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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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2009 NOV 10 PM 5:19  
PUCO

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

COMMENTS ON APPENDIX C  
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 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 C to the Entry:

Provisional Recommendation #2b:

When performing the PAC test, utilities shall input the interest rate for a two year treasury bond for residential consumers and the WACC for commercial and industrial customers.

Response:

For residential consumers, AEP Ohio suggests using "prime" plus instead of a two year treasury bond. This would be a closer reflection of consumer costs. For commercial and industrial applications, AEP suggests using the utility WACC plus a basis points adder. Generally, the WACC is likely less than the capital costs for most C&I customers.

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Provisional Recommendation #4b:

To calculate the incremental measure cost of an early replacement measure, the new installation costs and buy-up costs should be converted to levelized values that are constant in real dollars. The incremental measure cost should then be calculated as the present value of the stream of levelized costs, where the levelized new installation cost is assigned to the first x years, and the levelized buy-up cost is assigned to the remaining y-x years.

Response:

AEP Ohio disagrees with this recommendation as it is too complicated and administratively burdensome.

Provisional Recommendation #7:

Electric utility avoided costs used in the cost-effectiveness calculations should be time-specific. Avoided energy costs should, at a minimum, reflect time of day and seasonal differences by time-of-use (TOU) period (peak, off-peak, shoulder for summer and winter). Avoided generation, transmission, and distribution capacity costs should be presented as separate components and should reflect seasonal differences (winter peak coincident and summer peak coincident demand reductions).

Response:

AEP Ohio would request clarification on this recommendation. PJM prices capacity annually; it would be difficult to get seasonal avoided costs.

Provisional Recommendation #8a:

A utility's electrical energy component cost, during the term of a Commission approved standard service offer, for the TRC, UCT/PAC, or RIM tests will be the energy cost embedded in that standard service offer, including any POLR or standby component.

Response:

AEP Ohio disagrees with this recommendation and would recommend using marginal avoided energy costs for greater accuracy.

Provisional Recommendation #8b:

In forecasting a likely bid price for delivery to its service territory, a utility will use the most accurate, publicly-available data representative of its own service territory. Although published market prices may vary somewhat from each utility's proprietary forward market curves, the benefit of using publicly-available data that can be provided to interested parties outweighs the small additional accuracy in using proprietary data. These costs should be made available to

interested parties in a nonconfidential, non-proprietary format so that interested parties can perform independent benefit-cost analysis.

Response:

AEP Ohio conceptually thinks there is value in using publicly available data. However, if transparency is the objective, a universally applied levelized cost of energy and capacity could be agreed to each year by the PUCO Staff and utilities. These costs would only then be used to evaluate EE/DR projects and not necessarily applied in all utility operations.

Provisional Recommendation #8c:

A utility's electrical energy cost component, after the term of a Commission-approved standard service offer, for the TRC, UCT/PAC, or RIM tests will be a blend of its most recent standard service offer and its forecasted bid price in the following relative proportions (SSO/bid): year one 90%/10%; year two 80%/20%; year three 70%/30%; year four 60%/40%; year five 50%/50%; year six 40%/60%; year seven 30%/70%; year eight 20%/80%; and year nine 10%/90%. For year ten and beyond in the post SSO period, the forecasted bid price will be used as the electrical energy cost component for the TRC test.

Response:

AEP Ohio disagrees with this recommendation. The suggested proportions are artificial and have no basis.

Provisional Recommendation #10a:

Utilities should add a CO<sub>2</sub> component as an avoided energy cost under the TRC, UCT/PAC, and RIM tests for the time period beginning in 2015 and beyond.

Response:

AEP Ohio generally agrees with this provision, but the language should be clarified so that the CO<sub>2</sub> component is current and market driven price.

Provisional Recommendation #10b:

Utilities should add a CO<sub>2</sub> avoided cost component for the TRC, UCT/PAC, or RIM test of \$11.00/MWh beginning in 2015. Alternatively, the Commission seeks commenters' suggestions for a methodology to use option values to determine the appropriate price.

Response:

AEP Ohio suggests using market prices when they are available. However, since no such market prices are available, using an option value would be problematic given that historical volatilities and correlations do not exist. Pricing an option at this point would be without any solid basis.

Provisional Recommendation #11:

Utilities should account for alternative energy benchmark costs as an avoided energy cost in the TRC by assuming a resource mix that meets the annual alternative energy benchmark and estimate an average cost for each type of resource. The avoided energy cost used for energy efficiency evaluations should be x percent alternative energy resource cost and (1-x percent) market purchase costs, where x is the alternative energy benchmark percentage for that year.

Response:

Since Ohio has a Renewable Portfolio Standard and an Energy Efficiency Standard, AEP Ohio questions if alternative energy is really avoided with Energy Efficiency Standard compliance. In Ohio specifically, AEP Ohio suggest that alternative energy is avoided by the amount of Energy Efficiency in excess of the benchmark, but not on the whole amount.

Provisional Recommendation #14a:

A utility's capacity component cost during the term of a Commission-approved SSO for the TRC, UCT/PAC, or RIM test will be the capacity cost embedded in that SSO.

Response:

AEP Ohio suggests the value should be the marginal cost of capacity rather than using an historical value.

Provisional Recommendation #15:

To the extent information is available, utilities should submit avoided transmission and distribution capacity costs at the program level of analysis for the TRC, UCT/PAC, or RIM tests.

Response:

AEP Ohio doesn't completely disagree with this recommendation, but it is unrealistic to expect that per unit avoided T&D costs will vary from program to program. Because this could get burdensome, avoided T&D costs should be uniformly applied across all programs.

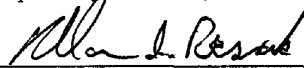
Provisional Recommendation #18c:

While costs for CO2 emissions could be included in the valuation of the natural gas co-benefits (or costs) of energy efficiency measures (since in a carbon regulated regime this is likely to be a real avoided cost), at this time, because of the difficulty in projecting this value and the relative size of the cost, it need not be included.

Response:

AEP Ohio agrees that CO2 emissions costs would be difficult in projecting and should not be included.

Respectfully submitted,



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