BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Verification of the Energy Efficiency and Peak Demand Reductions Achieved by the Electric Distribution Utilities Pursuant to Section 4928.66, Revised Code	))))))))	Case No. 12-665-EL-UNC

OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY'S COMMENTS TO THE AUGUST 29, 2012 REPORT OF THE OHIO INDEPENDENT EVALUATOR ON THE 2009 AND 2010 OHIO EFFICIENCY PROGRAMS

INTRODUCTION

On August 29, 2012, Staff, on behalf of Evergreen Economics, the Ohio Independent Evaluator ("Evergreen"), issued its Report on the Electric Distribution Utilities ("EDUs") 2009 and 2010 Ohio Efficiency Programs ("Report"). On October 3, 2012, the Commission issued an entry establishing a comment period in order to assist the Commission in its review of the Report. Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company ("Companies") appreciate the opportunity to comment on the Report.

The Companies' comments are separated into two parts. First, the Companies will discuss their concerns with some of the general recommendations made by Evergreen in the Report. Second, the Companies will address the specific recommendations from Evergreen related to their 2009 and 2010 program year annual Portfolio Status reports.

GENERAL COMMENTS

A. Retroactive Application of Recommendations

In its Report, Evergreen states that "[o]ur review of the impact estimates and evaluation reports has resulted in identifying issues that will affect savings that can be counted toward Ohio utility requirements." To the extent Evergreen is recommending that their identified issues should be applied retroactively to either the 2009/2010/2011 or 2012 Program Years, the Commission should reject this recommendation. Due to the timing of the Report, that recommendation could put the EDUs' compliance with 2009, 2010, 2011 and 2012 benchmarks in jeopardy if the recommendations are applied retroactively to amend energy efficiency savings – a result that would be fundamentally unfair to the EDUs. In fact, the Commission has already addressed this matter in its October 15, 2009 Order in Case No. 09-512-GE-UNC:

> In determining the reasonableness of program cost recovery and compliance with energy efficiency and peak demand reduction benchmarks, estimates for cost, energy, and demand savings are to be based on the best information available at the time the estimates or calculations are derived, (i.e., ex ante). If ex post cost and energy savings estimates for efficiency measures vary from the previous year's ex ante estimates, ex post estimates should be used for future programs, installations, and investments. For compliance purposes, deemed and deemed calculated cost and energy savings are not to be adjusted retroactively for program investments made during the current year. As reflected in the provisional recommendation, custom projects or programs, where savings are to be determined ex post using agreed-upon protocols, should use these ex post values as the credited savings. As for the question of whether ex post or ex ante estimates should be used for the remaining useful life of a measure installed in the current and prior year, the Commission finds that, for compliance purposes and in order to provide certainty and predictability, as well as to simplify the administrative burden for the utilities, stakeholders, and the Commission, ex ante estimates should be used for the life of the investment.[1]

[1] *In the matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures*, Case No. 09-512-EL-UNC, Finding and Order at ¶11 (October 15, 2009).

Therefore, to the extent Evergreen is recommending that the EDUs apply *ex post* savings values to their 2009, 2010 and 2011 program years for purposes of assessing compliance with EE benchmarks, such recommendations are inconsistent with Commission's Order and the Commission should reject this recommendation.

In addition, there are several issues with Evergreen's utilization of the draft Ohio TRM as a benchmark including the absence of an effective date, lack of clarity on how the TRM should be used for ex ante calculations or a process to update the deemed calculations with EM&V results. Moreover, the Companies have already made significant recommendations in formal comments supporting changes, adoption and use of the draft Ohio TRM in Docket 09-512-GE-UNC, which are still outstanding. As noted above, the Commission has indicated that the savings values for measures should be updated prospectively based on actual evaluation results[2], but there is no clear process in place to enable the update of the draft Ohio TRM with such results, once the TRM is approved.

B. Audit and home energy comparison programs

In its Report, Evergreen recommends that "more rigorous impact analysis methods be used if savings are going to be claimed for audit and energy comparison programs."[3] Evergreen identified as an acceptable method a billing analysis combined with a survey that clearly identifies which activities undertaken by the participant resulted from the audit or comparison report.[4] Another acceptable method identified by Evergreen is a quasi-experimental design using a billing analysis of participants and a randomly selected

[2] *Id.*
[3] Report, 12.
[4] *Id.*

sample of non-participants.[5] Last, Evergreen recommends that savings resulting from installing measures through other utility programs where a rebate is provided should be subtracted.[6]

As discussed above, if the Commission adopts this recommendation, it should not apply retroactively to the savings reported for that period, or subsequent periods that have already achieved savings. Notably, Evergreen compares the Companies' savings values for their home energy audit with a working version of the OH TRM that was never established as a public document, and the home energy audit measure was ultimately removed from the draft filed on August 6, 2010. The comparison provided in the Report is based on a value that does not exist in the draft OH TRM, thus not allowing the opportunity for public comments to be filed regarding the proposed savings level.

The developer of the draft Ohio TRM, VEIC, ultimately decided to not include behavioral measures in the draft TRM. In VEIC's November 15, 2010 reply comments to the draft Ohio TRM, it states "VEIC agrees that programs directed at influencing behavior have been shown to result in verifiable savings……Data from reliable impact evaluations will be necessary to support savings claims from such programs."[7] Given the absence of any other required methods or "deemed savings" values, the Companies completed billing regression models and developed with supported values that it believes are appropriate. Although the Companies do not disagree that reliable impact evaluations are necessary, it believes it has met that goal, and there is no evidence that the methods or

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[5] *Id.*
[6] *Id.*
[7] *In the matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures*, Case No. 09-512-EL-UNC, Reply Comments filed by VEIC at p. 81 (November 15, 2010).

savings impacts the Companies used were inappropriate. Should the Commission wish to adopt a deemed savings value for home energy audits, the Commission should follow the appropriate procedure in amending the draft Ohio TRM and request input from all stakeholders.

C. Mercantile Customers – Retrofit versus Replacement Baseline

In its Report, Evergreen recommends that the Commission allow it to be involved in "helping utilities and PUCO staff review the application savings calculations as they are being submitted for approval for those projects where there may be disagreement on determining the appropriate baseline."[8] Although not clear, it appears that Evergreen is recommending that it be involved with the Mercantile Pilot Program established by the Commission in Case No. 10-834-EL-POR. The Commission should reject this recommendation as an unnecessary role expansion.

Since September 15, 2010, and recently extended to March 31, 2013, the Mercantile Pilot Program has succeeded in streamlining the approval of self-direct mercantile projects. A key component of this program is the fact that the Commission issued various orders in Case No. 10-834-EL-POR outlining specific rules that apply to these customers that do not align with current draft TRM recommendations. These rules relate to calculation of mercantile customer project baselines, as well as treatment of behavioral type projects, and include processes for audit and verification by EDU EM&V professionals. These projects are supported and allowed by state law. Staff is well-versed in reviewing these applications and does not require additional assistance by Evergreen as the baselines and savings have been already established by Commission orders. Therefore, the Commission should not adopt Evergreen's recommendation.

[8] Report, 9.

D. Net Impacts

In its Report, Evergreen states "the PUCO anticipates requiring the utilities to start reporting net impacts…"[9] Evergreen indicates that it will finish developing the standard free ridership question battery and scoring algorithm in 2012. Evergreen's work on net impacts is, at best, premature. In its October 15, 2009 Order in Case No. 09-512-GE-UNC, the Commission stated: "gross savings methodology will be employed to evaluate program success initially" and "the Commission intends to address the issue of moving toward program evaluation on a net savings basis as experience with energy efficiency program implementation and evaluation is gained."[10] At this time, the Commission has not entered an Order demonstrating its intention or purpose to move toward net savings at this time and there has not been an opportunity for public comment on this topic. Thus, Evergreen's efforts in this regard are premature and without direction.

Moreover, it is inappropriate for Evergreen to develop an estimate for free-ridership of these programs to determine net impacts of the programs without also developing an estimate for free-drivers and spillover. On January 27, 2010, the Commission issued an RFP for Evergreen. Part of that RFP states:

> If required by the Commission or Staff, calculating Net Energy and Demand Savings, using benchmark net-to-gross ratio (NTGR) values and/or "bottom-up" NTGR analysis, considering full, partial and deferred free-riders, free-drivers and spillover using interview techniques.[11]

If Evergreen insists on calculating net impacts, it must also calculate free-drivers and spillover effects. As the Pennsylvania Public Utility Commission ("PaPUC") recognized,

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[9] *Id.* at 11.
[10] *In the matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures*, Case No. 09-512-EL-UNC, Finding and Order at ¶16 (October 15, 2009).
[11] *Id.* at Entry (RFP at 3.2.2 paragraph h) (January 27, 2010).

"the Commission recognizes that the calculation of NTG ratios is inexact at best. 'Free riders' are difficult to calculate, but even more difficult and costly to calculate is 'spillover.' The PaPUC believes that, many times, these two effects come close to offsetting each other and result in a NTG ratio close to 1.0."[12] The Commission should follow suit and not authorize an evaluation of net impacts. Nevertheless, should the Commission ultimately decide that it wants to pursue net savings, the Companies urge that net savings be used for cost-effectiveness calculations only and not for compliance purposes as net savings was not a consideration nor factor in the establishment of the Senate Bill 221 benchmarks.

COMMENTS SPECIFIC TO THE COMPANIES

The Companies had four programs in effect for Program Years 2009 to 2010: Community Connections, Home Energy Analyzer, Self-Direct Mercantile Program and Interruptible Demand Reduction. Evergreen found that in general, most of the impact evaluation reports were reasonably thorough and adhered to standard evaluation practices for the types of programs covered.[13] Evergreen's first recommendation was that the Companies should develop a complete list of sources for *ex ante* savings values. The Companies agree that a listing of *ex ante* savings values and report citations would be beneficial. Therefore, the Companies will include those citations in their 2012 Portfolio Status Report. The Companies have a few comments on the remaining recommendations from Evergreen.

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[12] Energy Efficiency and Conservation Program, Pennsylvania Public Utility Commission, Docket No. M-2012-2289411, Implementation Order at 83 (August 2, 2012).
[13] Report, 52.

A. Impact Evaluation Report of 2010 Mercantile Program

Evergreen recommends that the Companies include customer costs in future TRC calculations.[14] Rule 4901:1-39-8(A), Ohio Administrative Code states that mercantile customers must show "a demonstration that energy savings and peak-demand reductions associated with the mercantile customer's program are the result of investments that meet the total resource cost test, or that the electric utility's avoided cost exceeds the cost to the electric utility for the mercantile customer's program." Therefore, the cost effectiveness test shown for all programs under the Mercantile Customer Program are reported based on the second criterion, or the comparison of utilities' avoided costs against the cost to the utility for the mercantile customer's program. Customer costs are not included as a requirement in the program and requiring them is likely to serve as a barrier to program participation. Therefore, the Commission should reject this recommendation.

B. Impact Evaluation of 2010 Home Energy Analyzer Program

Evergreen recommends that the Companies' evaluation report results for the audit program from 2010 not be used to determine *ex ante* savings values for future program years.[15] The Companies established *ex ante* values based on *ex post* estimates as the Commission ordered in Case No. 09-512-GE-UNC: "[i]f ex post cost and energy savings estimates for efficiency measures vary from the previous year's ex ante estimates, ex post estimates should be used for future programs, installations, and investments. For compliance purposes, deemed and deemed calculated cost and energy savings are not to be adjusted retroactively for program investments made during the current year…."[16]

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[14] *Id.* at 53.
[15] *Id.* at 54.
[16] *In the matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures*, Case No. 09-512-EL-UNC, Finding and Order at ¶32 (October 15, 2009)

The Companies have already implemented the audit impact methods described in Evergreen's recommendation in the 2011 Home Energy Analyzer evaluation. Because Evergreen's recommendation may affect savings for other programs that were not implemented during the 2009 and 2010 reporting period, the Companies have reviewed its *ex ante* estimation methodologies with Evergreen and Staff prior to evaluations for subsequent year performance. For the 2011 Portfolio Status Report, filed May 15, 2012, the Companies used 2010 *ex post* results to calculate the *ex ante* savings.[17] For the 2012 Portfolio Status Report to be filed in 2013, the Companies will use 2011 *ex post* results to calculate the *ex ante* savings. Evergreen's recommendation to continue to use the 2010 *ex ante* values and disregard the 2010 *ex post* results to calculate the 2011 *ex ante* savings would be retroactive and not comply with the above-mentioned order.

[17] Evaluation results of 416 kWh per audit were applied in 2011 based on the October, 15, 2009 order.

CONCLUSION

The Companies appreciate the opportunity to provide comments on Evergreen's Report and look forward to working with the Commission, Staff and Evergreen in the future on these issues.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The foregoing document was filed on the Commission's DIS system. Parties may access this document electronically from that system.

An electronic copy was sent to the following intervenors:

Jody Kyler, on behalf of the Ohio Energy Group

Terry Etter, on behalf of the Office of the Ohio Consumers' Counsel

Frank Darr, on behalf of the Industrial Energy Users of Ohio

Ray Strom, on behalf of PUCO Staff

/s/ Carrie M. Dunn
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