

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of PUCO's Response)	
To Provisions of the Federal Energy Policy)	
Act of 2005 Regarding Net Metering, Smart)	
Metering and Demand Response,)	Case No. 05-1500-EL-COI
Cogeneration and Power Production)	
Purchase and Sale Requirements, and)	
Interconnection)	

COMMENTS OF THE CLEVELAND FOUNDATION

The Cleveland Foundation ("The Foundation") is pleased to offer comments to the Public Utility Commission of Ohio ("the Commission") in regards to Staff's August 28, 2006 report ("Staff's Report") concerning Case No. 05-1500-EL-COI ("the Case").

The Foundation appreciates the opportunity to comment on Staff's Report. These comments follow our initial comments relative to this Case, submitted to the Commission on April 28, 2006.

We are very encouraged by many aspects of Staff's Report, notably Staff's unsolicited recommendation to implement an advanced energy portfolio standard. Below, we provide our comments on Staff's Report on each of the four specified topics of the Case, followed by our comments on the proposed advanced energy standard.

Net Metering

The Foundation is generally pleased with Staff's conclusions and recommendations on the topic of net metering presented in Staff's Report. The adoption of Staff's recommendations will help in promoting the adoption of advanced energy supply technologies in Ohio.

However, we would offer one additional suggestion to further codify the direction on net metering policies that Staff appears to intend to achieve.

Based on its comments at the bottom of page 16 and the top of page 17 in Staff's Report, Staff seems to agree that a limitation to one microturbine is arbitrary and hence unnecessarily limiting. To completely eliminate any ambiguity that multiple microturbines (and also fuel cells) are indeed eligible for net metering contracts, The Foundation suggests that definition of qualifying facilities should be reworded (in both

Section 4901:1-10-29 (A) (1) (a) and in Section 4901:1-21-13 (A) (1) (a) of the net metering rules) so as to include the text “one or more microturbines or fuel cells”.

Advanced Metering

In Staff’s Report, The Foundation strongly agrees with Staff’s recommendation to the Commission that EDU’s be required to have time-sensitive tariffs on file for all customers that reflect current/recent daily and seasonal wholesale energy price differentials, thereby bringing EDU’s into compliance with the requirements of the EAct of 2005. In turn, this will motivate customers to pursue demand-response more aggressively, with important environmental and economic benefits from accelerated adoption of advanced energy technologies in the efficiency arena.

The Foundation further supports Staff’s recommendation to have each EDU conduct cost-benefit analysis of various advanced metering roll-out alternatives for customers of various load shapes and usage characteristics. However, without having reviewed the so-called “McKinsey model”, The Foundation reserves judgment on whether this analytic methodology is the most appropriate, or should even be the sole approach mandated, to evaluate these complex issues.

Furthermore, The Foundation would also suggest that the Commission require EDU’s to conduct its cost-benefit analyses, and the Commission hold hearings on proposed roll-out plans for each EDU, to reach final approval of advanced metering implementation for each EDU within a well-defined time-frame (say, by September 30, 2007) to avoid undue procrastination and delay. As clearly captured in Staff’s Report, a move to an advanced energy future is essential for the health of Ohio, and we do not want time to slip away while other states act and our constituencies suffer.

With the result of such approved advanced metering implementation plans for each EDU, it would not be necessary for each EDU to file a comprehensive list of advanced metering technologies and their costs and functionality, as otherwise recommended in Staff’s Report.

Interconnection

The Foundation finds the text on the interconnection issues in Staff’s Report to be somewhat perplexing.

We understand that the JCARR process in September 2007 is aimed to address the interconnection issues, and are generally supportive of Staff’s suggestion that the JCARR process should be the primary venue and vehicle for making improvements for standardization and streamlining. We further agree with Staff’s observation that either the Indiana or MADRI rules for interconnection should serve as a good starting-point for the development of sound interconnection rules for Ohio. It would then seem logical that such a refinement effort would be done within the context of the JCARR process.

In this light, The Foundation is puzzled and concerned by the proposed changes to the Ohio's interconnection rules, as presented in Attachment C of Staff's Report. If the rules are going to be rebuilt anyway from Indiana/MADRI principles next year in the JCARR process, we do not see why making such voluminous changes to Ohio's interconnection rules for a short period of time is sensible. And, bluntly, it is hard to see how adding (by our count of the insertions in Staff's Report) 20 pages of text, thereby expanding a 2-page current set of interconnection rules into 22 pages of extremely detailed provisions, constitutes "streamlining" – which, after all, is a key objective of the interconnection policy changes most observers desire.

Rather than make Staff's proposed rule changes (which may not be consistent with what might emerge from the JCARR process in 2007), The Foundation suggests that the Commission implement – as proposed nicely on page 37 of Staff's Report – an interim interconnection application process that falls neatly into one of three paths:

- A simplified path for inverter-based generating facilities of <10 kW
- An expedited path for generating facilities < 2 MW that pass certain screening criteria
- A standard review path for all other facilities

For at least the first two of these paths, it should be quite possible to articulate the requirements and process for achieving interconnection in straightforward and simple English, in a matter of a few pages – thus more quickly facilitating the development of more robust customer demand for advanced energy projects that will be salubrious to Ohio's energy markets, economic development and environmental situation. (The last "standard" review path may in fact remain lengthy and complicated, based on current Ohio rules, but frankly is likely to apply only to a very few situations in the next year until the JCARR process is complete.)

Stand-By Rates

The Foundation recognizes that stand-by rates are a complex topic. We do not advocate that stand-by rates be eliminated – we agree with this comment on page 44 of Staff's Report that stand-by costs are "more than theoretical (i.e., that they are real)" – but we also think that they should not be set at unduly high rates to discourage otherwise economic customer-generation opportunities. Based on the number of comments we have read and heard from various customer-oriented constituencies, we suspect that stand-by rates in Ohio may be higher than appropriate.

As a regulated service, stand-by rates for each EDU should be set by the Commission based on the costs associated with the service. We believe that the costs to an EDU of supplying stand-by power to a customer should equal the costs to the EDU of buying options in the regional wholesale electricity markets to obtain the customer's required energy, capacity and ancillary services (e.g., voltage regulation) in the event that the customer's on-site generation supply fails. With the existence of both MISO and PJM, the regional markets for such options should be fairly well developed in Ohio. Subject to

Commission oversight (and prudence review), EDU's should be required to participate in these markets to obtain lowest-cost options for capacity, energy and ancillary services for their customers that require stand-by service.

The Foundation finds the commentary on stand-by rates in Staff's Report to be unclear, and thus is uncertain as to whether Staff's specific recommendations are consistent with the principles outlined in the previous paragraph, which we view to be basic and essential. In fact, we are concerned that Staff's comments on stand-by rates are not fully in accord with our views. Accordingly, we urge the Commission to issue orders on stand-by rates that more explicitly adhere to the points we expressed above.

Advanced Energy Portfolio Standard

Even though the topic was not a formal part of the items under review in this Case, The Foundation is extremely pleased that Staff took the initiative in Staff's Report to recommend the development of an advanced energy portfolio standard, comparable to the renewable portfolio standards that have been implemented to general acclaim to date in 20 other states (including neighboring Pennsylvania).

Clearly, Staff took to heart the previously-submitted comments of The Foundation and many other parties that Ohio must move to advanced energy to realize a wide range of economic and environmental benefits, and concluded that an advanced energy portfolio standard was an excellent – indeed, essential – policy tool to achieve such an aim. The announcement of the likelihood and imminence of an advanced energy standard will greatly assist in the efforts to attract advanced energy companies and develop advanced energy projects to nurture an advanced energy industry in the state.

The Foundation agrees with Staff's recommendation that the advanced energy portfolio standard should be developed based on multi-party deliberations. The Foundation looks forward to participating in this effort, and would like to go on the record recommending that the advanced energy standard include "clean coal" and energy efficiency as qualifying resources. In addition, The Foundation believes that it is critical for the Commission to place a firm and not-distant (e.g., six month) deadline for such a stakeholder process to produce a recommendation to the Commission, or else we fear that the almost-certain opposition of selected parties will result in a protracted delay in the implementation of an advanced energy portfolio standard in Ohio.

Staff further noted an alternative policy option for the implementation of green pricing programs by utilities. The Foundation would like to elevate this concept from an alternative consideration to a full recommendation: we strongly support Commission action to require utilities to implement green pricing programs, in addition to (not in lieu of) the implementation of an advanced energy standard.

Green pricing will be an effective augmentation to the advanced energy standard, as it compels utilities to develop greater sophistication in marketing green energy to its customers, and furthermore elevates customer awareness of advanced energy and

environmental issues through the promotion of green energy supplies. Of course, any energy sold through green pricing programs would contribute towards satisfaction of the advanced energy standard.

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The Cleveland Foundation looks forward to working with the Commission and other stakeholders in the state to revamp electricity policy and regulation in a manner that fosters a transformation to advanced energy. Implementation of the recommendations contained in Staff's Report, combined with the recommendations we make herein, would be an excellent next step for the Commission to take in helping Ohio achieve this future vision of economic success and environmental improvement through advanced energy.

Thank you.

Respectfully submitted on behalf of,
THE CLEVELAND FOUNDATION



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