

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Energy Efficiency)
and Peak Demand Reduction Program)
Portfolio of Ohio Edison Company,) Case No. 09-951-EL-EEC
The Cleveland Electric Illuminating) 09-952-EL-EEC
Company, and The Toledo Edison) 09-953-EL-EEC
Company.)

*** PUBLIC VERSION ***

SECOND MOTION FOR HEARING
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
AND
THE NATURAL RESOURCES DEFENSE COUNCIL

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The Office of the Ohio Consumers' Counsel ("OCC") and the Natural Resources Defense Council ("NRDC") make this Second Motion for a Hearing¹ in the above-captioned cases based upon the development of a Technical Reference Manual ("TRM") for Ohio.² In their Application, the Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, "FirstEnergy EDUs" or "Companies") propose a method of implementing the energy efficiency provisions of R.C. Chapter 4928. The Application suffers various technical infirmities that should be closely examined by the Public

¹ Movants are authorized by Citizen Power and the Ohio Environmental Council ("OEC") to state their support for the instant pleading. These parties are unable to join as movants to the instant pleading because their counsel are unable to review small portions of this pleading that depend upon information that is deemed confidential by the FirstEnergy EDUs (and is therefore protected under agreements between the FirstEnergy EDUs and each movant). The OCC, NRDC, and OEC filed an initial Motion for Hearing on November 23, 2009 (i.e. before Citizen Power intervened).

² The TRM has been the subject of extensive effort and comment in a separate proceeding before the Commission. *In the Matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures*, Case No. 09-512-GE-UNC ("TRM Case"). The TRM contains important measurement protocols that are important to the instant proceeding. TRM, Chapter V ("Protocols for Transmission & Distribution Projects").

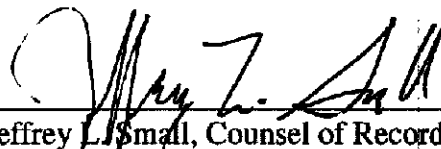
Utilities Commission of Ohio ("Commission" or "PUCO"), including the Companies' claimed impacts for various transmission and distribution ("T&D") projects compared to the impacts that would result from applying the methods provided for in the TRM. Therefore, the matters raised in the Companies' Application should be set for hearing.

On May 28, 2010, the OCC, NRDC, Citizen Power, and OEC moved to dismiss part of the above-captioned cases. That motion, which remains pending, argued that the FirstEnergy EDUs claim energy reductions from T&D projects that were not undertaken by "an electric utility" as required by R.C. 4928.66(A)(1)(a). Movants continue their support for the motion filed on May 28, 2010, but argue in the instant pleading that the measurement of energy savings proposed by the FirstEnergy EDUs is deficient even if the projects contained in the Application are considered for the purpose of the requirements stated in R.C. 4828.66.

The reasons for granting the above-stated motion are further set forth in the attached Memorandum in Support.

Respectfully submitted,

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MEMORANDUM IN SUPPORT

I. INTRODUCTION AND STATEMENT OF THE CASE

In their Application filed on October 14, 2009, the Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, "FirstEnergy EDUs" or "Companies") proposed a method for implementing the energy efficiency provisions of S.B. 221 in connection with improvements in electrical systems. On November 23, 2009, the OCC, NRDC, and OEC filed a Motion for Hearing ("First Motion for Hearing").³ The First Motion for Hearing was based on both the legal requirements stated in R.C. 4928.66(A)(1)(a)⁴ and technical problems observed regarding the method proposed by the FirstEnergy EDUs to measure energy savings.⁵ The First Motion for Hearing was filed before discovery could be conducted and during the early stages of Ohio's development of a state-specific TRM.

On May 28, 2010, the OCC, NRDC, Citizen Power, and OEC moved to dismiss part of the above-captioned cases. That pending motion argued that the FirstEnergy

³ The initial Motion for Hearing was submitted before Citizen Power intervened in this case.

⁴ First Motion for Hearing at 2-3 (November 23, 2010).

⁵ Id. at 3-5.

EDUs claim energy reductions from T&D projects that were not undertaken by “an electric utility” as required by R.C. 4928.66(A)(1)(a). Movants continue their support for the motion filed on May 28, 2010, but argue in the instant pleading that the measurement of energy savings proposed by the FirstEnergy EDUs is deficient even if the projects contained in the Application are considered for the purpose of the requirements stated in R.C. 4828.66.

The Commission Staff filed its Review and Recommendations in this docket on September 10, 2010. Those Comments proposed that the Commission approve the energy savings claimed by the FirstEnergy EDUs in their Application.⁶ However, the technical expert hired by the Commission to evaluate energy savings calculations in the form of the Ohio TRM -- Vermont Energy Investment Corporation (“VEIC”) -- subsequently released its draft TRM in the *TRM Case*. The draft TRM was the subject of extensive comment, and those comments were the subject of responsive comments by VEIC. Based upon a review of the TRM, comments by VEIC, the Application, and other pertinent documents in this case (including responses by the FirstEnergy EDUs in discovery), the Companies’ claimed energy savings in this proceeding should be rejected.

Based on new information and the approach taken by the Commission’s technical expert, the Commission should reject the Application or (in the alternative) set the matter for hearing.

⁶ Staff Review and Recommendations at 2 (September 10, 2010).

II. ARGUMENT

A. The Measurement of Programs to Satisfy the Requirements Under R.C. Chapter 4928 Should be Consistent with TRM Protocols.

1. The Companies' "Do-Nothing" Approach to the Determination of Baselines is Inconsistent with the Approach in the TRM.

Using an appropriate definition of a baseline for energy efficiency projects as provided for in the TRM, the Companies' proposed T&D projects in the instant proceeding do not result in energy savings. A central objective of R.C. 4928.66 is to encourage energy savings. Energy efficiency is "a key resource in meeting the future energy needs,"⁷ but energy "savings" should be quantifiable beyond what is considered the status quo of normal operations. The Commission should quantify such savings in a manner that is consistent with its approach in the closely related *TRM Case*.

The definition of energy savings for T&D projects is critical for the outcome of the instant proceeding. All T&D system upgrade projects reduce line losses when compared to a "do-nothing" option. However, a majority of T&D projects are required in the course of business to meet other regulatory requirements such as North American Electric Reliability Corporation ("NERC") compliance or meeting voltage level standards. Therefore, a "do-nothing" approach to T&D development is not a viable option. Doing nothing would result in overloaded systems, poor reliability, and low voltage service to consumers. Further, doing nothing inherently results in higher losses due to projected system overloads.

⁷ Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers, a Resource of the National Action Plan for Energy Efficiency at 1-1 (November 2008), available at: <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf> ("National Action Plan").

The key, as highlighted in the various protocols developed in the TRM Case, is to determine the appropriate starting point for measuring energy savings. The starting point, or baseline, for T&D projects should be the standard practice of the utility to meet regulatory compliance such as NERC compliance or voltage levels. The baseline for purposes of satisfying the requirements in R.C. Chapter 4928 should be the standard practice of the utility to meet regulatory compliance for system operation absent the energy efficiency benchmarks required by R.C. 4928.66.⁸ The approach that is stated in the TRM supports the comparison of energy losses for the efficient and base cases. The latter is defined as “base-efficiency equipment that would be installed under current standard utility practice.”⁹

The Companies’ proposed T&D projects in the instant proceeding should be carefully evaluated by the Commission in this proceeding using the definition of “baseline” stated in the TRM. The Companies’ use of the “do nothing” approach to a baseline is inconsistent with the TRM, and therefore should not be used for measuring progress towards meeting the requirements set out in R.C. 4928.66.

2. Baselines Should be Used that are Consistent with the TRM.

Energy savings occur when the utility can leverage opportunities to install more energy efficient system components than it would under normal practice. For example, if the utility normally installs a certain conductor size, it could install a lower resistance conductor to save energy beyond the standard installation. Projects that go beyond the standard practice should be deemed energy efficiency projects.

⁸ Id.

⁹ *TRM Case*, TRM at 340-341. See also, Replies from Vermont Energy Investment Corporation to Joint Objections and Comments to the August 6, 2010 Draft Technical Reference Manual, clarification 270 at 67 (November 15, 2010) (“If the EDU has a ‘unique’ T&D infrastructure project that produces energy savings compared to standard practice, it should propose a protocol for estimating incremental savings.”) (emphasis added).

Portions of the T&D system are upgraded to meet minimum voltage delivery requirements¹⁰ as load grows. The upgrade could involve installing large capacity conductors or cables, constructing new substations, or both types of projects. These projects require the installation of system components that have a lower resistance when compared to the existing system components. Further, by installing additional substations, the power (current) that passes through the system components is reduced, thus reducing losses and improving the delivery voltage. These components are required for delivery of energy to the consumers. The utilities must install these upgrades to meet voltage delivery requirements. Thus, the installed upgrades become the baseline for measuring energy efficiency.

A useful analogy to the T&D situation can be formulated using a consumer electronics example. An older air conditioner may be replaced at the end of its useful life with a new unit. The baseline for such a consumer electronics replacement is not the energy consumption of the older unit, but rather a unit that meets the minimum Federal Standard efficiency.¹¹ This baseline recognizes that the replacement unit is not the only unit that is available to meet these guidelines, and that the piece of failed equipment would be replaced absent any effort to increase efficiency. Energy savings should be credited only for equipment that exceeds the minimum Federal standard for efficiency.¹² The Companies' "do-nothing" approach to baseline measurement would be analogous to assuming the energy consumption of the older air conditioner as the baseline, and is inconsistent with the Ohio TRM.

¹⁰ ANSI C84.1 ANSI for Electric Power Systems and Equipment – Voltages (60 Hertz).

¹¹ *TRM Case*, TRM at 30.

¹² *Id.*

3. The Companies Should Not be Permitted to Use a Proxy System-Wide Loss Factor to Determine Annual Losses for Projects.

The “loss factor” approach used by the Companies to estimate energy savings is very simplified, not transparent for verification of the purported losses, and inconsistent with the approach taken by the Commission’s consultant in development of the TRM.¹³ The loss factor can be calculated on a project basis, on an area basis, or by the entire system. The further removed the loss factor value is from the project level, the greater the uncertainty of the results. The Companies used a weighted average of the loss factors of 98 feeders to create a system-wide loss factor.¹⁴ The Companies do not explain how these circuits were selected or if they are representative of the system as a whole. The weighting factor used by the Companies to average the loss factor of the 98 feeders was the average load of the feeder. * * * **INFORMATION DEEMED TO BE CONFIDENTIAL BEGINS HERE:**

[REDACTED]

[REDACTED] **INFORMATION DEEMED TO BE**

CONFIDENTIAL ENDS HERE. * * *¹⁵ This wide range of values shows that the Companies’ system-wide loss factor approach introduces great uncertainty into the calculation of losses.

¹³ *TRM Case*, VEIC Replies at 67 (November 15, 2010) (“All engineering references require that the loss computations be based on the actual load on the equipment in question, not on load in some other part of the system (see, e.g., Fink DG and Bealy HW, *Standard Handbook for Electrical Engineers*, 13th Edition, 1993, pp. 18-107 to 18-109)”).

¹⁴ Application, Exhibit B at 2.

¹⁵ FirstEnergy EDUs’ Responses to the OCC’s Second Set of Discovery, Bates Stamp 0207 (October 20, 2010) (attached).

An annualized load duration curve can be effectively used to determine losses for projects, as stated in the TRM.¹⁶ The TRM goes further to state the load duration curve should be applied at or near a new piece of equipment or project.¹⁷ Modern utility systems maintain hourly demand data at the feeder or substation level. This data, which represents the energy usage patterns near a potential project, provides a transparent method for determining energy savings. The work required of a utility's engineering staff increases by using site specific data, but this approach allows for future verification of the energy savings. Departures from best practices, as described in the TRM, should not be permitted.

B. Measurements Consistent with the Approach Taken in the TRM Should be Applied to Projects at Various Levels in the Electricity Delivery System.

1. The Utility Should Measure Transmission Projects Consistently.

Not performing transmission upgrades was not an option for the projects listed in the Companies' Application, the so-called "do-nothing" option. The Companies list five transmission projects, four of which survived following their submission of corrected exhibits for consideration by the Commission:¹⁸

1. Cardington-Tangy 69kV line
2. Avon 92-AV-T new Transformer
3. Babb 50 MVAR Cap. Bank
4. Hubbard Sub – Add 23kV, 7.2 MVAR Cap. Bank

¹⁶ This is the same method proposed for T&D projects in Chapter V of the TRM, "Protocols for Transmission & Distribution Projects."

¹⁷ Chapter V of the TRM, "Protocols for Transmission Projects," describes the use of load duration curves for each new equipment type and at each line section.

¹⁸ The Lakeview 34.5kV Capacitor Bank was deleted in a subsequent filing. FirstEnergy EDUs' Notice of Corrected Exhibits (April 7, 2010).

The Companies stated that “all of the transmission projects submitted in the filing were installed to meet the planning criteria of the Companies and NERC, which details thermal and voltage limits that must be met at forecasted peak load under normal and contingency conditions.”¹⁹ Thus each of these projects is required to meet a specific criterion or criteria.

The FirstEnergy-affiliated companies have been outspoken concerning the viable options that existed for a couple of the projects noted above. They presented an alternative for the Avon 92-AV-T bank project in the form of a separate and new substation at the June 6, 2008 Midwest ISO MTEP Update Meeting.²⁰ However, the FirstEnergy-affiliated companies elected to install a standard second transformer at Avon and not construct a new 345/138kV substation.²¹ At the same meeting, the FirstEnergy-affiliated companies presented the Cardington-Tangy 69kV line project that involved reconductoring this transmission line. An alternative solution considered was to increase the voltage of the transmission line to 138kV.²² Both of these projects were required to meet the planning criteria of the FirstEnergy-affiliated companies, but the approach did not go beyond what is considered the status quo of normal operations.

The Companies’ Application states that the method to calculate system losses was to model the system both with “pre-project and post-project” in an otherwise identical system model.²³ The method described in the Application -- using a loss factor to convert to an

¹⁹ FirstEnergy EDUs’ Responses to the OCC’s Second Set of Discovery Requests, INT-16 (October 20, 2010) (attached).

²⁰ A PowerPoint presentation by the FirstEnergy-affiliated companies suggests projects are used to meet NERC criteria, available at: http://www.midwestiso.org/publish/Document/24743f_11ad9f8f05b_-7d070a48324a?rev=1

²¹ Id.

²² Id.

²³ Application, Exhibit B at 1.

annualized MWh estimate of energy savings²⁴ -- results in claimed reductions in energy losses at the system peak. The projects are required regardless of any energy savings, and this methodology is therefore inappropriate for determining energy savings. The FirstEnergy EDUs rely upon baseline calculations that assume the absence of the projects, which is a faulty assumption (i.e. that the projects are not required). The baseline should be the standard practice of the installing company to meet regulatory compliance for system operation absent the energy efficiency benchmarks required by R.C. 4928.66.²⁵

The appropriate “before” scenario (i.e. the baseline that requires the proposed project) and the “after” scenario for the transmission projects listed in the Application are exactly the same. No energy savings should be credited to the FirstEnergy EDUs for purposes of satisfying R.C. 4928.66.

2. Consistent Measures Should be Undertaken Regarding Capacitor Projects.

The two transmission capacitor projects (Babb and Hubbard) were required, according to the Companies, “to meet the planning criteria of the Companies and NERC.”²⁶ Since these are required projects, a “do-nothing” case does not represent reality. The Companies method for calculating energy savings from capacitors is the same as the inappropriate method used for transmission system improvements.²⁷ The Companies’ method is flawed because the capacitors are required and must be included in the base case.

²⁴ Id..

²⁵ National Action Plan at 1-1.

²⁶ FirstEnergy EDUs’ Responses to the OCC’s Second Set of Discovery Requests, INT-16 (October 20, 2010) (attached).

²⁷ Application, Exhibit B at 1.

3. Consistent Measures Should be Undertaken Regarding Distribution Projects.

Not performing distribution upgrades was also not an option for the projects listed in the Companies' Application. Exhibit E and F of the Companies' Application described four distinct projects:

1. Levis Park – Install 2nd Mod Sub
2. Lime City – Install 2nd Mod Sub
3. Replace failed Crestwood Transformer
4. Southington Exit Reconductor

Both the Levis Park and Lime City projects are reported by the Companies to be required to meet anticipated load growth.²⁸ * * * **INFORMATION DEEMED TO BE**

CONFIDENTIAL BEGINS HERE: [REDACTED]

[REDACTED]²⁹ [REDACTED]

[REDACTED] **INFORMATION DEEMED TO BE CONFIDENTIAL ENDS HERE.** * * * ³¹ Thus, both of these projects

were required to meet regulatory standards. The baseline for these projects should be the standard practice of the Company to meet regulatory compliance for system operation, absent the energy efficiency benchmarks required by R.C. 4928.66.³²

The Companies' Application reported that the replacement of the failed Crestwood transformer resulted in energy savings. However, a detailed review of the model results in

²⁸ FirstEnergy EDUs' Responses to the OCC's Second Set of Discovery, INT-16 (October 20, 2010) (attached).

²⁹ Id., Bates Stamp 0017 (October 20, 2010) (attached).

³⁰ Id. at Bates Stamp 0014.

³¹ Id. at Bates Stamp 0015.

³² National Action Plan at 1-1.

Exhibit F reveals a flaw in the model results. The table below summarizes the Exhibit F information:

	KW	KVAR	KVA	KW Losses
Before	36,792	29,155	40,818	1,368
After	36,737	26,193	39,574	1,313

The mathematical relationship between kW, kVAR, and kVA is not maintained in the data presented by the Companies. Specifically, the mathematical relationship is as follows:

$$kVA^2 = kW^2 + kVAR^2$$

The failure of the presented Application materials to clearly maintain electrical relationships puts the results of the purported savings in question. Further, the large change in kVAR flows appears to be too large for a simple change in the transformer impedance.

The replacement of a failed transformer with a unit of the same voltage and same capacity rating is a “business as usual” activity for an electric utility. * * *

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HERE. * * *³³ The Companies do not rely on life-cycle loss costing as their primary means of selecting a new transformer. Instead the Companies generally rely on first cost.³⁴ Life-cycle loss costing is a method used by many electric utilities that is designed to permit the utility to consider long-term benefits of an energy efficient transformer. This technique

³³ FirstEnergy EDUs’ Responses to the OCC’s Second Set of Discovery, Bates Stamp 0022 (October 20, 2010) (attached).

³⁴ Id., INT-18 (attached).

of life-cycle loss costing is analogous to including fuel costs when comparing an expensive hybrid vehicle with a high miles-per-gallon rating to a low cost vehicle with a low miles-per-gallon rating (or including the cost of electricity when comparing the life cycle cost of a high efficiency air conditioner to a standard efficiency air-conditioner). So while the Companies installed a transformer at the Crestwood Substation that was more energy efficient than the original unit, it should not qualify as an energy efficiency project because it was not purchased based on life-cycle costing methods.³⁵

The final project is the Southington exit reconductor project in which the Companies changed the conductor from a 3/0 ACSR conductor to a 336 ACSR conductor.³⁶ * * *

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The reported cost savings is based on a “do-nothing” baseline compared to reconductoring. However, the “do-nothing” option is not viable based on the need to meet load growth. The change in the conductor size from 3/0 ACSR to 336 ACSR is the status quo. * * *

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The next larger size conductor normally used by the Companies on this portion of their

³⁵ Id.

³⁶ Application, Exhibit F.

³⁷ Id., Bates Stamp 0025 (October 20, 2010) (attached).

³⁸ Id.

system is 336.4 ACSR.³⁹ The baseline for determining energy efficiency should be the system with the 336 ACSR conductor in service. If this project was part of an energy efficient program, a 447 ACSR conductor could be used rather than 336.4 ACSR. This larger conductor would reduce line losses by approximately 31 percent from the baseline of 336.4 ACSR.⁴⁰

Each of the distribution projects were required to meet the Companies' planning criteria and load growth. It is not possible for the Companies to take a "do-nothing" approach. Therefore the baseline for energy savings projects should be the standard practice of the Company to meet regulatory compliance for system operation absent the energy efficiency benchmarks. In each case, the baseline should be the projects installed by the Companies. The Companies should not be credited with energy savings from the projects.

III. CONCLUSION

Movants continue to support their motion filed on May 28, 2010 that sought partial dismissal of this case based upon the Companies unlawful reliance upon some T&D projects that were undertaken by other entities and not by the FirstEnergy EDUs as required by R.C. 4928.66(A)(1)(a). However, the measurement of energy savings proposed by the FirstEnergy EDUs in the instant case is deficient even if the projects contained in the Application are considered for the purpose of the requirements stated in R.C. 4828.66.

T&D baseline energy savings calculations should be based on the standard practice of the utility to upgrade their system to meet regulatory compliance in terms of operation

³⁹ FirstEnergy EDUs' Responses to the OCC's Second Set of Discovery, INT-22 (attached). The Companies' response referred to 336.4 All Aluminum Cable ("AAC"), which is an all-aluminum conductor. The Companies' Application stated the Companies used 336.4 ACSR, which is steel reinforced aluminum conductor. The difference in resistance between these two types of conductors is less than 1 percent.

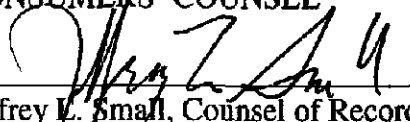
⁴⁰ This calculation is based solely on ratio of the resistance of the two conductors in question.

and reliability. Using the “do-nothing” approach to the calculation of baselines exaggerates energy savings, and is inconsistent with the Ohio TRM.

Since the underlying goal of R.C. 4928.66 is to encourage energy efficiency to help meet Ohio’s energy needs, it is important to correctly identify the true savings to meet this goal. The Companies’ claims to energy savings are flawed because they use a “do-nothing” baseline, in conflict with the methods stated in the Ohio TRM. The true energy savings for the projects included in the FirstEnergy EDUs’ Application is zero since each project is the standard practice of the Companies. No true energy efficiency has been realized.

Respectfully submitted,

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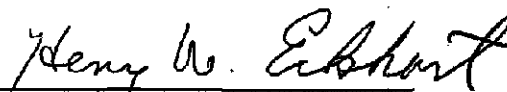
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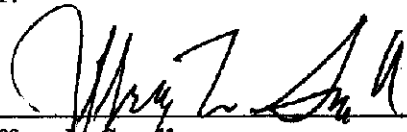
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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Public Version - Second Motion for Hearing was electronically served on the persons stated below (with a Confidential version served upon the Company) this 6th day of January 2011.



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