

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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2009 JUL 24 PM 4:49
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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 DUKE ENERGY OHIO IN RESPONSE TO
APPENDIX A QUESTIONS ON POLICY ISSUES THAT MAY AFFECT THE
APPROACH AND SCOPE OF A TECHNICAL REFERENCE MANUAL

On April 23, 2008, the Ohio legislature adopted Amended Substitute Senate Bill No. 221 (SB 221), which became effective on July 31, 2008. Among the provisions of SB 221 was the requirement in Section 4928.66, Revised Code, for the Commission to take certain actions related to the implementation of energy efficiency and peak-demand reduction programs by the electric utilities. In furtherance of that policy, the Commission now intends to establish protocols for the measurement and verification of energy efficiency and peak-demand reduction measures which will be incorporated into a Technical Reference Manual (TRM). In its June 24, 2009 Entry the Commission specified some of the content of the TRM and recognized that the TRM would evolve over time. The Commission's Entry included Appendices A and B and interested parties were invited to comment on both. Listed below are the brief responses of Duke Energy Ohio to the questions posed in the **Appendix A** of the June 24, 2009 Entry.

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Comments

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

Response:

The Commission should utilize gross savings as the basis for estimating the impacts achieved through the installation of an energy efficiency measure. A key component of this will be establishing the baseline level of efficiency to which the new more efficient measure is being compared as well as the remaining useful life of existing energy using equipment that may be replaced. Finally, Duke Energy Ohio has a concern relative to the Commission's plans to revisit the issue of net vs. gross savings in the future. If the Commission decides to move to a net savings approach, care must be taken that a utility is not adversely impacted with respect to its meeting the benchmark energy efficiency requirements. Changes should be applied prospectively with sufficient lead time to avoid potential conflicts with current utility implementation plans. One method may be to only institute such a change at the beginning of a new benchmark year, but with reasonable advance notice so that utility plans can be adjusted.

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

Response:

Generally, Duke Energy Ohio is in agreement with the provisional recommendation. The procedure for acknowledging the impact of early

replacement of equipment, before its useful life has been reached, seems appropriate. One concern, however, exists with respect to the establishment of “current market practice.” This can be problematic to keep up to date, especially if the utility’s program is creating a market transformation that is raising the level of current practice in the market. The Commission must provide greater clarity on how this will be treated because uncertainty can paralyze utility energy efficiency efforts. A utility could be successful in transforming a market and then retrospectively be penalized because it is found that the latest estimate of current market practice has wiped out their efforts. Setting baselines using established government standards will remove any ambiguities.

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

Response:

Generally, Duke Energy Ohio agrees with the provisional recommendation that *ex post* energy savings and demand reductions should be applied prospectively. Duke Energy Ohio further believes that any updates or adjustments to the load impact estimates should only apply to new installations, not the remaining life of prior installations. To change the impacts for the remaining useful life creates additional uncertainty on the prospective feasibility of an energy efficiency measure.

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

Response:

The provisional recommendation is not clear. It seems that the Commission is recommending that the TRC be applied at the portfolio level, but it also states that the Commission will approve programs that do not pass the TRC test if they provide significant non-energy benefits. Duke Energy Ohio recommends that the test be applied at the portfolio level to permit utilities greater flexibility in pursuit of energy efficiency. Furthermore, Duke Energy Ohio does not support the use of the TRC test as a stand-alone test. The TRC test is not consistent with the results of an Integrated Resource Plan (IRP). A utility might find itself in the situation of pursuing programs that pass the TRC test, but not the Utility Cost Test (UCT) and hence find that they do not fit within an IRP. In addition, the TRC test has some unfortunate characteristics that can result in inappropriate investment decisions. Under the TRC test, a utility can raise the energy efficiency incentive the utility pays customers to infinity and find that it still passes the TRC test. However, that would make no sense within an IRP context. If the Commission believes it must rely on the TRC test, Duke Energy Ohio recommends that the Commission also require the portfolio of programs pass the Utility Cost Test as well.

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

Response:

1. Duke Energy Ohio believes it is appropriate to use "best practices" for the evaluation, measurement, and verification of energy efficiency and demand response programs. Duke Energy Ohio believes the International Performance Measurement and Verification Protocol should be relied upon for establishment of "best practices." A good summary of the methods may be found in the "Model Energy-Efficiency Program Impact Evaluation Guide" prepared as part of the National Action Plan for Energy Efficiency.

Respectfully submitted,



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