

Regulatory Assistance Project Electric Resource Long-range Planning Survey
Transmission and Distribution Planning Version

Compiled by CM LB

State: OH Date: 6/16/05

Name of Agency: Public Utilities Commission of Ohio

Contact Person, title: Greg Scheck

Phone/email: 614-466-6548; greg.scheck@puc.state.ohio.us

Website: www.puco.ohio.gov

Policies

Note: Ohio is a restructured state which has not required its distribution utilities to divest their generation resources. Utilities are still required to serve at Provider of Last Resort (POLR) for non-competitive customers. For more information about planning for the POLR function, see the end of this document.

1. *Is any form of transmission and/or distribution planning required?* Yes No
2. *If yes, what planning process/es is/are required? Who requires it and who must conduct the planning?*

The PUCO requires distribution utilities to conduct long-term forecast planning for transmission and distribution.

3. *Please describe the process. (What agencies or parties are involved? Who is the decision maker? Who coordinates the process? Who collects data? How is future need determined? Who files what, when, how often? Who analyzes filings? Is there a formal docket/proceeding? Who responds? How transparent is the process? How is the plan used?)*

Ohio's long-term forecast planning process analyzes the ability of existing transmission and distribution systems to handle forecasted demand. The process also describes new transmission and distribution that may be needed. Utilities must file 10-year forecast plans every April 15th, providing demand forecasts with a 10-year horizon and describing the T & D system, beginning at the 115 or 138 kV level. Municipalities and co-ops are exempt from the process. Filings are done by formal docket, with public hearings held at least once every five years. Public hearings are also triggered when the rate of change in anticipated demand is greater than or less than 1/2% of the previous years rate of change in demand or when disputes arise

surrounding the forecasts; as a result, hearings are sometimes held with greater frequency. Intervenors at the public hearings typically include residential and industrial consumer groups, but may occasionally include an environmental group or an individual industrial customer.

The ten year forecasts are used to look at changes in demand from year to year, and to ensure that the transmission and distribution infrastructure is adequate to meet the forecasted demand.

4. *Describe the analysis used by decision makers.*

The Commission looks at total demand forecast by each utility. The primary focus is to make sure that distribution and transmission infrastructure can handle the loads going forward. Planning also exists at the RTO level, and the Commission asks for copies of those filings, but Ohio's utilities have been reluctant to share these plans and consequently the PUCO has had minimal access to them. The Commission Staff, to a limited extent, evaluates the benefits of generation supply versus T&D resources, to determine the degree to which they are substitutes for one another, and their cost differences. DSM is generally not evaluated as a viable alternative in this process.

There is a separate group of Commission staff which looks at distribution performance. It looks at how the utilities have performed during the past year, and whether any upgrades are necessary to their systems.

Clean distributed generation (DG) could be considered a limited supply solution in this context. However, the amount of DG that Ohio utilities will compensate retail customers the full tariff rate has likely already been exhausted. Ohio law only requires utilities to compensate DG at the full tariff rate up to 1% of the utility's peak load. As a result, DG supply is unlikely to be considered in these deliberations¹.

5. *Please describe the relationship between this process and other decisions (e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments, siting approval).*

The long-term forecast plan is separate from any permitting processes. Siting cases can be contentious, and alternative scenarios can be required. In the near future, RTO planning will likely lead to a broader decision-making process, which is expected to be more collaborative, especially for multi-state projects. It is difficult to determine at this time, if Demand Response will be considered a reliable substitute for supply resources in the RTO planning process

6. *Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)?* Yes No

¹ For more information about DG incentives in Ohio, see the restructuring legislation from 2000 (SB3) at: http://www.legislature.state.oh.us/BillText123/123_SB_3_10_N.htm.

If so, how?

7. *What is the scope or what are the boundaries of this planning? Is it utility-specific, statewide, or regional planning? What entities are required to participate? If applicable, what is the relationship of this process to any multi-state entity (e.g. ISO) transmission system expansion planning? How do you handle it when growth or reliability issues in one area impact distribution/transmission needs in another area?*

Ohio's long-term forecast planning is utility-specific, with exemptions for municipalities and rural cooperatives. Presently, there are no collaborative forecast planning efforts. Generally, the Commission focuses on intra-utility issues, while RTO planning addresses inter-utility issues. The PUCO requests utilities to share the plans which they file with the RTO, but this is something the utilities have been reluctant to do. One related issue is that capacity payments for transmission congestion have become a profit center for some utilities, which may discourage remediation of congestion-related problems. Perhaps capacity payments should be done away with, but this is an issue for the RTO to take up, not the PUCO.

8. *Do utilities in your state work together on this process? Do any utilities work across state lines to create regional plans? When cooperation exists, what does it look like? Do they share data and draw their own conclusions? Do they problem solve jointly for a least-cost best fit solution for all? Are demand side alternatives included in cooperative planning?*

The process does not require or result in utilities working together, as far as the Staff is aware of.

9. *This form of planning has been required since what date?*
The current process dates to 2001, when generation was removed from the planning process.
10. *How is this process enforced, if at all? Is it routine for utilities to diverge from the Plan with an explanation? Are there any consequences for non-compliance? Do actions inconsistent with the Plan present a case for imprudence?*

There is generally no financial penalty for non-compliance, but the Commission has leverage in a potential future rate case. Distribution performance is monitored separately, and there are certain penalties for poor performance. Fines are one potential penalty.

Required Elements

11. *Are there any resources/strategies that must explicitly be evaluated or included?*
Yes No *Please describe.*

Transmission and distribution are explicitly included. Generation for the POLR function is not dealt with in the forecast plans, but comes up in rate cases.

12. *How are investment options compared? Are wires solutions compared to supply solutions? Are they compared to demand side solutions such as energy efficiency, distributed generation or load management? Other comparisons?*

When existing T&D does not appear sufficient to handle forecasted demand, wires solutions are compared to supply solutions. There is no comparison of energy efficiency, load management, or distributed generation. When resources are compared, it is primarily a cost/ benefit analysis.

13. *How, if at all, is the state regulatory agency involved?*

The plans are filed with the PUCO by formal docket. The Commission accepts the plans and monitors changes in the forecast from year to year. The objective is to ensure that the PUCO has a firm idea as to how much the statewide demand for electricity is, and determine whether or not there is adequate wire capacity to serve that demand. The PUCO believes that adequacy of generation supply should be met primarily within the market place.

14. *Describe the plans' objectives, from each party's perspective:*

The objective for all parties is to ensure that there is adequate wire capacity to serve the demand within each service territory and in general statewide.

15. *Are alternative scenarios analyzed as part of the plan?* Yes No
If so, what factors are considered?

Alternative scenarios used to be analyzed as part of the planning process, but are no longer required.

16. *Are externalities considered?* Yes No
If so, which ones and how are they considered?

17. *What is the planning horizon?* 10 years

Length of Energy and Demand forecasts: 10 years for both annual energy sales and annual peak demand -- no generation supply resource planning is included since supply resources required to meet the forecasted demands are primarily to be determined by the market place.

Length of Short-term Action Plan: None

18. *How often do parties have to file plans?*

Plans are filed annually on April 15th each year.

Update plans?

See above

What actually happens?

Filings have generally been consistent with the April 15th deadline. Extensions can be granted, but these are the exception.

19. *What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?*

Distribution performance is monitored, and there are penalties for poor performance (see Question 10 above). Demand forecasts are monitored by looking at changes in demand from year to year; if the change is greater than 1%, a formal hearing process is triggered. If failure to provide adequate T & D infrastructure resulted in problems, the PUCO could take action by penalizing a utility or reducing their revenue in a rate case, but such action would be the result of the problems itself, not from noncompliance with the plan. There could be consequences for not filing a plan, but this hasn't happened.

20. *Are environmental issues considered in the planning process?* Yes No

If yes, please describe.

21. *Is reduction or elimination of carbon emissions an issue or goal?* Yes No

If so, how is it dealt with?

Process

22. *Public hearings are held on plans* Yes No

If yes, describe the process (if it wasn't described fully in answer #3).

The public is allowed to attend the hearing process and make any comments they would like. Intervenor status can be granted to anyone affected by the process, including all utility customers.

23. *Are there other ways the public participates and comments on plans?* Yes No

24. *What action is taken on the plan(s), and by whom?*

The PUCO accepts, reviews, and approves plans. They have the ability to reject plans or to require modifications of plans.

25. *Have resource acquisition decisions changed as a result of the planning process?*

Yes No

If "Yes", give a recent example.

There was an instance in which the process required a utility to provide more information about possible alternatives to a proposed project, at the prompting of a neighborhood group. In that instance, the PUCO re-evaluated the proposal, based on the new information about the alternatives, and it was determined that the original proposal was still the most cost-effective and was allowed to continue. That particular situation was ten years ago and involved a transmission project; there haven't been any similar cases recently.

26. *Are competitive processes used to acquire new resources?* Yes No

27. *If yes, do you require regulatory review and approval of the competitive solicitations used?* Yes No

28. *If the answer to 26 was yes, do you require regulatory review and approval of the contracts resulting from competitive solicitation?*
 Yes No Not applicable

29. *Are energy efficiency or DSM plans part of the Transmission Planning process?*
Yes No

If so, please describe.

When evaluating energy supply bids, is it possible for EE resources to compete with other energy sources in the competitive marketplace?

No. The PUCO would prefer to see EE in the marketplace, with customers paying for it via performance contracts. The Commission is not interested in one group of customers subsidizing another group of customers energy efficiency.

30. *Does the regulatory agency have open dockets, or is it considering opening a docket investigating any transmission or distribution investments?* Yes No

31. *Citation and description:*

32. *Are the plans available on-line?* Yes No

If yes, list the address: Is on-line publication voluntary or mandatory?

33. *Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:*

Amended Senate Bill 3 was signed into law on July 6th, 1999; this bill governed the previous planning process and was amended to remove generation planning. Administrative rules governing the process are available online -- Chapter 4901:5-1-

01 & 5-1-02; 5-1-03;5-1-04; Chapter 4901:5-2; 5-3; 5-4; 5-5; 5-7.
http://www.legislature.state.oh.us/BillText123/123_SB_3_10_N.htm.

34. *Who has eminent domain powers related to this process? How is it obtained?*

The utility has eminent domain once the permit has been granted. The preference of the Commission is to have an arrangement and /or compensation worked out among parties without using eminent domain powers. Settlements are usually confidential, but sometimes affected parties go to court to get a higher payment.

35. *Do you anticipate any changes to this process in the near future?* Yes No

If yes, please describe.

There are a few upcoming changes to the administrative rules, but they're very insignificant.

36. *Have there been any recent settlements or orders in rate cases or other dockets that may affect resource procurement or investment incentives?* Yes No

Regulatory Incentives/Mandates

(Continue if these questions were not answered in the first survey.)

38. *Does your state do performance-based regulation?* Yes No

If so, please describe briefly.

39. *Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables?* Yes No (Examples: lost revenue recovery, shared savings, bonus rate of return) *If so, please describe briefly.*

If an individual utility requested such a mechanism, it might be approved if the other parties to that case agreed to it.

40. *Do any tariffs include a fuel/purchased power clause?* Yes No

If so, how does it work?

Ohio's rate stabilization mechanisms have frozen the fixed cost portion of rates, but fuel costs can be adjusted over the next 3 years. Generally, there is an annual cap on fuel cost increases, and if the utility wants to raise this portion of its rates, it must file for a fuel cost increase. Some utilities have a "stay out" clause for the wires side, while others don't. Cincinnati Gas & Electric has filed a distribution rate increase. Rates are anticipated to go up. Some utilities are asking for a switch to 2002 as a base year for fuel costs, instead of 2004, the current base year. The fuels are included in the total price. Utilities have to make a showing of what they paid for the power over what time period. They are usually reimbursed for the entire amount, unless it is shown that they made an imprudent decision.

41. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No
If so, please describe, including how the mandate relates to power vs. RECs.

State Energy Plan

42. Is there a State Energy Plan? Yes No
43. Is it connected to the planning described above? Yes No
44. If yes, who is responsible for the Plan?
45. What is included in the Plan, apropos of long-range electrical planning?
Not applicable

Information about the POLR function:

In 1999, the Ohio legislature passed SB3, which unbundled generation from transmission and distribution. Since then, Ohio's distribution utilities have served as "providers of last resort" (POLR) to customers that have not switched to competitive suppliers. POLR rates are regulated by the PUCO (see below). Distribution utilities obtain POLR supply through competitive solicitations which are reviewed by the PUCO before being put out to bid. The resultant bids are also subject to review. Demand side solutions are not considered in this process. The amount of supply needed to meet POLR customer demand is determined in the context of the annual long term forecast plan. Presently most competitive solicitations result in distribution utilities obtaining power from their own generators or affiliates. POLR customers can comprise between 40% - 100% of a utility's customer base, depending on the utility (Ohio Power and Columbus Power, for example, serve 100% POLR customers, while First Energy's residential customers are 40% POLR and its business customers are 60% POLR). The POLR share of customers is not expected to decrease during the next few years.

SB3 authorized a temporary three-year rate stabilization plan for POLR customers. This mechanism has frozen the fixed cost portion of rates, and limited increases to fuel-related costs, which are to some extent out of the companies' control. All but one utility agreed to extend the temporary mechanism for another three years, through 2008.

One of the law's provisions is that any political entity can aggregate its customers and put their electrical need out to bid in the marketplace. Currently there are a few large suppliers providing supply in this way. Two of the larger non-Ohio suppliers were Green Power and Wisconsin Public Service. Beginning in 2006 they have announced that they are leaving the First Energy service territories as a retail supplier of electricity.