

November 10, 2009

Via Electronic Filing

Ms. Renee Jenkins
Public Utilities Commission of Ohio
Administration/Docketing
180 East Broad Street, 13th Floor
Columbus, OH 43215-3793

**Re: Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand
Reduction Measures – Comments on Appendix C
PUCO Case No. 09-512-GE-UNC**

Dear Ms Jenkins:

Pursuant to the Commission's invitation in its Finding and Order of October 15, 2009 in Case No. 09-512-GE-UNC ("09-512"), the Ohio Manufacturers' Association ("OMA") respectfully submits these comments for the Commission's consideration.

Senate Bill 221 ("SB 221") directed a revolutionary paradigm shift for investor-owned electric distribution utilities in Ohio intended to make the delivery and consumption of electrical energy more energy efficient. If, in pursuit of this goal, the supporters of energy efficiency lose track of SB 221's directions and ultimate goals while agonizing over the minutiae of tactics, programs, tests, sub-tests, and other related issues, they incur a substantial risk of the implementation collapsing upon the goal.

Simply put, SB 221 directs us to become more energy efficient. If Ohio's utilities develop cost-effective programs that encourage adoption of energy efficient strategies or technologies the resultant savings should be counted towards the utility's benchmarks. Efforts to developing tests and hurdles designed to differentiate among various efficiency measures and *glean the motives* of customers who adopt energy efficiency measures is tantamount to losing the forest through the trees. These tests will become unreasonably expensive to administer and so limit the scope of available projects that the annual goals defined in SB 221 will be missed. This result undermines the energy efficiency policies supported by the Governor and General Assembly through passage of SB 221.

The concerns below reflect the issues the OMA has identified to date. As it appears the 09-512 docket lacks any binding decisions and remains in a constant state of development, the OMA will continue to follow it and comment when appropriate.

III. b. Expected Useful Life

Inasmuch as *Provisional Recommendation #3* is applied to effectively remove energy efficiency that had otherwise been counted, it is unlawful. The energy efficiency mandates contained in SB 221 were meant to be cumulative, and the law says in Ohio Revised Code ("R.C.") Section 4928.66 that *all* energy efficiency measures count. Further, since SB 221 creates a system whereby energy efficiency is measured as improvements off of a set baseline, and not a fickle and ever changing measurement such as a federal or state minimum efficiency standard, the useful life of a project doesn't matter. For example, take a manufacturer who uses a utility incentive to replace a motor in 2010. The new motor is 5% more efficient than its old motor. Later, in 2018 that same manufacturer again takes advantage of a utilities incentive program and replaces the motor again. This "2nd generation" motor is 3% more efficient than the previous one. The total energy efficiency gain is 8%. Even when the old motor's useful life expires the total energy efficiency gain is 8%. This is because the 2nd generation motor was 3% more efficient than the 1st generation motor – meaning it covered the 5% gain the 1st motor had over the baseline plus another 3%. Reviewing equipment's useful life and recalculating (really, reducing) the energy efficiency benefit based on state or federal standards is punitive, undercounts the energy efficiency gain off of the utility's baseline, and is not what was intended by SB 221.

Further, in many instances in a manufacturing setting, the useful life of specific equipment is incalculable. Motors can be rewound, presses can be retooled, and furnaces can be repaired. The list goes on and on. The consideration of when a piece of equipment has reached the end of its useful life is a very situation-specific undertaking. *Provisional Recommendation #3* does not take into account the volatile nature of equipment life in a manufacturing setting. Including some recognition that the useful life of a piece of equipment may not be calculable is desirable.

III. c. Utility and Program Costs

The section correctly identifies three situations when energy efficiency measures are generally installed: 1) at the time of new construction; 2) at the time of replacement of an old unit that has failed (replace on burnout); and 3) prior to the failure of an existing unit (early retirement). The incremental cost for new construction and "replace on burnout" being the delta cost between the standard technology and energy efficient technology. The discussion regarding early retirement is problematic.

Provisional recommendation #4b unnecessarily complicates the situation. Requiring either the utility or, more likely, the customer seeking the utility program benefits, to calculate levelized installation costs and buy-up costs in constant real dollars will result in burdensome administration and reduced participation. Again, the policy behind SB 221's provisions was the encouragement of energy efficiency to avoid the construction of new generation capacity. If a manufacturer were to replace functioning equipment with energy efficient equipment the policy's goals are met. Reviewing costs of individual early replacement measures loses sight of the policy and may ultimately be its undoing as the energy efficiency goals will become too costly to meet. The review of costs should be focused on a utilities portfolio and programs – not individual measures.

Thank you for the opportunity to review and comment on Appendix C. As previously stated, the OMA will continue to review and comment as energy efficiency policies are developed at the PUCO.

Ms. Renee Jenkins
November 10, 2009
Page 3 of 3

Energy efficiency programs will only work in Ohio if they are rational, workable, and remain unencumbered by academic discussions that have little real-world application.

Sincerely,

A handwritten signature in black ink, appearing to be 'KRS', written over a light gray rectangular background.

Kevin R. Schmidt

Cc: Parties of Record

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11/10/2009 3:17:49 PM

in

Case No(s). 09-0512-GE-UNC

Summary: Comments of the Ohio Manufacturers' Association electronically filed by Teresa Orahod on behalf of Ohio Manufacturers' Association