Staff Review and Recommendations for

Case No. 10-1925-EL-EEC

Joint Application for
A Special Arrangement between
Cleveland Electric Illuminating Company
and
Cleveland Coca-Cola Bottling Company
A Special Arrangement with a Mercantile Customer

Summary of Filing

On August 23, 2010, Cleveland Electric Illuminating Company (Company) and Cleveland Coca-Cola Bottling Company (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 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 energy efficiency and demand reduction (EEDR) compliance plan. 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 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

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 Cleveland Electric Illuminating Company, including calculated energy savings, engineering studies, and invoices for the work completed. 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 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; and,
- Supporting documents to verify the timeline and in service dates of the project

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.

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. The Energy Projects consist of lighting retrofits. Further, the Energy Projects were implemented in February, 2007.

Staff Recommendation

Based upon its review, the Staff believes that the Energy Projects meet the requirements for inclusion in the Company's EEDR 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 as requested. With the energy savings achieved, Cleveland Coca-Cola Bottling Company will be exempt from the DSE2 Rider through 2025.

Additionally, Staff recommends any portion of the DSE2 Rider assessed to the Customer during the recommended exemption period be refunded to the Customer. Further, Staff notes that, pursuant to the second entry on rehearing issued on May 25, 2011, in Case No. 10-834-EL-POR, this rider exemption will be subject to review and potential adjustment every two years to ensure that the exemption accurately reflects the EEDR savings.

Prepared by: R. Wolfe
Date: 20-Sept-2011