern: "Customer Action" Program

- Update: PUCO rules and disallows utility profit on customer actions
- Enabled by SB 310 to "count" customer actions
- All 4 utilities proposing a version

Compare:

"Customer action" programs	Self-direct
Customer finances project	Customer finances project
Utility surveys customer, "captures" savings	Customer files savings @ PUCO
Utility collects profit based on project savings	Customer has choice of rider exemption or incentive
Customer pays for utility survey, utility profit, and utilities' taxes	Utility does NOT collect profit on customer actions

UTILITY ENERGY EFFICIENCY PROGRAMS

Across-the-Board Issues to Manufacturers

- PJM bid of energy efficiency capacity
  - Lowers capacity prices
- Utility profit, aka, shared savings level
- Program breadth
  - CHP
  - Flexibility with technical assistance

UTILITY ENERGY EFFICIENCY PROGRAMS

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2017 Opt-Out

- Eligible – Sub-transmission, transmission, and tax self-assessing users
- Do not pay EE rider
- Cannot receive incentives at all
- No need to show efficiency investment
- Decision lasts 3 years

Self-Direct

- Eligible - All manufacturers (> 700,000 kWh/yr)
- Rider exemption or cash rebate
- Can receive incentives later
- Must show efficiency investment

Pick your path – Opt-out? Self-direct? Program Participation?

- Utility EE rider charges are changing, ex: AEP 40%-60% reduction (except low LF), DP&L reduction
- Utility EE rider charges differ by utility territory
- Direct benefits differ in quality by utility territory

UTILITY ENERGY EFFICIENCY PROGRAMS

PJM's Final Market Analysis of the EPA Clean Power Plan

PJM Interconnection
Ohio Manufacturer's Association
October 19, 2016

PJM CPP Study Objectives

Evaluate potential impacts to:

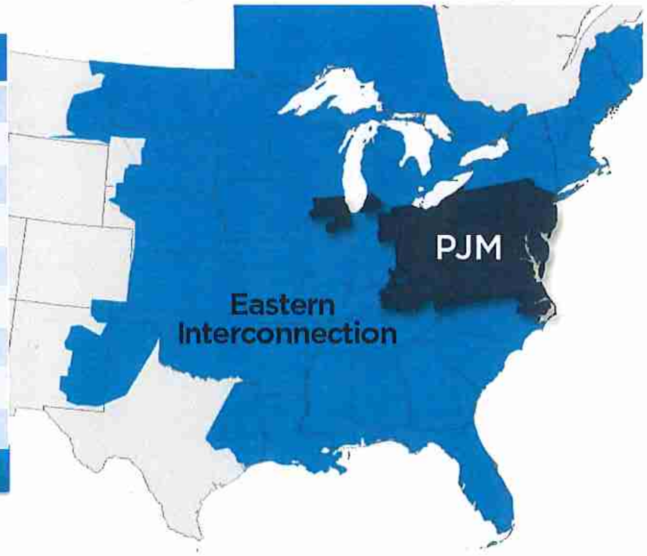
- Resource adequacy
- Transmission system operations
- PJM energy and capacity market prices

Determine compliance costs

The results are not a forecast, but are a function of assumptions

PJM as Part of the Eastern Interconnection

Key Statistics	
Member companies	960+
Millions of people served	61
Peak load in megawatts	165,492
MW of generating capacity	171,648
Miles of transmission lines	81,736
2014 GWh of annual energy	792,580
Generation sources	1,304
Square miles of territory	243,417
States served	13 + DC
21% of U.S. GDP produced in PJM	

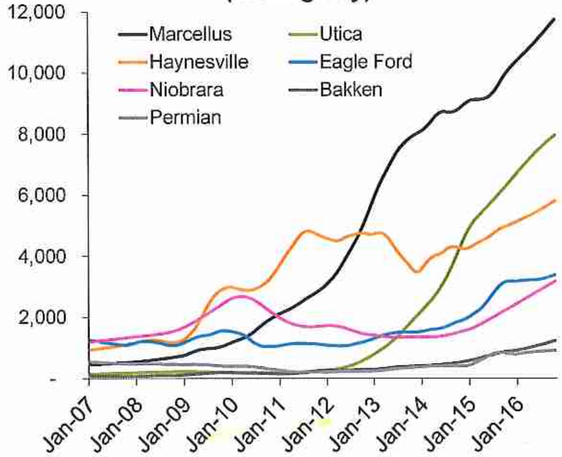


5/2016

Historic and Current Context for Understanding PJM's Analysis of the Clean Power Plan

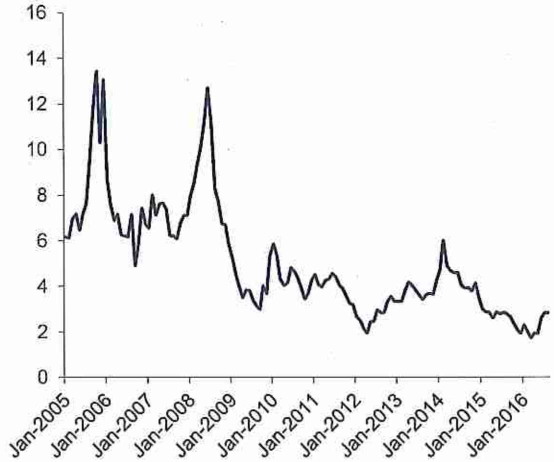
Natural Gas Rig Productivity Rises and Prices Decline

Rig Productivity (mcf/rig/day)



* Source: EIA. *Drilling Productivity Report*. September 2016.

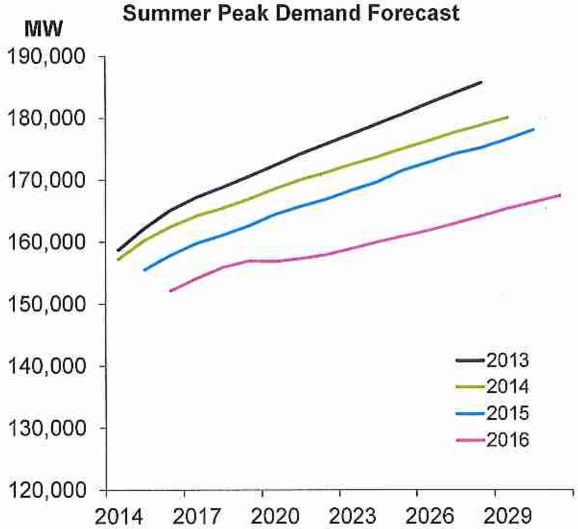
Henry Hub Historic Monthly Price



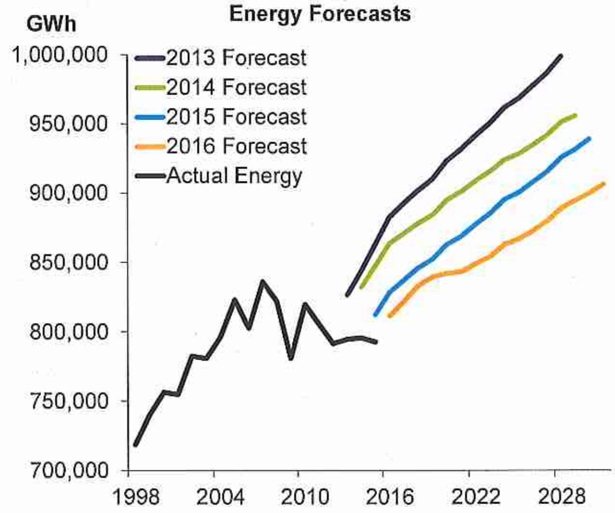
* Source: EIA. *Henry Hub Monthly Spot Price Series* September 25, 2016.

Demand has Been Declining in the PJM Region

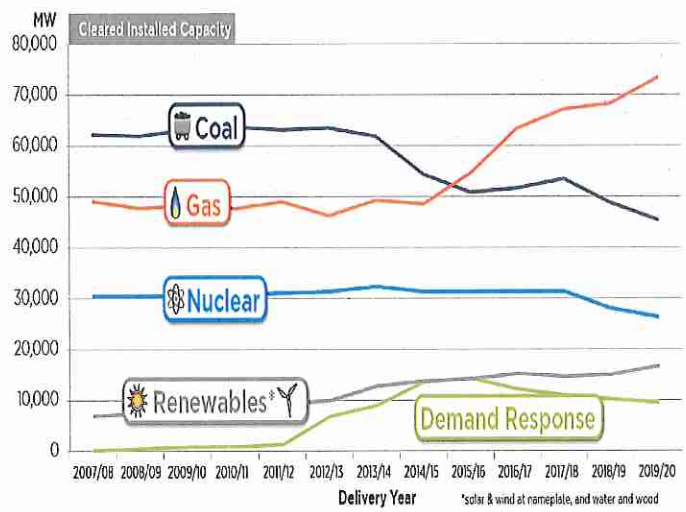
Summer Peak Demand Forecast

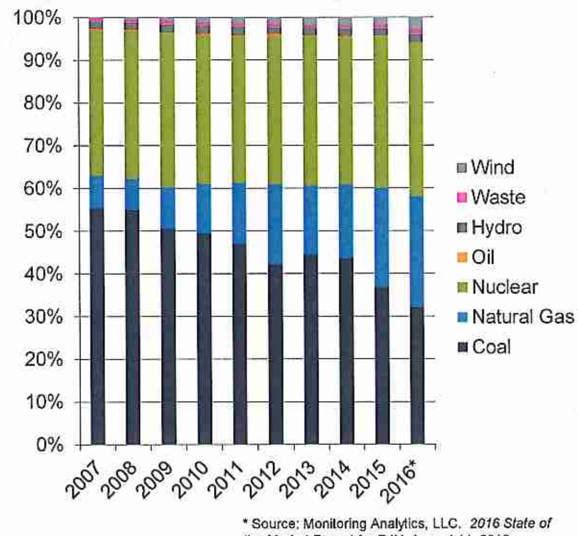


Evolution of Total Energy Demand and Total Energy Forecasts



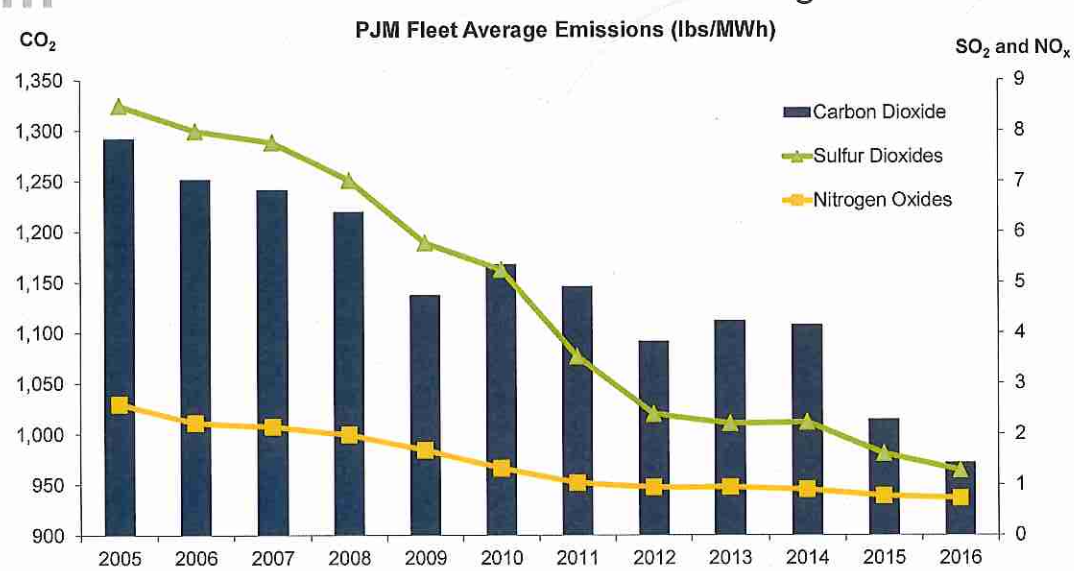
Gas is Gaining Prominence in the Energy Mix





* Source: Monitoring Analytics, LLC. *2016 State of the Market Report for PJM.* August 11, 2016.

Declining Emission Rates



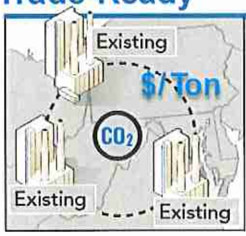
Source: PJM Generation Attributes Tracking System. 2016 data is through July.

PJM's Analysis of the Clean Power Plan:

Key Model Features

Mass-Based Compliance Pathways

Trade-Ready



Single CO_2 limit applied to the PJM region for 111(d) existing resources

State Mass

Each state applies a CO_2 limit covering all 111(d) existing resources

New Source Complement

Single CO_2 limit applied to the PJM region for 111(d) existing and 111(b) new sources

State Mass New Source Complement

Each state applies a CO_2 limit covering all 111(d) existing resources and 111(b) new sources

[1] Proposed Federal Plan for the Clean Power Plan (PDF) - http://www.gpo.gov/fdsys/pkg/FR-2015-10-23/pdf/2015-22848.pdf

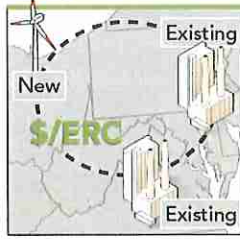
pjm

Rate-Based Compliance Pathways

Trade-Ready Rate

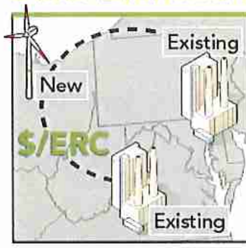
Emissions performance measured against the sub-category CO_2 emission rate targets for combined cycle and steam turbine resources

Regional Blended Rate



Emissions performance measured against a weighted average of PJM states' CO_2 emissions rate targets

State Blended Rate



Emissions performance measured against the state CO_2 emissions rate target

[1] Proposed Federal Plan for the Clean Power Plan (PDF) - http://www.gpo.gov/fdsys/pkg/FR-2015-10-23/pdf/2015-22848.pdf

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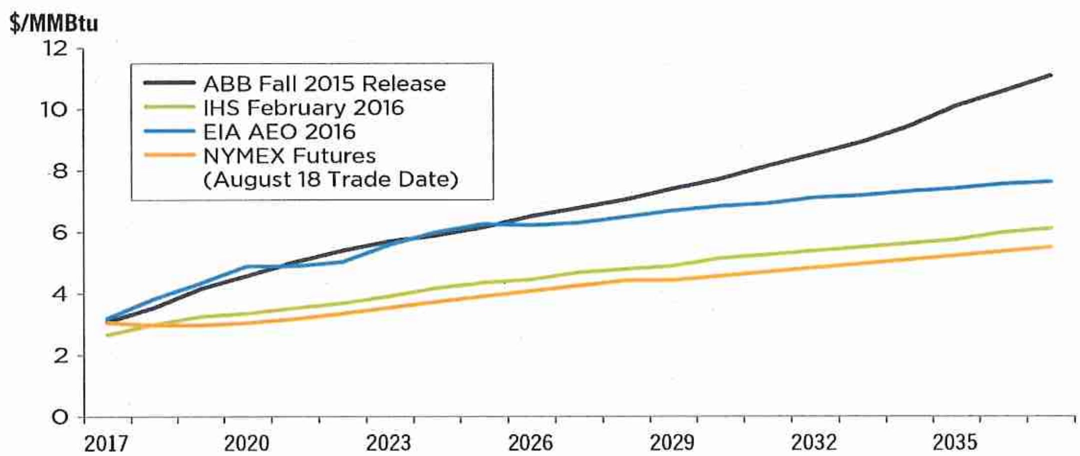
Henry Hub Natural Gas Price Comparison



Source: IHS Inc.

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PJM's Analysis of the Clean Power Plan:

Key Findings from Reference Gas Scenario

PJM©2016

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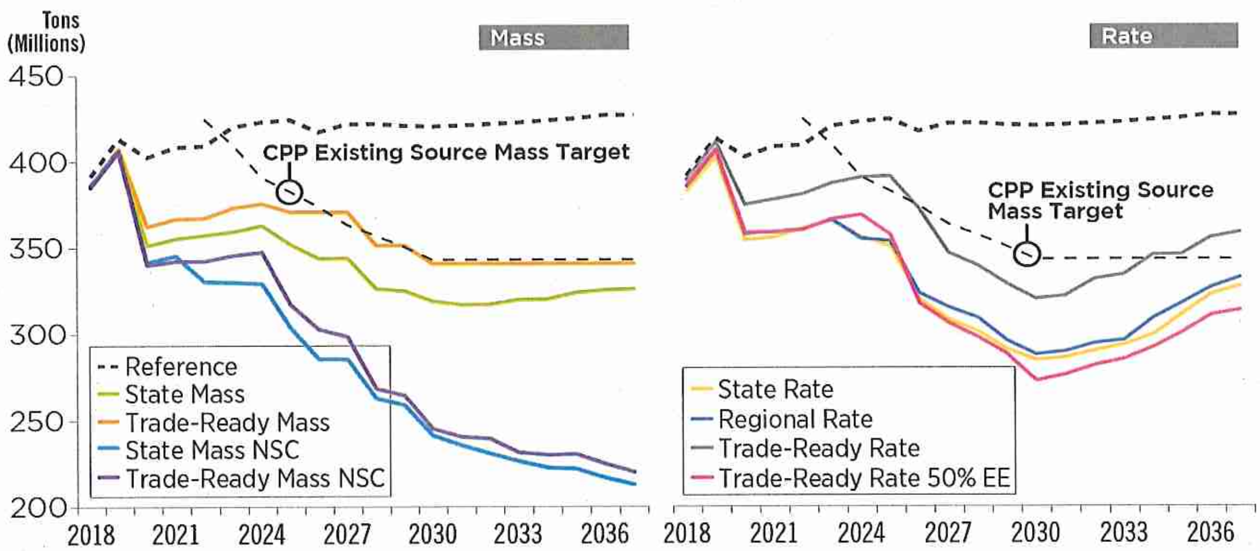
PJM States Achieve Compliance With the CO_2 Emissions Targets Under Each Mass- and Rate-Based Compliance Pathway



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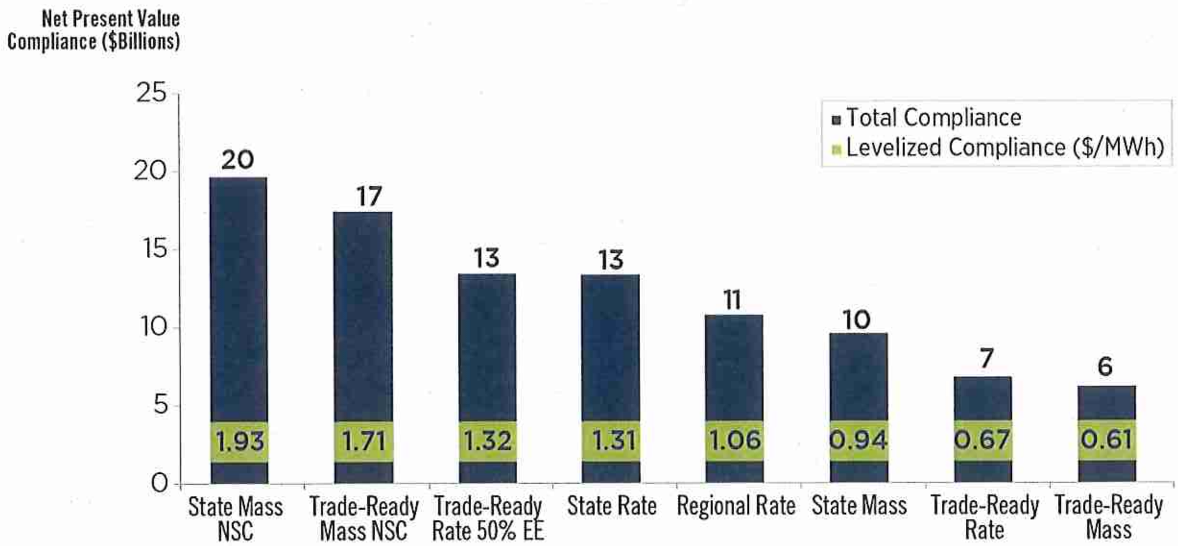
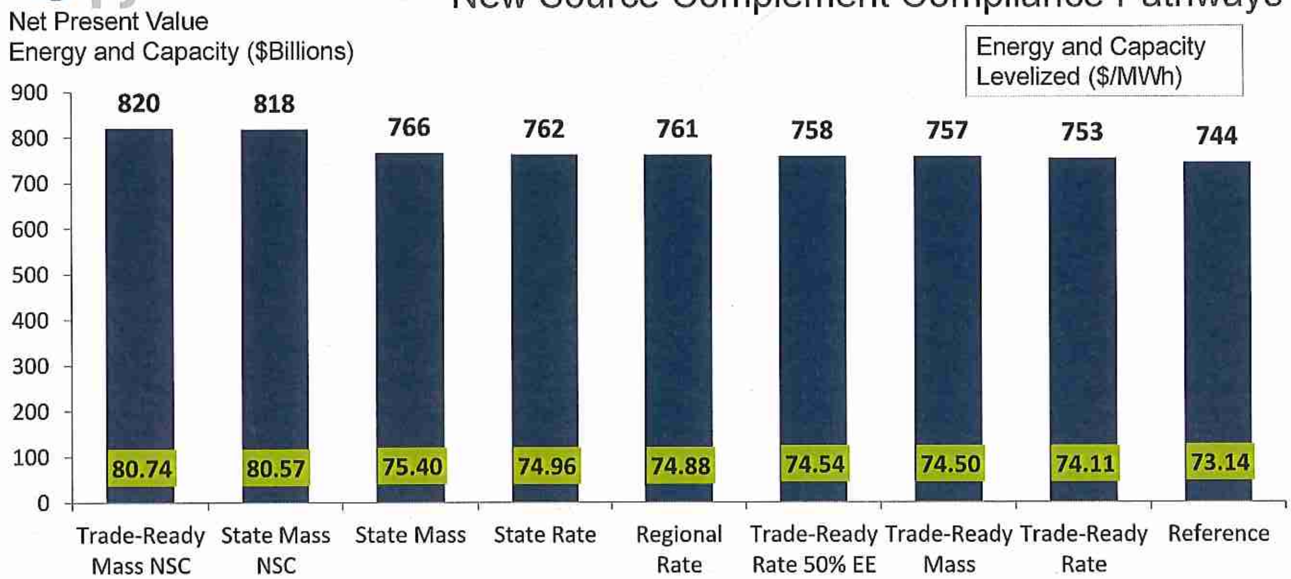
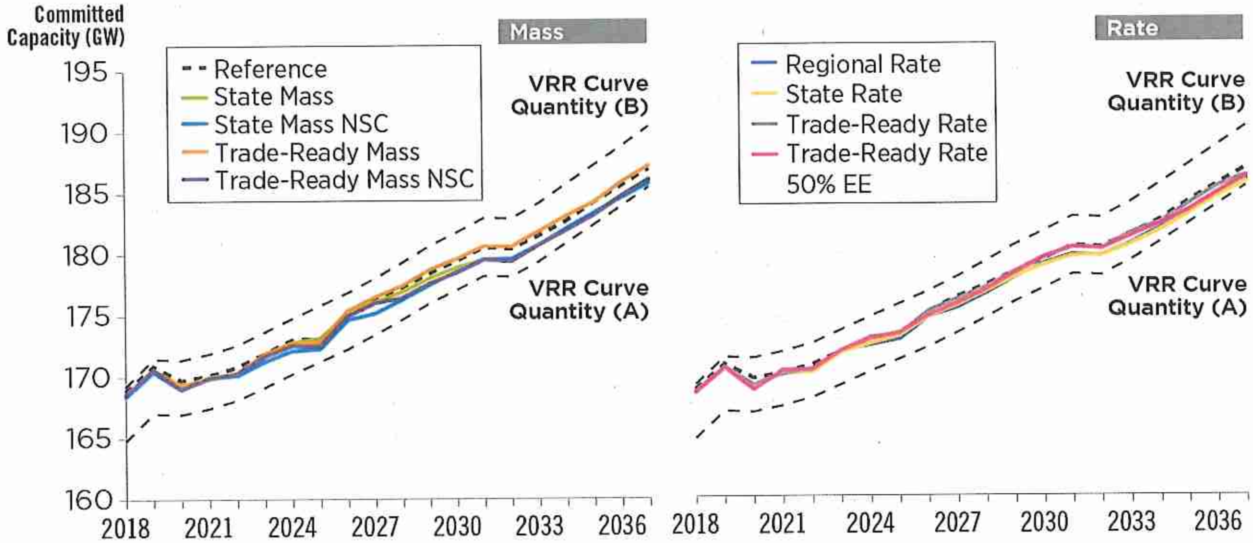
Compliance Costs Vary Between 1.1% to 3.3 % of Recent Wholesale Market Costs to Serve Load



Wholesale Costs to Serve Load Increase the Most Under the New Source Complement Compliance Pathways

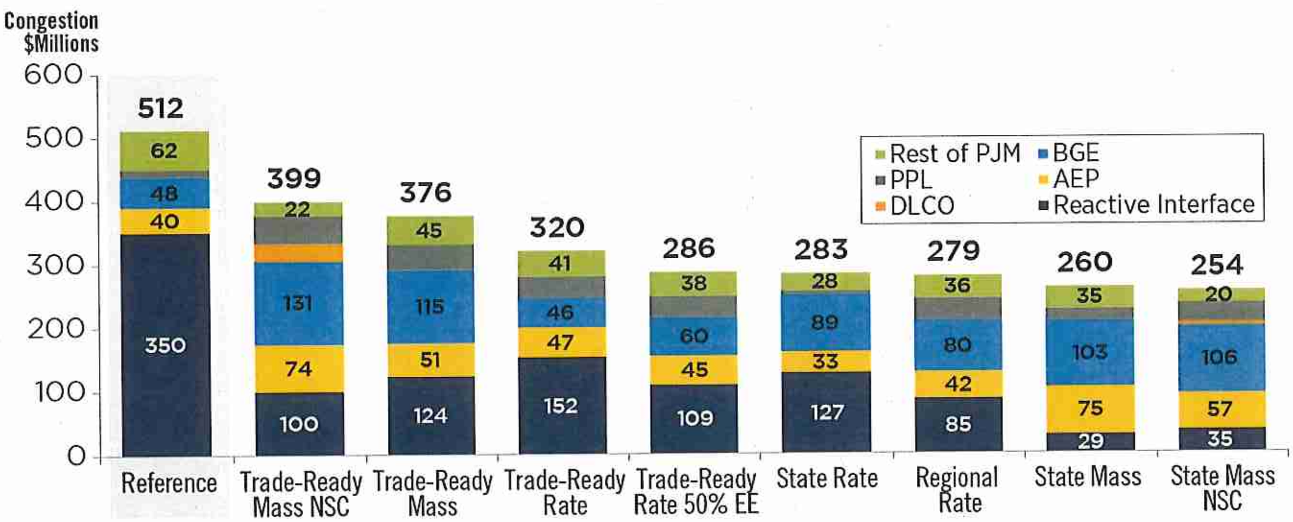


Resource Adequacy is Maintained Under Each Mass- and Rate-Based Compliance Pathway



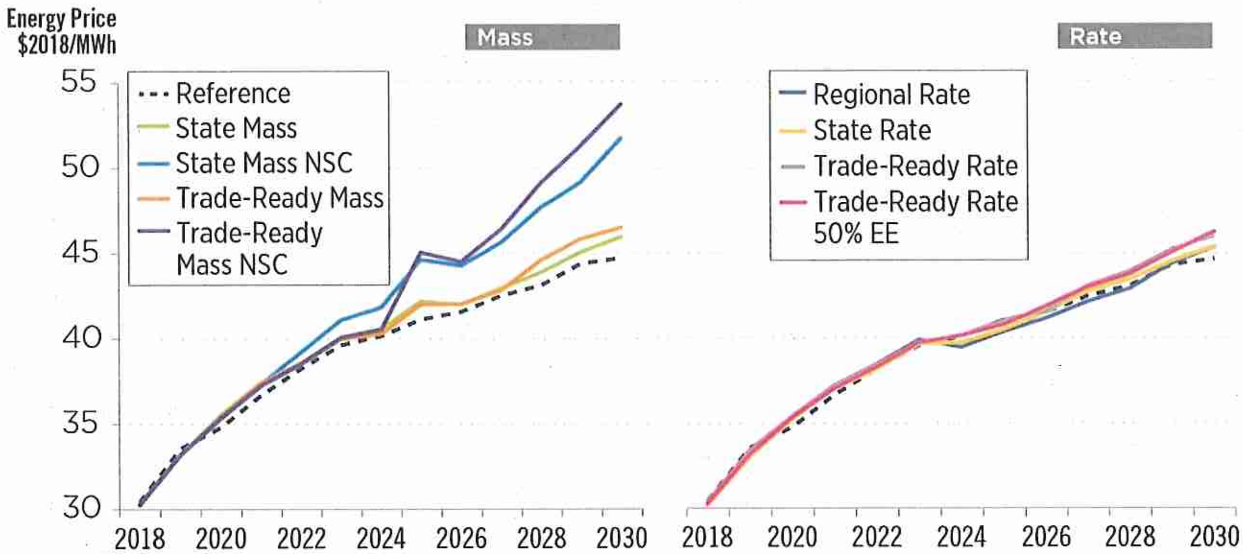
The High Voltage Transmission System is Utilized Less

Transmission Congestion in 2025

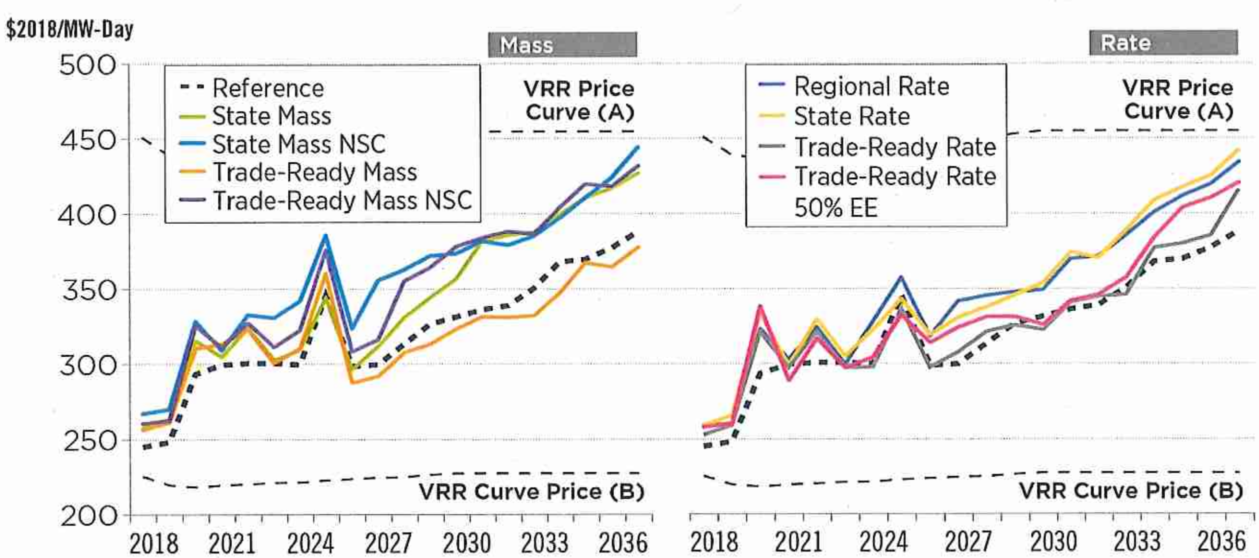


*Analysis focused on transmission limitations in 2025 at the 230 kV system and up. Limited set of 138 kV or below constraints evaluated.

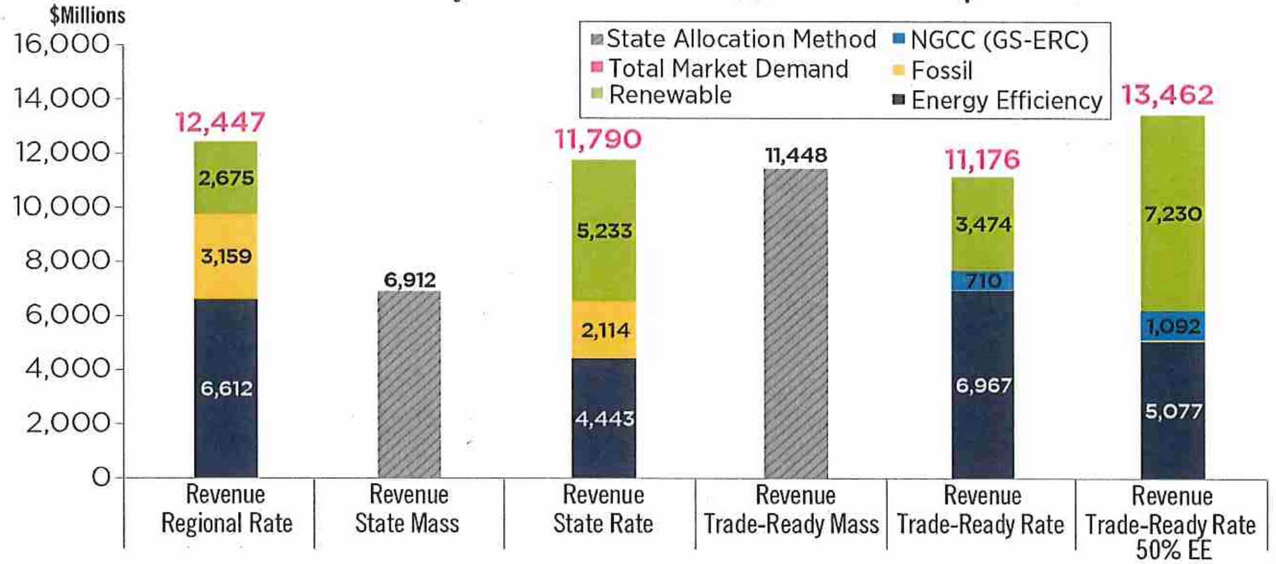
Energy Market Prices Increase Over-Time in Response to Higher Fuel Cost, Load Growth and Emissions Market Prices



Capacity Market Prices Increase to Offset Resource Retirements and Load Growth

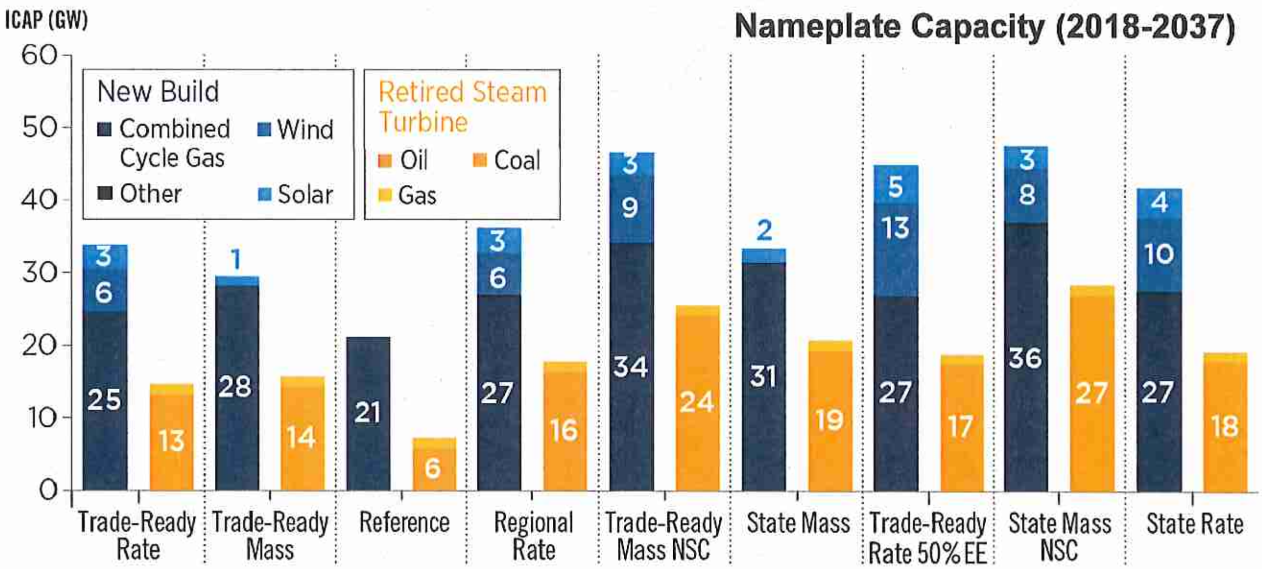


The Choice of Rate- or Mass-Based Trading Implies Differing State Flexibility to Provide Resource Development Incentives

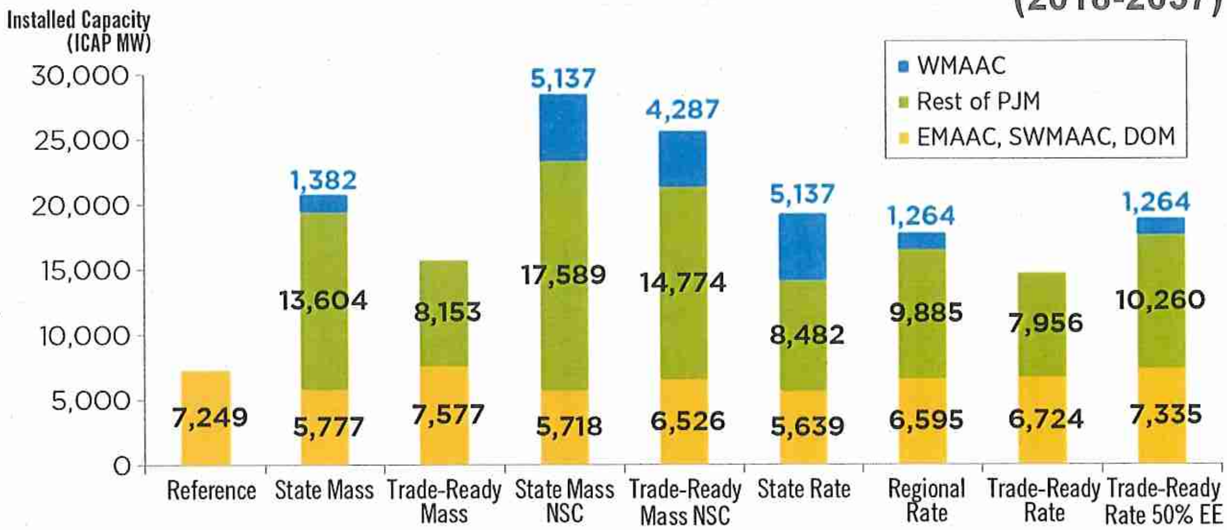


PJM Markets and Emissions Markets Drive Varied Resource Outcomes

Nameplate Capacity (2018-2037)



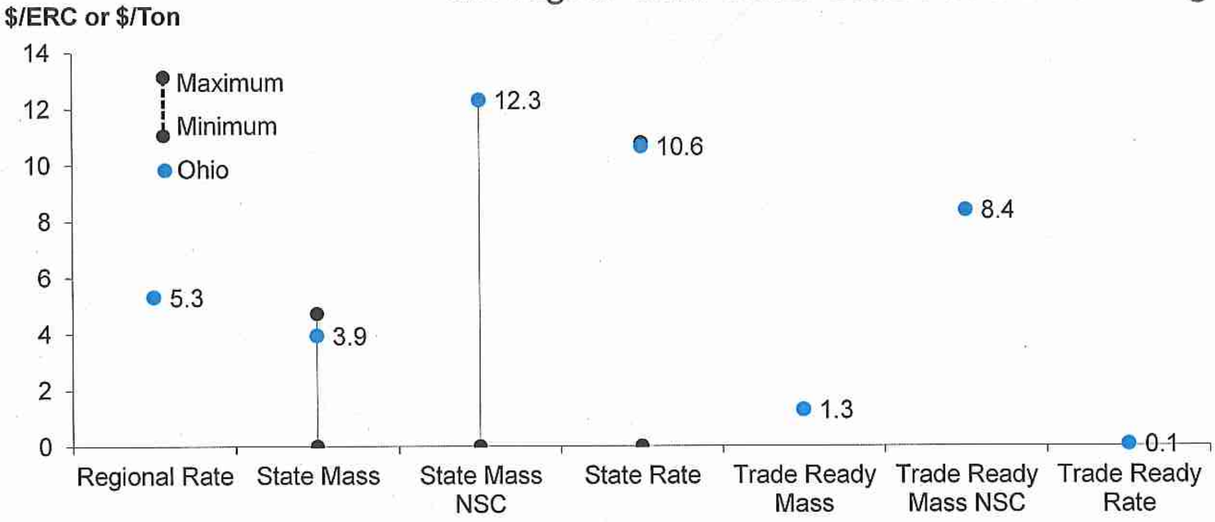
The Choice of Compliance Drives the Level and Location of Unit Retirements (2018-2037)



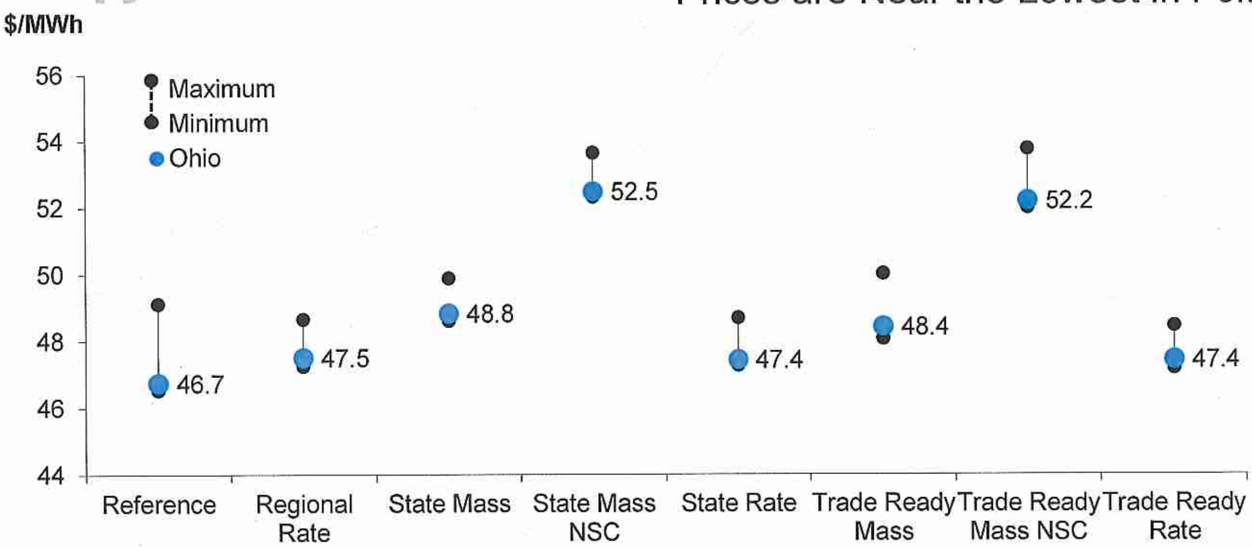
PJM's Analysis of the Clean Power Plan:

Security Constrained Economic Dispatch Ohio 2025

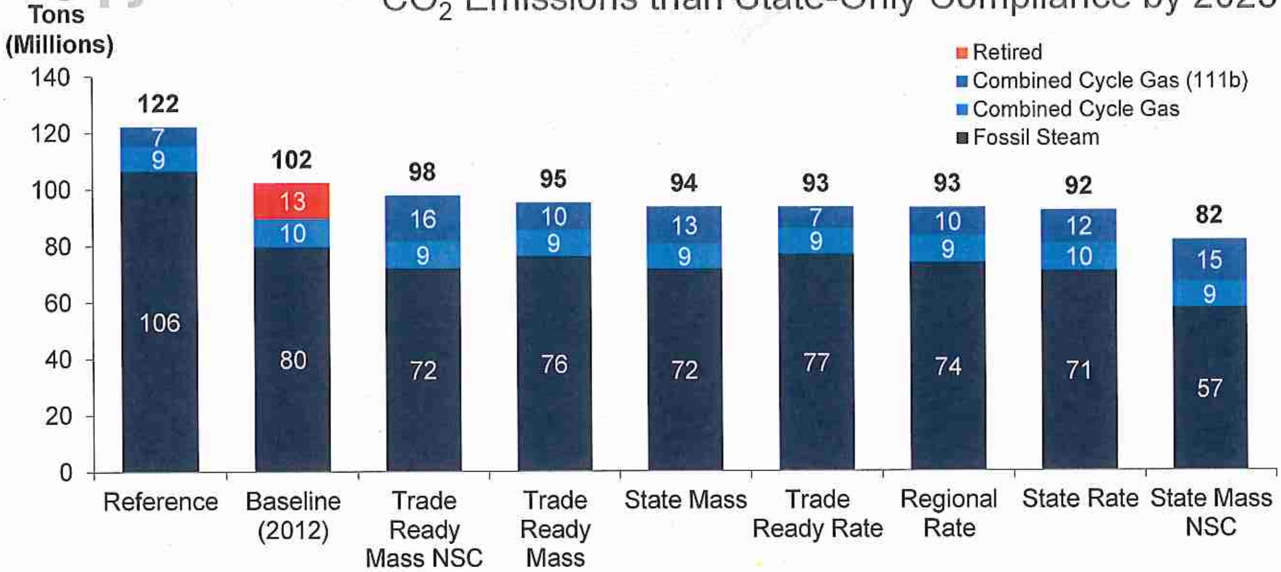
Ohio 2025 CO_2 Prices Under State-Only Compliance are Higher than Other States in the PJM Region



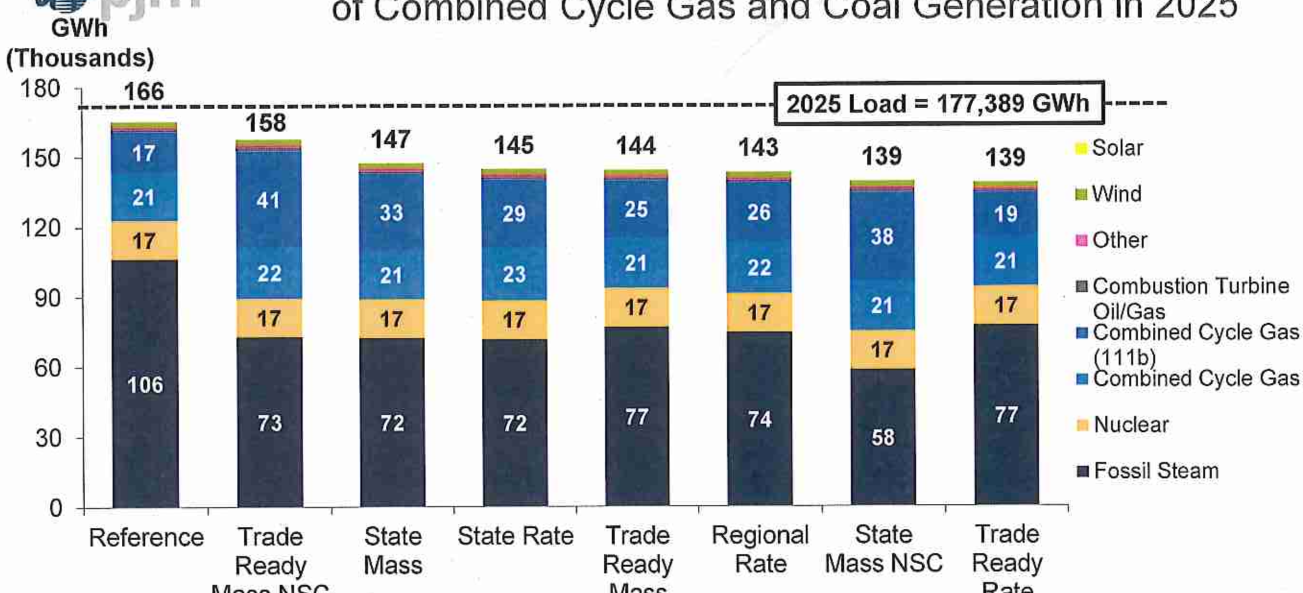
Lower Transmission Congestion Means Ohio's Energy Prices are Near the Lowest in PJM



Trade-Ready Compliance Leads to Higher Ohio CO_2 Emissions than State-Only Compliance by 2025



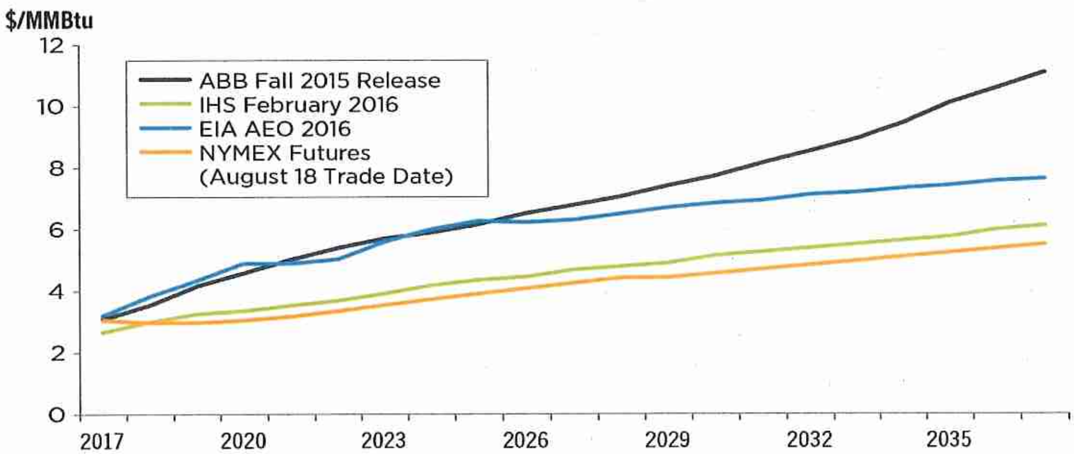
Compliance Pathways Lead to Trade-Offs Between Levels of Combined Cycle Gas and Coal Generation in 2025



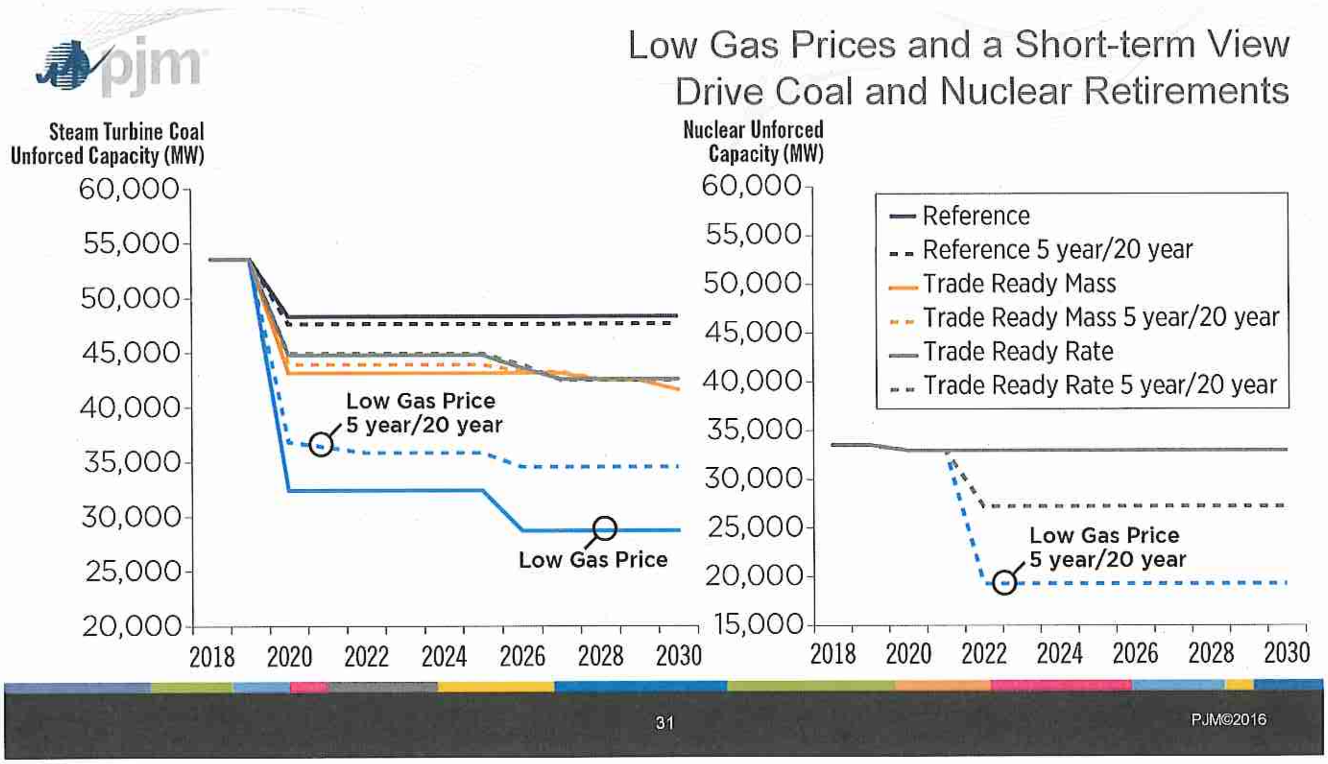
PJM's Sensitivity Analysis:

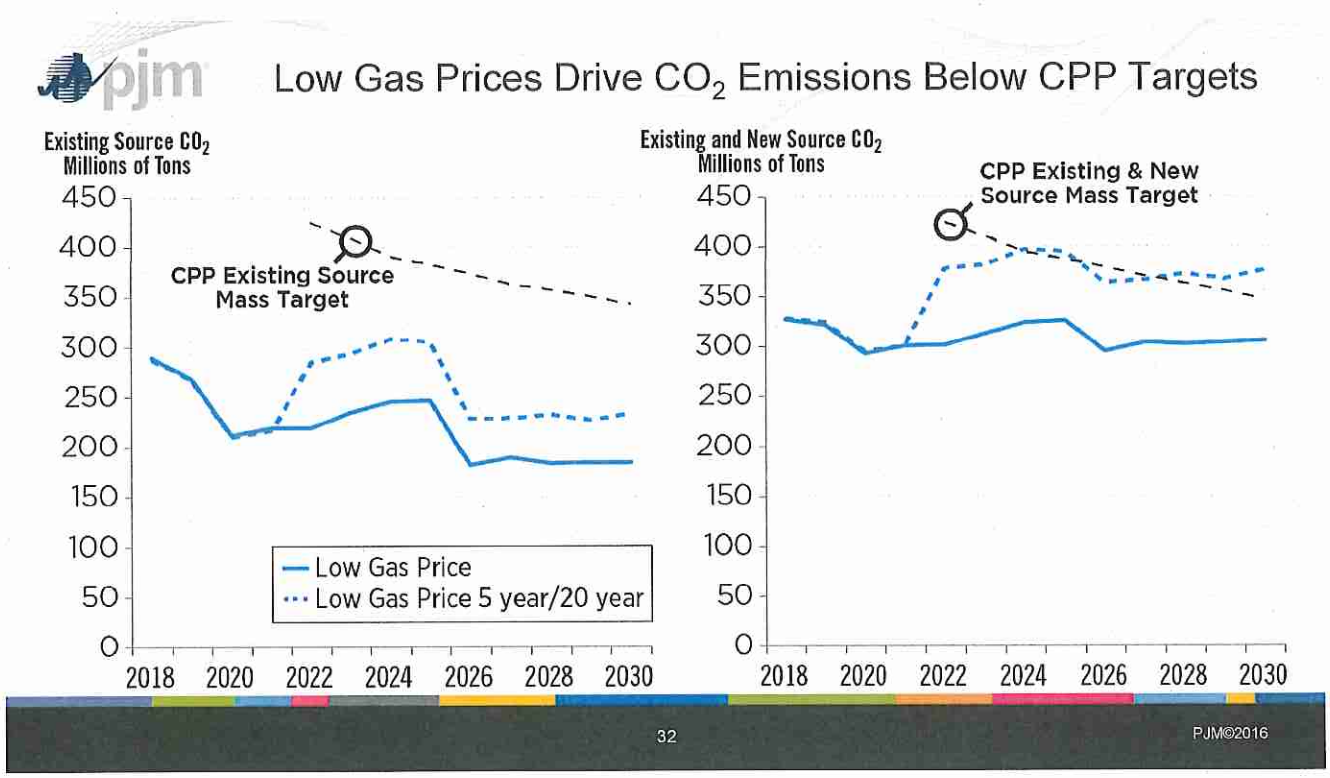
Low Gas Price Sensitivity
Short-Term Retirement Decision Sensitivity

Henry Hub Natural Gas Price Comparison

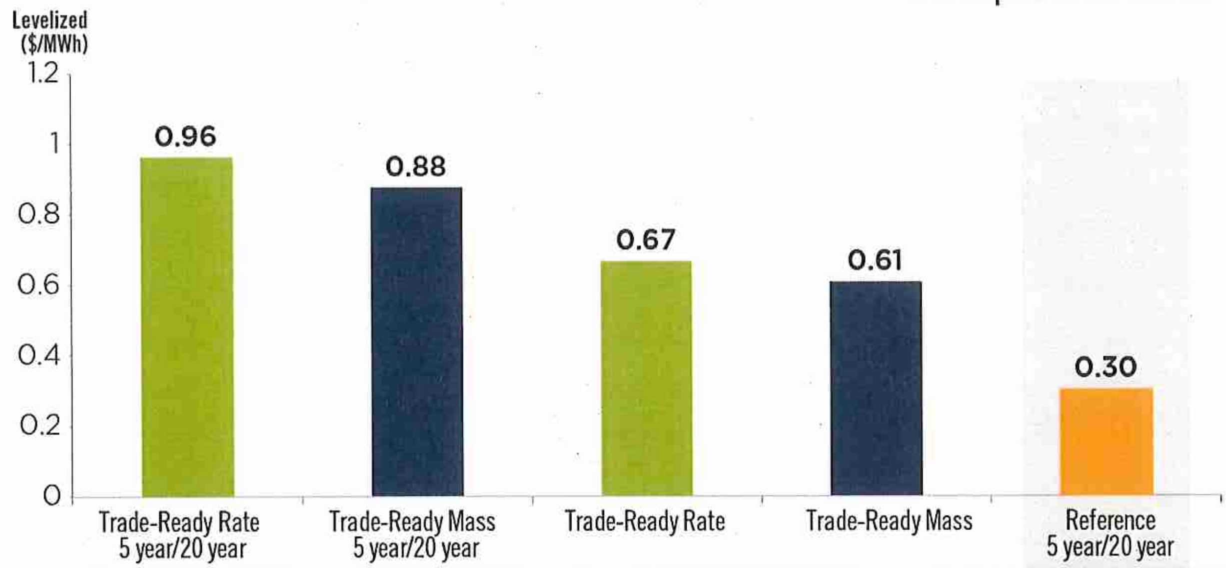


Source: IHS Inc.


pjm
Low Gas Prices and a Short-term View Drive Coal and Nuclear Retirements
Steam Turbine Coal Unforced Capacity (MW)
60,000
55,000
50,000
45,000
40,000
35,000
30,000
25,000
20,000
2018 2020 2022 2024 2026 2028 2030
Low Gas Price 5 year/20 year
Low Gas Price
Nuclear Unforced Capacity (MW)
60,000
55,000
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
2018 2020 2022 2024 2026 2028 2030
Reference
Reference 5 year/20 year
Trade Ready Mass
Trade Ready Mass 5 year/20 year
Trade Ready Rate
Trade Ready Rate 5 year/20 year
Low Gas Price 5 year/20 year
31
PJM©2016


pjm
Low Gas Prices Drive CO_2 Emissions Below CPP Targets
Existing Source CO_2 Millions of Tons
450
400
350
300
250
200
150
100
50
0
2018 2020 2022 2024 2026 2028 2030
CPP Existing Source Mass Target
Low Gas Price
Low Gas Price 5 year/20 year
Existing and New Source CO_2 Millions of Tons
450
400
350
300
250
200
150
100
50
0
2018 2020 2022 2024 2026 2028 2030
CPP Existing & New Source Mass Target
32
PJM©2016

Resource Owners Adoption of a Short-Term View Drives Up Compliance Cost



Key Observations and Conclusions

- PJM states achieve compliance with CPP at a compliance costs between 1.1%-3.3% of historical total wholesale costs.
- Resource adequacy is maintained, but with a shift from fossil steam generation to new combined cycle natural gas and renewable generation.
- Compliance with the Clean Power Plan leads to lower transmission congestion overall and shifting of congestion patterns relative to the reference case but transmission reliability studies are ongoing.
- Trade-ready compliance leads to the lowest compliance and wholesale load cost.

Key Observations and Conclusions

- If natural gas prices remain low the PJM states' CO_2 emissions would remain below the EPA mass-based emission reduction goals under the Clean Power Plan.

- Shortening the retirement decision horizon to a 5 year window leads to nuclear retirements and an increase in compliance costs.

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MEMORANDUM

To: OMA Energy Committee
From: Kim Bojko, OMA Energy Counsel
Re: Energy Committee Report
Date: November 17, 2016

Active Administrative Actions in which OMAEG is Involved:

American Electric Power (AEP):

- **PPA Rider Expansion Case (Case No. 14-1693-EL-RDR, et al.)**
  - AEP, Staff, Sierra Club, Ohio Energy Group, Ohio Hospital Association, IGS and others filed a stipulation seeking PUCO approval to populate the PPA Rider with the costs associated with certain plants owned by AEP Generation Resources as well as the costs of AEP's entitlement to the OVEC output. IEU-Ohio agreed to not oppose.
  - The stipulation contains 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.
  - On rehearing, AEP stated that in light of the FERC decision it was going to only pursue recovery of the OVEC PPA.
  - The PUCU issued an Order on November 3, 2016, authorizing AEP Ohio to recover from customers the net impacts of AEP Ohio's OVEC contractual entitlement through the PPA Rider.
  - Applications for rehearing are due on December 5, 2016.

- **ESP Application (Case No. 13-2385-EL-SSO, et al.)**
  - Order issued on February 25, 2015, wherein PUCO approved establishment of the PPA Rider, but AEP was not authorized to collect any PPA costs through the PPA Rider.
  - Entry on Rehearing subsequently issued – PUCO deferred ruling on applications for rehearing related to the PPA Rider.
  - 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.

- The PUCO issued an Order on November 3, 2016, affirming its decision in the February 25, 2015 Order not to approve AEP Ohio's recover of any costs under the PPA Rider, including OVEC costs.
- Applications for rehearing are due on December 5, 2016.

- **Fuel Adjustment Clause Cases (Case No. 11-5906-EL-FAC, et al.)**
  - An audit estimated that AEP double recovered certain capacity-related costs in the amount of $120 million.
  - The PUCO reversed an earlier decision and held that parties have the right to receive copies of a draft audit report previously withheld from disclosure.
  - The draft shows that AEP may have double recovered by as much as $160 million.
  - The PUCO has set this case for a January 24, 2017 evidentiary hearing.

<u>Duke Energy Ohio (Duke):</u>

- **ESP Application (Case No. 14-841-EL-SSO, et al.)**
  - Order issued on April 2, 2015, wherein PUCO approved establishment of a PPA rider (Rider PSR), but Duke was not authorized to collect any PPA costs through Rider PSR.
  - Several parties, including OMA, filed applications for rehearing on May 4, 2015. The applications for rehearing are still pending.
- **2013/2014 EE/PDR Recovery (Case Nos. 14-457-EL-RDR and 15-534-EL-RDR)**
  - Duke and Staff filed a stipulation seeking to resolve the shared savings mechanisms relating to Duke's 2013 and 2014 programs.
  - OMA and others opposed the stipulation.
  - The PUCO issued a decision on October 26, 2016, approving the stipulation, which provides Duke $19.75 million in shared savings incentives.
- **Shared Savings Mechanism Extension Case (Case No. 14-1580-EL-RDR**)
  - Duke sought PUCO approval of its request to extend the use of its shared savings incentive mechanism in 2016.
  - OMA and others opposed the proposal and filed reply briefs on September 8, 2016, and are awaiting a PUCO decision.

<u>FirstEnergy:</u>

- **ESP IV Application (Case No. 14-1297-EL-SSO)**
  - FirstEnergy, Staff, Ohio Energy Group, OPAE, IGS, and others filed a stipulation seeking PUCO approval of FirstEnergy's ESP IV Application together with authority to establish and populate a PPA rider (Rider RRS) with the costs associated with certain plants owned by its affiliate, FirstEnergy Solutions.
  - The stipulation also contains provisions addressing: grid modernization; energy efficiency; and a plan to transition to decoupled rates.
  - The PUCO modified and approved the stipulation.
  - On rehearing, FirstEnergy stated that in light of the FERC decision it was not pursuing cost recovery of the affiliate PPA with FirstEnergy Solutions at this time. However, FirstEnergy is still seeking to recover costs through Rider RRS under a new proposal (a virtual PPA).
  - On rehearing, Staff proposed a new proposal to create a credit support rider to replace the virtual PPA to give FirstEnergy $393 million over three years ($131 million annually). Staff hopes that the credit support rider will jumpstart grid modernization, but there is no guarantee this will happen. FirstEnergy requested modifications to Staff's rehearing proposal, requesting $558 million annually for the eight years of the ESP plus an additional amount up to $568 million annually to account for maintaining its corporate headquarters and nexus of operations in Akron, Ohio—the total could be approximately $9 billion over the term of the ESP IV.
  - The PUCO issued a decision on October 12, 2016, adopting Staff's proposed Rider DMR. In adopting Rider DMR, the PUCO authorized FirstEnergy to collect from customers $132.5 million per year for three years (approximately $204 million per year grossed up for taxes), with an option to extend the rider for an additional two years. The PUCO conditioned FirstEnergy's recovery of revenues under Rider DMR on three terms including: the retention of its headquarters in Akron, Ohio; prohibition of a change in control of FirstEnergy; and demonstration of sufficient progress in the implementation and deployment of grid modernization programs.

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

- **Distribution Rate Increase (Case No. 15-1830-EL-AIR, et al.)**
  - The PUCO set June 1, 2015 to May 30, 2016 as the test period and September 30, 2015 as the date certain.
  - Discovery is ongoing and parties are awaiting a forthcoming Staff report and case management schedule.
- **Electric Security Plan (Case No. 16-395-EL-SSO, et al.)**
  - DP&L filed an amended application on October 11, 2016, withdrawing its Reliable Electricity Rider (RER) request. Instead, it is now seeking a Distribution Modernization Rider (DMR) for a term of seven years to recover $145 million per year from customers.

- A Distribution Investment Rider and a Clean Energy Rider are also being sought.
- A hearing is scheduled for December 5, 2016.

<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.
  - Stakeholders await the PUCO's decision.

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

<u>Duke Energy Ohio:</u>

- **Increase to Natural Gas Distribution Rates, Case No. 2014-328 (Appeal of Case No. 12-1685-EL-AIR, et al.)**
  - OMA, OCC, Kroger, and Ohio Partners for Affordable Energy appealed a PUCO order to the Ohio Supreme Court that permitted recovery from ratepayers for environmental remediation costs associated with two former manufactured gas plant sites.
  - The matter has been set for oral argument before the Court on February 28, 2017.

Federal Actions

FERC Complaints:

- **Complaints against AEP, FirstEnergy, and their unregulated generating affiliates**
  - RESA, EPSA, Dynegy, and a few others filed complaints seeking to rescind the waiver on affiliate power sales transactions granted to AEP, FirstEnergy, and their unregulated generating affiliates.
  - OMAEG filed comments in support of the complaints.
  - FERC granted the complaints and held that no sales may be transacted under the affiliate PPAs until FERC determines that the contracts are just, reasonable, and free from affiliate abuse.
  - RESA, EPSA, Dynegy, and a few others filed a further protest against FirstEnergy's compliance filings, claiming that FirstEnergy's virtual PPA raises problems that are similar to the affiliate PPA. OMAEG filed comments in support of this protest.

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Summary of PUCO's Orders Permitting DP&L to Terminate its ESP 2 and Partially Revert Back to its ESP 1

On August 26, 2016, the PUCO issued orders authorizing DP&L to terminate its currently-effective ESP 2 and partially revert back to the provisions from its previously-defunct ESP 1. The PUCO also recognized that mercantile customers could benefit by shopping for all transmission services. The PUCO therefore encouraged mercantile customers to work with Staff to determine an approach (under the reasonable arrangement statute) for opting out of nonbypassable transmission charges imposed by DP&L thereby authorizing customers to procure transmission services from competitive suppliers.

The PUCO's orders follow from the Supreme Court of Ohio's recent decision which reversed the PUCO's authorization of DP&L's Service Stability Rider (SSR). The Court did not articulate a precise rationale for its reversal; however, the context of the case made it plain that the decision was invalidating the SSR because it enabled DP&L to recover transition revenue or its equivalent. In its request to terminate the ESP 2 and partially revert back to the ESP 1, DP&L claimed that the Court reversed the ESP 2 in its entirety. OMAEG and others challenged DP&L's expansive interpretation of the decision, claiming that the Court's reversal was limited to the SSR. But the PUCO agreed with DP&L. It also agreed with DP&L that any action by the PUCO to effectuate the Court's remand would be a modification to DP&L's ESP 2, which would authorize DP&L to terminate the ESP 2.

In conjunction with allowing DP&L to terminate the ESP 2, the PUCO allowed DP&L to partially revert back to its ESP 1. Under Ohio law, if a utility terminates an ESP, the utility is authorized to continue the provisions from its prior ESP with necessary fuel adjustments. OMAEG and others explained that DP&L's request violated this provision of Ohio law because DP&L's request sought to blend ESP 1 and ESP 2 provisions together. The PUCO found that such blending was permissible under the circumstances. The PUCO also permitted DP&L to resurrect its nonbypassable Rate Stability Charge (RSC). The RSC was originally created to compensate DP&L for serving as a provider of last resort (POLR); however, POLR service is now supplied by CRES participants through the competitive procurement process. Notwithstanding that the justifications for compensating DP&L for POLR service no longer apply, the PUCO reasoned that DP&L still maintains a long-term obligation to provide POLR service because there are no competitive procurements scheduled after its current ESP (May 31, 2017).

On a positive note, although the PUCO authorized DP&L to collect the RSC instead of the unlawful SSR, the RSC charge is less than the SSR charge. Additionally, the PUCO rejected DP&L's request to collect a bypassable Environmental Investment Rider (EIR) from ESP 1 that allowed DP&L to recover costs incurred to comply with environmental regulations. The PUCO reasoned that the competitive procurement process no longer justified cost recovery through the EIR.

Unless the orders are later modified, the partial reversion to ESP 1 will remain in effect until the PUCO approves DP&L's pending ESP 3 application.

The legal ramifications of the PUCO's orders suggest that a utility has an everlasting right to terminate an ESP following an adverse Court ruling even if, in the case of DP&L, the utility has been operating under and collecting charges through the ESP for almost three years. This would seem to limit the value of challenging an ESP-related PUCO decision to the Court. Following the PUCO's logic, if a utility suffers an adverse ESP-related ruling on appeal that benefits customers, the utility could then counteract the effects of the Court's ruling by simply requesting to terminate its current ESP and revert back to a prior ESP, or any combination thereof, whichever is more favorable to the utility.

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October 12, 2016

Summary of PUCO Order on Rehearing of FirstEnergy PPA Case

Background

The PUCO issued an Order adopting FirstEnergy's Stipulated ESP IV, with modifications, on March 31, 2016. As part of the ESP IV Order, the PUCO approved a modified version of FirstEnergy's purchase power agreement rider (PPA Rider). The Federal Energy Regulatory PUCO (FERC) issued an order rescinding a waiver of FirstEnergy's affiliate power sales restrictions previously granted to FirstEnergy and its affiliates. On April 29 and May 2, 2016, several parties filed for rehearing of the PUCO's ESP IV Order that approved the PPA Rider, including FirstEnergy who proposed approval of a modified PPA Rider in light of the FERC decision. The PUCO granted FirstEnergy's rehearing request in order to hold another hearing to take additional evidence on FirstEnergy's proposed modifications to its PPA Rider. On July 11, 2016, the rehearing commenced and included consideration of three proposals: 1) FirstEnergy's modified PPA Rider; 2) Staff's proposed creation of a new rider to provide credit support to FirstEnergy to bolster its financials (Rider DMR); and 3) FirstEnergy's modifications to Staff's proposal.

Today, the PUCO issued a decision on the merits of the rehearing requests and the three proposals before the PUCO to provide FirstEnergy with additional monies through a modified PPA Rider or credit support rider (Rider DMR). A summary of the key elements of the decision follows:

FirstEnergy's Modified PPA Rider

- The PUCO found that FirstEnergy's modified PPA Rider proposal should not be adopted as the proposal fails to include important benefits related to reliability, resource diversity, and economic development.
- In referencing the financial challenges currently facing FirstEnergy, the PUCO further noted that FirstEnergy failed to demonstrate that it would be able to pay any of the alleged credits to customers from the PPA Rider without impeding their ability to make investments in their distribution systems and smart grid technology.

Staff's Proposed Distribution Modernization Rider (Rider DMR)

- The PUCO found that Rider DMR should be adopted and authorized FirstEnergy to collect from customers $132.5 million per year, adjusted for recovery of taxes at the federal corporate income tax rate, for a total of three years, with a possible extension for two additional years. At the current tax rate, FirstEnergy is estimated to collect approximately $204 million per year for three years with a possible extension of the

Rider DMR for two more years. If FirstEnergy is authorized to collect the PUCO's approved rider amount for five years, FirstEnergy could collect from customers over $1 billion.

- The PUCO conditioned recovery of revenue under Rider DMR upon three terms: (1) retention of FirstEnergy's corporate headquarters in Akron, Ohio; (2) prohibition of a change in control of FirstEnergy; and (3) demonstration of sufficient progress in the implementation and deployment of grid modernization programs as approved by the PUCO at its sole discretion. However, the PUCO rejected Staff's request to make Rider DMR subject to refund if a condition is not met.
- The rate design and allocation of Rider DMR will be based upon 50 percent energy and 50 percent demand, and it will be allocated between the operating companies based upon 50 percent energy and 50 percent demand. The rider rate will be updated annually with no carrying costs.
- Rider DMR revenues will be excluded from SEET calculations. The PUCO explained that including the revenue in SEET would introduce an unnecessary element of risk to the Companies and undermine the purpose of providing credit support for the Companies.
- Although the PUCO did not place any restrictions or requirements on the use of Rider DMR revenues to ensure that the revenues would be used to modernize the grid, the PUCO stated that it will provide an incentive to FirstEnergy to focus its resources on grid modernization and it will jump start FirstEnergy's grid modernization plans.
- The PUCO noted that Rider DMR will provide FirstEnergy with the credit support it needs to ensure that it has access to the capital markets in order to invest in grid distribution modernization.
- Interestingly, the PUCO stated that it intends to undertake a detailed policy review of grid modernization in the near future.

Other Modifications to the PUCO's Previous Order approving the Stipulated ESP IV

- *Non-Market-Based Services Rider (Rider NMB)*: The PUCO noted that the Stipulated ESP IV provides only one avenue for customer participation in the Rider NMB pilot program and customers who may benefit from participation in the Rider NMB pilot program should work with Staff and FirstEnergy to determine if participation is appropriate and then file a reasonable arrangement application for permission to participate in the Rider NMB pilot program, and the PUCO will determine if such participation is in the public interest. The PUCO directed FirstEnergy and Staff to continuously review the actual results of the Rider NMB pilot program and periodically report findings to the PUCO.
- *Economic Load Response Rider (Rider ELR)*: The PUCO determined that the half of the ELR credit ($5/kW-month credit) that was only collected from GS and GP customers should be recovered by all customers. The PUCO directed FirstEnergy to include a new provision within Rider EDR stating that recovery of the cost of the incremental increase

in the ELR credits should be recovered from all customers as a percentage of base distribution revenue.

- *EE Issues:* The PUCO clarified that while FirstEnergy may count savings under the Customer Action Program and receive lost distribution revenue, FirstEnergy may not receive shared savings for energy savings under the Customer Action Program. The PUCO noted that it has never allowed shared savings for programs like the historic mercantile customer program which involves no action by FirstEnergy to achieve the energy savings. The PUCO also stayed the effective date of the increase in the shared savings cap, stating that it is mindful of the increases in customer bills stemming from the Stipulated ESP IV, as modified, and in the interest of gradualism, it will stay the increase in the shared savings cap until such time as FirstEnergy is no longer receiving revenue under Rider DMR.

- *Return on Equity for Grid Modernization*: Given the approval of Rider DMR, the PUCO eliminated the 50 basis point adder to the return on equity for investment made for grid modernization in the Stipulated ESP IV as such incentive it is no longer necessary.

- *Renewable Commitment:* The PUCO believes FirstEnergy's renewable commitment is a firm commitment. The PUCO stated that FirstEnergy will be required to demonstrate that the procurement or construction of' renewable energy resources is in the public interest, and any recovery of the costs of the programs will be subject to PUCO review and approval, based upon whether any such costs are just and reasonable. The PUCO clarified that costs incurred and revenues collected from the purchase and sale of the renewable energy resources under the Stipulated ESP IV will be netted in the newly created Rider ORR and will be subject to audit and review. The PUCO directed FirstEnergy to work with Staff to determine whether the best use of ratepayer resources is to procure renewable resources through bilateral contracts or to construct new resources in this state, based upon the facts and circumstances at the time.

- *Increases in the Distribution Cost Recovery Rider and Distribution Rate Freeze:* At the end of the Stipulated ESP IV, the PUCO directed FirstEnergy to file a distribution rate case as it will have been 17 years since its last distribution rate case.

- *FirstEnergy's Unfettered Right to Withdraw:* The PUCO clarified that FirstEnergy's filing of tariffs before the conclusion of the application for rehearing and appeals process will be subject to the rehearing and appeal process and FirstEnergy will have the right to withdraw from ESP IV, as modified, until the conclusion of that process. Thus, FirstEnergy will have the right to withdraw from its ESP until a reasonable period of time after a Supreme Court decision has been issued.

Concurring Opinions

- *Chairman Haque Quotes:*
  - "The DMR's primary purpose is to ensure that FirstEnergy retains a certain level of financial health and creditworthiness so that it can invest in future distribution modernization endeavors."
  - "I have said on a number of occasions now, in a number of different venues, that the Commission intends on having a very robust conversation about the future of the grid and the electric industry. The Commission will evaluate FirstEnergy's grid modernization plan after having that public conversation. It will then order the Companies to implement certain endeavors to advance the electric industry in their footprint for the betterment of their consumers and businesses. FirstEnergy will then be able to recover for those endeavors under a traditional regulatory paradigm through the Rider Advanced Metering Infrastructure (AMI)."
  - "This is undoubtedly unconventional. Typical public utility regulation functions to provide utilities with recovery and a return for expenditures made in constructing/maintaining service. Rider DMR, however, will serve to provide FirstEnergy with an infusion of capital so that it will be healthy enough to make these modernization investments when called upon. After this initial infusion, again, Rider AMI will function as the corresponding traditional regulatory mechanism, providing a return for monies expended to construct/maintain service."
  - "I am reluctant to throw darts and tie DMR recovery to certain grid modernization endeavors without having the full and public conversation that I want to have, and thus, Rider DMR may feel a bit premature. However, this case is before us today, and now. I do not want to find ourselves in a position where we have developed a trajectory for the future of the electric industry, only to be thwarted in the FirstEnergy footprint due to a lack of available funds, or an exorbitant price tag resulting from the parent company's lack of creditworthiness and corresponding difficulty in raising frontend capital. As a condition to receiving revenues under Rider DMR, FirstEnergy must comply with what the Commission orders in its grid modernization filing (in tandem with maintaining FirstEnergy Corp.'s headquarters in Akron and not selling the company). This is both a 'carrot' and 'stick' approach."
  - "The Commission does not intend to be, nor will it be, nor should it be the entire solution for FirstEnergy's current financial difficulty. In fact, we calculated Rider DMR to account for Ohio's share (22%) of FirstEnergy Corp.'s credit issues. The Commission is an economic regulator. It is not a bank. It is not a trust fund. We authorize rates and charges that come directly from the pockets of consumers and businesses in this state. We have no rainy day fund to dip into." "I do, however, want our regulated utilities to be healthy so that they can invest in bettering the delivery of services to consumers and businesses in the State of Ohio."
  - "I am not terribly concerned that we are setting dangerous precedent in this case by providing recovery based mathematically upon the financial condition of a utility. Other state public utility commissions have dealt with similar scenarios California/PG&E - Texas/Oncor - New Hampshire/Public Service), and this

Commission monitored closely the financial health of Columbia Gas of Ohio in the early to mid 90's. Each of our electric utilities has, though, expressed its intent to operate within a fully regulated paradigm. Regardless of how the utilities get to a fully regulated world, this should result in more steady earnings and de-risking of their books."

- "Going forward, in the event that the Commission sees our regulated distribution utilities suffer as a result of actions from parent companies or affiliates, the Commission should very seriously consider ring-fencing the distribution utilities to protect the State. That is, our regulated distribution utilities should not be utilized to subsidize market difficulties, risky behavior, etc, associated with parent and affiliate companies."
- "Electricity is an essential good with a captive customer base. Our regulated distribution utilities get a regulated rate of return for everything that they do. There is no reason why these regulated distribution utilities should ever be in a position of true financial harm whereby they can't make necessary investments to better the delivery of power and innovate."

- *Commissioner Slaby Quotes:*
  - "I place a significant value on the economic impact on the Companies' headquarters remaining in Akron. The loss of a company of this size would have a significant economic impact on both the local area and the entire northern portion of the State of Ohio. Unfortunately, Akron, as well as other cities in Ohio, has seen the negative economic impact of a loss of a major company. I have lived through the loss of numerous rubber companies moving out of the Akron area. We projected at that time that for every job lost in manufacturing, three to five support jobs were lost. This meant that there was a substantial loss of small businesses, in addition to large companies, that could no longer be supported. Therefore, unemployment went up and population declined."
  - "This requires us to make every effort to balance the pressures of providing sufficient revenues to the Companies, while keeping the cost to all classes of customers at a minimum." "We have to examine the impact any rate adjustment would have on all classes of customers. Here again experts have differed. We must be cognizant that high utility rates could have a significant impact of whether or not they stay in business. Small to medium size businesses may be the incubators for job growth. Therefore, we have to be aware of the precarious balance that is needed between the residential consumer, as well as the needs of big and small business enterprises. In the event the cost of doing business in a given area becomes too high because of utility rates, businesses will not be able to survive. Likewise, there would be a disincentive to locate in the area."
  - "I, therefore, am concerned that not adjusting Staff's recommendation up to 15 percent may place the company in jeopardy of being downgraded."

Electricity Generation "Re-regulation" in Ohio
the Utilities'
Job Killing, $ 29.4 Billion Subsidy

to

The Ohio Manufacturers' Assoc.

by : Clean Energy Future, LLC (CEF)

November 17, 2016

Conclusions

- "Re-reg " requires that all electricity ratepayers **give up** **"customer choice"** for their electricity supplier (with generation available from non-utility generators)
- 2016 poll shows ratepayers demand **"customer choice"** by a 5:1 margin (1)
- "Re-reg" requires that any future gas-fired project can only be built by a regulated utility entity
- "Re-reg" is effectively a **$ 29.4 Billion "subsidy"** paid to the Ohio power utilities, by Ohio customers
- This $ 29.4 Billion amount comes from : subsidizing old coal $ 14.4 B ; plus mandatory construction of new gas-fired plants by inefficient utilities $ 15.0 B
- This level of "economic" millstone will have dramatic negative effects in Ohio :
  - cause cost of goods to increase, for existing businesses
  - act as a deterrent for new businesses looking to locate in Ohio
  - rising product/services costs have to be met with other cost reductions (jobs)
  - consumers spending more on electricity, have less disposable income for purchase
  - this un-necessary economic burden acts as an automatic "brake" on the Ohio economy
- Such a utility "Re-reg" proposal is driven by their known inability to compete in the existing open-market environment

(1) "Ohio GOP voters Support Green Energy, Efficiency Programs and Customer Choice." Sept. 21, 2016, The Plain Dealer.

2

Bill Siderewicz, P.E. : Ohio Power Experience

- President, Clean Energy Future, LLC (CEF)
- CEF is bringing private investment of **$ 4.5 Billion** into Ohio
- Five (5) gas-fired projects in Ohio, with 4,505 MW capacity :
  - Fremont : 710 MW (operating)
  - Oregon-1 : 960 MW (in construction)
  - Lordstown - 1 : 940 MW (in construction)
  - Oregon-2 : 955 MW (advanced development)
  - Lordstown-2 : 940 MW (advanced development)
- Thirty-six (36) years experience in developing and building **non-utility** power projects
- 35 successful projects (14,350 MW), 97% gas-fired
- Environmental/civil engineering background
  - Cornell University – M.S. Engineering (Fellowship)
  - Northeastern University – M.B.A. Finance
  - Merrimack College – B.S. Engineering (cum laude)
- Personally involved in development, financing and on-going management of power projects

3

De-regulation of Electricity Generation in Ohio

- De-regulation of generation in Ohio started in 1999 - 2000
- Ohio's regulated utilities were compensated $ Billions, as Step -1 in de-regulation, for "stranded assets", to address their non-competitive power plants
- Ohio became part of a 13-State PJM open-market based on competition to reduce :
  - electricity capacity costs
  - electricity energy costs
- PJM (www.pjm.com) has 171,648 MW of capacity, approx. 18.4 % of total U.S. generation capacity of 930,000 MW, and serving 61 million people
- A highly functional PJM has consistently pushed DOWN the cost of generated electricity
- Changing from a 16-yr free market power production system, back to a "re-regulated" market would place $ B's invested in Ohio, in financial jeopardy

4

De-regulated Power Generation Mimics Telephone De-regulation

- In the past, Ma Bell (regulated monopoly) was the only long distance provider, making telephone use very costly
- After telephone de-reg we have : Sprint, AT&T, Mobil 1, Verizon, etc.
- De-regulation of the telephone industry has opened competition and driven long distance rate, dramatically downward
- At one time AEP, FE and DP&L were the only power generators/providers (regulated monopolies)
- Through a competitive PJM power market, the same electricity cost reduction has occurred with power generation
- **Today, Independent Power Producers (IPPs) have entered the Ohio market and provided Ohioans with low-cost, clean and reliable power**
- Consumer choice for power is alive and well in Ohio

5

Power Transmission (T) and Distribution (D) Remain Regulated (Monopoly)

- T + D services remain under monopoly control by Ohio's utilities
- T + D economics are based on a cost plus "pass through" methodology
- There is no incentive whatsoever to minimize T+D costs to Ohio's customers, in fact the opposite can be argued to be true
- There is no competition or price control
- History has shown that **T + D costs have not decreased**

6

"Game Changing" Event called Shale Gas Discovery

- Gas/oil is being produced at record low costs via fracking technology
- E/SE Ohio is the beneficiary of the large-scale Utica Shale formation
- The Utica formation is just one of many U.S. formations such as Marcellus, Barnett, etc.
- South Point (OH/PA/WVa) is now the lowest price point for U.S. natural gas .. . . . trading at a discount to Henry Hub gas pricing, 12 months a year
- Gas prices are so low in South Point that gas flows in Midwest gas pipelines are being reversed, and gas is now flowing east to west
- Low-cost, abundant local natural gas has been the "spark plug" for new IPP power generation in Ohio
- The presence of new gas turbine technology coupled with abundant, low-cost gas have made vintage coal plants economically obsolete

Why Gas Will Not Let Coal Off the Mat

- A recent 2-year Univ. of WVa study (2) shows the Utica formation sized at 3,192 TCF (trillion cubic feet)
- If every single U.S. power plant, or 810,000 MW demand (930,000 MW capacity) ran on Utica gas . . . we have a near 80 year fuel supply
- **If every Ohio based MW of generation (ie. 24,000 MW demand) ran on Utica gas . . . we have a 2,660 year fuel supply**
- A local, low-cost supply of natural gas far exceeds gas demand making a coal/gas price cross-over highly unlikely
- Recently, at the PUCO PPA case, Ohio utility spokesmen have argued that coal will somehow become more economical than shale gas . . . to justify a coal plant subsidy, in the near term
- FERC (via the recent Ohio PPA subsidy case) has thankfully rejected such a view, because the facts do not substantiate such a position

(2) A Geologic Play Book for Utica Shale Appalachian Basin Exploration"; July 1, 2015; by WVa Univ. Research Corp.

Electricity Energy Costs from Coal are Simply Non-Competitive

- Laws of science and physics can not be denied :
  - Coal : net heat rate 12,500 Btu/kwh, coal cost (3) $ 2.25/MMBtu, Var O+M $ 5.75/MWh
  - Gas : net heat rate 6,500/kwh, gas cost $ 2.85/MMBtu, Var O+M $ 2.10/MWh

- Cost of electrical energy is thus :
  - Coal : $ 33.88/MWh (or 3.39 cents per kwh)
  - Gas : $ 20.63/MWh (or 2.07 cents per kwh)

- On-line real-time PJM data shows typical daily energy market prices in Ohio to be $ 25-28/MWh, see www.pjm.com, data shortcuts, maps (LMP)

- It's only a difference of 1.3 cents/kwh, why worry about providing Ohio utilities a "subsidy" for coal ?

- If all the remaining 9,933 MW of coal-fired Ohio generation (4) were provided a 1.3 cent/kwh subsidy for 15 more years, ratepayers would be saddled with a **over-charge of $ 14.4 Billion**

(3) "AEP 2016 Fact Book, 51 st EEI Financial Conf. " ; Phoenix, AZ; Nov. 6-9, 2016

(4) OH Coal Plants : FE 2,200 MW , AEP/JV 6,113 MW and DP+L/JV 1,620 MW

9

Electricity Capacity Costs from Coal are Simply Non-Competitive

- Remaining book values of coal-fired plants are still very high $ 850-900/kw (5)
- A **new gas-fired** power project, with a high energy efficiency, can be built for about the same $/kw capital cost
- At a 50/50 utility debt/equity ratio, and knowing cost of capital dictates the capital recovery needed
- Coal-fired plants have very high Fixed O+M costs, driven by :
  - large sized operating staffs, to manage coal systems
  - added benefit costs for such a staff
  - property tax payments
  - insurance for physical plant and liability
  - fixed maintenance plant costs, whether running or not
  - fixed cost of coal inventory, even if not used
  - fixed costs of maintaining ash disposal system
- PJM 's Capacity Auctions (May of each year) dictate the value of capacity in Ohio
- The most recent auction yielded a $ 100/MW-day capacity value
- The high : (i) capital recovery needs and (ii) Fixed O+M of coal firing means OH utilities will typically NOT clear the PJM Capacity Auction

(5) "AEP Takes $ 2.3 B Write-down of Coal Plants to Avoid Ohio's Deregulation Debacle." Nov. 1, 2016, Columbus Business First.

10

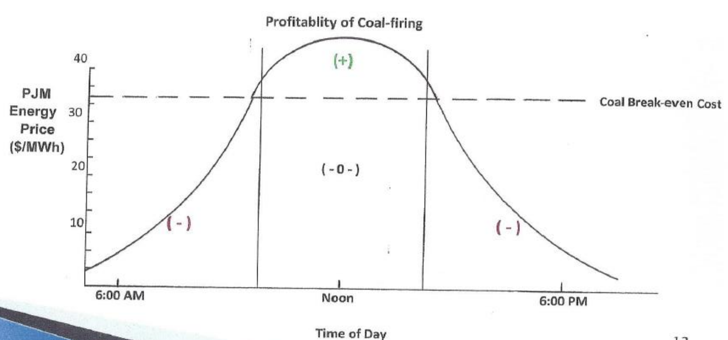
Other Negative Aspects of Aging Coal Plants

- Coal-fired plants emit nearly 100% more CO2 than equal sized modern gas-fired plants
- Emissions such as SOx, NOx and Particulate are magnitudes lower with gas
- Coal stack emissions include airborne mercury deposited to local surface waters
- If a cooling tower is used, coal firing requires 300% as much water as gas
- If once-through cooling in used for coal firing, 1,000,000,000 gal/day will be heated per 1,000 MW plant
- Ash ponds/landfills bring an added dimension of management risk, to protect against leaching of hexavalent chromium to local groundwater
- Coal plants can **not** be ramped up/down over short time periods making it difficult to make money in a dynamic PJM energy market

11

Inability for Coal Plant Ramp Up/Down

- A long ramp-up time means losing money to reach the targeted time of day for profitability
- A long ramp-down time means losing money to exit targeted time of profitability
- If the targeted time of profitability does not materialize (ie. incorrect forecast), money is lost in all three phases : ramp up, run time and ramp down



12

New Technology Makes Gas-fired CCGT Advantageous

- Numerous large industrial manufacturing entities continue to push the envelope of higher performance
- Gas turbine technology is derived from the aerospace industry (jet engines)
- The dominant large-scale power plant major equipment options are :
  - Siemens : F-class and H-class GTs
  - G.E : F-class and H .01 and H .02 GTs
  - MHI : J-class and G-class GTs
- Today's gas-fired net heat rates are at 6,400-6,500 Btu/kwh (HHV) ; twice as efficient as a coal plant

13

IPP Gas-fired Plants Have Equally Offset Closing Coal

- Ohio utilities can not shut down a coal plant until PJM has studied such an action, to preserve system reliability for Ohio's power consumers
- PJM has approved the closing of 10,295 MWs of Ohio coal plants, and lists them on the PJM web site (see Exhibit A)
- Exhibit B illustrates that 3,877 MW of modern gas-fired projects are in operation/construction and another 6,959 MW are in advanced development (10,836 MW total)
- Contrary to what has been stated by recent utility quotes, new modern gas-fired generation is on pace to equally offset closed coal plants

14

Private Investment has Filled Utility's In-action Void

- The IPP industry noticed this coal closure trend years ago based on : (i) added cost to meet smoke stack clean up regulations and (ii) the excessive cost of power production from coal vs. gas
- IPPs have moved into action without any need for Ohio Legislation or OhioPUC consideration
- IPPs have invested $ 4.0 Billion to date in Ohio, and are on a path to invest an added $ 7.0 Billion, for those projects in active development
- Such IPP investment is occurring without any risk/recourse to the Ohio ratepayer

15

Ohio Power Utilities Can Not Compete

- Since their very beginning, utilities have been monopolies, that do not compete and don't know how to compete
- Their world revolves around "cost plus" and "pass through" economics
- With a guaranteed rate of return on equity, it can be argued they have an incentive to "gold plate" everything to increase BOTH the rate base and their own profits
- Hard current-day economic facts, known to the IPP industry and EPC firms, point to utilities having a cost structure that is 30-40% higher than the costs of the IPP sector
- This first-hand knowledge comes from the grid interconnection process that allows an IPP-based power project to connect to the local utility grid . . . via the "self build" process
- This fact is also evident by way of the many attempted utility gas-fired projects that have failed in Ohio

16

What is the Magnitude of this Utility New-build Inefficiency

- A cornerstone provision to "Re-reg" is that any new gas-fired project can only be built by an Ohio regulated utility
- It is likely that at least another 10,000 MW of new gas-fired generation will be needed in Ohio, beyond the current 10,000 MW build out
- Knowing that a utility's cost of construction and operations are at least 35 % above the private sector, there is an **implicit subsidy** to be paid :

- Construction costs (+ 35%) :	$ 7.5 Billion
- Operating costs (+ 35%) :	$ 4.5 Billion
- Fuel costs (+ 5 %) :	$ 3.0 Billion
	$ 15.0 Billion

- Since new plants will be running for at least 40 years, the **subsidy** attributed to these new 10,000 MW of plants is **$ 15.0 Billion**

17

Decision-making for Ohio's Power Utilities is Quite Simple

- Seek strategic utility partners to : sell to/merge with
- Close and write-down ineffective generation facilities
- Sell un-economical generation to others
- **Form an un-regulated affiliate (like AEP announced Nov. 2 nd to pursue renewables) and start developing gas-fired generation tomorrow (6)**
- **There is absolutely no need whatsoever to change State electricity regulations**
- Create partnerships with others (IPPs such as CEF) who have developed modern gas-fired projects, vs. going it alone
- Invest in gas infrastructure, vs. dismissing it, as Southern Co. has done (7)
- Create cost saving measures to make T+D more economical

(6) "AEP Plans to Spend $ 1 Billion on Renewables." Nov. 2, 2016, Columbus Business First.
(7) "Southern Co. Ups Bet on Natural Gas, Buying Pipeline for $ 1.5 B." July 11, 2016, Atlanta Journal Constitution.

18

IPPs are Local Ohio Partners

- The Owners of Lordstown IPP have a market capital 400% larger than AEP, with far more gas-project experience, and participate locally
- The IPP local involvement is quite significant :
  - Improvements to local infrastructure (schools, roads, water supply and sewer services)
  - Tax payments to local school district and community
  - Salary and Project's community income taxes enhance local budgets
  - 750 - 1,000 union construction jobs over 2.5 years
  - Contributions to local scholarship efforts
  - 4-H Club of Trumbull Co.
  - Women's Auxiliary
  - Lions Club
  - Boy Scouts of Trumbull/Mahoning Counties
  - Rescue Mission of Mahoning Co.
  - Inspiring Minds youth program (Deryck Toles – NFL)
  - Integration of local H.S. and colleges into design and construction/operations of IPP plants
  - Unique contributions for local special needs (Lordstown H.S. sports uniforms)

IPP Economic Impact on Ohio is Significant

- OPSB permit process requires an independent economic "ripple effect" analysis be completed, before a construction permit is issued
- New IPP projects favorably impact many areas :
  - local salary tax (construction and operation phases)
  - local income tax on Project's income
  - State income tax (by new jobs and the Project itself)
  - property tax
  - water purchase
  - sewer service purchase
  - purchase of construction related goods/services
  - 750 - 1,000 union construction jobs
  - local gas transport service
  - purchase of natural gas (from Ohio resources)
  - new full time plant jobs
  - local goods/services to support annual maintenance
- Over a 40-yr period a single IPP plant has a $ 13.8 Billion impact
- The 12 new IPP plants for Ohio will yield over $ 170 Billion of in-State value

An Ohio Political Leader's Summation

- Oregon, OH is an energy center of Ohio : home of two (2) major refineries and 2,000 MW of gas-fired power generation
- The City Administrator, Michael J. Beazley, J.D. is intimately familiar with all ranges of energy issues
- Mr. Beazley also taught a course at the Univ. of Toledo designed to illustrate how regulated utilities use their status/network to shape business terms in Columbus, to meet their own financial needs
- When asked about the latest proposed "Re-reg" pursuit by Ohio's power utilities he stated :
  - " Within the last five years every single form of Ohio energy goods and services have decreased in cost, except for two (2), monopolized electricity transmission and distribution. Why would anyone support a legislative initiative that would place electricity generation into the same environment, leading to its upward cost spiral ?"

Why Will Utility Brass Fight for "Re-reg" ?

- Without control of power generation, utilities fear a loss of income potential
- Reduced utility income, negatively impacts their stock price
- Reduction in stock price negatively impacts compensation to management
- Monopoly (utility) managers are some of the highest paid in Ohio, even though they have no competition . . page 23
- Personal financial enhancement can be maintained/achieved via a subsidy paid by others (ratepayers) .. . page 24

Top 5 Salaries in Ohio

Top Compensated CEOs in Ohio

Rank	Name	Business	Annual Compensation	Perform Against Competition
1	Leslie Wexner	Retail	$ 27.17 million	YES
2	George Barrett	Cardinal Health	$13.27 million	YES
3	Nicholas Akins	AEP	$11.45 million	NO (monopoly)
4	David Campisi	Big Lots	$8.63 million	YES
5	Emil Brolick	Wendy's	$ 8.28 million	YES

Source : <u>Columbus Business First</u>, **Nov. 10, 2016**

AEP Manager Compensation

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
AEP Ohio Transmission Company, Inc.	(1) X An Original (2) _ A Resubmission	/ /	2015/Q4

FOOTNOTE DATA

Schedule Page: 104 Line No.: 1 Column: a

Executive Compensation Table

The following table provides summary information concerning compensation paid to or accrued by us on behalf of our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers, to whom we refer collectively as the named executive officers.

Name and Principal Position (a)	Salary ($)(1) (b)	Bonus ($) (c)	Stock Awards ($)(2) (d)	Non-Equity Incentive Plan Compensation ($)(3) (f)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(4) (g)	All Other Compensation Earnings ($)(5) (h)	Total ($) (i)
Nicholas K. Akins — Chairman of the Board and Chief Executive Officer	1,279,900	—	6,719,981	3,150,000	199,027	103,658	11,452,566
Brian X. Tierney — Executive Vice President and Chief Financial Officer	709,246	—	1,907,216	1,100,000	0	84,125	3,800,587
Robert P. Powers — Executive Vice President and Chief Operating Officer	709,246	—	1,888,008	1,075,000	0	90,234	3,762,488
David M. Feinberg — Executive Vice President and General Counsel	591,426	—	998,394	800,000	59,069	68,163	2,517,052
Charles E. Zebula — Executive Vice President-Energy Supply	446,310	—	1,496,037	570,000	51,420	54,279	2,618,046

Exhibit A

Coal Plant Closures in Ohio (1)

Utility Co.	Plant Name/Boiler No.	Size (MW)
ATSI	Burger 3	94
"	Niles 1	109
"	Niles 2	108
"	Bay Shore 2	138
"	Bay Shore 3	142
"	Bay Shore 4	215
"	Eastlake 1	132
"	Eastlake 2	132
"	Eastlake 3	132
"	Eastlake 4	240
"	Eastlake 5	597
"	Ashtabula 5	244
"	Lake Shore 18	245
	subtotal	**2528**
AEP	Conesville 1	115
"	Conesville 2	115
"	Conesville 3	165
"	Gorsuch	189
"	Sporn 1	145
"	Sporn 2	145
"	Sporn 3	145
"	Sporn 4	145
"	Sporn 5	440
"	Clinch River 3	230
"	Glen Lyn 5	90
"	Glen Lyn 6	235
"	Kammer 1	200
"	Kammer 2	200
"	Kammer 3	200
"	Kanawha River 1	200
"	Kanawha River 2	200
"	Muskingun River 1	190
"	Muskingun River 2	190
"	Muskingun River 3	205
"	Muskingun River 4	205
"	Muskingun River 5	600
"	Picway 5	95
"	Sporn 1	145
"	Sporn 2	145
"	Sporn 3	145
"	Sporn 4	145
"	Tanner Creek 1	145
"	Tanner Creek 2	145
"	Tanner Creek 3	198
"	Tanner Creek 4	500
	subtotal	**6212**
DP&L	Indian River 1	90
"	Indian River 2	89
"	Indian River 3	170
"	Hutchings 1	53
"	Hutchings 2	50
"	Hutchings 3	59
"	Hutchings 4	62
"	Hutchings 5	58
"	Hutchings 6	57
	subtotal	**688**
Duke	Walter C. Beckjord 1	94
"	Walter C. Beckjord 2	94
"	Walter C. Beckjord 3	128
"	Walter C. Beckjord 4	150
"	Walter C. Beckjord 5	238
"	Miami Fort 6	163
	subtotal	**867**
	TOTAL Ohio Closures	**10295**
	Total Boilers Closed	**59**

1. Sources : PJM Plant closure data (www.pjm.com; planning tab)

Exhibit B

Gas-fired Generation in Ohio

Plant	Size (MW)	Status
Fremont	710	Operating
Oregon-1	960	In construction (COD 5/'17)
Carroll Co.	742	In construction (COD '18)
Middletown	525	In construction (COD '18)
Lordstown -1	940	in construction (COD 6/'18)
Subtotal	3,877	
Columbiana Co.	1,152	COD 2019
Lordstown-2	940	COD 2020
Oregon-2	955	COD 2020
Pickaway Co.	1,050	COD 2020
Guernsey Co.	1,100	COD 2020
Hannibal, OH	485	COD 2020
Harrison Co.	1,277	COD 2021
Subtotal (in development)	6,959	
Total in Ohio	10,836	

THE OHIO MANUFACTURERS' ASSOCIATION

ENERGY GUIDE (HTTP://ENERGYGUIDE.OHIOMFG.COM)

THE PUCO MONEY TREE

November 7, 2016 (http://energyguide.ohiomfg.com/the-puco-money-tree/)

A friend of mine recently said, "People will keep shaking the money tree as long as it is still producing." This couldn't be truer when describing the relationship between the Public Utilities Commission of Ohio (PUCO) and three of the four Ohio investor-owned utilities. This month, the PUCO issued two rulings handing out over $1 billion of ratepayer money to prop up corporate earnings of FirstEnergy and allowing an "unknown" amount for subsidies on unregulated AEP Ohio generation. Both these cases were initially filed years ago to provide additional money for coal and nuclear power plants that are not competitive in this low energy price environment. This concept was radical as it shifted the success or failure of utility profits from shareholders to captive utility ratepayers.

Over the period of two years, lawyers from all sides have been busy with this contentious fight. The initial request by FirstEnergy and AEP Ohio to the PUCO was so large that it turned the heads of many even outside the energy business. There were no bones about it; the money was a subsidy to keep inefficient coal fired power plants on line thereby squeezing out new, more efficient, natural gas fired units and renewables. This wouldn't be so shocking except for that fact that Ohio deregulated at the request of the utilities when market prices were high. Now that prices are low they want help with their earnings at the same time making a push with their army of lobbyists to re-regulate the state completely.

AEP Ohio was the first to develop this concept of subsidies and FirstEnergy was soon to follow. Although the PUCO allowed the subsidy construct by approving the Power Purchase Agreement rider, the Federal Energy Regulatory Commission (FERC) subsequently ruled that electricity under such an arrangement would have to be competitively priced with the market. Knowing that the cost to produce this electricity is well above market, the utilities bailed on this concept but not the idea of asking for subsidies entirely.

Quick maneuvering of the English language allowed FirstEnergy to skirt the FERC competitive requirement by now calling the subsidy a "Distribution Modernization Rider." This semantics strategy would allow the money to be collected and better yet allow the company more flexibility with how it could use the funds including paying shareholders dividends. In its recent order granting $1 billion, the PUCO acknowledged the charge would not actually pay for any specific grid modernization projects, but would mainly serve to prop up FirstEnergy's credit rating. This is an incredible admission by the regulatory body whose mission is "to assure all residential and business consumers access to adequate, safe and reliable utility services at fair prices, while facilitating an environment that provides competitive choices."

In addition to FirstEnergy, AEP Ohio was recently awarded approval of a profit guarantee for two coal plants and also the right to pass along half the costs to ratepayers for 900 MW's of new renewable generation. This again is a complete departure of deregulated open markets as AEP Ohio now gets 50% of these projects fully funded by ratepayers. This is not a "loan" from ratepayers; it is a gift from the ratepayer money tree. Neither AEP Ohio nor the PUCO have any idea what the costs will be to the consumer.

Seeing the success of its utility neighbors, Dayton Power and Light has recently started shaking the PUCO money tree by asking for a cool $1.5 billion for the same Distribution Modernization Rider. Since this is one of the smaller utilities in Ohio it is estimated such a charge could increase non-bypassable delivery rates by nearly 50%.

Let's be clear, as publically traded companies the utilities have a fiduciary duty to work for their shareholders. If there is an avenue to have someone else pay for their expenses by all means they have an obligation to get it. And since the PUCO is willing to deliver the money then they will continue to ask. If only we all had a prolific money tree to shake.

Energy Market Update

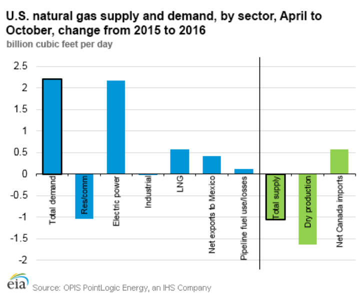
November 2016

scioto energy

PEAK PERFORMANCE

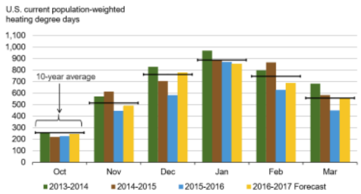
Electric Market Update
November 2016

Record High Natural Gas Demand



- Record gas demand April – Oct
- Hot summer drove power gen sector
- Sabine Pass LNG terminal opened with exports
- New pipes to Mexico opened
- Continued lower gas prices kept supply in check

Winter Outlook



Note: EIA calculations based on National Oceanic and Atmospheric Administration (NOAA) data. Horizontal lines indicate 10-year average over the period Oct. 2006 – Mar. 2016. Projections reflect NOAA's 14-16 month outlook.
Source: EIA Short-Term Energy Outlook, October 2016.

- HDD above last year for back part of winter
- Still below 10 year average

Percent change in fuel bills from last winter (forecast)

Fuel bill	Base case forecast	If 10% warmer than forecast	If 10% colder than forecast
Heating oil	**38**	**23**	**56**
Natural gas	**22**	**12**	**31**
Propane *	**26**	**6**	**49**
Electricity	**5**	**2**	**9**

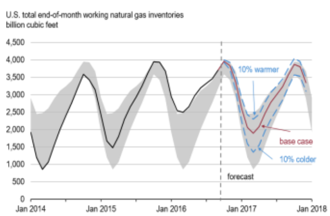
Note: * Propane expenditures are a volume-weighted average of the Northeast and Midwest regions. All others are U.S. volume-weighted averages. Propane prices do not reflect prices locked in before the winter heating season starts

Source: EIA Short-Term Energy Outlook, October 2016.

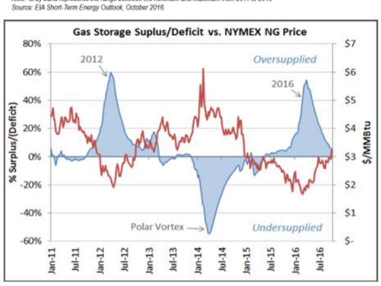
- Asymmetry in market response, warmer vs. hotter

Electric Market Update
November 2016

Nat Gas Storage



Note: Gray band represents the range between the minimum and maximum from 2011 to 2015
Source: EIA Short-Term Energy Outlook, October 2016

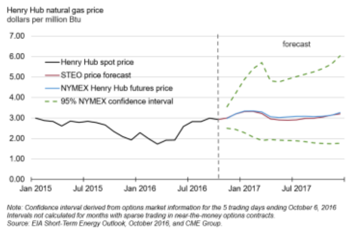


- Storage is fat even with increased demand
- 10 % warmer can set new 5 year max
- Strong correlation continues to exist between storage and NYMEX

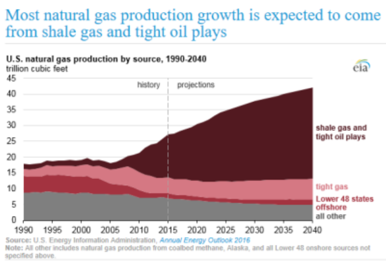
PEAK PERFORMANCE

Electric Market Update
November 2016

Natural Gas Shale Production



- Expectation is for $3 gas next year

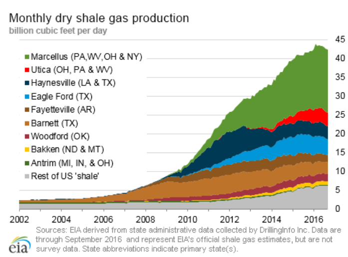


- Shale now makes up about 50% of total gas production

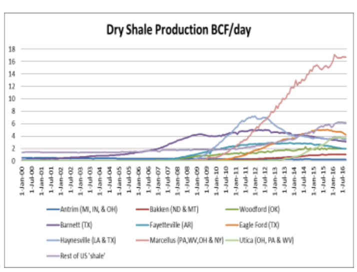
PEAK PERFORMANCE

Electric Market Update
November 2016

Natural Gas Shale Production



- Shale production has decreased since January

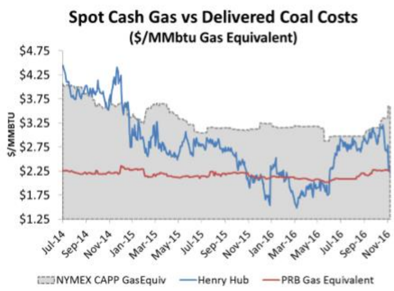


- Production decrease is in Texas not Marcellus or Utica

PEAK PERFORMANCE

Electric Market Update
November 2016

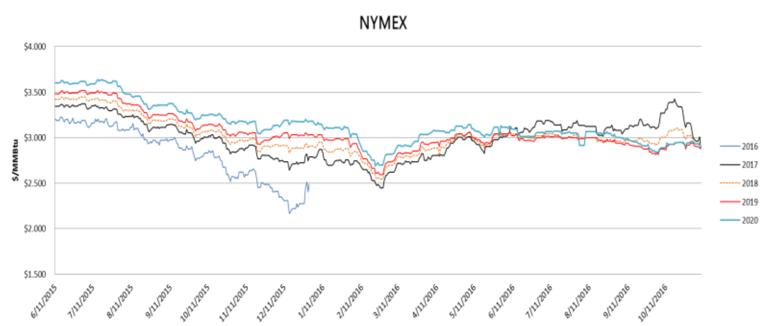
Coal vs. Natural Gas Prices



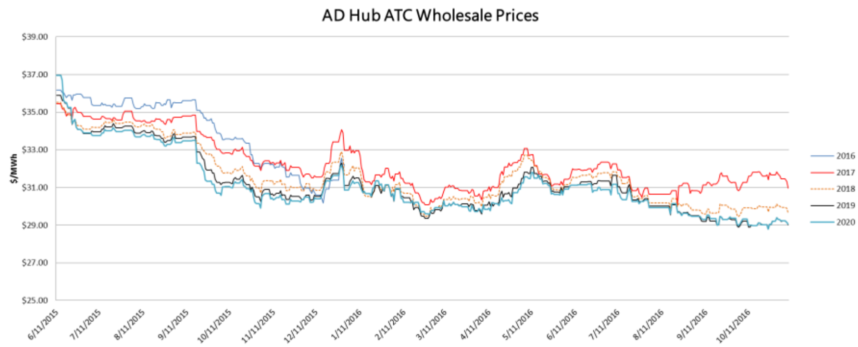
- NYMEX crept up to coal prices this summer but is now back below by around $1.50/MMBtu
- When combined with the efficiencies of technology natural gas generation is about 50% lower to produce a MW than coal

PEAK PERFORMANCE

Electric Market Update
November 2016



Electric Market Update
November 2016



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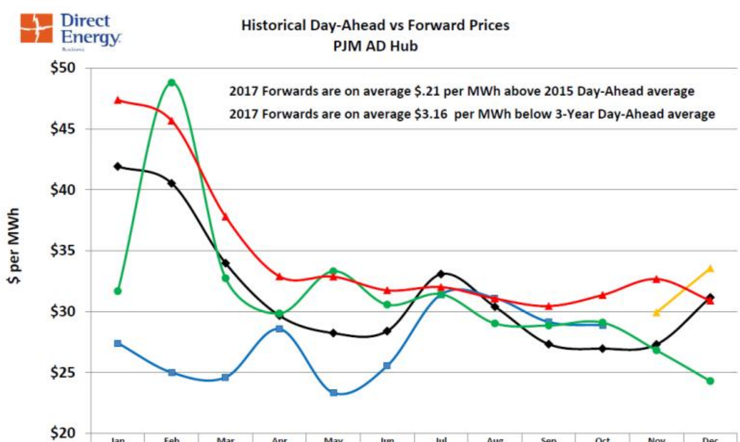
Electric Market Update
November 2016



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017 FWD	$41.91	$40.53	$33.97	$29.66	$28.23	$28.39	$33.07	$30.40	$27.32	$26.95	$27.30	$31.15
2016 FWD											$29.91	$33.55
2016 DA Avg	$27.40	$24.99	$24.59	$28.56	$23.32	$25.53	$31.40	$31.10	$29.14	$28.88		
2015 DA Avg	$31.67	$48.79	$32.74	$29.84	$33.31	$30.56	$31.42	$29.02	$28.85	$29.09	$26.81	$24.29
3 YR AVG	$47.38	$45.66	$37.79	$32.89	$32.87	$31.74	$32.00	$31.06	$30.45	$31.35	$32.66	$30.90

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Natural Gas Update
OMA Energy Committee

Richard Ricks
NiSource
November 17, 2016

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Agenda

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

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Weather & Outlook

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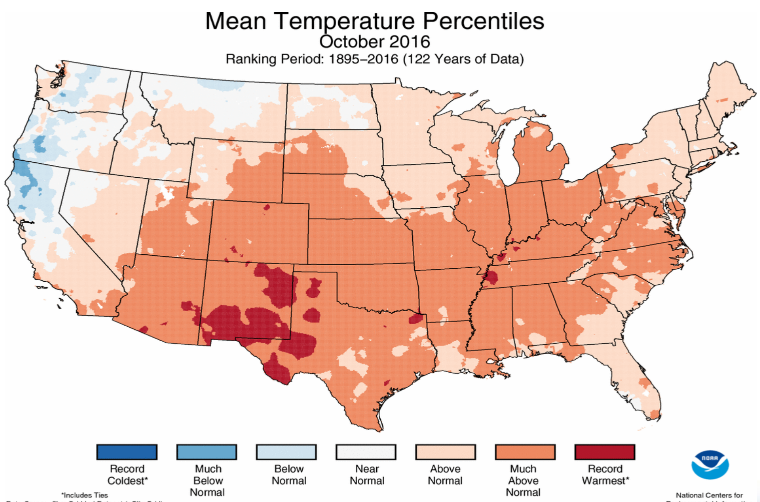
Average U.S. Temperature during October was 3.6°F above 20th Century Average



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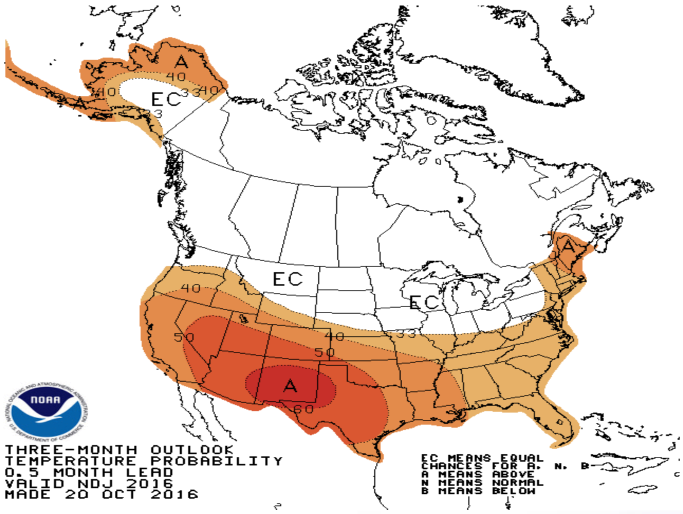
Temperature Outlook – Nov, Dec, & Jan



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It has been warm - Expected to continue

- October 2016 was 34% warmer than normal
- November 2016 MTD about 50% warmer
- What happened to the "La Nina" prediction for this winter?

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Storage & Gas Pricing

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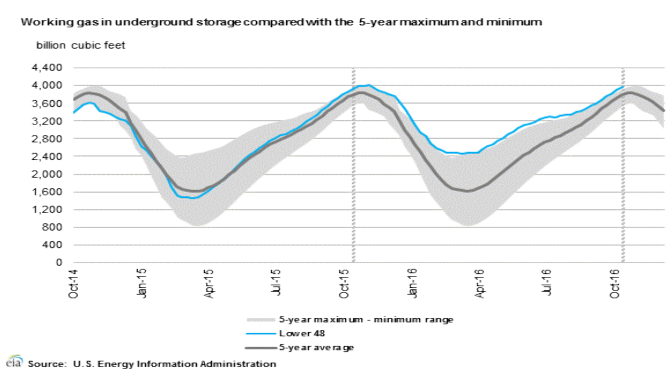
Storage – Fullest Ever; Record Gas Power Burn

Working gas in storage was 3,963 BCF as of Friday, October 28, 2016, according to EIA estimates. This represents a net increase of 54 BCF from the previous week. Stocks were 48 BCF higher than last year at this time and 173 BCF above the five-year average of 3,790 BCF. At 3,963 BCF, total working gas is above the five-year historical range.



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2011 through 2015. The dashed vertical lines indicate current and year-ago weekly periods.

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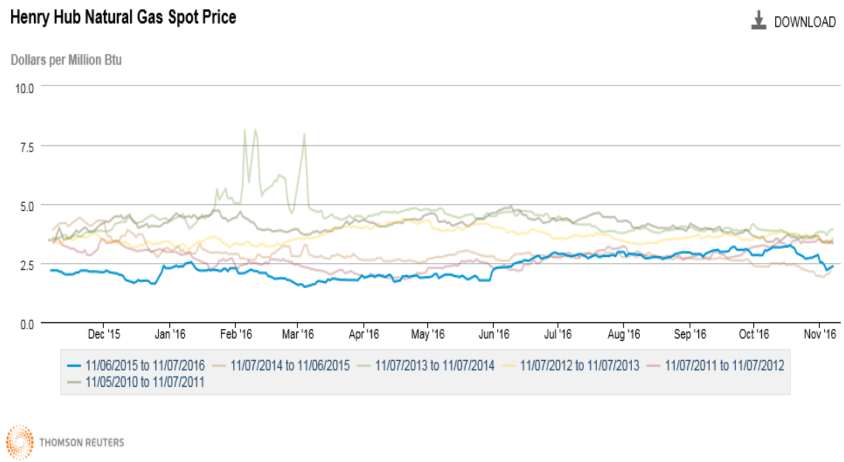
NYMEX Prompt Month Settlement – 5 Years



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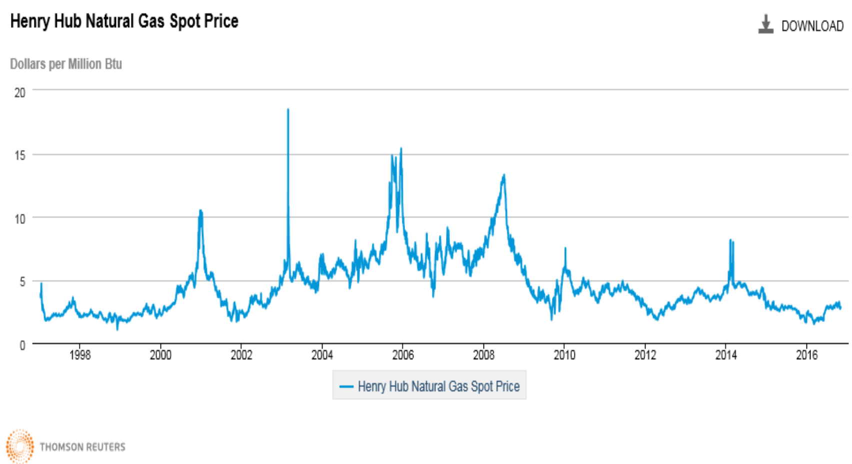
NYMEX Prompt Month Settlement History



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NYMEX Term Pricing – November 11, 2016

TERM	PRICE 8-22-16	PRICE 11-11-16
3 month	$2.66	$2.72 (+$0.06)
6 month	$2.89	$2.80 (-$0.09)
12 month	$2.92	$2.86 (-$0.06)
18 month	$2.98	$2.91 (-$0.07)

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Select Hub Pricing
November 11, 2016

HUB LOCATION	8-22-16	11-11-16	
Henry Hub	$2.64	$2.07	(-$0.57)
TCO Pool	$2.53	$1.92	(-$0.61)
Houston Ship Channel	$2.60	$2.06	(-$0.54)
Dominion South Point	$1.20	$1.73	(+$0.53)
TETCO M-3	$1.27	$1.89	(+$0.62)
TGP Zone 4	$1.18	$1.70	(+$0.52)

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

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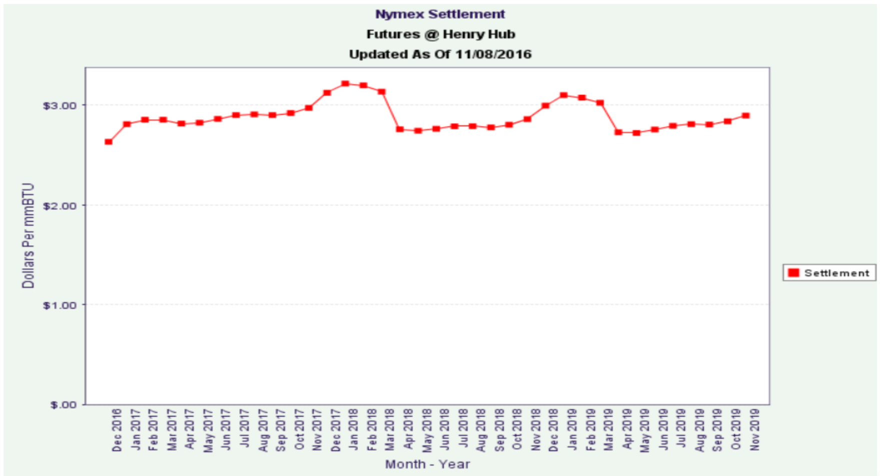
NYMEX Futures Settlement



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Demand, Production & Rig Count

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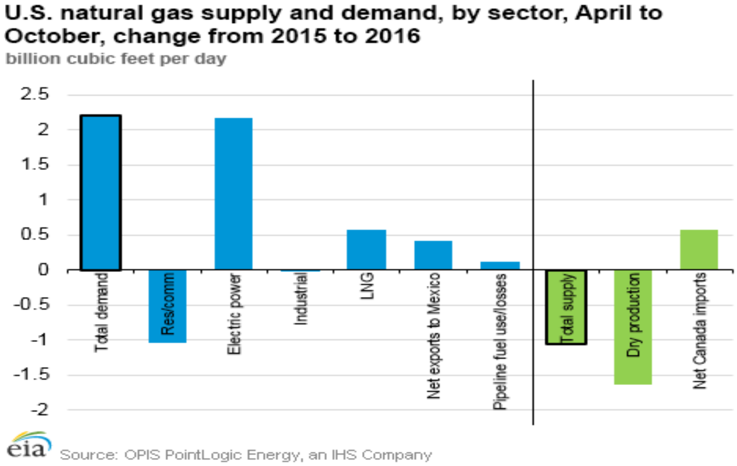
Gas Demand Changes – Electric Gen & LNG



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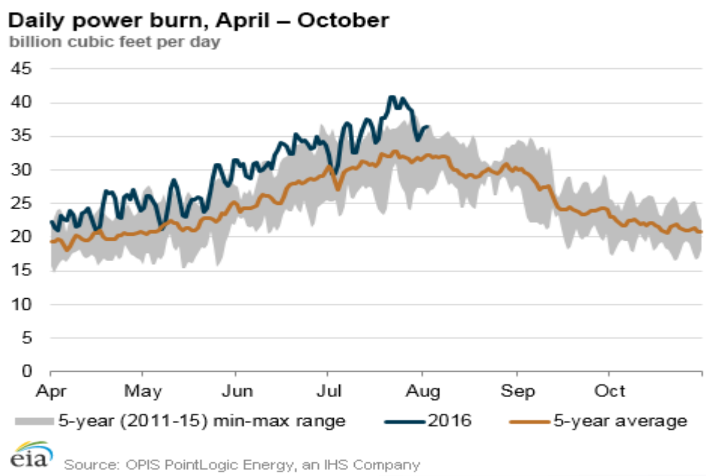
Record Natural Gas Electric Generation Demand



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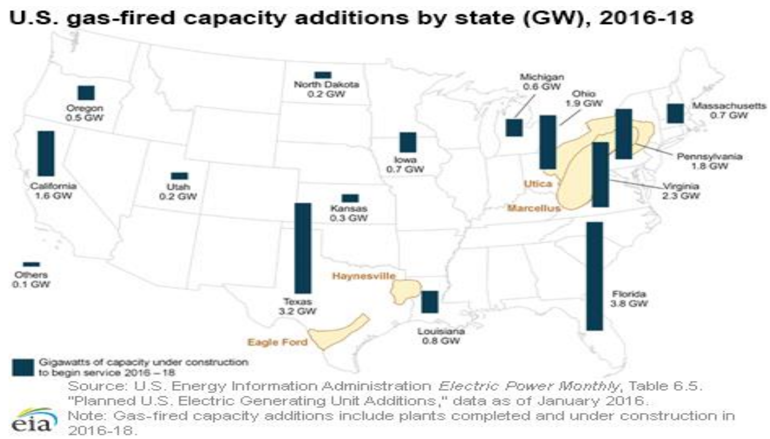
Electric Gas Generation Capacity Additions



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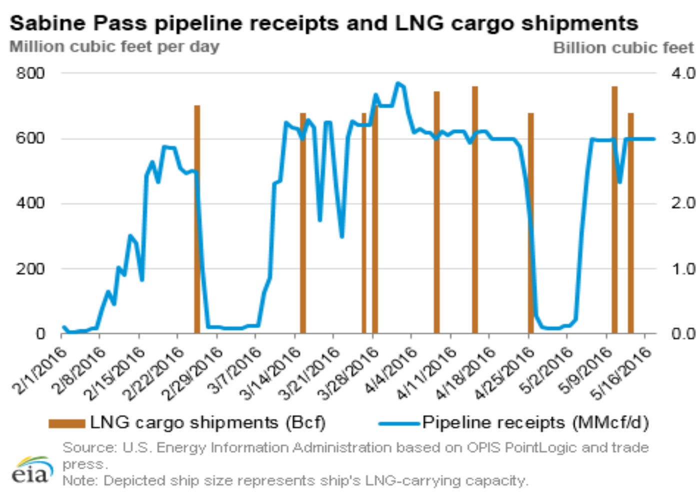
LNG Exports have begun in 2016



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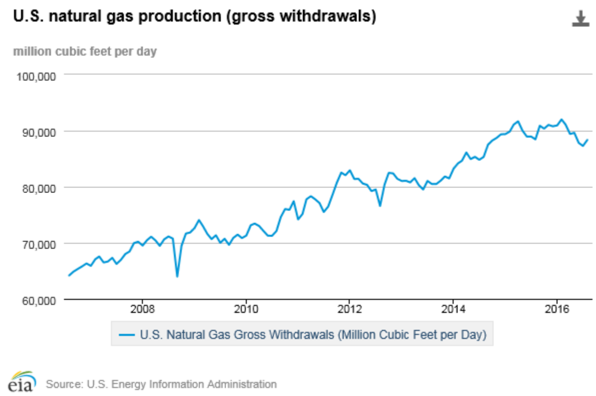
U.S. Nat Gas Production



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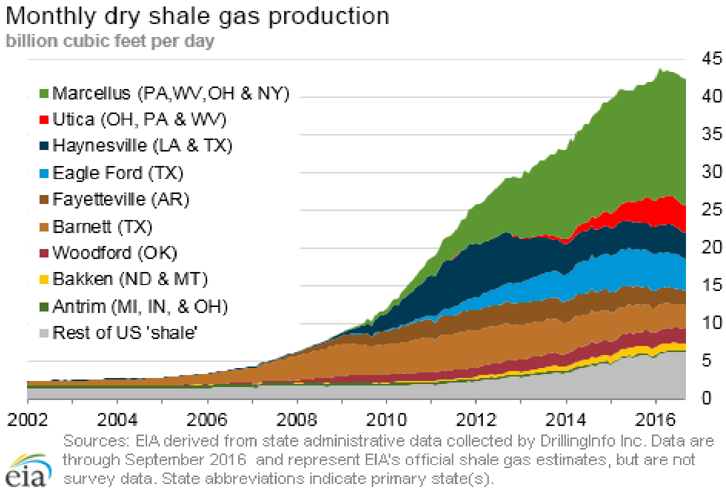
U.S. Shale Gas Production



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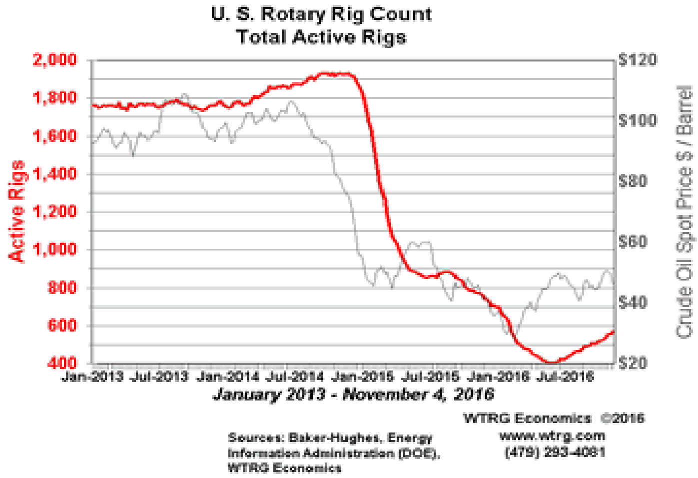
Recent Rig Count & Oil Price



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2016 World Wide Rig Count

BAKER HUGHES INCORPORATED

WORLDWIDE RIG COUNT

2016	Latin America	Europe	Africa	Middle East	Asia Pacific	Total Intl.	Canada	U.S.	Total World
Jan	243	108	94	407	193	1045	192	654	1891
Feb	237	107	88	404	182	1018	211	532	1761
Mar	218	96	91	397	183	985	88	478	1551
Apr	203	90	90	384	179	946	41	437	1424
May	188	95	91	391	190	955	42	408	1405
Jun	178	91	87	389	182	927	63	417	1407
Jul	186	94	82	390	186	938	94	449	1481
Aug	187	96	81	379	194	937	129	481	1547
Sep	189	92	77	386	190	934	141	509	1584
Oct	183	87	77	391	182	920	156	544	1620
Nov									
Dec									
Avg.	201	96	86	392	186	961	116	491	1567

2015	Latin America	Europe	Africa	Middle East	Asia Pacific	Total Intl.	Canada	U.S.	Total World
Jan	351	128	132	415	232	1258	368	1683	3309
Feb	355	133	132	415	240	1275	363	1348	2986
Mar	351	135	125	407	233	1251	196	1110	2557
Apr	325	119	120	410	228	1202	90	976	2268
May	327	116	100	398	217	1158	80	889	2127
Jun	314	113	103	401	215	1146	129	861	2136
Jul	313	108	94	391	212	1118	183	866	2167
Aug	319	109	96	393	220	1137	206	883	2226
Sep	321	109	96	396	218	1140	183	848	2171
Oct	294	108	93	403	213	1111	184	791	2086
Nov	284	108	90	419	208	1109	178	760	2047
Dec	270	114	91	422	198	1095	160	714	1969
Avg.	319	117	106	406	220	1167	193	977	2337

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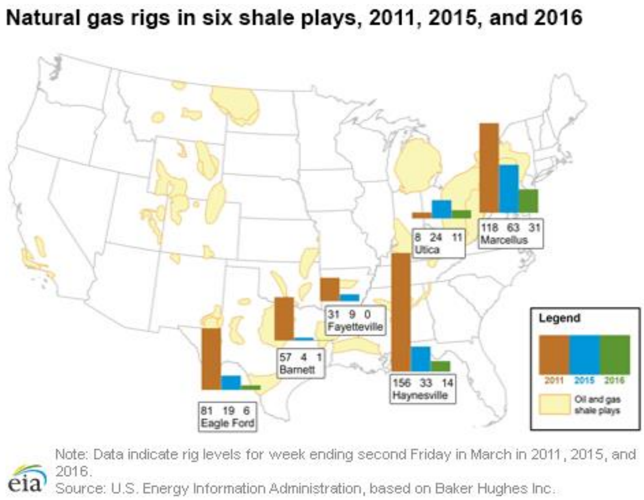
Dramatic Rig Count Reductions



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Recent Developments

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A New Political Landscape

- Republican controlled White House, Senate, & House
- Potential changes in Regulatory & Environmental direction?
- Potentially less hurdles in energy related infrastructure developments?
- Potential energy production increases; Continued low energy price environment?

Thank You