

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of Their Energy Efficiency and Peak Demand Reduction Program Portfolio Plans for 2010 through 2012 and Associated Cost Recovery Mechanisms	)	Case Nos.	09-1947-EL-POR
	)		09-1948-EL-POR
	)		09-1949-EL-POR

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of Their Initial Benchmark Reports	)	Case Nos.	09-1942-EL-EEC
	)		09-1943-EL-EEC
	)		09-1944-EL-EEC

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 Nos.	09-580-EL-EEC
	)		09-581-EL-EEC
	)		09-582-EL-EEC

**NUCOR STEEL MARION, INC.'S OBJECTIONS TO
APPLICATION FOR APPROVAL OF FIRSTENERGY'S
ENERGY EFFICIENCY & PEAK DEMAND REDUCTION
PROGRAM PORTFOLIOS AND INITIAL BENCHMARK REPORTS**

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In the Matter of the Application of Ohio Edison)	
Company, The Cleveland Electric Illuminating)	
Company and The Toledo Edison Company for	)	Case Nos. 09-1947-EL-POR
Approval of Their Energy Efficiency and Peak	)	09-1948-EL-POR
Demand Reduction Program Portfolio Plans for	)	09-1949-EL-POR
2010 through 2012 and Associated Cost Recovery)	
Mechanisms)	

In the Matter of the Application of Ohio Edison)	
Company, The Cleveland Electric Illuminating	)	Case Nos. 09-1942-EL-EEC
Company and The Toledo Edison Company for	)	09-1943-EL-EEC
Approval of Their Initial Benchmark Reports	)	09-1944-EL-EEC

In the Matter of the Energy Efficiency and Peak)	
Demand Reduction Program Portfolio of Ohio	)	Case Nos. 09-580-EL-EEC
Edison Company, The Cleveland Electric	)	09-581-EL-EEC
Illuminating Company and The Toledo Edison)	09-582-EL-EEC
Company)	

**NUCOR STEEL MARION, INC.'S OBJECTIONS TO
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PROGRAM PORTFOLIOS AND INITIAL BENCHMARK REPORTS**

Pursuant to the Commission's January 14, 2010 Entry in the above-captioned proceedings, Nucor Steel Marion, Inc. ("Nucor") submits its objections to the energy efficiency and peak demand reduction program portfolios and initial benchmark reports of Ohio Edison Company ("Ohio Edison"), the Cleveland Electric Illuminating Company, and the Toledo Edison Company (collectively "FirstEnergy" or the "Companies").

I. INTRODUCTION AND SUMMARY

On December 15, 2009, FirstEnergy submitted an application (“Application”) pursuant to Section 4928.66 of the Revised Code seeking approval of the Companies’ respective energy efficiency and peak demand reduction (“EE/PDR”) program portfolios, associated cost recovery mechanisms, Riders DSE, and their initial benchmark reports. According to FirstEnergy, the programs proposed in the Application will achieve the EE/PDR benchmarks set forth in Section 4928.66 of the Revised Code for the years 2010 through 2012.

Nucor is a large industrial customer that consumes hundreds of millions of kilowatt hours of electricity a year. For many years, Nucor has been an interruptible customer of Ohio Edison. As an interruptible customer, Nucor provided demand reduction benefits (including capacity avoidance and reliability benefits) long before specific statutory peak demand reduction benchmarks were established, and continues to provide such benefits today through participation on FirstEnergy’s Economic Load Response Rider (“Rider ELR”). Nucor supports the energy efficiency and peak demand reduction goals established by the General Assembly in S.B. 221, and believes that FirstEnergy should continue successful energy efficiency and peak demand reduction strategies currently in place as part of its overall strategy for meeting S.B. 221’s benchmarks.

Following is a summary of Nucor’s objections to and initial comments on FirstEnergy’s Application:

- Nucor strongly supports FirstEnergy’s current interruptible rates – Rider ELR

and the Optional Load Response Rider ("Rider OLR"). These rates were approved by the Commission in the electric security plan ("ESP") proceeding, and no additional Commission approval to continue the rates for the term of the current ESP plan is necessary or appropriate in this proceeding. FirstEnergy has made clear in response to discovery that it is not seeking additional approval in this proceeding, on top of the approval the Commission has already granted for these rates, to continue these rates through the term of the ESP. Nevertheless, out of an abundance of caution, Nucor objects to any contention that additional Commission approval in this proceeding is needed to continue Riders ELR and OLR through the term of the current ESP.

- FirstEnergy is requesting approval in this proceeding to count peak demand reductions from interruptible load under Riders ELR and OLR toward meeting FirstEnergy's peak demand reduction benchmarks. Nucor supports this request. Using these rates to meet the peak demand reduction benchmarks is consistent with the Commission's recent ruling that interruptible load can be used to meet the benchmarks since such load provides capacity avoidance benefits.
- FirstEnergy also has acknowledged in response to discovery that issues concerning the expiration or continuation of Riders ELR and OLR at the end of the current ESP and the institution of an interruptible RFP are being litigated in FirstEnergy's market rate offer ("MRO") proceeding and that FirstEnergy does not intend to make them issues in this proceeding. However, out of an abundance of caution, Nucor objects to addressing issues relating to the rates, terms, and conditions of interruptible service offerings for large commercial and industrial customers after the term of the current ESP plan (including the retention and/or modification of Riders ELR and OLR, and the institution of an interruptible RFP) in this proceeding. Nevertheless, to the extent the merits of Riders ELR and OLR and the proposed interruptible RFP are addressed in this proceeding, Nucor's positions are the same as the positions Nucor took on these issues in the MRO proceeding.
- Nucor objects to the application of a total resource cost ("TRC") test or other cost-effectiveness test to FirstEnergy's Riders ELR and OLR. These are existing interruptible rates that were approved by the Commission as just and reasonable in a prior rate proceeding. In determining the justness and reasonableness of these rates, the Commission applied statutory ratemaking standards. Since rates approved by the Commission are reasonable *per se*, no additional cost effectiveness test should be applied to Riders ELR and OLR in this proceeding.
- Nucor objects to the application of a TRC or other cost/benefit test to FirstEnergy's proposed interruptible RFP, because it is not known at this time whether the RFP will be implemented after the expiration of the current ESP plan. Even if the RFP is implemented, it is impossible to forecast the cost of

the RFP since the amount of interruptible load and the cost of that load will vary from year to year, and whether the RFP will even be conducted at all in any given year is uncertain.

- Even if the Commission determines that a TRC test should apply to interruptible rates and programs, Nucor objects to FirstEnergy's TRC test as applied to its interruptible programs. FirstEnergy's test is flawed in that it uses short-run instead of long-run avoided capacity costs, and fails to factor in avoided reserve margins and the benefits of the ability to call economic interruptions. A reasonable application of the TRC test would show that FirstEnergy's current interruptible rates (Riders ELR and OLR) are cost-effective.
- Nucor objects to FirstEnergy's proposed methodology to calculate the peak load reduction provided by its interruptible rates and specifically Rider ELR. By using an average measurement of demand of Rider ELR customers for the weekday hours of 3:00 pm. to 6:00 pm. in the months of June through August, FirstEnergy far understates the actual load reduction benefit provided through the rate. A more reasonable measure of peak load reduction is the one the Commission approved for measuring Curtailable Load in Rider ELR – the difference between the customer's contract firm load and its monthly highest 30 minute integrated kW during the non-holiday weekday hours of 11:00 am to 5:00 pm.
- Nucor objects to FirstEnergy's proposed method for allocating and recovering program costs from Rate GT customers through DSE2 charges under the Demand Side Management and Energy Efficiency Rider ("Rider DSE"). The costs of energy efficiency and peak demand reduction programs do not vary based on customer energy use, and by allocating and recovering these costs based on energy, Rate GT customers, and in particular the Rate GT customers with large amounts of usage, will wind up paying DSE2 charges far in excess of the benefits they receive from the programs.
 - Although FirstEnergy's proposal to true-up class cost allocations for the mercantile-utility programs based on actual class expenditures for the programs has the potential to somewhat mitigate the over-allocation of these costs to Rate GT customers, Nucor remains concerned about the potential for excessive allocations to Rate GT. The Commission should consider requiring a reasonable portion of DSE2 costs to be assigned and recovered on the basis of firm demand, since these programs are also intended to achieve peak demand reduction.
 - More importantly, FirstEnergy's proposal to recover these costs in Rate GT through an energy charge has the potential to create intra-class subsidies, as the customers with the highest kwh consumption will be exposed to excessive DSE2 costs. To remedy this, some mechanism should be established to reduce or limit the impact on larger users.

One reasonable approach would be to set a cap on the monthly DSE2 charges for each GT customer.

- Nucor objects to FirstEnergy's proposal to keep 15% of the "shared savings" if energy efficiency or peak demand reduction beyond that required by the statutory benchmarks is achieved. There is no statutory basis for shared savings, and FirstEnergy has demonstrated no nexus between the proposed shared savings percentage and the additional savings FirstEnergy hopes to achieve.

II. OBJECTIONS

A. The Continuation of Riders ELR and OLR Should Not Be an Issue in This Proceeding.

In its Application, FirstEnergy requests "Commission approval to either continue, restart or expand as components of the Companies' Plans" several energy efficiency and peak demand reduction "programs." Application at 4-5. Among the existing programs FirstEnergy lists is the "Interruptible Rate Tariff for Commercial/Industrial Customers," which is Rider ELR and OLR. *Id.* at 5.

Nucor strongly supports the continuation of Riders ELR and OLR. While it is clearly not FirstEnergy's intent in this proceeding to request additional approval to continue these rates for the term of the current ESP plan,¹ Nucor objects to any argument that additional Commission approval to continue Riders ELR and OLR through the expiration of the current ESP is necessary. The Commission determined that these rates are just and reasonable and approved them less than a year ago as part of the stipulation in the ESP case. See Case No. 08-935-EL-SSO et al., Second Opinion and Order (March 25, 2009). Accordingly, no additional approval is necessary in this

¹ In response to a discovery request on this topic, FirstEnergy stated that "[t]he Companies are only seeking approval in this proceeding to include the *results* of the ELR/OLR program for purposes of compliance with R.C. 4928.66(A) benchmarks." FirstEnergy Response to Nucor Set 1 DR-16.

proceeding to continue Riders ELR and OLR until the expiration of the ESP. The Commission has already spoken on this score.

To the extent FirstEnergy is seeking approval to count peak demand reduction savings from Riders ELR and OLR toward meeting FirstEnergy's peak demand reduction benchmarks, however, Nucor fully supports this request for approval. The Commission has recently determined that interruptible load such as that provided through Riders ELR and OLR can be counted toward meeting the peak demand reduction benchmarks. See Rule 4901:1-39-05(E). Since interruptible load under Riders ELR and OLR provides long-term avoided capacity cost benefits, these rates clearly provide the peak demand reduction benefits the General Assembly sought to achieve by establishing the benchmarks, and therefore should count toward meeting the benchmarks.

B. Issues Relating to the Rates, Terms, and Conditions of Interruptible Service Offerings for Large Commercial and Industrial Customers After the Term of the Current ESP Plan Should Not be Addressed in This Proceeding.

In its MRO application in Case No. 09-906-EL-SSO, FirstEnergy proposed to let Riders ELR and OLR expire at the end of the current ESP plan (May 31, 2011), and to not extend those rates. In place of Riders ELR and OLR, FirstEnergy proposed its interruptible RFP process. Issues concerning the expiration, extension, and modification of Riders ELR and OLR, as well as the merits of the interruptible RFP proposal, have been fully litigated in the MRO proceeding and await Commission resolution. These issues need not and should not be readdressed in this proceeding – an SSO proceeding is the best and most appropriate place to resolve these rate issues.

Referring to Riders ELR and OLR, FirstEnergy states that the "Plans contemplate

the substitution of the program in 2011 with a revised program in which customers bid their interruptible load in response to a Company RFP.” Application at 5. Elsewhere in the Application, FirstEnergy acknowledges that the RFP proposal is being litigated in the MRO proceeding, and that it is uncertain whether the RFP will be used in 2011. See Application, Ohio Edison EE/PDR Program Portfolio and Initial Benchmark Report (“Ohio Edison Report”) at 75-76. Finally, concerning the replacement of Riders ELR and OLR with an RFP after the end of the current ESP rate plan, in response to a Nucor discovery request, FirstEnergy has stated that “[t]he Companies are only seeking approval in this proceeding to include the *results* of the Interruptible RFP program (however it is ultimately approved in the MRO proceeding) for purposes of compliance with R.C. 4928.66(A) benchmarks.”²

While it is clear that FirstEnergy does not intend for these issues to be imported into this proceeding, in an excess of caution, Nucor specifically objects to addressing the rates, terms, and conditions of future interruptible service offerings for large commercial and industrial customers after the current ESP in the current EE/PDR proceeding. These issues have been fully litigated in the MRO proceeding and should be decided in that case. Re-litigating these issues in this case would be unnecessarily duplicative and a waste of resources for the parties involved in this proceeding, as well as the Commission.

Even if these issues are not decided in the MRO proceeding, moreover, they should still not be addressed here. In the MRO proceeding, Nucor’s position is that

² FirstEnergy Response to Nucor Set 1 DR-16.

Riders ELR and OLR should be retained, improved, and made permanent following the expiration of the current ESP, and that the interruptible RFP should be improved and implemented only as a supplement to Riders ELR and OLR. Riders ELR and OLR are *rates* that the Commission found to be just and reasonable in FirstEnergy's most recent rate case under the applicable statutory standards and rules.³ The proper place to address rates, terms, and conditions of interruptible service following the expiration of the current ESP – including issues regarding the retention or modification of Riders ELR and OLR and proposed replacement arrangements for those rates such as the interruptible RFP – is a rate proceeding, not FirstEnergy's EE/PDR portfolio and benchmarks proceeding. Accordingly, even if these issues are not resolved in the current MRO proceeding, they should not be addressed here, but instead should be addressed in FirstEnergy's next standard service offer (MRO or ESP) rate proceeding.

Finally, if the Commission does allow the merits of FirstEnergy's proposal to allow Riders ELR and OLR to expire following the end of the current ESP and the replacement of those rates with an interruptible RFP to be addressed in this proceeding, then Nucor's positions on these issues will be consistent with the positions Nucor took in the MRO proceeding. Evidence in support of Nucor's positions on interruptible issues is set forth in the Direct Testimony of Dennis W. Goins in the MRO proceeding.

³ See Section 4928.02, Revised Code (establishing as a policy of the state "ensuring the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service."); see *also*, Rules 4901:1-35-03 (requiring utility to demonstrate how its standard service offer proposal is consistent with and advances the policies of the state as delineated in divisions (A) to (N) of Section 4928.02, Revised Code). The Commission has recognized that an interruptible rate is necessary in an MRO in order to comply with the state policies enumerated in Section 4928.02. Case No. 08-936-EL-SSO, Opinion and Order at 24 (November 25, 2008).

C. A TRC Test, or Any Other Cost/Benefit Test, Should Not Be Applied to Riders ELR and OLR, or the Proposed Interruptible RFP.

Nucor objects to a TRC test being applied to Riders ELR and OLR. As discussed above, Riders ELR and OLR are rates that are currently in effect and that were determined by the Commission to be just and reasonable. These rates were approved in a ratemaking proceeding, and were subject to statutory ratemaking standards and Commission rules applicable to standard service offer rate plans. Nothing in the relevant statutes or regulations requires that a rate meet a cost/benefit test such as the TRC. The rates also provide many other benefits beyond their usefulness in helping to meet statutory peak demand reduction benchmarks.

An interruptible rate is simply a different animal from the types of energy efficiency and peak demand reduction programs and measures contained in FirstEnergy's EE/PDR plan. By definition, when the Commission approves and implements rates, the Commission determines that such rates are just and reasonable.⁴ Additional review of the cost-effectiveness of Riders ELR and OLR in this proceeding through the application of a TRC test or some other cost/benefit test targeted at energy efficiency and peak demand reduction programs, therefore, is unwarranted and problematic.

A TRC test or some other cost/benefit test also should not be applied to FirstEnergy's proposed interruptible RFP. The RFP has been proposed and is being litigated in the MRO proceeding and, as FirstEnergy itself recognizes, it is uncertain

⁴ See Office of Consumers' Counsel v. Pub. Util. Comm., 18 Ohio St. 3d 264, 265 (1985) (rates approved by the Commission are presumed reasonable).

whether the interruptible RFP will be approved at all. This uncertainty counsels against trying to run a cost/benefit test on the interruptible RFP. Moreover, even if one were to assume that the RFP will be approved, it is difficult to see how an effective TRC or other cost/benefit test can be done when the RFP will be conducted each year, and no one knows what the cost of the RFP will be each year, since the amount of interruptible load acquired through the RFP and the prices offered by bidders will not be known until the RFP is conducted. A TRC or other cost/benefit test is a very bad fit for the proposed interruptible RFP.

D. A Cost/Benefit Test for an Interruptible Rate Must Use Long-Term Avoided Capacity Costs.

If the Commission determines that it is necessary to perform a cost/benefit analysis on an interruptible rate, like Rider ELR, long-term (as opposed to short-term) avoided capacity costs must be the starting point for the analysis. Customers on interruptible rates tend to stay on those rates for long periods of time (for example, Nucor was a long-time interruptible customer of FirstEnergy prior to the ESP case, and Nucor continues to be an interruptible customer under Rider ELR), thereby providing the utility with a stable, long-term supply of interruptible load.⁵ An interruptible rate, therefore, provides long-term avoided capacity cost benefits that must be reflected in any cost effectiveness test done on such a rate.

Nucor showed in the MRO proceeding that the long-term avoided cost of peaking generation is the proper avoided capacity cost measure for an interruptible

⁵ If FirstEnergy needed additional assurance that customers would stay on an interruptible rate such as Rider ELR, the terms of the rate could be modified to require that a customer remain on the rate for some reasonable extended period of time.

rate. In that case, Nucor demonstrated that the current Rider ELR/EDR credit is far below current long-term avoided capacity cost reflected in PJM's cost of new entry or CONE value (adjusted to reflect avoided reserves and losses) plus avoided energy costs, and therefore, by definition, the current interruptible rates (Riders ELR and OLR) are cost effective and would produce a TRC in excess of 1.0. Any cost/benefit test applied to a long-term interruptible rate, therefore, must use a long-term avoided capacity cost value, or the test will not produce an accurate result.

F. FirstEnergy Understates the Amount of Peak Demand Reduction Benefit Provided by Rider ELR.

According to the Application, interruptible load provided 147 MW of peak demand reduction in 2009. Ohio Edison Report at 26. Although this is a significant amount of peak demand reduction, FirstEnergy has significantly understated the actual peak demand reduction benefit provided by Rider ELR interruptible load.

FirstEnergy's understatement lies in limiting interruptible load to the average load between the hours of 3:00 and 6:00 PM in the summer months. Although this time period is consistent with Commission's definition of the term "coincident peak demand," in its rules, this term is used only with respect to demand savings resulting from a utility's energy efficiency programs. See Rule 4901:1-39-01(D). The rules do not specify that the measurement of peak demand reduction savings provided by PDR programs – or more to the point, interruptible rates that provide peak demand reduction benefits – must be limited to a customer's average load minus firm load in these time periods.

In fact, the appropriate measure of peak demand reduction savings provided by

interruptible rates such as Rider ELR should be the measurement used to determine “Curtable Load” in that rate schedule. In Rider ELR, Curtable Load is calculated for each customer by subtracting the customer’s contract firm load from its monthly highest 30 minute integrated kW during the non-holiday weekday hours of 11 a.m. to 5 p.m.⁶ In the case of Rider ELR, the peak demand minus firm demand reflects the actual avoided capacity benefit. For example, assume a customer’s highest 30 minute integrated demand pursuant to the definition of Curtable Load in Rider ELR is 30 MW, and the customer’s firm load is 5 MW. Under Rider ELR, this customer provides 25 MW of Curtable Load.

Measuring peak demand resulting from *energy efficiency* programs using the average load between the hours of 3:00 and 6:00 PM in the summer months makes sense, since, as a byproduct of the energy efficiency program, FirstEnergy cannot know whether the forecasted peak demand reduction savings associated with those programs will actually occur. But interruptible load under Rider ELR is different, because FirstEnergy knows that the customer must interrupt its load when called upon to do so in an emergency situation, or face severe penalties. With the possible exception of the residential direct load control program, interruptible load under Rider ELR is unique among the programs and measures proposed in the Application in providing a rock solid guarantee of interruptibility whenever it is needed (not just during the summer months), and, therefore, the greatest capacity avoidance benefit.

FirstEnergy’s measurement of Curtable Load for purposes of determining the

⁶ Ohio Edison Company Tariff, P.U.C.O. No. 11, Original Sheet 101 at 3.

amount of peak demand reduction Rider ELR provides should be modified to reflect the measurement of Curtailable Load in Rider ELR itself. This better reflects the peak demand reduction benefit Rider ELR provides, for the reasons discussed above.

G. FirstEnergy's Proposal for Allocating and Recovering DSE2 Charges from Rate GT Customers is Flawed.

FirstEnergy proposes to allocate the costs of Mercantile-Utility and Mercantile Self-Direct programs among rates GP, GSU, and GT based on energy, then to recover these costs from customers on those rates based on an energy charge. Application, Oullette Testimony, Ex. SEO-C1. As proposed, this approach will over-allocate these charges to class GT customers, and will over-charge the largest Rate GT customers for the programs in the portfolio.

To begin with, Nucor objects to FirstEnergy's proposal to allocate DSE2 charges among GP, GSU, and GT based on energy. The costs of energy efficiency and peak demand reduction programs do not vary based on a customer's energy use. Allocating the costs of these programs based on energy would result in inter-class subsidization, as the customer class with the most kwh usage per customer (Rate GT) bears the lion's share of the costs, without necessarily getting a corresponding benefit. Also, allocating these costs exclusively on energy ignores that: (i) FirstEnergy's peak demand reduction programs are designed to provide peak demand reduction benefits, not energy savings; (ii) FirstEnergy proposes to obtain capacity and peak demand reduction benefits, in addition to energy savings, from its energy efficiency programs; and (iii) demand-related costs should only apply to firm loads. FirstEnergy's proposal to true-up the class allocations based on actual expenditures for each class could mitigate somewhat the

inter-class allocation problem, but at a minimum could create considerable volatility in the charges.

Even assuming the allocation problem can be mitigated, the largest Rate GT customers likely will still wind up paying DSE2 charges far in excess of the benefits they receive from the programs since FirstEnergy is proposing to recover the program costs through an energy charge. With an energy charge, customers who consume large amounts of kwhs could be exposed to excessive total DSE2 charges – charges that likely will be well out of proportion to the benefit these customers actually receive. The use of an energy charge is inappropriate because, as noted above, the costs of these programs do not vary based on a customer's kwh consumption. Also, collecting these costs through an energy charge creates a potential intra-class subsidy problem, as the very largest customers will pay most of the DSE2 costs allocated to the GT class.

To remedy these problems, Nucor recommends that DSE2 PDR program costs be classified as demand-related, and the costs of EE programs be classified 50% as demand-related and 50% as energy related. The DSE2 charge should then be modified to recover demand-related PDR and EE program costs through a demand charge (applicable only to firm demands), and to recover all costs classified as energy through an energy charge.

Most importantly, however, FirstEnergy should limit the impact of the combined DSE2 energy and demand charges on the largest GT customers. A reasonable option would be a cap on the total dollar amount a GT customer must pay each month for energy efficiency and peak demand reduction programs. Such a cap would limit the exposure of large Rate GT customers to excessive DSE2 charges.

H. FirstEnergy's Shared Savings Proposal is Unsupported.

FirstEnergy proposes a "shared savings" component to Rider DSE if one or more of the Companies achieve more reductions than are mandated by Section 4928.66 of the Revised Code in any given year. Application, Oullette Testimony at 9-10. FirstEnergy proposes to receive 15% of the net benefits as calculated by the Company utility cost test, net of taxes, for generating savings in excess of the required benchmarks. *Id.* at 10.

FirstEnergy's shared savings proposal is unsupported and should be rejected. Although FirstEnergy states that its proposal is "consistent with" Rule 4901:1-39-07(A), O.A.C., nothing in that rule indicates that such a shared savings request will automatically be approved, or that a utility is entitled to shared savings at all. There is also nothing in the statute that states utilities are entitled to shared savings. While Nucor believes that there can be benefits associated with achieving energy efficiency and peak demand reduction savings beyond those specified in the benchmarks, it would be a mistake to approve FirstEnergy's shared savings request without FirstEnergy demonstrating that its shared savings proposal is justified.

At minimum, FirstEnergy should be required to explain the rationale for the shared savings proposal, and to demonstrate that the shared savings proposal will not result in increased costs to customers. FirstEnergy provides no rationale for the 15% shared savings amount. Indeed, it appears to be totally arbitrary. Assuming shared savings are even justified at all, FirstEnergy should be required to demonstrate a clear nexus between the amount of additional energy efficiency or peak demand reduction


achieved and the incentive payment to FirstEnergy.

In summary, Nucor objects to FirstEnergy's shared savings proposal because FirstEnergy has provided no justification for the proposal. At minimum, FirstEnergy should be required to demonstrate that any shared savings proposal will not result in increased costs to customers, and that any shared savings incentive is commensurate with the level of additional savings actually achieved.

III. CONCLUSION

Nucor requests that the Commission take these objections into consideration when evaluating FirstEnergy's Application.

Respectfully submitted,

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I hereby certify that a copy of the foregoing pleading was served upon the following parties of record or as a courtesy, via U.S. Mail postage prepaid, express mail, hand delivery, or electronic transmission on February 11th, 2010.

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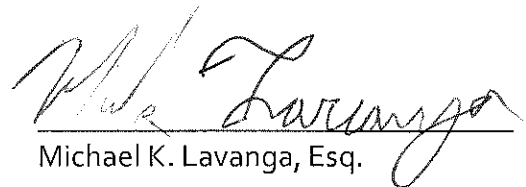
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Summary: Objection Nucor Steel Marion, Inc.'s Objections To Application For Approval of FirstEnergy's Energy Efficiency and Peak Demand Reduction Program Portfolios and Initial Benchmark Reports electronically filed by Mr. Matt S White on behalf of Nucor Steel Marion, Inc.