



Industrial Self-Direct in Ohio

September 23, 2013

OMA: To protect and grow Ohio manufacturing

- The OMA – 1,500+ manufacturers in Ohio
- Member-supported, member-driven, member-focused
- Public policy, workers' compensation, information services
- Communities
 - Energy
 - Environment
 - Human Resources
 - Leadership
 - Safety/Workers' Comp
 - Tax





Go Sustainable Energy

- Unbiased, accurate information on energy-efficiency
- Columbus, Dayton, Cleveland
- 11 staff, 10 engineers
 - All masters degreed, half PEs

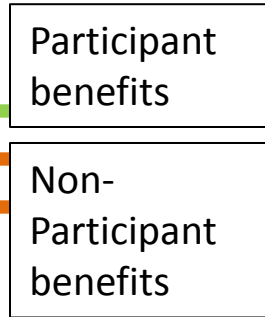
Agenda

- OMA & energy-efficiency
- Self-direct now
- Self-direct in the future
- Pros and cons

- It's about saving money
- Total benefits are important
- Wholesale price suppression just as important – accrues to non-participants

Table ES-1. Summary of Wholesale Energy Cost Savings and Wholesale Energy and Capacity Price Mitigation Impacts from Ohio's EERS Through 2020

	Economic Savings (Million)
Wholesale Energy Cost Savings	\$3,370
Wholesale Energy Price Mitigation Savings	\$880
Wholesale Capacity Price Mitigation Savings (Estimated, 2017-2020)	\$1,320*
Total Savings	\$5,570
Wholesale Capacity Price Mitigation Savings (Forgone, 2015/2016)	\$500
Utility Program Administration Costs**	\$2,800



* Assumes that savings from the 2017/2018 through 2019/2020 auctions are equal to the estimates of savings from 2020/2021 auction. Does not include savings from 2016/2017 auction, which transpires in May 2013 and, hence, the potential savings have already been lost.

** Utility program investments will accrue savings over the life of the measures installed in each program year and, therefore, they will deliver savings beyond 2020. However, we only count program savings through 2020.

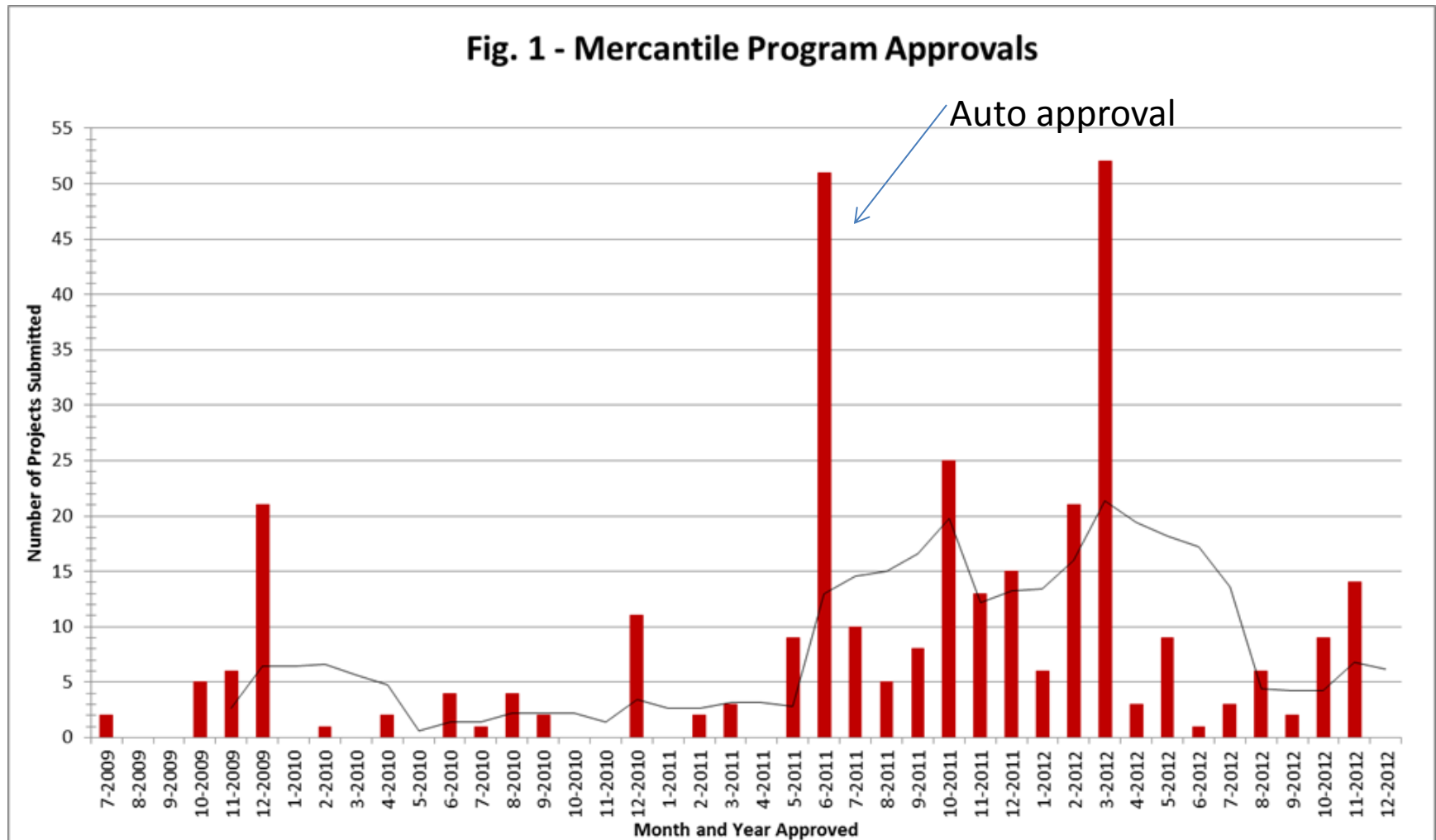
- Maximize benefits
 - Align efficiency programs with manufacturing interests
 - Low-cost/no-cost “track and tune” type programs
 - Increase prescriptive offerings
 - Increase point-of-sale/market transformation offerings
 - Develop a New Production offering
 - CHP
 - Maximize price suppression
 - Maximize efficiency capacity bid into PJM capacity auctions
- Minimize costs
 - Streamline transactional costs
 - Lower program administration costs



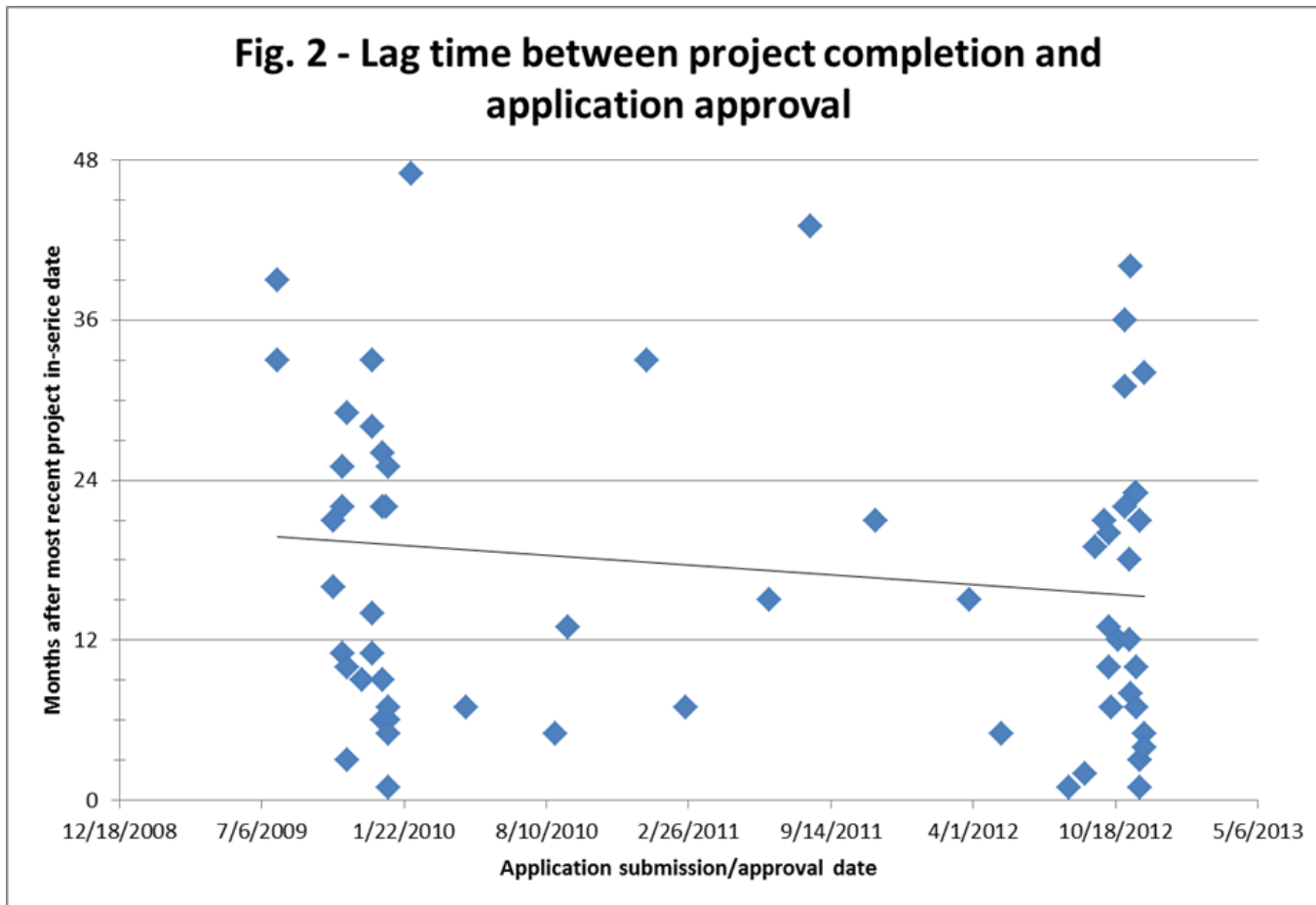
Ohio's Self-Direct Program

- Eligible participant – “mercantile” customers
 - >700,000 kWh/year in consumption
 - More than one facility
- May file with PUCO for a rider exemption
 - Exemption tracks utilities annual benchmark (ex., 1% efficiency yields 1 year exemption)
 - Or, “commitment payment” of 75% of rebate value
- More
 - Savings may be filed for previous 3 years
 - Behavioral savings count
 - “As Found” rule applies, disregards national standards as baselines in an end-of-life project
 - 60-day automatic approval

- Is the mercantile program still relevant and used?
 - Yes (Data through 2012)



- Is the mercantile program used as a business tool?
 - Unclear – 15 month lag-time (utility and PUCO may hold for 5 months combined)
 - May allow for fairness for uninformed manufacturers that completed projects



- Does the “as found” rule matter, in practice?
 - Probably not
 - Of 36 applications (roughly 10% of total) reviewed:
 - 26 were early replacement of old equipment
 - 9 were for new equipment for new construction
 - 2 were for behavior and operations changes
 - “As found” rule to be codified under SB 58 for all efficiency programs. Would impact equipment failure projects, like T12 retrofits
- Are self-direct projects adequately documented?
 - Not uniformly
 - In many cases no substantiating evidence was provided.
 - Most frequently proof-of-purchase was not provided.



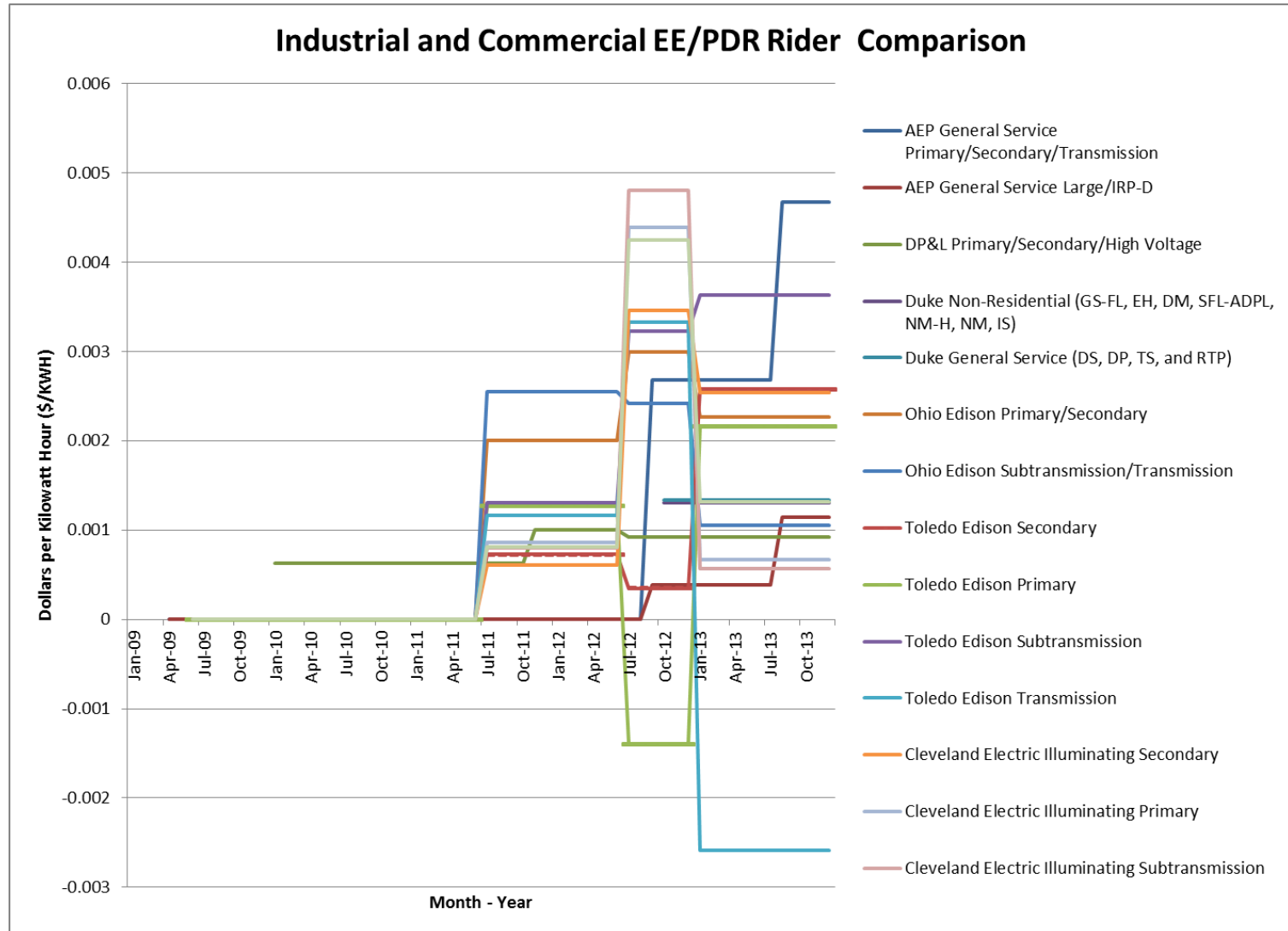
The New Self-Direct?



- Sen. Bill Seitz's Senate Bill 58
- Signed affidavit that the company is "doing all they can do".
- No other documentation required.

- Could be used as a business tool
 - Manufacturers decision making process moves at a different pace than utility programs
- Could promote fairness
 - Paying rider in, but may not be informed that programs exist
- Check against expensive efficiency programs
 - Rider includes program recovery, lost revenue recovery, shared savings agreements
- Allow operations changes
 - Energy savings without capital expenditures

- Energy efficiency is a resource
 - Retro projects can't be bid into PJM – we lose the price suppression
 - Lack of a check could result in inappropriate use of ratepayer funds
- Documentation is on the public record
- Exemption: Monetizing efficiency payments too far into the future
- Exemption: Financial benefit is difficult to calculate (volatile riders)





Toss-ups to Self-Direct



- Who is better at acquiring the energy-efficiency resource?
 - The utility provides infrastructure, specialization, economies of scale
 - The manufacturer is the expert on their own process

Conclusions

- Energy efficiency programs produce significant savings to Ohio and to manufacturers
 - Eliminating or watering down the standards turns these savings into anti-competitive costs
- Direct and Indirect benefits are important
- Self-direct programs have some merit
 - Business tool
 - Fairness to uninformed customers
 - Check on rider costs
 - Manufacturer may deliver efficiency more cost effectively
- Concerns
 - Lost price mitigation
 - No checks and balances
 - Inability to accurately predict rider value