The Ohio Forestry Association, with the services of Riverside Energy, has been closely following several high-profile rate cases, including the Power Purchase Agreements (PPA’s) filed by American Electric Power (AEP) and First Energy (FE). Sherri Loscko with Riverside Energy has kindly provided the following summary of these two cases as well as other cases likely to emerge.

**AEP and FE PPA cases**

AEP and FE have requested PUCO approval of Power Purchase Agreements (PPAs) related to certain generating plants. They indicate these plants face premature closure without approval because they aren’t currently economically competitive. Included is AEP’s share of OVEC’s (Ohio Valley Electric Corporation) contractual obligations and FE’s Sammis (Coal) and Davis-Besse (Nuclear) plants.

The PPAs would pass on to ratepayers, the net benefit or cost from the sale of the power from these plants into the wholesale market. The mechanism would result in a non-bypassable charge to ratepayers when the market is low and a credit when the market is high.

The mechanism would result in a charge initially because market prices are currently very low. The utilities presented testimony that showed natural gas prices are expected to increase and the PPA would therefore be expected to produce a net credit over the eight year term of the Electric Security Plans.

They also indicate other costs will increase if these plants are shut down because the replacement power would come from further distances which are more expensive and difficult to control. They also argue a strong generation mix is crucial for stability and security and point out that the nuclear plant has months of fuel stored on site and the coal plants have weeks stored where natural gas supply is more vulnerable.

Opponents to the PPA plans argue that the plants should be shut down if they can’t compete economically and that it’s unfair to other generators to subsidize one plant over another. They also are skeptical of the utilities projections that the mechanism will produce a credit over the term and voice concern over the impact to the electric bill. They also argue that PJM controls the grid and ensures reliability.

Several Stipulations have been reached by some of the Parties in the cases. One of the Stipulations includes AEP developing 900 MW of solar generation and retrofitting several other plants to allow the ability to switch back and forth from coal to natural gas. The Stipulations also include additional energy efficiency programs and other negotiated items. A pilot program is included in one Stipulation that would allow certain AEP customers to have transmission costs based on their contribution to system peak (1 CP) as opposed to the current methodology (monthly maximum billing demands).

If the PPAs and the Stipulations are approved, the PUCO would then take up the other issues in the ESP cases and the ESPs themselves would then need to be approved before the PPAs and any related Stipulations would be put in place.
Other Cases

SCOTUS recently upheld FERC Order 745, affirming that demand response participants should be paid the same energy payments as generators. Market participants see this as a signal demand response is here to stay. Curtailment service providers are gearing up and are busy contacting potential participants. They can present with different programs (limited, extended, capacity performance) and each can have different procedures for handling penalties. It’s more confusing with more options but the opportunity exists for very significant incentive payments for those able to participate.

Dayton Power & Light filed their ESP this week. They also recently filed for a distribution rate increase. These filings are currently being reviewed for potential member impacts.

Market prices are at or near all-time lows. It is a very good time to lock in generation prices. Members that are already under agreement can contract at these low prices to start when the current agreement ends. Some may be able to blend and extend and lower their current price.

If you have any questions or need help with procurement, demand response, or any other electric rate related matters, contact Sherri Loscko, OFA/Riverside Energy Services program, 614-766-7740, Sherri.Loscko@RiversideEnergy.com or go to: http://ofa.riversideenergy.com/