

Staff Review and Recommendations for
Case No. 10-1956-EL-EEC
Joint Application for
A Special Arrangement between
Cleveland Electric Illuminating Company
And
Cleveland Clinic Foundation
A Special Arrangement with a Mercantile Customer

Summary of Filing

On August 3, 2010, in Case No. 10-1956-EL-EEC, Cleveland Electric Illuminating Company (“Company”) submitted a Joint Application for Commission approval of a special arrangement with Cleveland Clinic Foundation (“Customer”). The Joint Application includes a provision that would 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 utilities (“EDU”) 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 which included numerous projects contained within multiple sites. The projects within the application included lighting retrofits and system upgrades. Staff reviewed further supporting documentation provided by Cleveland Electric Illuminating Company including project descriptions pertaining to each site, project in-service dates, project invoices, kWh reduction, total project costs, and the exemption period from the rider. Energy savings and incremental KW saved were calculated at the device level.

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 showing 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 consisted of lighting retrofits and system upgrades. Further, the application contained many discrete Energy Projects, some of which were implemented prior to the three years before the year in which the application was submitted for Commission approval.

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, Staff believes that the Energy Projects implemented within the three year time period prior to filing the application meet the requirements for inclusion in the Company's EEDR compliance plan. Further, Staff recognizes that there was some uncertainty about the rule requirements during the start up phase of the Mercantile Customer program. Due to this uncertainty, Staff recommends approval of this project as filed, including those projects undertaken more than three years prior to the year in which the application was submitted. Additionally, Staff recommends any portion of the DSE2 Rider assessed to the Customer during the recommended exemption period be refunded. With the savings achieved, the following figure shows each of the Cleveland Clinic Foundation sites and Staff's recommended periods for exemption from the DSE2 Rider. This Joint Application does not appear to be unreasonable, was properly filed in conformance with the applicable rules, and Staff recommends approval of the mercantile exemptions from the DSE2 Rider for all projects implemented on or after January 1, 2006.

Cleveland Clinic Foundation Sites 10-1956-EL-EEC		Exemption Period through
1	Avon Pointe MOB	12/31/2013
2	Beachwood FHC	12/31/2019
3	CCAC I	12/31/2012
4	CCAC III	12/31/2023
5	Chagrin Falls	12/31/2013
6	Euclid Hospital	12/31/2018
7	Fairview Hospital	12/31/2017
8	Fairview Hospital Physicians	N/A*
9	Fairview West Physicians	12/31/2009
10	Health Space	12/31/2025
11	Hillcrest Hospital	12/31/2018
12	Hillcrest MOB 1	12/31/2017
13	Hillcrest MOB 2	12/31/2012
14	Huron Hospital	12/31/2014
15	Independence FHC	12/31/2011
16	Lakewood Community Health	12/31/2010
17	Lakewood FHC	12/31/2025
18	Lakewood Hospital	12/31/2016
19	Lakewood Hospital Professional Building	12/31/2015
20	Lakewood Medical	12/31/2010
21	Lutheran Hospital	12/31/2018
22	Lutheran Medical Building	12/31/2021
23	Lyndhurst Main	12/31/2025
24	Main Campus	12/31/2016
25	Marymount Hospital	12/31/2019
26	Parker	12/31/2010
27	Rockport MOB	12/31/2011
28	Rockside I	12/31/2011
29	Shaker Hospital	12/31/2012
30	Solon FHC	12/31/2025
31	South Pointe Hospital	12/31/2021
32	Strongsville FHC	12/31/2017
33	Westlake FHC	12/31/2019
34	Westlake MOB A	12/31/2010
35	Westlake MOB B	12/31/2017
36	White Mansion	12/31/2009
37	Willoughby I FHC	12/31/2019
38	Willoughby II	12/31/2015
* Customer exemption period determined to be zero		

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Summary: Staff Review and Recommendation electronically filed by Kristin L Braun on behalf of PUCO Staff