

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**In the Matter of the Mercantile Customer)
Pilot Program for Integration of Customer)
Energy Efficiency or Peak-Demand) Case No. 10-834-EL-POR
Reduction Programs.)**

**COMMENTS OF OHIO POWER COMPANY
TO THE PUBLIC UTILITIES COMMISSION OF OHIO’S
NOVEMBER 16, 2012 ENTRY**

INTRODUCTION

On November 16, 2012, the Public Utilities Commission of Ohio (“Commission” or “PUCO”) issued an entry establishing a comment period in order to assist Commission Staff in drafting its report to the Commission on the Energy Efficiency Credits (EEC) Pilot Program established in this case.

Ohio Power Company (“AEP Ohio” or “Company”) appreciates the Commission’s request for comments on this topic. AEP Ohio offers these comments and states that its views or concerns could change depending on the facts and circumstances in the future. Further, AEP Ohio offers these comments as a resource for the Commission in an attempt to provide the Commission some specific and relevant input on the EEC Pilot Program.

TECHNICAL WORKSHOP COMMENTS

During the November 15th, 2012 Technical Workshop, four questions were presented for consideration. These questions and AEP Ohio’s comments to each are stated below.

1. Should Ohio's self-direct customers pay for some of these costs (EM&V), and if so to what extent?

AEP Ohio customers currently pay for the EM&V costs through the EE/PDR Rider. Those who choose to be exempt from the EE/PDR Rider do not contribute to these costs. It therefore seems reasonable to require customers who choose the exemption to pay their fair share for EM&V costs.

2. Should Ohio re-direct resources to new and additional projects, and if so how?

No. Resources are already directed to new and additional projects. Many customers have applied incentive funds received from the Self Direct Program toward prospective energy efficiency projects. AEP Ohio completed a June 2011 survey showing that 51 percent of survey participants stated that some or all of the incentive money received from the Self Direct Program had been or will be used for new energy efficiency projects. The program design as AEP Ohio has implemented is working well and has been successful over the last three years.

In addition, our experience indicates that many customers submit energy efficiency projects at the speed of business and may not prioritize the completion of the program paperwork before the project is completed or immediately following the project installation. In this scenario, the only option remaining is for the customer to participate in the retroactive self-direct program, although AEP Ohio's normal program incentives directly influenced the energy efficient purchase decision. Allowing for retroactive projects provides the customer with the option to submit their kWh savings at an incentive level of 75 percent of the

prospective incentive level. In this scenario, the cost effectiveness of the program is improved and in turn can benefit rate payers through reduced rider rates for these programs for the same amount of kWh savings.

3. Should Ohio consider alternatives to the Benchmark Comparison Method?

The order dated September 15, 2010, in Case No. 10-834-EL-EEC at paragraph (7) states, “For purposes of the pilot program, the Commission will authorize the use of the benchmark comparison methodology or an electric utility-proposed methodology that simplifies the calculation of the incentive payment.”

AEP Ohio calculates the one-time incentive payment that is available for all customers. In the next step, AEP Ohio calculates the customer account’s kWh usage three (3) year benchmark average, to determine the average kWh usage. Based on the three (3) year kWh benchmark average, the customer’s rider payment amount is estimated for the account. The number of months that the customer may be exempted from the rider is equal to the monetary value of the one-time incentive payment.

The risks associated with the incentive-based rider exemption calculation or the benchmark comparison method are as follows: 1) if a customer increases their usage during the exemption period, then they could be saving more than the monetary value calculated; and 2) if a customer decreases their usage during the exemption period, then they will not save as much as the monetary value calculated.

AEP Ohio recommends calculating rider exemption months based on the above described methodology instead of the straight benchmark comparison method.

AEP Ohio also does not recommend retroactively reviewing or revising the exemption period beyond the original approved number of months, as this would add additional cost and a level of uncertainty for the customers. As described previously, usage could go up or down and the administrative burden of adjusting rider exemption months after the fact for committed energy efficiency projects would be costly and not likely to provide significant benefits.

4. Should Ohio adopt the baseline of current code or industry standard instead of “as found”?

No. AEP Ohio’s position is that use of the “as found” methodology is already permitted. However, it would be helpful to clarify the baseline determination and measurement requirements, particularly for end of useful life. Many customers operate equipment for significantly longer than normal estimated useful life. Also, AEP Ohio does use current codes and standards for new construction projects.

EEC PILOT PROGRAM COMMENTS

In regards to the EEC Pilot Program, AEP Ohio respectfully submits the following comments for consideration.

AEP Ohio has experienced much success with the EEC Pilot Program. The total number of applications received as of November 15, 2012 was 1,108; 214 received from industrial customers and 894 received from commercial customers.

AEP Ohio proposes that individual projects should be evaluated and approved based on the Utility Cost Test (UCT) and not be determined by a simple payback period. If a project passes the UCT, it should follow the automatic 60 day approval process. If a project does not pass the UCT, then the project would be subject to individual approval by Commission order.

Currently, the EEC Pilot Program is ordered to expire March 15, 2013. Due to the success and effectiveness of the program, AEP Ohio recommends that the EEC Pilot Program be adopted as an ongoing program without expiration.

CONCLUSION

Ohio Power Company respectfully offers the preceding comments to assist Commission Staff in drafting its report to the Commission on the Energy Efficiency Credits Pilot Program established in this case.

//s/ Steven T. Nourse

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On Behalf of Ohio Power Company

CERTIFICATE OF SERVICE

I certify that Ohio Power Company's foregoing **Comments of Ohio Power Company to the Public Utilities Commission of Ohio's November 16, 2012 Entry** was served by First-Class U.S. Mail upon counsel for all parties of record identified below this 30th day of November, 2012.

//s/ Steven T. Nourse

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