Staff Review and Recommendations for

Case No. 09-1427-EL-EEC

Joint Application for
A Special Arrangement between
Columbus Southern Power Company
and
Taco Bell
A Special Arrangement with a Mercantile Customer

Summary of Filing

On December 18, 2009, Columbus Southern Power Company (Company) and Taco Bell (Customer), submitted a Joint Application for Commission approval of a special arrangement for a mercantile exemption of the energy efficiency/peak demand reduction (EE/PDR) rider. On December 10, 2010, the applicants supplemented the Joint Application with a revised Attachment 1. Section 4928.66 of the Revised Code requires certain energy efficiency and demand reduction benchmarks with which Ohio's electric distribution utilities (EDUs) 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.

The Joint Application describes an incentive payment (Option 1) and an EE/PDR rider exemption (Option 2). If the Joint Application is approved by the Commission, the Customer will have the option to either: (1) receive a one-time reduced incentive payment on the condition of continuing payment of the EE/PDR rider, or (2) receive an exemption from the EE/PDR rider for a defined period. The Customer will have the option of choosing between Option 1 and Option 2. However, the Customer cannot receive both incentives for committing the project for energy efficiency compliance.

With Option 1, a mercantile customer would receive a one time payment equal to 75% of the calculated incentive amount offered under the Company's incentive program. If a customer elects to receive the incentive payment under Option 1 the customer will continue to pay the EE/PDR rider. The Company explains that a 25% reduction over a new project incentive is reasonable because the customer has already made the EE/PDR investment.

With Option 2, a mercantile customer would be exempted from paying the EE/PDR rider for the time period that their committed energy savings are greater than or equal to the Company's annual mandated benchmark requirement percentages for energy savings based upon the customer's 2006-2008 average annual energy usage baseline.

The applicants in this case request that the Commission approve the Joint Application applying the Customer's energy and demand resources to the Company's energy and demand benchmarks as identified in section 4928.66 of the Revised Code, and approve the Company to either pay the one-time incentive payment to the Customer or exempt the Customer from the EE/PDR rider as outlined above. Upon approval, the agreement will be implemented and the Company will reflect the cost recovery as part of the EE/PDR rider.

Staff's Review

Pursuant to paragraph (G) of section 4901:1-39-05 of the Administrative 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.

Staff reviewed the Joint Application and additional supporting documentation provided by the Company, including engineering studies, engineering estimates, and new equipment receipts. The Customer uses more than 700,000 kWh annually, or otherwise meets the requirements to be classified as a mercantile customer. The Customer has provided documentation as evidence that the methodology used to calculate energy savings conforms to the general principals of the International Performance Measurement Verification Protocol (IPMVP) that is used by the Company. Within the Company's Self Direct Program agreement, the customer committed the Energy Projects for the life of the projects.

The Joint Application includes a project overview that outlines the project, customer size, project installation date, kWh reduction, peak kW demand reduction, total project cost, incentive total, the eligible self direct incentive, and the exemption period from the rider. The Customer has attested to the validity of the information, and its intention to participate in the program.

The project presented in the Joint Application is consistent with the presumption that a mercantile project is part of a demand response, energy efficiency, or peak demand reduction program to the extent the project either provides for early retirement of fully functioning equipment, or achieves reductions in energy use and peak demand that exceed the reductions that would have occurred had the customer used standard new equipment or practices where practicable.

The Customer has implemented the Energy Projects. Taco Bell’s projects consist of food production line equipment replacements. The equipment that was installed meets all the current energy savings requirements. Invoicing was provided for substantiation of purchase and installation. The Energy Projects were implemented in February, 2008.

Staff Recommendation

Based upon its review, the Staff believes that the Energy Projects meet the requirements for integration in the Company's EE/PDR compliance plan.

This joint application does not appear to be unreasonable, was properly filed in conformance with the applicable rules, and Staff recommends approval of this special arrangement providing Taco Bell to choose either Option 1 or Option 2. Option 1 provides a one time incentive payment of $2,168.04. Option 2 allows an exemption from the EE/PDR rider for 113 months.

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