

Staff Review and Recommendations for
Case No. 09-1212-EL-EEC
Joint Application for
A Special Arrangement between
The Ohio Edison Company
and
Republic Engineering Products, Inc.
A Special Arrangement with a Mercantile Customer

Summary of Filing

On November 25, 2009, the Ohio Edison (Company) and Republic Engineering Products, Inc. (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). Then on March 29, 2010, the applicants submitted a second Joint Application for approval of a second special arrangement for a mercantile exemption of the Company's rider DSE2 at a second Customer facility. Finally, on January 4, 2012, the applicants jointly filed a Motion to Amend Joint Application containing two requests: first, that the Commission instead approve a cash rebate reasonable arrangement, to become effective after the issuance of the Commission's Opinion and Order approving the projects for inclusion in the Company's energy efficiency and demand reduction (EEDR) compliance plan; and second, that three projects not eligible for incentives instead be awarded Commitment Payments. 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 applicants to enter into a cash rebate reasonable arrangement, to become effective 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; and,
- (d) Authorize awarding the Customer a Commitment Payment for one project not eligible for incentive.

Staff's Review

Pursuant to section (G) of Ohio Adm. Code 4901:1-39-05, 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 these applications and further supporting documentation provided by The Ohio Edison Company that describes six energy efficiency projects, including calculations of the energy savings along with invoices for the new equipment. Both Customer facilities use more than 700,000 kWh annually and/or otherwise meet the requirements to be classified as a mercantile Customer. The Customer has submitted 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 projects. In committing these Energy Projects, 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 rebate amount and Commitment Payment amount for the projects at both facilities and concludes that the rebate amount and Commitment Payment is accurately calculated. In reviewing this application, Staff also verified that the Company's avoided cost exceeds the cost that the Company spent to acquire the mercantile Customer's self-directed energy efficiency projects.

The projects presented in both Joint Applications are 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 a lighting system replacement, process improvements, and motor and compressed air system replacements. Further, the Energy Projects were implemented between February 1, 2006 and September 1, 2008.

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.

These Joint Applications do not appear to be unreasonable, were properly filed in conformance with the applicable rules, and Staff recommends approval of this cash rebate reasonable arrangement as requested. With the energy savings achieved, Republic Engineering Products, Inc. will receive a cash rebate in the amount of \$26,859.

Additionally, Staff recommends that the Customer be awarded a Commitment Payment in the amount of \$4,608.

Prepared by: P. Hutchison
Date: 5-January-2012

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Summary: Staff Review and Recommendation electronically filed by Mr. Paul A Hutchison on behalf of Staff