

Staff Review and Recommendations for

Case No. 10-2045-EL-EEC

**Joint Application for
A Special Arrangement between
The Ohio Edison Company
and
McMaster-Carr Supply Company
A Special Arrangement with a Mercantile Customer**

Summary of Filing

On August 23, 2010, the Ohio Edison Company (Company) and McMaster-Carr Supply Company (Customer) submitted a Joint Application for Commission approval of a special arrangement for a mercantile exemption of the Company's rider DSE2 (energy efficiency/peak demand reduction rider). Then, on August 3, 2011, the applicants jointly filed an amended application requesting that the Commission instead approve a cash rebate reasonable arrangement, to become effective after the issuance of the Commission's Opinion and Order approving the project for inclusion in the Company's energy efficiency and demand reduction (EEDR) compliance plan. Section 4928.66 of the Revised Code requires certain energy efficiency and demand reduction benchmarks with which the electric distribution utilities (EDUs) must comply. This statute also allows an EDU to include certain mercantile Customer-sited energy efficiency and peak demand reduction programs (Energy Projects) to be included in their compliance measures.

Specifically, the applicants request that the Commission:

- (a) Approve the Agreement;
- (b) Approve the Energy Project as qualifying for inclusion in the Company's EEDR compliance plan;
- (c) Authorize the applicants to enter into a cash rebate reasonable arrangement, to become effective after the issuance of the Commission's Opinion and Order approving the project for inclusion in the Company's energy efficiency and demand reduction (EEDR) compliance plan; and,
- (d) Any other relief that the Commission deems appropriate.

Staff's Review

Pursuant to section (G) of Ohio Adm. Code 4901:1-39-05, the filing must:

- (a) Address coordination requirements between the electric utility and the mercantile Customer, including specific communication procedures.
- (b) Grant permission to the electric utility and Staff to measure and verify energy savings and/or peak-demand reductions resulting from Customer-sited projects and resources.
- (c) Identify all consequences of noncompliance by the Customer with the terms of the commitment.
- (d) Include a copy of the formal declaration or agreement that commits the mercantile Customer's programs for integration, including any requirement that the electric utility will treat the Customer's information as confidential and will not disclose such information except under an appropriate protective agreement or a protective order issued by the commission.
- (e) Include a description of methodologies, protocols, and practices used or proposed to be used in measuring and verifying program results, and identify and explain all deviations from any program measurement and verification guidelines that may be published by the commission.

Staff reviewed this application and further supporting documentation provided by the Ohio Edison Company that describes one energy efficiency project at the McMaster-Carr Supply Company. The application includes calculations of the energy savings along with invoices for the new equipment. The Customer uses more than 700,000 kWh annually and/or otherwise meets the requirements to be classified as a mercantile Customer. The Customer has submitted documentation providing evidence that the methodology used to calculate energy savings conforms to the general principals of the International Performance Measurement Verification Protocol (IPMVP) that is used by the Company. Within the Mercantile Customer Project Commitment Agreement, the Customer committed the Energy Project for the life of the projects. In committing these Energy Project, the Customer provided:

- Annual Energy Baseline Consumption data;
- An accounting of incremental energy saved;
- A description of the project implemented and measures taken;
- A description of methodologies, protocols and practices used to measure and verify the energy savings;
- An accounting of expenditures to demonstrate the cost effectiveness of the project; and,
- Supporting documents to verify the timeline and in service dates of the project

Staff compared the Customer's average annual energy baseline consumption with the energy savings achieved to verify the rebate amount for the project and concludes that the eligible rebate amount is accurately calculated. In reviewing this application, Staff also verified that the Company's avoided cost exceeds the cost that the Company spent to acquire the mercantile Customer's self-directed energy efficiency project.

The Project presented in the Joint Application is consistent with the presumption that a mercantile project is part of a demand response, energy efficiency, or peak demand reduction program to the extent the project either provides for early retirement of fully functioning equipment, or achieves reductions in energy use and peak demand that exceed the reductions that would have occurred had the Customer used standard new equipment or practices where practicable.

The Customer has implemented the Energy Project. The Energy Project consists of bin row light sensor installations. Further, the Energy Project was implemented on March 1, 2010.

Staff Recommendation

Based upon its review, the Staff believes that the Energy Project meets the requirements for inclusion in the Company's EEDR compliance plan.

This Joint Application does not appear to be unreasonable, was properly filed in conformance with the applicable rules, and Staff recommends approval of this cash rebate reasonable arrangement as requested. With the energy savings achieved, the McMaster-Carr Supply Company will receive a cash rebate in the amount of \$12,281.

Prepared by: P. Hutchison, R. Wolfe
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Summary: Staff Review and Recommendation electronically filed by Mr. Robert Wolfe on behalf of PUCO Staff