

Shared Savings Determination

The Companies include in this report the Shared Savings Incentive Mechanism (“Incentive Mechanism”) calculation performed in a manner consistent with the March 20, 2013 Opinion and Order in Case 12-2190-EL-POR, *et al*, and as modified by the Commission in the October 12, 2016 Fifth Entry on Rehearing in Case No. 14-1297-EL-SSO (the Companies’ ESP IV case), and as approved in the November 21, 2017 Order in Case 16-743-EL-POR. Shared savings is calculated annually on an individual Company basis, consistent with information as presented in each Company’s EE&PDR Plan and Annual Portfolio Status Report, and consistent with the Commission rules as set forth in Rules 4901:1-39-05 and 4901:1-39-06, Ohio Administrative Code.

The Incentive Mechanism calculation is completed in four steps and shown below in CE, OE and TE Tables 1-4. First, the Incentive Mechanism Trigger is calculated. As shown in CE, OE and TE Table 1, each Company triggers the Incentive Mechanism by exceeding both its annual and cumulative energy savings targets in 2018 as set forth in Section 4928.66 (A)(1)(a), Revised Code. Second, the Incentive Percentage is calculated. As shown in CE, OE and TE Table 2, energy savings result in a 13.0%, 13.0%, and 13.0% Incentive Percentage for CE, OE, and TE, respectively. Third, the Adjusted Net Benefits are calculated. Discounted Net Lifetime Benefits are calculated by the Companies’ Independent evaluator, ADM Associates, Inc., based upon the Utility Cost Test (UCT). The Discounted Net Lifetime Benefits exclude the effect of non-cost-effective programs, the Customer Action Program, the historic Mercantile Customer Program, and Transmission and Distribution projects. Discounted Net Lifetime Benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports. Each Company’s Adjusted Net Benefits is shown in CE, OE and TE Table 3. Fourth, the Company Incentive is calculated as a result of the Incentive Percentage and the Adjusted Net Benefits. Each Company’s Incentive is shown in CE, OE and TE Table 4.

Considering each Company Incentive, the Companies have collectively earned \$47,768,137 in shared savings. According to the cap established with the March 20, 2013 Opinion and Order in Case 12-2190-EL-POR, *et al*, and in the October 12, 2016 Fifth Entry on Rehearing in Case No. 14-1297-EL-SSO. The Companies will limit collection of shared savings to \$10 million on an after-tax basis through Rider DSE2 until such time as the Companies are no longer receiving revenue under Rider DMR.

Table CE-1: Incentive Mechanism Trigger Calculation

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Adjusted Achieved (b) Annual Energy Savings Savings MWh	Adjusted Achieved Cumulative Energy Savings MWh
2018	1.00%	168,894	6.20%	1,047,143	239,467	2,292,020

(a) Compliance Baseline (Appendix B) x 1%

(b) The Achieved Energy Savings excluding the Customer Action Program. See Appendix C in the respective Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio.

Year	Annual Compliance	Cumulative Compliance	Eligible for Incentive?
2018	141.8%	218.9%	Y

Table CE-2: Incentive Percentage Calculation

Year	Annual Target MWh	Achieved Annual Energy Savings MWh	Prior Year Cumulative Deficit (c)	Adjusted Annual Energy Savings MWh	Incentive Mechanism Compliance Percentage
2018	168,894	239,467	NA	239,467	141.8%

Incentive Tier	Compliance Percentage	Incentive Percentage
1	<100%	0.00%
2	100-105%	5.00%
3	>105-110%	7.50%
4	>110-115%	10.00%
5	>115%	13.00%

(c) The Company did not have a prior year cumulative deficit. See Table 2-1 in the Companies Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio for 2017.

Table CE-3: Adjusted Net Benefits (UCT)

Program (d)	Discounted Lifetime Costs (UCT)	Discounted Lifetime Benefits (UCT)	Total Discounted Net Lifetime Benefits (UCT)
Appliance Turn In	\$1,685,373	\$6,894,406	\$5,209,033
EE Products	\$2,846,239	\$30,568,382	\$27,722,143
EE Homes (e)	\$4,447,384	\$18,628,999	\$14,181,615
Energy Solutions for Business - Small	\$6,741,364	\$61,739,439	\$54,998,075
Mercantile Customer	\$1,356,602	\$14,514,666	\$13,158,064
Energy Solutions for Business - Large	\$2,113,560	\$16,339,535	\$14,225,975
Government Tariff Lighting	\$13,800	\$83,512	\$69,712
Total	\$19,204,322	\$148,768,939	\$129,564,617

(d) Excludes non-cost-effective programs, the Customer Action Program and the historic Mercantile Customer Program.

(e) Discounted lifetime benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports.

Table CE-4: Company Incentive Calculation

Year	Adjusted Net Benefits (UCT)	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2018	\$129,564,617	141.8%	5	13.0%	\$16,843,400

Table OE-1: Incentive Mechanism Trigger Calculation

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Adjusted Achieved (b) Annual Energy Savings Savings MWh	Adjusted Achieved Cumulative Energy Savings MWh
2018	1.00%	218,892	6.20%	1,357,132	345,292	2,472,541

(a) Compliance Baseline (Appendix B) x 1%

(b) The Achieved Energy Savings excluding the Customer Action Program. See Appendix C in the respective Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio.

Year	Annual Compliance	Cumulative Compliance	Eligible for Incentive?
2018	157.7%	182.2%	Y

Table OE-2: Incentive Percentage Calculation

Year	Annual Target MWh	Achieved Annual Energy Savings MWh	Prior Year Cumulative Deficit (c)	Adjusted Annual Energy Savings MWh	Incentive Mechanism Compliance Percentage
2018	218,892	345,292	NA	345,292	157.7%

Incentive Tier	Compliance Percentage	Incentive Percentage
1	<100%	0.00%
2	100-105%	5.00%
3	>105-110%	7.50%
4	>110-115%	10.00%
5	>115%	13.00%

(c) The Company did not have a prior year cumulative deficit. See Table 2-1 in the Companies Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio for 2017.

Table OE-3: Adjusted Net Benefits (UCT)

Program (d)	Discounted Lifetime Costs (UCT)	Discounted Lifetime Benefits (UCT)	Total Discounted Net Lifetime Benefits (UCT)
Appliance Turn In	\$2,364,883	\$9,895,202	\$7,530,320
EE Products	\$3,500,443	\$32,059,745	\$28,559,302
EE Homes (e)	\$6,503,268	\$26,704,257	\$20,200,990
Energy Solutions for Business - Small	\$7,956,878	\$67,428,641	\$59,471,763
Mercantile Customer	\$1,271,484	\$16,484,966	\$15,213,483
Energy Solutions for Business - Large	\$6,055,003	\$47,088,837	\$41,033,833
Low Income EE	\$2,929,866	\$2,982,384	\$52,518
Government Tariff Lighting	\$15,224	\$50,503	\$35,280
Total	\$30,597,048	\$202,694,536	\$172,097,488

(d) Excludes non-cost-effective programs, the Customer Action Program and the historic Mercantile Customer Program.

(e) Discounted lifetime benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports.

Table OE-4: Company Incentive Calculation

Year	Adjusted Net Benefits (UCT)	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2018	\$172,097,488	157.7%	5	13.0%	\$22,372,673

Table TE-1: Incentive Mechanism Trigger Calculation

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Adjusted Achieved (b) Annual Energy Savings Savings MWh	Adjusted Achieved Cumulative Energy Savings MWh
2018	1.00%	67,971	6.20%	421,419	117,910	966,953
(a) Compliance Baseline (Appendix B) x 1%						
(b) The Achieved Energy Savings excluding the Customer Action Program. See Appendix C in the respective Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio.						
Year	Annual Compliance	Cumulative Compliance	Eligible for Incentive?			
2018	173.5%	229.5%	Y			

Table TE-2: Incentive Percentage Calculation

	Annual Target	Achieved Annual	Prior Year	Adjusted Annual Energy	Incentive Mechanism
Year	MWh	Energy Savings MWh	Cumulative Deficit (c)	Savings MWh	Compliance Percentage
2018	67,971	117,910	NA	117,910	173.5%
Incentive Tier	Compliance Percentage	Incentive Percentage			
1	<100%	0.00%			
2	100-105%	5.00%			
3	>105-110%	7.50%			
4	>110-115%	10.00%			
5	>115%	13.00%			

(c) The Company did not have a prior year cumulative deficit. See Table 2-1 in the Companies Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio for 2017.

Table TE-3: Adjusted Net Benefits (UCT)

Program (d)	Discounted Lifetime Costs (UCT)	Discounted Lifetime Benefits (UCT)	Total Discounted Net Lifetime Benefits (UCT)
Appliance Turn In	\$630,991	\$2,480,326	\$1,849,335
EE Products	\$1,002,040	\$10,463,341	\$9,461,301
EE Homes (e)	\$1,875,375	\$7,221,245	\$5,345,870
Energy Solutions for Business - Small	\$3,349,310	\$30,002,538	\$26,653,228
Mercantile Customer	\$159,802	\$1,963,034	\$1,803,232
Energy Solutions for Business - Large	\$3,149,119	\$23,777,841	\$20,628,722
Low Income EE	\$1,422,422	\$1,438,729	\$16,307
Government Tariff Lighting	\$1,684	\$28,787	\$27,103
Total	\$11,590,742	\$77,375,841	\$65,785,099

(d) Excludes non-cost-effective programs, the Customer Action Program and the historic Mercantile Customer Program.

(e) Discounted lifetime benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports.

Table TE-4: Company Incentive Calculation

Year	Adjusted Net Benefits (UCT)	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2018	\$65,785,099	173.5%	5	13.0%	\$8,552,063