

FILE

5

RE: Comments on 12-1230-EL-SSO

I also submitted comments on case 12-0814 and have read some of the transcripts of the evidentiary hearings in this case.

It would be appreciated if any of the commissioners or its staff could provide feedback to my comments.

1) The company's actions in regard to the May 2012 PJM BRA appear to be imprudent

The ATSI region of First Energy(the company) joined PJM on June 1, 2011 having been accepted for inclusion in 2009. At the time they were accepted the company made public statements that its membership would provide for more customer choice and benefits. Additionally, the company has been aware of its obligations under SB. 221 for energy efficiency and renewable (wind, solar, waste heat recovery for the most part is not renewable energy) energy targets. For a number of years (starting with the 2011-2012 deliverability year (DY)) demand response, energy efficiency and renewable energy resources have been allowed to be bid into the PJM RPM auctions, so certainly the company was aware of the opportunity to do so.

It seems that the company took no action on this issue until the Commission issued order 12-0814 and initially they claimed that they could not respond for various reasons. Then suddenly they issued a request for ESP-III laying down conditions for offering energy efficiency resources into the May, 2012 PJM BRA if the ESP-III was approved. This late maneuvering made it almost impossible to meet the BRA deadline and therefore a lost opportunity to offer resources created under SB 221.

The lost opportunities are:

- a) revenues from the capacity prices to cover some of the cost of the resources
- b) help reduce the capacity prices in the ATSI zone (VRR curve)
- c) potentially help mitigate the transmission upgrades current recommended by PJM to transmission grid reliability issues resulting from generator retirements in the ATSI zone (energy efficiency being the ultimate 100% capacity available resource.

Energy efficiency resources are unique in the are generally 100% available, avoid generation, transmission and distribution upgrades and are the cheapest source of energy. The fact that in addition some or most of their cost can be recovered by PJM PRM auction revenues gives them consider leverage.

This seems like imprudence on their part since they could have initiated discussions much earlier with the Commission on those issues. FE may insist that there was no benefit to the company but it seems they have an obligation to serve the public interest as they have a monopoly (with respect to distribution) franchise granted by the state and could have been more proactive. (At a minimum I had sent an email on April 14, 2011 to Mr. William Ridmann, V.P of Rates and Regulatory Affairs at the company asking if the company intended to bid these

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician Date Processed **JUN 18 2012**

RECEIVED-DOCKETING DIV
2012 JUN 18 AM 11:34
PUC

resources into the RPM. Also I asked the same question via the company's customer support telephone line.)

In the evidentiary hearings, Mr. Ridmann stated that there was nothing in it for the company to try and bid energy efficiency resources into the PJM BRA auction. However, the company presented the ESP-III as an opportunity to shift risks from customers to suppliers so then the question arises what is in the ESP-III for the company. If it is in the consumer interest they claim to have the three year SSO product then it seems of somewhat equal consumer interest to have bid in more energy efficiency resources into the May 2012 PJM BRA. In the company's request they stated that doing so would provide for low cost capacity resources. If that is the case why did they not start sooner.

The company should be held accountable for this lack of prudence of taking more proactive steps to meet consumer's interests. This commission should issue orders in the ESP case in response such as lowering rates of return until they are more diligent in this area.

The company could have much earlier approached the Commission and examined the barriers to the company offering these resources in the RPM. Also the Commission should have issued 12-0814 much earlier as the generator retirements could have been anticipated last year. Some of the concerns of the company are understandable as it depends on cooperation from their customers but there should be solutions to that ("where there is a will there is a way").

An examination of the transmission upgrades suggested by PJM as a result of the generator retirements seem to provide for the transmission of power from plants along the upper Ohio river to the Cleveland region. For example, the proposed new 345 kV lines from Mansfield to Northfield and the one from Toronto to Harmon account for about \$400 million of the upgrades. Energy efficiency and distributed generation could directly mitigate the needs for those upgrades and provide relief to ratepayers facing rising rates to cover the cost of the upgrades. The failure of the company to bid more of these resources into the May 2012 BRA was a lost opportunity as PJM will only consider energy efficiency resources bid into the RPM.

It is certainly possible to bid more into the coming incremental auctions but the first one is not for 20 months from the BRA which will not be until August, 2013 which by then the process to implement the transmission upgrades will be much further along and therefore less likely to be canceled. Even the BRA auction for DY 2016-17 is eleven months away. For alternatives to transmission to mitigate the grid reliability issues such as those resulting from the generator retirements, PJM will only consider generation resources that either clear in the RPM auctions or the have a signed Interconnection Service Agreement (ISA). Currently, PJM will only consider energy efficiency or demand response resources that clear in the RPM auctions. It would be desirable if the Commission could work with PJM to have a comparable process to the interconnection queue process so that energy efficiency and demand resources that may be acquired in between the BRA and incremental auctions or between incremental auctions can be considered as non-transmission alternatives

A number of the company's coal and nuclear powered power plant are located on the upper

Ohio river and therefore these are upgrades that would favor these plants. As a supporter of renewable energy sources, I would prefer to build transmission to support those resources. It will be necessary for the Commission to push transmission upgrades to meet Public Policy Requirements such as those in S.B. 221.

Some of the transmission upgrades seem prudent such as the proposed conversion of the generation turbines at Eastlake and Lake Shore to synchronous condensers and some of the smaller upgrades as they will aid transmission from a variety of sources such as wind and not biased toward generation types along the Ohio river.

2) Better alignment of ESP and PJM schedules

Generally, the Commission needs to determine how to bring the ESP process and PJM processes in better alignment so that maximum value is gained for ratepayers.

- a) Currently an ESP runs for about 3 years whereas the PJM auction are for 3 years in advance for 1 DY. Energy efficiency resources are eligible for capacity payments for 4 years (but must be bid in each year) from their first operation. So the commission needs to provide incentives or provisions in the tariff to facilitate the company to bid in these resources into a PJM PRM auction for a DY beyond the end of the current ESP.
- b) The Commission should provide a way for the company to be made whole from penalties of energy efficiency resources that are not productive at the fault of the customer. This could be done by recovery through the various riders. However, the Commission would have to exercise sufficient scrutiny over the company's programs to determine if the cause of the failure is either the fault customer's or because of incompetent administration by the company. The scrutiny should also cover the Measurement and Verification procedures to determine if these follow best practices in the industry.
- c) Regarding assignment of attributes of energy efficiency programs to the company for purposes of bidding the resources into the PJM PRM auctions, this probably could be accomplished by changing the tariff to do so automatically for almost all the customer classes (except there could be an option for a customer to either bid the resource in themselves or assigned it to an Energy Service Provider that aggregates customers for that purpose). In the case of mercantile customers that opt to avoid paying the rider by financing the projects completely themselves, perhaps the tariff could be changed here to require them to either bid in the resources themselves or otherwise they are assigned to the company automatically or perhaps a change in the statutes is required.
- d) Also regarding assignment of attributes, apparently the company has had difficulty getting customers especially in the mercantile class to do so. Part of this may be because the company waited until very late to start and therefore there was insufficient time to convince the customers of the value. Also there may have been a failure to provide incentives such as sharing the revenue or the Commission requiring them to do so by tariff. If any customer elects to avoid the rider then they should be required to bid in the resources themselves or

by an aggregator or otherwise the attributes are automatically assigned to the company. However, the lack of cooperation may indicate a bad relationship with the company and the Commission should attempt to determine why.

- e) The commission should require that renewable energy projects funded with RECs should be bid into the PJM RPM auctions as price takers if necessary. The project developer can do so themselves or designate a third-party PJM member to do or by default the responsibility goes to the company.

Regarding the company's request to provide a three year product for its SSO, laddering is a common hedging strategy in many financial fields and to that extent may be reasonable. However, the capacity price component for any one DY should only be that for that year determined by the PJM RPM, it should not be averaged or blended into the three years with energy so that there is adequate price signal to develop alternative resources. Also there should be no restriction on a customer switching to another SSO supplier. The monetary penalties with switching should be replaced with a minimum participation period such as two or three months except when the customer wants to switch within the minimum participation period.

Also, the Commission should press the company to implement advanced metering infrastructure (AMI) effectively so that price responsive demand (PRD) will be an option for all customers as soon as possible. I would rather make my own real time decisions from whom to buy electricity rather than relying on SSO rates or rates derived from them.

The commission should also consider whether the energy efficiency programs should be administered by another company or organization to ensure that there is no conflict of interest that may cause the company to be lackadaisical in implementing them. Also there should be no barriers to third party Energy Service Companies to aggregate energy efficiency customers for the purposes of bidding those resources into the PJM RPM auctions.

The Commission should closely review and monitor the proposed Reliability Must Run contracts proposed for Eastlake 1-3, Ashtabula 5, and Lake Shore 18 to ensure that ratepayers are not abused, i.e. that the rates recovered are not excessive and do not include extensive retrofits or provide "a back door" to recovering costs to meet U.S. EPA regulations.

The Commission (through OPSI) should attempt to have the PJM tariffs changed to establish a longer notification period (now only 90 days) for generator retirements. This will provide more time for the markets to find non-transmission alternatives such as demand response, energy efficiency and distributed generation to transmission reliability issues that result from the retirements.

In conclusion, the Commission serves a unique role in that it can create the incentives and rules that facilitate Ohio utilities meeting state objectives codified in law such as S.B. 221 by plans and implementations that minimize the costs and maximize the benefits and probabilities of fulfilling the objectives and do so at the appropriate level whether the state or the RTO (PJM). I ask that the Commission use 12-1230 as an opportunity to advance these objectives so that

state plans can be taken to the regional level to obtain optimal solutions. The FERC Order 1000 envisions a strong role for state commissions in driving planning for transmission solutions that meet Public Policy Requirements and Objectives.

Dennis Worthem
250 Fairpark Drive
Berea, OH 44017

Service description
Cleveland Electric Illuminating Company
Account No: 110026447935
Service phone number: 440-243-28475