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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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PUCO

In the Matter of the Energy Efficiency and
Peak Demand Reduction Program Portfolio
of Ohio Edison Company, The Cleveland
Electric Illuminating Company, and The
Toledo Edison Company

Case No. 09- ~~580~~-EL-EEC
09- ~~581~~-EL-EEC
09- ~~582~~-EL-EEC ✓

APPLICATION

Pursuant to R.C. 4928.66, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, "Companies") request approval of the High Efficiency Light Bulb Program (described in Attachment A) and the Online Home Energy Education Tool Program (described in Attachment B), two energy savings and peak demand reduction programs directed to residential and small business customers (collectively, the "Residential and Small Business Programs"), for inclusion as part of their compliance with the 2009 energy efficiency and peak demand reduction benchmarks set forth in R.C. 4928.66. The Companies further request approval to recover full costs associated with the implementation of these two programs from customers through the mechanism described within provision DSE2 of each of the Companies' Rider DSE (Demand Side Management and Energy Efficiency). The proposed Residential and Small Business Programs provide immediate energy savings and peak demand reduction opportunities at minimal cost and are not difficult to launch. Both programs have been successfully launched in other states with realized energy savings exceeding expectations and both have received funding approval by regulatory authorities.

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In support of this Application, the Companies state:

1. Each of the Companies is an electric distribution utility ("EDU") as that term is defined in R.C. 4928.01(A)(6).
2. R.C. 4928.66(A)(1)(a) requires an EDU, starting in 2009, to "implement energy efficiency programs that achieve energy savings equivalent to at least three-tenths of one percent of the total annual average, and normalized kilowatt-hour sales of the [EDU] during the preceding three calendar years to customers in this state."¹
3. R.C. 4928.66(A)(1)(b) requires an EDU, starting in 2009, to implement peak demand reduction programs designed to achieve a one percent reduction in peak demand in 2009 and additional reductions in subsequent years.
4. Pursuant to these statutory requirements, the Companies intend to offer programs to customers that have been shown to be cost effective at achieving energy savings and peak demand reductions and that, as contemplated in the Stipulation approved by the Commission in the Companies' Electric Security Plan (ESP) proceedings, have been reviewed through a collaborative process comprised of interested stakeholders.
5. The Companies initiated the collaborative process with a joint meeting of stakeholders, PUCO staff, and the Companies' personnel on May 18, 2009. At that time, subcommittees reflecting different customer classes were formed to assess the potential of various energy savings and demand reduction technologies which were particularly applicable to each of those classes. In particular, as pertinent here, a Residential and Low Income Subcommittee was formed and met on May 26, 2009 and June 24, 2009 in Columbus, Ohio. That subcommittee includes the Companies' representatives and the

¹ Additional reductions are required in subsequent years, which are irrelevant for purposes of this application.

PUCO staff, as well as representatives from the Ohio Consumers' Counsel, the City of Cleveland, Cleveland Citizens' Coalition, the Northwest Ohio Aggregation Coalition, Ohio Partners for Affordable Energy, and the Sierra Club.

6. The Residential and Low Income Subcommittee initially considered several programs² including the Residential and Small Business Programs proposed here. Thereafter, on June 15, 2009, these Residential and Small Business Programs were also presented for discussion to the full collaborative group which deferred further consideration of them to the Subcommittee. At the Subcommittee's meeting on June 24, 2009, these Residential and Small Business Programs were again discussed and there was no objection raised to the Companies' moving forward to request approval and to implement the programs.

7. The High Efficiency Light Bulb Program (Attachment A) provides for the direct distribution of high efficiency light bulbs to residential customers as well as developing related supporting educational and promotional materials. EnergyStar qualified compact fluorescent light bulbs will be offered to residential and small commercial customers through this program. Surveys have indicated that 69% of households are amenable to using high efficiency light bulbs and will use at least four bulbs each. These technologies have been proven to be cost effective in reducing energy usage and peak demand. Residential customers and other utilities have already begun to embrace the energy savings associated with replacing existing light bulbs with such improved technologies. Additionally, manufacturers and marketers have indicated a willingness to be a part of the implementation of this program. The target beneficiaries for this program are the

² Which, in addition to the two Residential and Small Business Programs proposed here, included the Company's Direct Load Control Thermostat Program, the Home Performance with Energy Star Program, and the Time of Use, Critical Peak, and Real Time Price Program.

Companies' residential and small commercial customers, including renters and homeowners.

8. The Online Home Energy Education Tool (Attachment B) will be offered to customers through the Companies by making Aclara software³ available for the customers' use on their personal computers. Aclara software helps residential and small business customers better understand and manage their energy usage. It provides customers with information on how their energy bill is impacted by choices on control of appliances (including heat and air conditioning) as well as choices on purchases of new appliances. The tool converts the customers' input of raw data (e.g., their energy usage characteristics) into information customers can understand and act upon, including such things as the cost of heating and cooling their homes, the reasons their bills may have changed, and whether the customer takes service on the most favorable tariff. The Aclara software has been successfully deployed by utilities in many states, including Ohio, and surveys conducted in those states show an immediate change in customers' behavior, including their implementing measures such as replacing their air conditioning and space and water heating systems, weatherizing their homes by replacing windows and adding insulation, and installing programmable thermostats.⁴

9. Both of these Residential and Small Business Programs are cost effective as is demonstrated on Attachment C hereto.

³ This software is a product of Aclara Software Inc., a company founded 12 years ago to provide value-added applications that assist utility customers to better understand and manage their energy bills. Aclara's energy analysis, bill analysis, AMI presentment, and rates analysis applications are widely used in North America. Aclara Software is currently made available through over 100 major utility companies.

⁴ While not readily quantifiable, to the extent that energy usage has been reduced, we would expect, intrinsically, at the time of the peak, a reduction in load as well.

10. All costs incurred by the Companies for these Residential and Small Business Programs will be recovered through the DSE2 component of Rider DSE. The 2009 expected costs of these two Residential and Small Business Programs are set out in Attachment D. Specific rates by rate class for recovery of these expected costs as well as other subsequently approved costs will be filed in accordance with requirements of Rider DSE. Rider DSE itself is subject to modification in order to conform to the Commission's rules that become effective upon JCARR review.

11. Pursuant to the Stipulation in the Companies' ESP case, the Companies now request Commission approval of these programs in order to assure that they will be counted toward compliance with the Companies' statutory benchmarks⁵ and that recovery of the program costs can begin. Given the lead times necessary to launch new projects and the statutory obligation to achieve energy efficiency and peak demand reduction benchmarks in 2009, the Companies request expedited approval of the Residential Programs described herein, including recovery of all costs associated with offering them to residential customers, so as to mitigate any uncertainty regarding the implementation of these projects. Accordingly, the Companies respectfully request that the Commission approve this Application no later than 30 days from the date of its filing.

WHEREFORE, based upon the foregoing, the Companies request that the Commission approve the Residential and Small Business Programs set forth on attached Attachments A and B for each of the Companies as part of their respective 2009 energy efficiency and peak demand benchmark compliance requirements required in R.C. 4928.66. The

⁵ The results of these programs for purposes of benchmark compliance will be tracked on a per company basis.

Companies respectfully request that the Commission also approve the recovery of costs as estimated in Attachment D.

Respectfully submitted,

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ATTORNEY FOR APPLICANTS, OHIO
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AND THE TOLEDO EDISON COMPANY

ATTACHMENT A – Direct Distribution of High Efficiency Light Bulbs

| | |
|-----------------------------|--|
| Overview | The High Efficiency Light Bulb program provides direct distribution of compact fluorescent light bulbs (CFLs) to customers at no cost. Distribution channels include, but are not limited to, direct home shipping and delivery, the Companies' on-line store and through supporting retailers that carry selected CFLs. This program also includes working with manufacturers to develop promotional materials such as coupons, point of sale materials, special promotional events for selected products and use of the Companies' contact center and on-line store. |
| Target Beneficiaries | The target beneficiaries for this program are the Companies' residential and small commercial customers, including renters and homeowners. The Companies expect to deliver 3.75 million CFLs to customers in 2009. Market research indicates that 69% of households will use at least four CFLs per household. |
| Program Design | This program involves developing educational materials on the proper use and selection of CFLs. Zero cost redemption coupons and price buy-down information will be provided to customers to facilitate receipt of CFLs at no cost to them. Multiple manufacturers of CFLs have been asked to participate along with a large list of retailers. Zero cost redemptions by customers will be tracked using in store SKU (stock keeping units) information, online receipts, and direct delivery verification. The Companies anticipate, conservatively, that each light bulb distributed to a customer will be counted at 80 kWh annual energy efficiency savings toward compliance with statutory requirements. The Companies also plan to count a total of 8.4 MWs toward peak demand reduction compliance requirements for the program. |
| Delivery Agents | Information about the program will be delivered to customers through a variety of mass marketing tools including the Companies contact center, utility bill inserts, local newspaper circulars, direct mail, point of sale displays at retailers and the Companies' web site and on-line store. Retailers and manufacturers will also be involved in cross promoting product offers in conjunction with national campaigns like Earth Day and Change a Light, Change the World programs. |
| Eligible Equipment | Any EnergyStar qualified compact fluorescent light bulb. A full list can be found at www.energystar.gov |
| Incentives | Customers receive free light bulbs, the costs of which are paid by the Company. The first method of direct distribution will be mailing each new residential customer four (4) CFLs, thereby educating new customers about lighting efficiency. The second tool used will be bill inserts and electronic messaging which will direct customers to the Companies' online store where they will be allowed to choose four (4) CFLs from a variety of preselected CFLs which will be shipped direct to their homes. A third direct distribution mechanism will use local retailers, making available an array of give away options to customers. The final method will be direct delivery of four (4) CFLs to customer's homes. Special care will be taken to verify customer receipt of light bulbs and verify all measures used in collecting participation data. |

ATTACHMENT B – Aclara On Line Home Energy Education Tool

| | | | | | | |
|-----------------------|--|----------------------|-------------|-------------|-------------|-------------|
| Overview | Aclara On Line Home Energy Education Tool ("The Aclara Tool") is a \$1.2 million (annual expense) software program which will provide Companies with the necessary tools and equipment needed to properly supply customers with the information and education required to lower their energy costs through energy efficiency program participation and other actions. The Aclara Tool provides an approach that increases the efficiency and effectiveness of the Companies' customer service by helping the residential and business customers better understand and manage their bills, resulting in increased customer satisfaction. The tool converts the customers' input of raw data (e.g., their energy usage characteristics) into information customers can understand and act upon, including such things as the cost of heating and cooling their homes, the reasons their bills may have changed, and whether the customer takes service on the most favorable tariff. | | | | | |
| Program Cost | | 2009 Partial year | 2010 | 2011 | 2012 | 2013 |
| | Aclara Cost | \$340,000 | \$420,000 | \$420,000 | \$420,000 | \$420,000 |
| | Education and Marketing Cost | \$750,000 | \$750,000 | \$750,000 | \$750,000 | \$750,000 |
| | TOTAL Cost | \$1,090,000 | \$1,170,000 | \$1,170,000 | \$1,170,000 | \$1,170,000 |
| Program Design | Helping customers use electricity more efficiently is only one piece of the goal. Educating consumers on what is possible and changing their lifestyles and buying habits is the ultimate goal to achieve sustainable energy savings in years to come. Customer education will be mass marketed through traditional utility channels as well as through innovative approaches like electronic communications and program awareness campaigns with third parties. Based on prior experience, about 15% of the total residential customer base uses the application. | | | | | |
| Program Accessibility | The Aclara Tool is a software application, accessible at no cost to customers through the Companies' web site, that customers use on their own computers. Customers who do not have computer access may call the Companies' contact center and have a customer service representative (CSR) walk them through the application, inputting the customer's data for them. Once entry of the customer's data is complete, the CSR can provide the conservation and savings findings over the phone or print and mail the comprehensive report to the customer. Repeated customer use of the tool will be strongly encouraged. | | | | | |
| Program Impact | The Aclara Tool helps residential and small business customers better understand and manage their energy usage. It provides customers with information on how their energy bill is impacted by choices on control of appliances (including heat and air conditioning) as well as choices on purchases of new appliances. Experience shows customers completing the energy audit save approximately 300 kWh per year through implementation of just low cost or zero cost measures; the Companies anticipate applying this conservative 300 kWh per customer estimate toward 2009 compliance with the energy efficiency benchmarks. | | | | | |
| Incentives | The Aclara Tool is available to the customers at no cost. Surveys conducted in other states demonstrate that customers who take advantage of this service show an immediate change in their behavior, including implementation of measures such as replacement of air conditioning and space and water heating systems, weatherizing of homes by replacing windows and adding insulation, and installing programmable thermostats. | | | | | |

ATTACHMENT C: TOTAL RESOURCE COST TEST

| Line | Costs | NPV(\$M) | Benefits | NPV(\$M) |
|------|----------------------------|---------------|-----------------------------------|---------------|
| 1 | ACLARA Licensing Fee | \$1.7 | ACLARA Program | \$5.5 |
| 2 | Education & Marketing | \$3.2 | High Efficiency Lightbulb Program | \$39.6 |
| 3 | High Efficiency Lightbulbs | \$18.8 | | |
| 4 | FE Sales & Program Support | \$2.8 | | |
| 5 | Total NPV Costs | \$26.5 | Total NPV Benefits | \$45.2 |

Note 1: Rate of Return for calculation of NPV is 8.48% based on the Companies' most recent distribution case.

Note 2: ACLARA costs and benefits through 2013. High efficiency lightbulbs through 2012.

Note 3: ACLARA assumed annual energy efficiency savings of 300 kWh per customer.

Note 4: High efficiency lightbulb program based on distribution of 3.75M compact fluorescent bulbs at 80kwh of annual energy efficiency savings per CFL.

ATTACHMENT D – 2009 Program Costs

| | Incentive Amount per bulb | Administrative Fee per bulb | Total per bulb | Total Expected Cost through Dec 31, 2010 | 2009 Target # of light bulbs |
|--|--|-----------------------------|---------------------|--|------------------------------|
| High Efficiency Lighting Program | \$ 5.00 | \$ 0.75 | \$ 5.75 | \$ 21,562,500 | 3,750,000 |
| ACLARA Program | ACLARA Licensing Fee | Education & Marketing | Total Cost | | |
| | \$ 340,000 | \$ 750,000 | \$ 1,090,000 | | |
| Lost Distribution Revenues | Total Estimated Lost Distribution Revenues MWhs | Residential Rate | Total Lost Revenues | | |
| | 112,965 | \$ 0.035 | \$ 3,942,461 | | |
| Estimated Costs to Recover for 2009 | | | \$ 26,594,961 | | |
| Plus additional costs associated with administration of the program, total amount to be finalized upon completion of the program | | | | | |