

Ohio utilities file 10-year plans to meet state's renewable energy requirements

May 21, 2013

Ohio's Alternative Energy Portfolio Standard (AEPS) requires electric distribution utilities and services companies to secure a portion of their electricity supplies from alternative energy sources. By 2025, 25 percent of the electricity sold by each utility and electric services company within Ohio must be generated from alternative energy sources. Of that 25 percent, at least 12.5 percent must be generated from renewable energy resources such as wind, hydro, biomass and at least 0.5 percent solar. Additionally, at least half of the renewable energy used must be generated at facilities located in Ohio. The AEPS further requires that all companies meet annual renewable and solar energy benchmarks, which increase as a percentage of electric supply each year.

To track the progress of companies' compliance with the AEPS, each electric utility and services company must file an annual plan to meet future renewable energy benchmarks. The plan must utilize a 10-year planning horizon and include: 1) a baseline for the current and future calendar years; 2) a supply portfolio projection, including both generation fleet and power purchases; 3) a description of the methodology used by the company to evaluate its compliance options; and 4) a discussion of any perceived impediments to achieving compliance with required benchmarks, as well as suggestions for addressing any such impediments.

In April, Ohio's four utilities — FirstEnergy, AEP-Ohio, Duke Energy, and Dayton Power and Light — filed their respective 10-year compliance plans. Below are some key aspects from each utility's report.

FirstEnergy. To date, FirstEnergy has complied with the AEPS requirements by purchasing renewable energy credits (RECs) through long-term contracts, short-term spot purchases and competitive requests for proposals. FirstEnergy intends to continue purchasing RECs through a competitive request for proposal solicitation structure for the duration of the 10-year horizon.

AEP-Ohio. Like FirstEnergy, AEP-Ohio largely intends to achieve its 10-year plan through the purchase of RECs. However, AEP-Ohio's plan also states a compliance strategy of pursuing ownership of certain renewable resource generation and the development of customer-sited generation. AEP-Ohio notes that its 10-year strategy mostly consists of a mix of solar photovoltaic and wind energy resources. With this in mind, AEP-Ohio raises price concerns related to the scheduled expiration of the Production Tax Credit (PTC) for wind energy on December 31, 2013, and the Investment Tax Credit for solar projects on December 31, 2016.

Duke Energy. Currently, Duke Energy achieves annual compliance with the AEPS through REC purchase transactions that have been relatively short-term in nature. Duke Energy states its concern with the uncertainty of future obligations, given its continually shifting load obligation due to customer shopping. This shifting load, in turn, has led to Duke Energy's bias towards short-term REC purchase contracts.

Dayton Power and Light Company (DP&L). DP&L largely plans to meet both the Ohio and non-Ohio renewable benchmarks through the purchase of RECs. DP&L also hopes to meet part of the AEPS requirements through the use of its co-owned biomass plant. However, a lack of reliable biomass suppliers has limited the use of this generation resource. DP&L also owns the 1.1 MW

Yankee Solar Generating Facility, which is a resource for it to meet the Ohio solar renewable benchmarks. DP&L further states “[b]ecause the Ohio Solar REC Benchmarks increase year-by-year and it is unclear how many solar projects may be constructed by non-utility entrepreneurs and individuals, there is a significant degree of uncertainty regarding whether there will be enough Ohio Solar RECs to allow all utilities and energy service providers to meet their future targets through the purchase of RECs.”

If you have questions regarding the utilities’ benchmark reports or Ohio’s AEPS, contact [Maria J. Armstrong](#).

Authors
