

Staff Review and Recommendations for Case Nos.

10-3023-EL-EEC

10-3024-EL-EEC

10-3025-EL-EEC

**Request by Ohio Edison Company,
Cleveland Electric Illuminating Company, and
The Toledo Edison Company
For Approval to Include
Transmission and Distribution Projects
In Partial Compliance with
Energy Efficiency Benchmark Requirements**

Summary of Filing

On December 15, 2010, Ohio Edison Company, Cleveland Electric Illuminating Company, and The Toledo Edison Company (Companies), submitted an application for Commission approval to include the efficiency gains resulting from certain transmission and distribution improvement projects, undertaken in 2010, in partial compliance with energy efficiency and demand reduction benchmarks required by Section 4928.66 of the Revised Code.

The application provides a general description of the program and the claimed efficiency savings, as well as exhibits that establish each of the following: allocation factors and loss reductions, by company; loss factor calculation methodologies for transmission and distribution projects; summary listings and descriptions of transmission projects; and, summary listings and descriptions of distribution projects.

Staff's Review

The purpose of the Staff's review was to evaluate the efficiency savings that the Companies have claimed in their application and provide Staff's assessment about whether or not the claimed savings should be included as part of the Companies' compliance with the energy efficiency benchmarks set forth in R.C. 4928.66(A)(1)(a). The energy savings claimed for these projects, as described in the Companies' filing, showed a total annual contribution to energy efficiency requirements in 2010 of 6,524 megawatt hours (MWh), allocated as follows among the Companies: 3004 MWh for Ohio Edison Company; 885 MWh for Cleveland Electric Illuminating Company; and 2,635 MWh for The Toledo Edison Company.

Staff concurs with the Companies that the projects were installed to enhance transmission and distribution system reliability due to load growth in specific service areas of the Companies. However, replacing the old facilities with the new facilities will result in a reduction in system losses in the area, as well as their intended improvements to overall system reliability and adequacy.

During the course of its review, the Staff issued multiple data requests to the Companies in order to obtain additional information and justification of the energy savings claimed in the filings. Staff reviewed all necessary engineering studies and confirmed that the energy savings claimed by the Companies in their application filing were properly determined. Staff further inquired about the persistence of efficiency gains that these projects provided. Based on data request responses, the persistence of energy efficiency gains is expected to vary based on the projected life of installed facilities. Projected facility lifetimes varied with they type of facility installed, but were within the range of 45 to 50 years. For the distribution projects, the impact of anticipated levels of load growth on energy efficiency gains achieved would be to cause a slight increase in efficiency gains over time. For the transmission projects, anticipated sustained positive load growth with no system configuration changes would result in efficiency gains being sustained over time.

Staff Recommendation

Based upon its review, the Staff believes that the transmission and distribution projects under consideration in this application meet the requirements for integration in the Companies' energy efficiency compliance plans. The information reviewed by Staff verified that the energy savings claimed in the application filing was appropriately determined.

Although the energy projects in the Companies' application include projects that were conducted by an affiliate of the Companies, rather than by the Companies themselves, Staff believes that it is appropriate to include the results of these projects in each Companies' compliance plan. It is not unusual for entities other than EDUs to conduct acceptable energy projects on non-EDU property. In fact, most projects are completed by parties other than the EDU on non-EDU property. Further, Section 4928.66(A)(2)(d) of the Ohio Revised Code clearly states that programs implemented by a utility may include transmission and distribution infrastructure improvements that reduce line losses. There is no concomitant requirement that the EDU must plan, develop, or even pay for, such transmission and distribution infrastructure improvements. The transmission and distribution projects under consideration in this application have been shown to provide a sustained reduction in line losses and improvements to the efficiency of utilization of electricity by the EDUs, and should properly be included in each EDU's compliance plan.

Prepared by: M. Khan, R. Strom
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Summary: Staff Review and Recommendation electronically filed by Raymond W. Strom on behalf of PUCO Staff