

FILE



The Public Utilities Commission of Ohio

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February 4, 2010

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

RE: In The Matter of Joint Application for Approval of a Special Arrangement With a Mercantile Customer and Exemption from Payment of Costs Included in Rider DSE2 between the Cleveland Electric Illuminating Company and PolyChem Corporation, 09-1102-EL-EEC

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendations in regard to the application for Approval of a Special Arrangement With a Mercantile Customer and Exemption from Payment of Costs Included in Rider DSE2 between the Cleveland Electric Illuminating Company and PolyChem Corporation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert Wolfe".

Robert Wolfe
Utility Specialist 2
Efficiency & Renewables
Public Utilities Commission of Ohio

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Joint Application of PolyChem Corporation

and

The Cleveland Electric Illuminating Company

Approval of a Special Arrangement Agreement with a Mercantile Customer

Case No. 09-1102-EL-EEC

Summary of Filing

On November 4, 2009 in Case No. 09-1102-EL-EEC, the Cleveland Electric Illuminating Company ("Company") filed a joint application with PolyChem Corporation ("Customer") (together known as the "Applicants"). The special arrangement includes a provision that will exempt Customer from paying costs included in the Company's Rider DSE2. Applicants jointly request authority from the Commission to exempt Customer from paying the charges set forth in the DSE2 Rider, to become effective during the Customer's first billing cycle after the issuance of the Commission's Opinion and Order approving the project for inclusion in the Company's EEDR compliance plan. ORC 4928.66 requires certain energy efficiency and demand reduction benchmarks with which the Electric distribution company's must comply. This statute also allows an EDU to include certain mercantile customer-sited energy efficiency and peak demand reduction programs ("Energy Projects") to be included in their compliance measures.

Specifically, the Applicants request that the Commission:

- a. Approve the Agreement;
- b. Approve the Energy Projects as qualifying for inclusion in the Company's EEDR compliance plan;
- c. Authorize the Company to exempt Customer from paying the charges included in the Company's Rider DSE2, effective for the Customer's first billing cycle after the date on which the Commission issues its Opinion and Order in this matter approving the Energy Projects for inclusion in the Company's EEDR compliance plan and Continuing for as long as Customer meets the requirements set forth in Rider DSE2; and,
- d. Any other relief that the Commission deems appropriate.

Staff's Review

Staff reviewed this application and further supporting documentation provided by The Cleveland Electric Illuminating Company, including calculated energy savings on the new lighting installation and new lighting equipment receipts.

Pursuant to Division (A)(2)(d) of section 4928.66 of the Revised Code, the filing must:

- (a) Address coordination requirements between the electric utility and the mercantile customer, including specific communication procedures.

- (b) Grant permission to the electric utility and staff to measure and verify energy savings and/or peak-demand reductions resulting from customer-sited projects and resources.
- (c) Identify all consequences of noncompliance by the customer with the terms of the commitment.
- (d) Include a copy of the formal declaration or agreement that commits the mercantile customer's programs for integration, including any requirement that the electric utility will treat the customer's information as confidential and will not disclose such information except under an appropriate protective agreement or a protective order issued by the commission.
- (e) Include a description of methodologies, protocols, and practices used or proposed to be used in measuring and verifying program results, and identify and explain all deviations from any program measurement and verification guidelines that may be published by the commission.

The Customer uses more than 700,000 kWh annually and/or otherwise meets the requirements of a "mercantile customer". The Customer has provided documentation providing evidence that the methodology used to calculate energy savings conforms to the general principals of the International Performance Measurement Verification Protocol (IPMVP). Within the Mercantile Customer Project Commitment agreement, the customer committed the Energy Projects for the life of the project. In committing this Energy Project, the customer provided:

- Annual Energy Baseline Consumption data
- An accounting of incremental energy saved
- A description of projects implemented and measures taken
- A description of methodologies, protocols and practices used to measure and verify the energy savings
- An accounting of expenditures to demonstrate the cost effectiveness of the project
- Supporting documents to verify the timeline and in service dates of the project

The Customer has implemented the Energy Projects. The Energy Projects consist of Lighting Replacements. Further, the Energy Projects were implemented after January 1, 2006.

Staff compared the customer's average annual energy baseline consumption with the energy savings achieved to verify the length of exemption of the DSE2 Rider and concludes that the exemption period is accurately calculated. In reviewing this application, staff also verified the

company's avoided cost exceeds the cost that the company spent to acquire the mercantile customer's self-directed energy efficiency project.

Staff Recommendation

Based upon its review, the Staff believes that the Energy Projects meet the requirements for inclusion in the Company's EEDR compliance plan. With the savings achieved, PolyChem Corporation will be exempt from the DSE2 Rider through 2013.

This joint application does not appear to be unreasonable, was properly filed in conformance with the applicable rules, and Staff recommends approval of this mercantile exemption from the DSE2 Rider as requested.