



OHIO DEPARTMENT OF DEVELOPMENT

Bob Taft
Governor

Bruce Johnson
Lt. Governor

April 28, 2006

Alan R Schriber, Chairman
Public Utility Commission of Ohio
PUCO Docketing – RE Case No. 05-1500-EL-COI
180 East Broad Street, 10th floor
Columbus, Ohio 43215

Dear Chairman Schriber:

As you are aware, Development on behalf of the Governor's Third Frontier initiative is engaged in significant efforts to bring distributed energy technologies and companies which manufacture these technologies to the State of Ohio. Advanced Energy Technologies such as fuel cells, anaerobic digesters, wind and solar are all products being developed by Ohio research institutions and produced by Ohio manufacturers. Many of Ohio's business and industry consumers are seeking access to these advanced energy technologies to meet their power needs.

The Ohio Department of Development (ODOD) thanks the Public Utilities Commission of Ohio (PUCO) for undertaking the Technical Workshops in response to EAct 2005 to identify and determine the barriers to distributed energy implementation in Ohio. Case No. 05-1500-EL-COI has provided an opportunity for end use customers, regulators and utilities to provide substantive comments by which the PUCO can determine if any modification to existing rules/regulations or opening of additional proceedings on the issues is warranted. We are hopeful that these workshops and comments will enable the PUCO to address these inconsistencies and provide some uniformity to the rules.

ODOD recognizes three areas that need specific response by the PUCO as a result of the Workshops and comments. These recommendations will help businesses across the state and increase efficiency and load demand on the overall grid.

Stand by Service Rates- Standby Service rates in Ohio are the highest in the Midwest and contribute to a lack of implementing distributed energy projects in Ohio. The attached document, prepared by the Midwest Combined Heat and Power Application Center (MW CHP), provides information about Ohio's rates and makes some comparisons to other Midwest states. The current rates have been in place for many years and could be considered discriminatory in applying them to distributed energy projects. Standby Service rates should be waived for CHP and renewable technologies. ODOD is in agreement with the position supplied by the United States Combined Heat

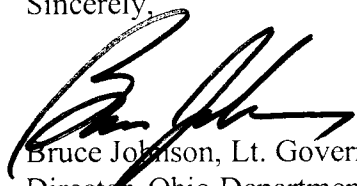
and Power Association (USCHPA) in their comments regarding Standby Service charges. The PUCO should investigate the rates and their applicability in today's market.

Net metering- there is still much confusion surrounding which technologies should be allowed to net meter. I recommend removal of the technology limitation to avoid restricting promising future technologies. However, if this language is not removed, then, at a minimum, the PUCO needs to provide a clarification to the language. I recommend that customers be allowed to net meter on an annual basis. This would benefit the utilities by allowing them to have only one annual "true-up" event instead of writing checks, of typically minimal amounts, to customers on a monthly basis. I also recommend a review of the 1% peak limitation to seek its possible elimination to again avoid the creation of unnecessary market barriers.

Uniformity of the rules- The PUCO should revisit the language for interconnection so that there is a uniform process for dealing with distributed energy projects. Consistent rules and application of these rules across utility territories and within territories within the state of Ohio must be assured. This includes standard fees and engineering costs for interconnection based on size of the system that would be like New Jersey, Indiana, and other states. I recommend that the PUCO implement a standard consistent with *IREC MR-12005*, the Interstate Renewable Energy Council's Model Interconnection Standard, which is attached to these comments. IREC MR-12005 can also be found on-line at <http://www.irecusa.org/connect/modelrules.pdf>

Thank you for spearheading this effort. My agency looks forward to the results of the workshops and subsequent comments that will help bring a positive change to the distributed energy market in Ohio. I look forward to continued collaboration on this issue as the PUCO moves forward to bring Ohio's Advanced Energy Technology efforts into a supportive regulatory environment.

Sincerely,



Bruce Johnson, Lt. Governor
Director, Ohio Department of Development

Attachments