

**BEFORE
THE PUBLIC UTILITY COMMISSION OF OHIO**

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

**THE JOINT OBJECTIONS OF
THE OHIO MANUFACTURERS' ASSOCIATION AND
THE OHIO HOSPITAL ASSOCIATION**

Pursuant to Finding (6) of the Public Utilities Commission of Ohio's ("PUCO" or "Commission") Entry dated October 4, 2010, the Ohio Manufacturers' Association ("OMA") and the Ohio Hospital Association ("OHA") submit their objections to Vermont Energy Investment Corporation's ("VEIC") draft Technical Reference Manual ("TRM"), which was filed in the above-referenced docket on August 6, 2010.

OBJECTIONS

The draft TRM is unreasonable and unlawful because it: 1) relies upon cost data and information that is speculative and outdated; and 2) is unreasonable and unable to be uniformly applied to the programs and measurements reflected in the draft TRM.

DISCUSSION

As clearly reflected in Appendix C to the Commission's October 15, 2009 Finding and Order in the above-captioned proceeding, the cost bases underlying the formation of each electric distribution utility's ("EDU") energy efficiency and demand response compliance plan portfolio, as well as the necessary measurement and evaluation components of the programs contained within those portfolios, make up an essential part of statutory scheme set forth in Ohio Revised

Code Section (“R.C.”) 4928.66. Without proper measurement of cost, there is no meaningful way to evaluate whether the resources spent on energy efficiency were truly cost-effective when measured against either the avoided cost of incremental generation, or against other energy efficiency programs. Put another way, without a proper costs basis, the Commission has no way to evaluate whether the money collected from ratepayers to fund the EDU energy efficiency programs are being put to a rational and reasonable use.¹

The cost assumptions used throughout the draft TRM appear to be a hodgepodge of inputs from various jurisdictions and various vintages. The authors very forthrightly acknowledge this in the introductory notes to the draft TRM (see, *e.g.*, p. 9 for discussion of incremental measured costs). Cost inputs are derived from a variety of sources, including the Energy Information Administration (“EIA”) and the California DEER database, both of which contain information that likely predates 2005. Not only are these information sources opaque as to the underlying cost modeling and source input, but the variations resulting from the geographical and time differences are hopelessly unknown. In addition, the reliability of the information from the EIA and the California regulatory process remains untested; and, to put it charitably, suspect.

Unfortunately, there is a huge compounding effect to the problem associated with poor cost inputs. For any particular program or measurement, there may be a variety of reasonable methodologies for evaluating the cost of that program. It is conceivable that for discrete programs, the precision with which the individual cost inputs are determined are of secondary importance for determining whether a program, by itself, is worthy of consideration. However, the stakes change when programs are compared and ranked against other programs, or added to

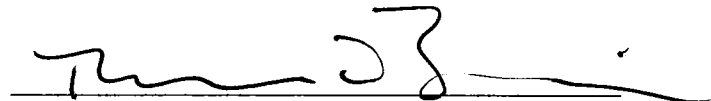
¹ The objections of the OMA/OHA are limited to the cost data and inputs relied upon within the draft TRM. The OMA//OHA take no position with respect to the engineering modeling reflected in the draft TRM.

aggregated portfolio costs, which could then be compared to an avoided cost calculation. At this stage, it becomes essential that all programs are evaluated according to a common set of cost principles. The assumptions and inputs for one program or measurement must agree with those of another. Otherwise, the comparisons are “apples to oranges” and the results are misleading and/or meaningless. The draft TRM does not purport to contain such a common scheme of cost evaluation. In this regard, the draft TRM is unreasonably deficient.

At the present time, it may be that this deficiency contained in the draft TRM is not of critical importance. It appears that each of the EDU programs is currently focused on the obvious and available programs for achieving compliance with their benchmark obligations. Without a doubt, there will come a point in time when the “low hanging fruit” is no longer available, and cost comparisons become critically important to the process. As the authors point out, the draft TRM is intended to be a living document (at p. 8). The development of rigorous cost inputs may be appropriate for “phase 2” of the process, but will be a very important component of the document going forward.

The Commission should prepare now for the day when the cost inputs to the TRM take on a higher level of importance.

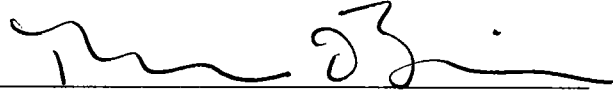
Respectfully submitted on behalf of
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Objections was served upon the parties of record listed below this 3rd day of November 2010 *via* electronic mail.


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Summary: Objection of The Ohio Manufacturers' Association and The Ohio Hospital Association electronically filed by Teresa Orahod on behalf of Ohio Manufacturers' Association and Ohio Hospital Association