

## Attention Ohio business owners: Are you making the best electricity choice?

A smart electricity choice for your business can save your company a considerable amount of money. Because Ohio now has a deregulated electricity environment, almost invariably you can get a much cheaper price by shopping your electricity load rather than accepting the electricity pricing provided by your current utility. *Even the smallest company can benefit from shopping.*

Ohio provides additional opportunities for the sophisticated buyer. A company can reduce its electricity costs by taking its load to auction and/or by negotiating directly with electricity providers in order to secure a better rate. AEP recently filed a settlement with interested parties for its new Electric Security Plan beginning January 2012. While the plan is now pending Public Utilities Commission (PUCO) approval, a key item in this plan is a cap on the percentage of customers switching from AEP to a retail supplier. McDonald Hopkins can help you navigate energy choices during this transition period. Additional options for energy savings are available for mercantile customers, defined as commercial or industrial customers that use at least 700,000 kilowatt hours per year. Among these options are:

- Obtaining a waiver for the costly efficiency rider
- Exploring alternative tariff rate options
- Pursuing a unique arrangement
- Taking advantage of the proposed economic development incentive

### Efficiency rider

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The efficiency rider was created as a result of Senate Bill 221, a bill enacted in 2008 requiring utilities to significantly reduce the energy usage of their customers. To meet the new energy efficiency and demand reduction requirements, utilities pass along the costs of reduction programs to businesses through this expensive rider. Mercantile customers can apply for a waiver of this rider by submitting efficiency projects that have been completed since 2006 to the PUCO. This is an excellent time to pursue efficiency projects, both because of the availability of assistance and because you will lower your electricity bill and potentially upgrade your equipment.

### Alternative tariff rates

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Another option for business is to explore alternative tariff rate options for your company. For instance, one of the investor-owned utility companies offers a time-of-day rate, which provides lower rates for consumers that operate during off-peak hours, generally at night or on the weekends. Companies have the opportunity to save on utility costs if they are able to move operations to these off-peak times. This opportunity may not prove to be feasible for every company, but could yield substantial cost-savings and should be assessed.

### Unique arrangement

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A unique arrangement allows a mercantile customer that is looking to expand operations or install energy efficiency equipment to enter into an electricity contract with a utility on terms more favorable than existing tariffs. A mercantile customer can make a PUCO filing for this type of arrangement on its own or after agreeing on the terms with a utility.

A recent example of the unique arrangement is a five-year rate agreement between Caterpillar, Inc. and Dayton Power & Light (DP&L). Caterpillar will receive a 15 percent discount to its total electric charges at a new distribution facility on the condition that it maintains a minimum monthly load of at least 500 kilowatts. In exchange, Caterpillar will commit the results of the energy efficiency measures associated with the distribution center's LEED certification to



DP&L's energy efficiency and demand response portfolio. Caterpillar anticipates that the distribution center will employ 500 full-time employees. DP&L will also provide up to \$100,000 for construction costs and up to \$50,000 for the cost of extending electric facilities to the distribution center.

## **PUCO proposes discount**

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Finally, a cost saving mechanism currently in proposal form at the PUCO is an economic development tariff template that Ohio's electric utilities would adopt to incentivize economic development in the state. To qualify for the proposed discount, a mercantile customer must:

1. Create or increase its minimum annual payroll by \$5 million or more and add at least 75 permanent, new employees based in Ohio and/or
2. Make a capital investment in Ohio of at least \$50 million along with a job retention commitment of base employees through the duration of the tariff.

Savings of up to 20 percent may be achieved if a company adds at least 125 employees with new payroll of at least \$17.5 million and capital spending of at least \$200 million. The discount would apply to the total monthly bill calculated according to the electric utility tariff rates, subject to all riders including the economic development rider for new and existing mercantile customers.

Under the Energy Intensive High Load Factor Provision, the PUCO staff proposes that any new economic development mercantile customer would be billed the lower of the total bill that results from capital investment incentive discounts. The criteria for new businesses include:

1. Creating at least 75 new permanent Ohio employees, a minimum monthly demand of at least 5MW
2. An annual average load factor of at least 60 percent, and
3. The customer's electric cost must be at least four percent of its total operating and maintenance costs.

Interested parties provided oral arguments on the tariff to the Commission. The Commission may take action before the end of the September.

Opportunities continue to change, sometimes dramatically over the course of a year. Navigating this area is not always straightforward but for companies that use high loads of electricity, it is well worth the savings. Our energy team frequently assists with the challenges of exploring these and other electricity options.

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