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FILE

National Aeronautics and  
Space Administration

John H. Glenn Research Center  
Lewis Field  
Cleveland, OH 44135-3191

09-91-EL-LNC<sup>10</sup>



Reply to Attn of:

February 5, 2009

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Public Utilities Commission of Ohio  
Docketing Division  
180 East Broad Street  
Columbus, Ohio 43215-3793

PUCO

2009 FEB -6 PM 2:07

RECEIVED-DOCKETING DIV

Dear Sir or Madam:

Enclosed herewith is an original plus 11 copies of the National Aeronautics and Space Administration's "Application to Establish a Reasonable Arrangement". Please return one stamped copy that has been marked with the docket number in the enclosed stamped, self addressed envelope.

If you have any questions I can be reached by telephone at (216) 433-2314, by FAX at (216) 433-6790 and e-mail at [Jerald.J.Kennemuth@nasa.gov](mailto:Jerald.J.Kennemuth@nasa.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Jerald J. Kennemuth". The signature is fluid and cursive, with the first name "Jerald" being more prominent.

Jerald J. Kennemuth  
Attorney/Advisor (Contract)

Enclosure

cc:

Cleveland Electric Illuminating Company  
CT Corporate Systems  
1360 E. 9<sup>th</sup> Street  
Suite 1010  
Cleveland, Ohio 44114

This is to certify that the images appearing are an  
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**IN THE MATTER OF THE APPLICATION  
OF NATIONAL AERONAUTICS AND  
SPACE ADMINISTRATION AT GLENN  
RESEARCH CENTER TO ESTABLISH A  
REASONABLE ARRANGEMENT WITH THE  
CLEVELAND ELECTRIC ILLUMINATING  
COMPANY AND FIRST ENERGY  
CORPORATION FOR ELECTRICAL  
SERVICE**

The National Aeronautics and Space Administration (“NASA”) is the nation’s federal civilian space agency. NASA Glenn is one of NASA’s ten centers. It is the only NASA presence in Ohio, and, indeed, in the entire Great Lakes region. Glenn Research Center has two sites. Its Lewis Field is situated on a 350-acre campus adjacent to

Cleveland Hopkins International Airport. Glenn's second site, the Plum Brook Station consists of 6,400 acres that are located in Sandusky, Ohio. The two sites have 24 major research facilities and over 500 specialized research and test facilities that support the United States of America's aeronautical and space programs.

NASA Glenn is focused on efforts related to all of NASA's Missions: Exploration, Science, Space Shuttle Operations, and Aeronautics Research. Within the Exploration mission, Glenn oversees important elements of the Service Module for the Space Shuttle replacement vehicle (Orion) and vital support for the new rocket (Ares) that will take Orion into space. It supports the Space Shuttle by providing expert engineering support for the Shuttle's multiple systems and for determination of Stress, Loads, and Dynamics on the Shuttle. It also continues its Aeronautics heritage by concentrating research and program management efforts on the mastery of the principles of atmospheric flight and in the enhancement of aeronautics safety.

NASA Glenn was first established in 1941 as a research laboratory of the National Advisory Council on Aeronautics (NASA's predecessor agency). Since that time and continuing until today, NASA Glenn has been the largest federal presence in Northeast Ohio. In conjunction with the decision to site the Center in North East Ohio and continuously since its establishment in 1941, NASA Glenn has negotiated a series of Federal contracts to pay for electric power at fair and reasonable rate levels consistent with the "unique arrangement" that this correspondence seeks to continue. Unless the relief sought in this letter is granted, the sustainability of NASA Glenn's presence will be seriously threatened.

Glenn is a major economic engine of the Northeast Ohio region and throughout the State of Ohio. In fiscal year 2007, for example, NASA Glenn generated over \$1 Billion in increased sales of products and services in Northeast Ohio alone. In addition, over 6,400 jobs were created in the Northeast Ohio region and over 8,000 jobs were generated statewide. Households in Northeast Ohio saw their earnings increase by over \$330 Million because of NASA Glenn's presence.<sup>1</sup>

NASA Glenn's workforce has two components: federal civil servants and local support contractors. NASA Glenn employs approximately 1,600 civil servants and an approximately equal number of local contractors. Its workforce is highly skilled and educated. In fiscal year 2007, almost 50% of NASA Glenn's civil servants held at least one graduate degree. Over 57% of those workers were scientists or engineers. Therefore, any reduction in staffing would represent a significant "brain drain" to Ohio. NASA Glenn also provides significant funding to Ohio colleges, universities and other non-profit research institutions.<sup>2</sup>

NASA Glenn's workforce overwhelmingly resides and pays taxes in Northeast Ohio. Total compensation for civil servants alone was \$194.2 million in FY 2007. During the period of 2001 through 2007 NASA Glenn civil servants alone paid well over \$60 Million in Ohio and local taxes.<sup>3</sup>

NASA Glenn's major test facilities are heavy consumers of electric power. The operation of these facilities is dependent on the availability of a reliable and plentiful source of electric power. It is critical that this electric power be affordably and

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<sup>1</sup> The source for economic data cited in this document is The NASA Glenn Research Center: An Economic Impact Study Fiscal Year 2007, Iryna Lendel, Ph.D. Cleveland State University Maxine Goodman Levin College of Urban Affairs, (Sept. 2008).

<sup>2</sup> Id. at 5, 9.

<sup>3</sup> Id. at 8, 13.

predictably priced. As a federal research laboratory, Glenn's funding comes directly from the federal budget and must be appropriated by the U.S. Congress. NASA officials may not make or authorize expenditures in excess of appropriated funds. Therefore any increase in the cost of electric power necessarily reduces the Center's ability to secure mission assignments and their associated personnel and program expenditures.

Glenn's supplier of electric power is and has for many years been FirstEnergy ("FE") Corporation. Under the terms of its most current contract with FE, the majority of NASA Glenn's power cost is based on a firm fixed demand, with power in excess of that demand being based on variable negotiated rates. Commencing in July 2008 and continuing until the present, NASA Glenn has attempted to negotiate a new contract or an extension to the existing contract with FE. FE has to date declined to do so, citing as its reason the pendency of its Electric Security Plan before PUCO. NASA Glenn is currently making payments to FE under a six-month unilateral extension to NASA Glenn's most recent contract with FE. NASA Glenn issued this extension on December 22, 2008. FE does not accept the validity of NASA Glenn's unilateral extension and contends that NASA Glenn's contract with FE expired under its terms on December 31, 2008. FE contends that subsequent to December 31, 2008 and into the future, NASA Glenn's billings are to be based on the tariff rates contained in the Large General Schedule, rather than the prior negotiated rate. FE further states that it will not negotiate a unique arrangement with NASA Glenn unless and until it is authorized and directed to do so by the PUCO.

If NASA Glenn's future electric billings are based on the Large General Schedule, rather than on the prior negotiated rates or some reasonable modification to

those negotiated rates, the impact on NASA Glenn's future operations and perhaps even its viability will be dire. NASA Glenn has done a comparison of its calendar year 2008 billings under the negotiated rates with the projected billing under the Large General Schedule. In December 2008, for example, NASA Glenn's billings would have increased by 106% had they been computed under the Large General Schedule. Looking at calendar year 2008 overall, the billings would have increased in excess of 101%.

NASA Glenn is actively pursuing alternative energy and energy conservation measures to reduce its consumption of electric power, as is required of all federal government agencies under Presidential Executive Order 13423, *Strengthening Federal Environmental, Energy and Transportation Management*. Glenn has received funding to install several geothermal ground heat pump units in multiple buildings. In addition, several new buildings that are currently being designed will be LEED ("Leadership in Energy and Environmental Design") certified. Additionally, NASA Glenn is exploring alternative sources of energy. The Center has entered into discussions with several wind turbine developers and FE to develop a wind turbine farm on approximately 2000 acres at Glenn's Plum Station campus in Sandusky, Ohio.

Consistent with our past course of dealing with FE, NASA Glenn remains prepared to absorb some fair and reasonable annual increase in the cost of its electric power, but its budget cannot absorb an increase of the magnitude represented by the imposition of the Large General Schedule rates. NASA Glenn has not been allocated money in its fiscal year 2009 budget to cover the cost impact of these rates. If imposed they will therefore certainly result in near-term reductions in operations, staffing reductions, or a combination of the two. In addition, customers who have entered into

agreements for the reimbursed use of NASA test facilities will be compelled to cancel the tests, reduce the extent of testing, or seek alternate test venues outside the State of Ohio where more reasonably priced electric current can be obtained.

In the longer term, if NASA Glenn is required to absorb these dramatically higher electric rates, Ohio's competitiveness in the global economy will be adversely affected. If the startling increase over the prior negotiated rates represented by the Large General Schedule is imposed, the cost to customers of using NASA Glenn's test facilities will rise prohibitively.<sup>4</sup> Customers can reasonably be predicted to conduct their tests at other facilities outside of the State of Ohio, which would in turn necessitate permanent staff reductions and erode NASA Glenn's competitiveness, and long-term sustainability.

NASA Glenn has a long and distinguished history in Northeast Ohio. The proposed rate increase puts the future of that relationship in jeopardy. NASA Glenn therefore respectfully requests that PUCO authorize and direct FE to continue to furnish power under the terms of NASA's current unilateral six month contract extension (under NASA contract number NNC06CB28C), to enter into negotiations with NASA Glenn to establish a new unique arrangement (contract) similar to the structure of NNC06CB28C with fair and reasonable rates; and to implement the negotiated arrangement in place upon the expiration of the current contract extension.

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<sup>4</sup> A recent study, using 2005 data, found the cost per kwh at NASA Glenn to be almost twice as high as that at NASA Langley Research Center (located in Virginia) and nearly triple that of NASA Ames Research Center (located in California (although subject to seasonal fluctuations due to the effect of snow melt on hydro-electric power)). NASA Ames and NASA Langley are the other two NASA Centers with large wind tunnels. Large wind tunnels are among the heaviest electricity users of NASA research facilities.

Respectfully submitted,



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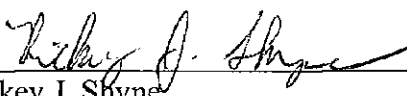
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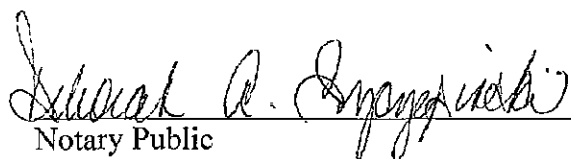
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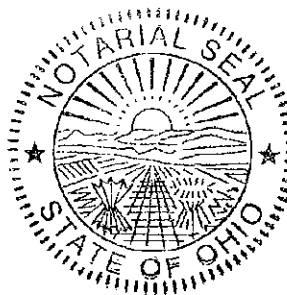
State of Ohio                                 )  
  ) ss:  
County of Cuyahoga                     )

I Rickey J. Shyne, being first duly sworn, verify that I have reviewed the foregoing Application and that the allegations contained in the Application is true and accurate to the best of my knowledge and belief.

  
\_\_\_\_\_  
Rickey J. Shyne  
Director of Facilities and Test  
National Aeronautics and Space Administration  
Glenn Research Center

Sworn to and subscribed before me, a Notary Public, this 4th day of February, 2009.

  
\_\_\_\_\_  
Notary Public



DEBORAH A. SZCZEPINSKI  
Notary Public, State of Ohio  
Cuyahoga County  
My Commission Expires April 15, 2013

## **CERTIFICATE OF SERVICE**

I certify that the Application to Establish a Reasonable Arrangement, was mailed via Federal Express Mail to the following:

**PUCO**

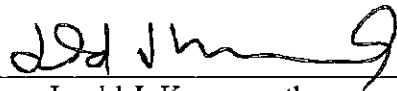
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February 5, 2009

\_\_\_\_\_  
(Date)



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