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BEFORE
THE PUBLIC UTILITY 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 Demand Reduction Program Portfolio Plans for 2010 and Associated Cost Recovery Mechanisms.

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) Case No. 09-1947-EL-POR
) Case No. 09-1948-EL-POR
) Case No. 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 No. 09-1942-EL-EEC
) Case No. 09-1943-EL-EEC
) Case No. 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 No. 09-580-EL-EEC
) Case No. 09-581-EL-EEC
) Case No. 09-582-EL-EEC
)

) **COMMENTS AND OBJECTIONS**
) **OF THE COUNCIL OF SMALLER**
) **ENTERPRISES**

On December 15, 2009, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, "FirstEnergy") filed in the above-captioned cases an Application for approval of their respective initial three-year energy efficiency and peak demand reduction program portfolios as well as for approval of their respective initial benchmark compliance reports. The Council of Smaller Enterprises ("COSE") respectfully submits these Comments and Objections for the consideration of the Public Utilities Commission of Ohio ("Commission").

1. EE&PDR Programs by Section

In case numbers 09-1947-EL-POR, 09-1942-EL-EEC and 09-580-EL-EEC small businesses are only listed as the specific target audience for two programs (Small Enterprise Audits & Equipment Program and the C/I Equipment Program). In section 2.3 of the Program

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Summaries, First Energy ("Company") indicates that many small businesses are operated out of facilities that have energy consumption patterns and load profiles similar to residential customers. Therefore, several of the residential programs may also apply to small business customers. COSE agrees and would like to see the following Programs officially designated as Small Enterprise Programs as well as Residential Programs:

- a. Direct Load Control Program
- b. Energy Efficient Products Program
- c. Online Audit Program
- d. Online Efficient Products Program
- e. CFL Program

By including small commercial customers in these Programs, the Company will expand its target market, increase the utilization of these Programs and increase energy savings and peak demand reductions.

2. C/I Audits 2010-2012/Equipment Purchases

In Section 3.0 of the Program Portfolio, the Company indicates that C/I Audits will be provided by experienced organizations and private firms following established protocols. COSE recommends that these protocols be developed by the Company and approved by the Collaborative, to determine qualified auditors and equipment rebates/incentives; COSE asks that administrators and other program managers have the ability to implement audit/equipment programs independently – utilizing the developed protocols as a foundation for choosing qualified auditors/equipment programs. COSE believes that autonomy amongst the administrators and other program managers will expedite the process and result in an increase in audits/equipment purchases, further assisting the Company in meeting its benchmarks within a

shorter period. COSE expects that all administrators/program managers will be required to complete standardized forms detailing work that has been performed by the auditors for the Company's use in the process of satisfying the requirements in SB 221.

This Portfolio also includes a number of initiatives (i.e. audits and equipment purchases) that will be eligible for a rebate or other incentives. COSE advocates for the expansion of these programs to include all qualified audits and energy efficiency equipment purchases, not just those instituted/created by the Company, as eligible for rebates or incentives. COSE supports the development of standards for auditors and equipment rebates and incentives. By developing these standards, the Company will ensure consistency while also allowing programs, other than those developed by the Company, to experience the benefits of their energy efficiency initiatives and allow the Company to reap the benefits of these additional savings.

3. Mercantile Self-Directed Program

COSE has signed on as an Administrator in the Company's Energy Efficiency Collaborative. In this capacity, COSE has put in a great deal of resources in terms of time and money in order to move the mercantile self-directed program forward with customers who are eligible to avoid the DSE2 rider. On December 2, 2009, the Commission ruled that the administrator compensation structure for this scope of work was unreasonable with regard to historical projects. On February 11, 2010, the Commission ruled again on this case, noting that historical projects would qualify a customer to avoid the DSE2 rider and, further, that administrators would have the opportunity to receive compensation for their work on the mercantile self-directed program. COSE appreciates the Commission's recognition of the resources necessary to direct this program and its willingness to grant compensation for historical projects. Beyond this, COSE encourages the Commission to also allow administrators

to receive compensation for current and future mercantile self-directed projects. In the event that the Commission believes that the existing compensation structure (one cent per kWh) is unreasonable, COSE would advocate for the inclusion of a flat fee beyond the \$2,500 monthly revenue designated for administrators in order to provide them with the financial resources to work with customers and assist the Company in meeting their benchmark.

4. Cost Recovery Mechanism

In Section 7.1 of the Program Portfolio, the Company proposes several amendments to the DSE rider. COSE opposes the amendment that would allow the Company to recover shared savings for over-compliance with energy efficiency or peak demand reduction benchmarks in any given year. This shared savings component would provide that the Company would receive 15% of the net benefits as calculated by the Company utility cost test, net of taxes, for generating savings in excess of the Company's required benchmarks. COSE believes that this amendment violates the spirit of SB 221. The Company is permitted to recover most of the costs associated with the development and implementation of these programs and should not have the opportunity to be reimbursed for savings beyond the benchmark. Ohio should not be in the practice of penalizing customers through the recovery of costs if, via these programs, more energy savings is experienced. The customers should reap the benefit not the Company.

5. Cost Recovery for Mercantile Self-Directed Projects

In the Direct Testimony of Steven E. Ouellette, it is noted that the administrator fees for the Self-Directed Mercantile Projects will be recovered from the customers in the Small Enterprise and Mercantile (Large Utility) customer segments. COSE serves as an administrator of the Self-Directed Mercantile Projects to help large businesses (Greater Cleveland Partnership/COSE members) avoid the DSE2 rider and to assist the Company in recording these

efforts to reach their energy efficiency benchmarks. While COSE will receive administrator fees for this scope of work, the customers benefitting are solely those in the mercantile class. For that reason, COSE opposes the Company's plan to recover administrator costs for the Self-Directed Mercantile Projects from Small Enterprise customers.

6. Inclusion of On-Bill Financing

The Energy Efficiency & Peak Demand Reduction Program Portfolio represents the Company's efforts to meet their benchmarks and assists customers in all classes with the ability to become more energy efficient. While many of the programs included in this Portfolio provide cost incentives or rebates to customers who participate, it is important to also provide financing mechanisms that will assist the small commercial customers in the implementation of these projects. According to the National Small Business Association (NSBA), cash-flow represents the number one reason small business owners are unable to make their firms more energy efficient. On-bill financing is an effective mechanism that will connect small commercial customers with the capital they need in order to truly commit and engage in large-scale energy efficiency projects.

On-bill financing reduces small business' upfront capital requirements to zero for energy efficiency investments by financing all costs not covered through rebates. Most importantly, on-bill financing stretches out the financing costs over a sufficiently long period of time and uses low enough interest rates that the result is cost savings from day one of the program. Under on-bill financing, small businesses will experience lower utility bills, while enjoying the benefits of more energy efficiency and newer equipment and improved business practices.

COSE advocates for the inclusion of on-bill financing in the Portfolio to provide small commercial customers with an additional incentive to engage in these programs.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Comments and Objections of the Council of Smaller Enterprises was served upon the parties of record listed below this 18th day of February, 2010 via first class mail.

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