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PUCO

Staff Review and Recommendations for

Case No. 09-1105-EL-EEC

Joint Application for

A Special Arrangement between

The Cleveland Electric Illuminating Company

And

4 C's

A Special Arrangement with a Mercantile Customer

Summary of Filing

On December 30, 2009, The Cleveland Electric Illuminating Company (Company) and 4 C's (the Customer) submitted a Joint Application for Commission approval of a special arrangement for a mercantile exemption of the Company's rider DSE2 (energy efficiency/peak demand reduction rider). The applicants jointly request authority from the Commission to exempt the Customer from paying the charges included in the Company's Rider DSE2, to become effective for 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 energy efficiency and demand reduction (EEDR) compliance plan. On April 5, 2011 the Company refiled Amended Exhibits including the wattage consumption correction for the existing metal halide fixtures that were changed out for this lighting project. Section 4928.66 of the Revised Code requires certain energy efficiency and demand reduction benchmarks with which the 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.

Specifically, the applicants request that the Commission:

- (a) Approve the Agreement;
- (b) Approve the Energy Project as qualifying for inclusion in the Company's EE/PDR 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 Lighting Upgrade Project for inclusion in the Company's EE/PDR 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.

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Staff's Review

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.

Staff reviewed this application and further supporting documentation provided by The Cleveland Electric Illuminating Company, including calculated energy savings, the project cost, and equipment specifications. The Customer uses more than 700,000 kWh annually and/or otherwise meets the requirements to be classified as 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) that is used by the Company. Within the Mercantile Customer Project Commitment Agreement, the Customer committed the Energy Project for the life of the project. In committing this Lighting Upgrade Project, the Customer provided:

- Annual Energy Baseline Consumption data;
- An accounting of incremental energy saved;
- A description of the project 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; and,
- Supporting documents to verify the timeline and in service dates of the project

The Customer implemented the Lighting Upgrade Project in 2006. The project consists of replacing 218 (458 watt metal halide) fixtures with 215 (226 watt T-8 fluorescent) fixtures. The difference in wattage for the project is $(458 \text{ watts} * 218 \text{ fixtures}) - (226 \text{ watts} * 215 \text{ fixtures}) = 51,254 \text{ Kw}$. The Customer operates 6,564 hours/year, so the average annualized savings = 336,431 Kwh. The Customer's Lighting Upgrade Project was installed in 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 has concluded that the exemption period is accurately calculated. The Customer's annual savings equals approximately 8.3 percent of their 3-year weather adjusted average baseline usage. With the energy savings achieved, 4 C's will be exempt from the DSE2 Rider through 2018. 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.

The agreement also includes a provision that requires the Customer to submit an annual report that includes at a minimum the following:

1. The Kwh and/or Kw reductions originally reported with the Application;
2. The current estimated Kwh and/or Kw reductions attributable to the project;
3. Any explanations for any significant variations between the information in (1) and (2);
4. A calculation of the Customer's annual baseline usage consistent with Commission rules and/or other directives;
5. Any new projects that the Customer identifies for further exemption; and
6. Other information reasonably necessary for the Company to (a) verify the Customer's continued eligibility for Rider DSE2 exemption and (b) report to the Company for purposes of their status report to the Commission, the EE/PDR results relating to each energy savings project.

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.

Staff Recommendation

Based upon its review, the Staff believes that the Lighting Upgrade Project meets the requirements for inclusion 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 mercantile exemption from the DSE2 Rider through 2018 as requested. Additionally, Staff recommends any portion of the

DSE2 Rider assessed to the customer during the recommended exemption period be refunded to the customer.

Prepared by: Greg Scheck, PUCO Staff
Date: April 7, 2011