

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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

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

I. INTRODUCTION

Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company ("Companies") ask that the Commission deny the Second Motion for Hearing filed by the Office of the Ohio Consumers' Counsel and the Natural Resources Defense Council (collectively "Movants"). Movants' objections to the methodologies employed by the Companies to calculate energy savings lack a sound basis, which Staff presumably already has recognized in reaching its recommendation to approve the Companies' Application. The Commission should follow Staff's recommendation, deny the Second Motion for Hearing and approve the Application.

On October 14, 2009, the Companies filed an Application requesting approval of certain transmission and distribution ("T&D") infrastructure improvement projects for inclusion towards their compliance with the energy efficiency benchmarks mandated in R.C. § 4928.66(A)(1)(a). The Application seeks approval of T&D projects completed by the Companies from January 1, 2009 through December 31, 2009, which resulted in a total 2009 energy efficiency savings of 16,262 megawatt hours for the Companies. Soon after the Companies filed their Application,

Movants intervened in this proceeding and filed their first motion for a hearing.¹ Movants later filed a motion to dismiss the Companies' Application.² On September 1, 2010, the Commission's Staff filed its Review and Recommendation and concluded that the Application should be approved. Four months later, Movants filed the instant Motion, making a second request for a hearing before the Commission.

As demonstrated below, Movants fail to demonstrate the need for a hearing in this matter and their Motion should be denied.

II. ARGUMENT

A. The Methods Employed by the Companies to Measure Energy Efficiency Savings are Proper.

Having already filed one motion for a hearing in this proceeding, Movants attempt to justify their second Motion by arguing that the filing of a draft Technical Reference Manual ("TRM") in Case No. 09-512-GE-UNC justifies a hearing in this case. It does not. Movants' main argument is that the Companies' methods for calculating the energy efficiency savings realized by their T&D projects do not comply with the methods proposed in the draft TRM. However, this argument fails for several reasons. First, the TRM is a *draft* document with several defects that the Commission has not yet approved. Second, the Application was filed almost ten months before the draft TRM was filed. Third, and despite Movants' contrary assertion, Staff recommended approval of the Application nearly a month *after* the draft TRM was filed.³

¹ The Ohio Environmental Council joined Movants in that motion.

² The Ohio Environmental Council and Citizen Power joined Movants in that motion.

³ Movants argue that a hearing is necessary, in part, because the draft TRM was filed after the Commission's Staff recommended approval of the Companies' Application as filed. Memorandum in Support of Second Motion for Hearing by the Office of the Ohio Consumers' Counsel and the Natural Resources Defense Council ("Memorandum

1. The “As Found” Method is a Proper Measure of Energy Efficiency Savings.

The Movants’ first two arguments are that the Companies should not be able to calculate energy efficiency savings by the “as found”⁴ method because that method is not recognized in the draft TRM.⁵ Under the “as found” method, energy savings are calculated by comparing the new equipment that the Companies installed to the old equipment that was replaced. Instead of utilizing the “as found” method, Movants propose that the baseline should be “standard” equipment that would be installed under the Companies’ standard practice.⁶

Movants prefer a baseline that would only count energy savings above a hypothetical “standard utility practice.” However, there is simply no authority delegated to the Commission to redefine the statutory mandate that the effects of “all” energy efficiency programs be counted towards an EDU’s compliance with its statutory benchmarks to mean only the increment above some hypothetical industry standard. The General Assembly has mandated that “transmission and distribution infrastructure improvements that reduce line losses” qualify as energy efficiency programs. This mandate is not limited to reduction of line losses only above a standard.

Indeed, adoption of Movants’ position would have serious negative consequences. First, it would require much more expensive programs to meet benchmarks that would become harder to achieve each time a governmental entity or the “industry standards” established a standard or policy that would reset the baseline from which compliance should be measured. Second, it would decrease the Commission’s ability to balance costs and policy objectives by giving other

in Support”), p. 2. However, a review of both dockets reveals that the draft TRM was filed on August 6, 2010, and Staff filed its Review and Recommendation on September 9, 2010.

⁴ Movants refer to the “as found” method as the “do nothing” approach.

⁵ Memorandum in Support, pp. 3-7.

⁶ *Id.* at 3-4.

entities the power to reset the baseline. The Companies' Application properly measures efficiency savings using the "as found" method.

2. A Proxy System-Wide Loss Factor is an Appropriate Methodology to Calculate Losses.

Movants next argue that the Companies should not use a proxy system-wide loss factor to determine annual losses associated with a T&D project.⁷ Instead, Movants suggest that the Companies should measure losses using an annualized load duration curve applied at or near a new piece of equipment and that the Companies should utilize hourly real-time data in their calculations.⁸ However, load duration curves and hourly real time data are not necessarily available in every application. Also, some T&D projects are better measured at the system level because improvements or changes made on one site can affect loading on other sites. Real time historical data does not provide accurate projections of future energy flows because the load on a power system fluctuates based on (1) customer use patterns; (2) temperature variations; (3) addition of distributed generation; (4) bulk power transfers; and (5) transmission and generation outages. Therefore, traditional estimating methods like those employed in the Companies' Application have been used successfully to determine the reduction in losses associated with a T&D project. Movants have failed to justify their request for a hearing in this matter and their Motion should be denied.

⁷ *Id.* at 6-7.

⁸ *Id.* at 7.

B. Comments on Specific Projects

1. The Companies do Measure Transmission and Capacitor Projects Consistently.

Movants argue that the Companies do not measure the savings associated with their projects consistently, because the projects were implemented in order to meet the planning criteria of the Companies or NERC.⁹ But the Companies do calculate the energy savings associated with their T&D projects consistently – they just use a method that the Movants do not like. Movants assume that these specific projects were mandatory, *i.e.*, required to meet the planning criteria of the Companies and NERC. However, Movants ignore the fact that there were less energy efficient alternatives which could have been implemented to address loading concerns and which may have resulted in minimal or negative impacts on energy efficiency and reliability. As an example, transformer loading concerns may be addressed by: 1) increased cooling on a transformer to increase thermal capacity of the existing transformer; 2) expansion of an existing substation to add another transformer (adding capacity and redundancy to the substation); or 3) creating a new substation with transformation at a new location (adding capacity and redundancy for the transformer condition and potentially improving line loading).

As in the projects cited by Movants, planning engineers use judgment in determining the preferred alternative to pursue while considering system impacts and costs. An energy efficiency program which considers loss reduction impacts may provide further incentive to pursue projects which provide broader reliability improvements and energy efficiency in either the project's scope or its timing. The scope impact would, in the example above, further support pursuing alternative 2 versus 1 (which would have a lower capital cost) and may support pursuing alternative 3 (which would have a higher capital cost but likely even broader system impact).

⁹ *Id.* at 7-9.

Further, with regard to project timing, the program may incentivize marginal acceleration of reliability improvement projects to realize the energy efficiency impacts earlier than otherwise needed strictly for reliability. This would also provide improved operating margins for the system.

The Companies continue to support a flexible consideration of transmission system loss reduction as part of their energy efficiency programs to provide transmission planners with the ability to continue to pursue “preferred” transmission project solutions to reliability concerns, and to possibly also justify projects with even broader impacts. Accordingly, Movants’ arguments are without merit and their Motion should be denied.

2. The Companies Measure the Energy Savings Associated with their Distribution Projects Consistently.

Finally, Movants argue that a hearing is necessary because the Companies do not employ consistent measures to measure the energy savings associated with the Companies’ distribution projects. Again, however, Movants’ true problem is with the method used by the Companies to calculate those savings. Movants simply do not accept the “as found” method for calculating savings.

Movants correctly observe that the impetus for the Levis Park and Lime City distribution projects was the need to accommodate anticipated load growth. But regardless of the impetus, these projects do result in a peak-load-loss reduction to the Companies’ distribution system of 0.04 MW and 0.321 MW respectively and an energy efficiency improvement of 109 and 877 MWhrs respectively, compared to a do-nothing scenario. Movants do not object to these energy-efficiency improvement values; they object to the calculation of these energy savings using the “as found” method. Yet the Companies’ calculation of energy savings is consistent with Ohio law.

Movants introduce two concerns with the Crestwood Transformer Replacement Project. The first involves the electrical calculations presented on page 25 of the Application, and the second involves the basis for the inclusion of the project.¹⁰ Movants are correct that, when looking at a particular point on a circuit, there is an exact mathematical relationship between kW, kVA, and kVAR, as follows: $kVA^2 = kW^2 + kVAR^2$. However, the data represented in the table in question does not represent a particular point on the circuit. Instead, it represents the sums of the kW, kVA, and kVAR losses on the circuit, where each circuit element's losses are calculated. For example, given two hypothetical circuit elements with kW and kVAR losses as illustrated in the table below, the kVAR losses of each element can be calculated using the formula above.

Element	kW losses	kVAR losses	kVA losses
#1	3	4	5
#2	5	12	13
SUM	8	16	18

However the sum of the element kVA losses cannot be calculated from the sum of the losses of the elements: $\sqrt{8^2 + 16^2} = 17.88$. This relationship is broken by the fact that not all of the individual circuit elements have the same resistance and impedance relationships. Thus, Movants' first concern is unjustified.

Movants' second concern with the Crestwood project is that the Companies did not utilize life-cycle loss costing as their means of selecting the new transformer.¹¹ Movants admit

¹⁰ *Id.* at 10-11.

¹¹ *Id.* at 11-12.

that the new transformer is more energy efficient than the original unit.¹² Again, however, Movants simply dislike the Companies' methodology in selecting a new transformer. The Companies generally purchase new transformers based first on cost. In the event that quotes from several vendors are similar, life-cycle loss cost may then be used in making the final determination of what transformer to purchase. Movants cannot show that the Companies have acted unreasonably. Regardless, what matters here is whether the project produced energy savings, which it has. Movant's complaints are not sufficient justification for setting a hearing in this matter, especially considering the fact that Staff has recommended approval of the Application as filed.

With regard to the reconductoring of the Southington exit, Movants correctly note that this project was driven by the projected overload of the existing facilities. But, again, regardless of the impetus for the project, the project does result in a peak-load-loss reduction to the Company's distribution system of 73 kW, compared to a do-nothing scenario. Movants have not objected to these energy-efficiency improvement values. Instead, as explained above, Movants erroneously object to counting loss reduction with the "as found" method.

III. CONCLUSION

This is now the third attempt by Movants to get the Commission to either set this matter for a hearing or dismiss the Companies' Application. However, as discussed above, Movants have failed to demonstrate a legitimate need for a hearing. Instead, Movants offer nothing more than their dissatisfaction with the methodologies employed by the Companies to calculate the energy savings associated with their T&D improvements. Staff already has approved the use of the Companies' methodologies, which are consistent with Ohio law, and the Commission should

¹² *Id.* at 12.

do the same. Accordingly, the Companies respectfully ask the Commission to issue an Order granting their Application and denying Movants' instant Motion and all prior motions that remain pending in this proceeding.

Respectfully submitted,

/s/ Kevin P. Shannon

Kathy J. Kolich (0038855)
Carrie M. Dunn (0076952)
FIRSTENERGY SERVICE COMPANY
76 South Main Street
Akron, OH 44308
(330) 384-4580
(330) 384-3875 (fax)
kjkolich@firstenergycorp.com

James F. Lang (0059668)
Kevin P. Shannon (0084095)
CALFEE, HALTER & GRISWOLD LLP
1400 KeyBank Center
800 Superior Ave.
Cleveland, OH 44114
(216) 622-8200
(216) 241-0816 (fax)
jlang@calfee.com
kshannon@calfee.com

ATTORNEYS FOR OHIO EDISON
COMPANY, THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY, AND THE
TOLEDO EDISON COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Memorandum Contra the Second Motion for Hearing of the Office of the Ohio Consumers' Counsel and the Natural Resources Defense Council* was filed this 24th day of January, 2010 with the Public Utilities Commission of Ohio Docketing Information System. Notice of this filing will be sent via e-mail to subscribers by operation of the Commission's electronic filing system, and the undersigned provided e-mail service to the list below.

/s/ Kevin P. Shannon

One of the Attorneys for the Companies

SERVICE LIST

David C. Rinebolt
Colleen C. Mooney
Ohio Partners for Affordable Energy
P.O. Box 1793
Findlay, OH 45839-1793
cmooney2@columbus.rr.com
drinebolt@aol.com

Henry W. Eckhart
50 West Broad Street, Suite 2117
Columbus, OH 43215
henryeckhart@aol.com

Samuel C. Randazzo
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
sam@mwncmh.com

Nolan Moser
The Ohio Environmental Council
1207 Grandview Ave., Suite 201
Columbus, OH 43212-3449
nmoser@theOEC.org

Jeffrey L. Small
Terry L. Etter
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
small@occ.state.oh.us
etter@occ.state.oh.us

Todd M. Williams
P.O. Box 6885
Toledo, OH 43612
williams.toddm@gmail.com

Theodore S. Robinson
Citizen Power
2121 Murray Avenue
Pittsburgh, PA 15217
robinson@citizenpower.com

Thomas McNamee
William Wright
Assistant Attorney General
Public Utilities Commission of Ohio
180 E. Broad St., 6th Fl.
Columbus, OH 43215
Thomas.mcnamee@puc.state.oh.us
William.wright@puc.state.oh.us

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Summary: Memorandum Contra the Second Motion for Hearing of the Office of the Ohio Consumers' Counsel and the Natural Resources Defense Council electronically filed by Mr. Kevin P. Shannon on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company