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| Barcy McNeal  Secretary, Docketing Division  Public Utilities Commission of Ohio  180 East Broad Street  Columbus, Ohio 43215 |

**Re:** **Case No. 12-1450-HT-AEC**

Dear Secretary McNeal:

Pursuant to the Commission’s May 23, 2012 Finding and Order in Case No. 12-1450-HT-AEC, Cleveland Thermal Steam Distribution, LLC (“Cleveland Thermal”) submitted a Standard Steam Supply and Distribution Agreement (“Agreement”) executed between it and Carter Manor Apartments Limited Partnership (“Carter Manor”). Cleveland Thermal and Carter Manor agreed to a flat consumption rate charge to accommodate billing concerns raised by Carter Manor because it participates in HUD’s Section 8 tenant rental subsidy housing program. Carter Manor also has competitive alternatives to meet its needs.

Cleveland Thermal has sought approval of the Agreement under the process the Commission approved in its May 23, 2012 Finding and Order in this docket. At the request of the Commission’s Staff, this letter is being filed to address considerations made by Cleveland Thermal for modifications of the Standard Contract under the pre-approval process.

In addressing the use of a standard contract in 1997, the Commission recognized that each standard contract customer would be served under substantially the same rates, terms, and conditions as any other standard contract customer.[[1]](#footnote-1) The Commission also recognized that Cleveland Thermal is operating in an extremely competitive environment and that the vast majority of its customers are and will continue to be served under special arrangements approved by the Commission. In 2008, the Commission approved a new Standard Steam Service Agreement and authorized a pre-approval process.[[2]](#footnote-2) The Commission approved the current Standard Contract to conform to a modified business structure in 2012 and pre-granted approval for subsequent arrangements with customers entered into with similar terms as the current Standard Contract.[[3]](#footnote-3) The competitive conditions the Commission noted in 1998 continue, and substantially all customers of Cleveland Thermal are served under contracts.

It is the goal of Cleveland Thermal to have its customers agree to the terms of the Standard Contract. On occasion, however, it may be necessary for Cleveland Thermal to modify a term of the Standard Contract. Cleveland Thermal narrowly defines the business considerations that may justify a modification.

In assessing whether it will agree to a modification, Cleveland Thermal considers the following factors:

1. A business relationship with a current customer that has been in contract with Cleveland Thermal for at least 10 years;
2. A contract length of at least 10 years with a proposed new customer;
3. A review of a “make versus buy” analysis that Cleveland Thermal determines is credible and accurate and that indicates that the customer could save money by installing or restarting its own system. The “make” portion of analysis is driven principally by the level of capital specific investment contemplated by the customer under the circumstances of the particular building/campus;
4. A resulting price under the contract that will not be less than the system average consumption charge of Cleveland Thermal of $7.82, as of May 23, 2012; and
5. Customer specific issues regarding the need for energy efficiency improvements or other customer-related funding/cash flow issues.

Cleveland Thermal does not discount the Purchased Steam Cost Recovery Charge.

Further, Cleveland Thermal has worked and will continue to work with the Commission Staff to provide it with the information it needs to determine that a modification of the Standard Contract satisfies these criteria and other concerns it may have so as to assure that the pre-approval process works in the manner the Commission anticipated.

Based on the remaining number of customers that are not on the Standard Contract or the current tariff rates, Cleveland Thermal expects that very few Standard Contracts would be filed that contain modifications of a pricing term as was done here.

As the Commission has previously noted, Cleveland Thermal serves most of its customers under contracts and operates in an extremely competitive environment. Under these circumstances, Cleveland Thermal seeks to provide a competitively priced solution that serves the interests of its customer and does not adversely affect other customers or the financial integrity of the utility. If circumstances warrant a modification based on the criteria identified above, Cleveland Thermal believes that a Standard Contract with a modification, as in this case, can meet the desired outcomes of the interested parties in a manner that is consistent with an expedited review process.

If you have any questions, please feel to contact me.

Very truly yours,

/s/ Frank P. Darr

Frank P. Darr

**Attorney for Cleveland Thermal Steam Distribution, LLC**

1. *In the Matter of the Application of Cleveland Thermal Energy Corporation dba Cleveland Energy Resources for an Increase in the Rates to be Charged for Steam Service*, Case No. 97-522-HT-AIR, Opinion and Order at 5 (Oct. 15, 1998). [↑](#footnote-ref-1)
2. *In the Matter of the Application of Cleveland Thermal Steam Distribution, LLC for Approval of its Standard Steam Service Agreements*, Case No. 07-732-HT-AEC, Entry at 2 (Feb. 27, 2008). [↑](#footnote-ref-2)
3. *In the Matter of the Application of Cleveland Thermal Steam Distribution, LLC for Approval of Standard Steam Supply and Distribution Agreements*, Case No. 12-1450-HT-AEC, *et al*., Finding and Order at 3 (May 23, 2012). [↑](#footnote-ref-3)