FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures.	))))	**Case No. 09-512-GE-UNC**

COMMENTS OF COLUMBUS SOUTHERN POWER COMPANY AND OHIO POWER COMPANY

INTRODUCTION

By Entry dated June 24, 2009, the Commission initiated a process to develop protocols for evaluation, measurement and verification (EM&V) of energy efficiency and peak demand reduction measures in the framework of a Technical Resource Manual (TRM). Columbus Southern Power Company and Ohio Power Company ("AEP Ohio") agree with the development of a TRM that provides Deemed Measures and Deemed Calculated Measures. This Entry established a procedural schedule for response and invited comments from interested parties. AEP Ohio submits certain targeted comments below in response to the Commission's invitation for input on Appendix A to the Entry.

Appendix A identifies five major policy questions where guidance has been requested by the Commission in order to proceed with the development of an Ohio TRM and the determination of energy savings and demand reductions. Appendix A has comments following each question along with a provisional recommendation provide by Commission Staff. The following are AEP Ohio's comments:

1. **Should the Commission evaluate performance of utility programs on the basis of achieved gross or net savings, or both?**

AEP Ohio supports the Commission's provisional recommendation to use gross savings. Regardless of the methodology employed to determine the net-to-gross savings, the results can never be completely objective. Most evaluations rely on a series of survey questions after the measure has been installed by customers to elicit information about what actions the customers would have taken in the absence of the program. The researcher is depending on the validity of customers' recollections of their past thought processes.

While AEP Ohio does believe that some customers undertook energy efficiency and/or peak demand reduction actions despite low electricity prices, any decision to spend resources to document the obvious in Ohio at this time seems misdirected. The State of California has performed one of the most rigorous analyses of free riders (customers who would have installed the measure without a program), yet the percentages in the California Database of Energy Efficient Resources (DEER) rarely has a net-to-gross savings percentage exceeding 20%. In addition, California has a long history of implementing energy efficiency programs and apparently, according to DEER, still has yet to exhaust the market. Also, AEP Ohio is undertaking energy efficiency education to encourage customers to implement behavioral and low-cost energy efficiency improvements, further justifying a gross savings approach for the measurable programs. AEP Ohio generally supports not providing incentives for customer projects with less than a one-year payback period, which will also limit free riders.

AEP Ohio asserts that over the long run, the debate over net versus gross savings will result in inconclusive evidence. Depending on where a utility and society are on the technology/program life cycle curve, the percentage of free riders will vary. However, the State of Ohio has indicated that it is undertaking this venture with a long-term horizon and has presented challenging goals for the utilities. Gross savings should be the measure used, now and in the future.

2. How should baseline efficiency and market penetration be defined for determining energy savings and demand reductions?

AEP Ohio supports setting the baseline at 2009 codes and standards applicable in Ohio. Energy efficiency achievements countable toward utilities' benchmarks should include changes in consumption that are attributable to future codes and standards. If not, the enactment of more stringent energy efficiency codes and standards will reduce the available technical, economic, and achievable market potential. If countable toward targets, the enactment of new codes and standards creates an opportunity to introduce market transformation programs that are designed to speed the rate of adoption of the new code or standard and encourages the utilities to fully support a cost-effective method of improving energy efficiency. Any reduction in energy savings countable towards benchmark targets from new codes and standards discourages utilities from being supportive of more efficient codes, standards and enforcement.

AEP Ohio agrees with the Commission that in the case of a program that results in the early retirement of less efficient equipment, that savings should be measured from the existing piece of equipment until the end of the useful life of the equipment and that at that point energy savings should be measured from the current Federal Code or minimum State Standards for efficiency in

the case of new construction. AEP Ohio does not agree that current practice should be used or the "net" method discussed in Appendix A on Page 4. The Commission has earlier recommended in its provisional recommendation to No. 1 that gross energy savings should be the current standard. In this regard, it is more consistent to also use 2009 code/standards of the baseline. Using "current practice" also results in the use of "net" energy savings.

The Commission uses the case of clothes washers as an example. Again, AEP Ohio asserts that using the current market practice results is the use of "net" energy savings. In addition, the logic of using the national market practice contradicts the Commission's reasoning on page 2 of Appendix A for supporting the use of gross savings rather than net. The Commission states that "the Commission believes that because Ohio does not have a history of significant ratepayer-funded energy efficiency programs and because electricity prices have been relatively low in Ohio, there is a high probability that energy efficiency programs proposed by utilities in their first three-year plan will have a high net to gross savings ratio if these programs are well designed." Based on Commission reasoning, AEP Ohio does not believe, without further research, that the markets for energy efficient products warrant the use of national averages. At the least, AEP Ohio would want these estimates based on regional market assessments using states with similar costs of electricity and regulatory requirements regarding energy efficiency.

The Commission also cites the case of replacement motors and indicates that the "new" is the standard replacement. AEP Ohio disagrees. In the case of motors, there is a second choice and that is to rewind the motor rather than replace it.

3. Should reported energy savings and demand reduction use retroactive or prospective TRM values?

AEP Ohio recommends that the Commission use prospective TRM values rather than apply evaluation findings retroactively. Protocols should be updated periodically based on evaluation results and available data, and then applied prospectively for future program years.

In the initial TRM the utilities, interested parties and the Commission's consultant will use the best available information to develop estimates of energy savings. These findings will be based on the average across a broad number of participants. The Commission requires that evaluations be performed and the results reported annually. Results should be expected to vary from year to year as different groups of customers become participants. For instance, if AEP Ohio implemented a residential weatherization program and employed a contractor that moved from neighborhood to neighborhood, the results would vary based on the vintage of residences present in the neighborhood. While this method might be the preferred method to keep marketing costs low, it could lead to erratic measured energy savings from year to year. It would be expected that if up-front assumptions are valid, that the average would be attained over the period of time that the law encompasses. AEP Ohio expects that the Commission's evaluation contractor will take such marketing strategies into account when providing the estimated energy savings attributable to a program.

AEP Ohio suggests that the Commission not act hastily to change TRM values. In any given year the mix of measures undertaken by customers who participate in a utility's programs will vary as will the condition of the residences or non-residential buildings. AEP Ohio is not

suggesting that TRM values should never change, however, it is suggesting that a trend from several utilities be evident over a period of years before changes to the TRM are implemented.

4. Should the cost-effectiveness test be applied at the measure, project, program or portfolio level?

AEP Ohio agrees with the provisional recommendation to apply the cost effectiveness test at the portfolio level as the PUCO requirement of each utility. AEP Ohio believes that all programs, projects and portfolios should be subjected to the TRC screening process; however, the failing of one measure should not preclude its inclusion in a program if it has significant societal benefits. AEP Ohio agrees that some programs or measures require time to gain market traction as well. It may be a prudent investment for longer term savings and market transformation goals. There are numerous examples of one measure in a program not passing the TRC test, but it is necessary for the effective implementation of the overall program to allow the measure to receive incentives. The program overall should pass the TRC test, unless the other policy reasons (*i.e.*, societal benefits) justify the program.. Resources should be overwhelmingly focused on cost-effective programs.

AEP Ohio is less concerned about the project level. If the project does not meet the financial criteria of the customer, then the project will not be undertaken. However, utilities usually do not require individual projects in the residential sector rebate programs to be cost-effective. For larger custom programs, most utilities across the country require that the individual project is cost-effective.

5. What expectations should the Commission establish for energy savings and demand reduction certainty?

AEP Ohio agrees with the provisional recommendation. Without pre and post metering, savings estimates are will be used in every other instance. Savings estimates should be captured in the program tracking and reporting process and the measure installation verified by regular EM&V activities. A 90%/10% standard allows the Commission, utilities and interested parties assurance that they can be reasonably confident that the true savings value occurs within a calculated range and it does not put burdensome and costly end-use metering requirements on the utility. AEP Ohio intends to apply the 90%/10% requirement at the program level only. Applying this standard at the program level is preferred because it does not require statistical estimates of "measure" savings estimates for programs that may have varying savings estimates depending on the order in which the measures are installed. An example of this type of program is a residential weatherization program. Using whole house usage is sufficient and captures any impact one measure may have upon the other.

CONCLUSION

AEP Ohio urges the Commission to act in accordance with the above recommendations and thanks the Commission for the opportunity to comment.

Respectfully submitted,

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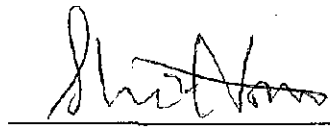
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Columbus Southern Power Company's and Ohio Power Company's Comments were served by U.S. Mail upon counsel this 24th day of July, 2009.



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