

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Portfolio)
Status Report Under Rule 4901:1-39-) Case No. 10-318-EL-EEC
05(C), Ohio Administrative Code, by)
Columbus Southern Power Company.)

In the Matter of the Annual Portfolio)
Status Report Under Rule 4901:1-39-) Case. No. 10-321-EL-EEC
05(C), Ohio Administrative Code, by)
Ohio Power Company.)

**COMMENTS ON THE AMERICAN ELECTRIC POWER STATUS REPORT
FOR ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL AND
THE NATURAL RESOURCES DEFENSE COUNCIL**

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") and the Natural Resources Defense Council ("NRDC") file these comments in accordance with Ohio Adm. Code 4901:1-39-06(A), which provides for persons to file comments on initial benchmark reports and portfolio status reports within 30 days after such reports are docketed. These comments are in response to the Energy Efficiency and Peak Demand Reduction ("EE&PDR") Portfolio Status Report filed collectively by the Columbus Southern Power Company and Ohio Power Company (collectively "AEP" or "Companies") on March 15, 2010.

All customer classes benefit from effective EE&PDR program offerings. The Portfolio Status Report is a marker indicating the effectiveness of programs across customer classes. AEP and various stakeholder groups filed a stipulated portfolio of

programs which is still pending before the Commission.¹ However, AEP successfully implemented the programs described in the stipulation. AEP notes in this report that the evaluation, measurement and verification performed for the six programs offered by the Companies in 2009 were prepared by a contractor, Navigant Consulting, Inc. OCC and NRDC, both signatory parties to the stipulated AEP portfolio, commend the Companies for their efforts to implement program offerings to customers and make efforts to achieve statutory EE&PDR benchmark compliance in 2009. OCC and NRDC offer the following comments and recommendations regarding AEP's Portfolio Status Report to further AEP's efforts.

II. ARGUMENT

A. The Commission Should Reduce the Mercantile Self-Direct Program Incentive Because It Pays a Premium for Existing Savings in Comparison with the Cost of Programs that Achieve New, Incremental Savings.

The Self-Direct Program is too expensive. This program follows the statute by incenting mercantile customers to commit their previous EE&PDR efforts to the Companies' benchmarks, as outlined in Ohio Revised Code 4928.66(A)(2)(c).² The incentive paid by the Companies to a mercantile customer is 75% of either Custom or Prescriptive Program incentives (these are programs covering new projects) for projects installed from January 1, 2006 forward.³ AEP notes in the Status Report that 330

¹ *In the Matter of the Application of Columbus Southern Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration*, Case Nos. 09-1089, et al, Stipulation and Recommendation (November 12, 2009).

² Status Report at 18: "The Self-Direct Program allows mercantile customers to jointly commit their retrospective energy efficiency and peak demand reduction resources to AEP Ohio in a defined process as described in the Portfolio Plan."

³ *In the Matter of the Application of Columbus Southern Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration*, Case Nos. 09-1089, et al, Plan (November 12, 2009) at 108.

customer projects have been submitted for approval, and that the verification process used for these customer projects is the same as the one used for the Prescriptive Lighting and the Custom Program.⁴

Between the two Companies, the Self-Direct Program produces a gigawatt hour (“GWh”) of savings for \$45,128.⁵ In contrast, the Residential Products Program produces a GWh of savings for \$51,448.⁶ Although the cost of the Self-Direct Program per GWh savings are slightly less, the costs associated with the Residential Products Program yield savings that are new and incremental, while the costs associated with the Self-Direct Program merely provide an accounting of savings that are the result of “existing” (previously purchased and installed) energy efficiency measures. The Companies’ incentive structure for mercantile projects is simply too generous. Comparing the Program costs indicates that too much emphasis is placed on retrieving existing savings.

This over-emphasis on existing efficiency measures may be displacing new energy efficiency investments that could cost-effectively reduce the bills of the Companies’ other customers. For example, as recommended below, AEP should add energy efficient appliance rebates to their Products Program. This will generate new savings, rather than over-incenting the accounting of existing savings. OCC and NRDC recommend that the incentive for existing efficiency projects should be reduced from 75% to 50% of the incentive for new Custom or Prescriptive Program projects. The

⁴ AEP Portfolio Status Report at 18.

⁵ Id. at 9, Tables 8 and 9.

⁶ Id.

Commission should decrease the incentive amount in order to reduce the cost of this Program.

B. The Commission Should Modify AEP's Products Program Offerings to Include Incentives for Energy Efficient Appliances.

AEP makes recommendations regarding its Program offerings for 2010 as required by Commission Rules.⁷ Among its recommendations, AEP states that, contrary to its Portfolio Plan, it would not expand the Products Program to include appliances.⁸ Instead, the Companies plan to continue focusing primarily on compact fluorescent lighting.⁹ AEP states that the reason for this decision is because the Program's cost effectiveness "should not be diluted with less cost effective appliance offerings."¹⁰ The Companies state that the promotion of the American Recovery and Reinvestment Act appliance rebates in partnership with the Ohio Department of Development ("ODOD") will "provide customers with efficient appliances in a less costly way."¹¹ However, AEP's participation in the ODOD program will not lead to incremental savings.

In order for AEP to achieve incremental savings, it should add appliance rebates as part of its Products Program offering. The Products Program is highly cost effective, producing more than two times its cost in benefits when evaluated using the Total

⁷ Ohio Adm. Code 4901:1-39-05(C)(2)(c) states that "[e]ach electric utility shall include...a recommendation for whether each program should be continued, modified, or eliminated."

⁸ AEP Portfolio Status Report at 22.

⁹Id.

¹⁰ Id.

¹¹ Id.

Resource Cost test.¹² There is ample room for the Companies to promote efficient appliances as part of the Products Program as stated in the Portfolio Plan and still meet the Commission’s requirements that the Companies’ portfolio of programs be cost effective.¹³ The Companies, as originally planned, should deploy rebates for efficient appliances as part of its Products Program once stimulus-funded rebates are fully subscribed in the Companies’ service territories. This will achieve incremental savings over and above the ODOD appliance rebate program. Without an appliance offering, AEP’s current Products Program leaves this important source of savings unaddressed, resulting in a lost opportunity.

C. The Company Should Present Information on the Mercantile Self-Direct Program in a Way that Provides a Clear Demonstration of Compliance with Ohio Adm. Code 4901:1-39-05(C)(1)(b).

The Commission should require AEP to refine the presentation of its applicable benchmark savings. Ohio Adm. Code 4901:1-39-05(C)(1)(b) requires that the compliance demonstration presented in the Portfolio Status Report contain “[a] comparison with the applicable benchmark of actual energy savings and peak demand reductions achieved by electric utility programs.” The specific presentation in the Portfolio Status Report was not an optimal presentation of this comparison. While the Companies report Annual GWh savings by Program in Tables 8 and 9, the Companies do not report savings by Program on a part-year basis. This makes it difficult to evaluate the degree to which the Company is relying on existing mercantile self-direct savings for

¹² Id., Table 12.

¹³ Ohio Adm. Code 4901:1-39-04(B)

compliance with R.C. 4928.66. Further, this complicates the evaluation of the specific effects of Companies' Program offerings. As noted above, Commission Rules require that the results of individual programs be compared with the benchmark. This part-year reporting was part of the Companies' presentations to the collaborative. AEP should be required by the Commission to amend the Portfolio Status Report with this information in order for interested parties to fully interpret the results of the Companies' Portfolio results.

III. CONCLUSION

As presented above, the PUCO should modify AEP's Products Program to include energy efficient appliances in order to provide the Companies' customers with greater energy savings opportunities within the Companies' service territories. The incentive price of the Self-Direct Program should be reduced. Finally, the report presentation should be amended as described to allow interested parties to fully utilize the information provided by the Companies in this report. OCC and NRDC respectfully request the Commission to implement these modification requests.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Comments were served, by via regular U.S. Mail Service, postage prepaid to the following parties of record, this 14th day of April, 2010.

/s/ Christopher J. Allwein _____

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/14/2010 4:58:59 PM

in

Case No(s). 10-0318-EL-EEC, 10-0321-EL-EEC

Summary: Comments Comments on the American Electric Power Status Report for Energy Efficiency and Peak Demand Reduction Programs by the Office of the Ohio Consumers' Counsel and The Natural Resources Defense Council electronically filed by Mrs. Mary V. Edwards on behalf of Allwein, Christopher J. and Office of the Ohio Consumers' Counsel