

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Portfolio Status	)	
Report on the Status of the Company's	)	
Energy Efficiency and Peak Demand	)	Case No. 12-1533-EL-EEC
Reduction Results for the Year Ended	)	
December 31, 2011 on Behalf of The	)	
Ohio Edison Company.	)	
	)	
In the Matter of the Portfolio Status	)	
Report on the Status of the Company's	)	
Energy Efficiency and Peak Demand	)	Case No. 12-1534-EL-EEC
Reduction Results for the Year Ended	)	
December 31, 2011 on Behalf of The	)	
Cleveland Electric Illuminating	)	
Company.	)	
	)	
In the Matter of the Portfolio Status	)	
Report on the Status of the Company's	)	
Energy Efficiency and Peak Demand	)	Case No. 12-1535-EL-EEC
Reduction Results for the Year Ended	)	
December 31, 2011 on Behalf of The	)	
Toledo Edison Company.	)	

**COMMENTS
OF THE
NATURAL RESOURCES DEFENSE COUNCIL
AND THE
OHIO ENVIRONMENTAL COUNCIL**

I. INTRODUCTION

The undersigned file these comments on the portfolio status reports of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (jointly, "FirstEnergy," the "Companies," or "EDUs") for the year ending December 31, 2011. These comments are submitted to the Public Utilities Commission of Ohio ("PUCO" or "Commission") in accordance with Ohio Administrative Code 4901:1-39-06(E), which provides a comment period for annual energy efficiency and peak demand reduction portfolio status reports.¹

¹ O.A.C. 4901:1-39-06 states: "Any person may file comments regarding an electric utility's ...annual status report filed pursuant to this chapter within thirty days of the filing of such report."

II. COMMENTS

- a. **The evaluation reports do not include information required in 4901:1-39-05, the evaluator often fails to offer substantive program recommendations, and the Companies do not make use of the evaluators' recommendations when they are offered.**

The evaluation, measurement, and verification reports are required to document “the cost-effectiveness of each energy efficiency and demand-side management program reported in the electric utility's portfolio status report.”² The Companies' portfolio status report implies that such information will be included in the evaluation reports.³ The evaluation reports, however, attached to the portfolio status report as appendices, include no cost effectiveness – or even cost – information. This suggests that the program cost-effectiveness scores presented in Section 3.1 of the portfolio status report were compiled by the Companies and not reviewed by the evaluator. Therefore, the TRC test results should be reviewed by the Commission's independent evaluator, to ensure that the Companies are using reasonable avoidable cost assumptions and that the Companies are implementing programs in a cost-efficient manner. In the future, the Companies' evaluator should address program cost effectiveness, as required by rule.

The Companies' evaluator, ADM Associates, often fails to provide meaningful suggestions to improve program performance. This is one of the main purposes of energy efficiency program evaluation, critical to completing the evaluation “loop.” For example, in its evaluation of the 2011 Compact Fluorescent Lamp (CFL) Program, which accounted for around half of the Companies' 2011 annualized savings from non-T&D and Mercantile Customer program savings, ADM Associates offered only one suggestion, and provided no information on how a post-100 Watt CFL program should be implemented. The evaluator at times also appears to lack independence from the Companies. In the section on “current and future challenges” for the Appliance Turn-in Program, the only challenge mentioned is potential changes in the deemed savings amount for recycled refrigerators in the Technical Reference Manual.⁴ This can't be the only challenge for a program that will be expected to ramp-up as the Companies' expand their energy efficiency effort.

Even worse, when ADM Associates *do* provide program recommendations, they appear to be discarded by the Companies, who propose no changes in their current portfolio based on results of evaluation. There are a number of actionable recommendations that the Company could implement even in this year's programs. And many of the recommendations, discussed

² O.A.C. 4901:1-39-05(C)(2)(b)

³ Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio, Case No. 12-1533-EL-EEC, et al., May 15, 2012, Page 25, Section 5.

⁴ ADM Associates, Appendix C, Impact and Process Evaluation of the 2011 Appliance Turn-In Program, May 14, 2012, Page 6-11, Section 6.2.7.

below, should be applied to the Companies 2013-2015 portfolio of programs. The Companies appear to have used the large amount of customer investment in evaluation, measurement, and verification as an accounting exercise, and not as a way to improve program performance.

b. ADM associates improperly evaluated the 2011 Home Energy Audit Program.

The Companies' evaluator, ADM Associates, improperly evaluated the energy savings impact of the 2011 Home Energy Audit Program. The Home Energy Audit Program aims to change the way customers use energy: changing habitual behaviors, one-time behaviors, and purchasing behaviors, not unlike OPower's Home Energy Reports Program. Unlike OPower's Home Energy Reports Program, however, the Companies' Home Energy Audit Program uses an opt-in, rather than an opt-out program design. ADM Associates' evaluation did not take this into account, and compared the changes in energy use of program participants with the changes in energy use of a potentially biased control group. The Commission should not accept the energy savings from the program at this time, not until the Commission's independent evaluator conducts an evaluation of the program based on the Variation in Adoption with Test of Assumptions method. The Commission should require the Companies to use Randomized Controlled Trial methods for behavior-based energy efficiency programs included in its soon-to-be-filed portfolio.

i. The control group was not valid.

The program evaluation does not conform to best practice for measuring the impact of behavior-based energy efficiency programs (those that use strategies intended to affect customer energy use behaviors to achieve energy and peak demand savings). A recent report from the State and Local Energy Efficiency Action Network, prepared by scientists at the Lawrence Berkeley National Laboratory, states that:

“because behavior-based programs do not specify, and generally cannot track, particular actions that result in energy savings, the impact evaluation of a behavior-based program is best done by measuring the actual energy use of program and non-program participants using a randomized controlled trial (RCT), and using the data to calculate an estimate of energy savings.... In cases for which RCTs are not feasible, quasi-experimental approaches can be used, although these are typically less reliable.”⁵

In evaluating the savings from behavior-based energy efficiency programs, the true savings is the difference between the amount of energy used by program participants and what this same group of participants *would have used* without the program (the counterfactual). However, we cannot observe this counterfactual. Instead, we compare the change in energy use

⁵ Todd, A., Stuart, E., Schiller, S., and Goldman, C., “Evaluation, Measurement, and Verification (EM&V) of Residential Behavior-Based Energy Efficiency Programs: Issues and Recommendations,” Customer Information and Behavior Working Group, Evaluation, Measurement, and Verification Working Group, State and Local Energy Efficiency Action Network, United States Department of Energy, May 16, 2012, Page 2.

of the program participants (the treatment group) with the change in energy use of members of a control group. The variations in changes in energy use between the treatment and control group will be attributable to:

- The impact of program
- Pre-existing differences between households in the participant group and the control group (bias), and
- Inherent randomness.

The Gold Standard of evaluation for behavior-based energy efficiency programs is thus a Randomized Controlled Trial (RCT). RCTs eliminate the possibility that program participants would have changed energy use behaviors without the program. OPower – an opt-out behavioral energy efficiency program – is routinely evaluated using a RCT approach (see AEP-Ohio’s Home Energy Comparison Report Program). It is also possible to design opt-in programs like the Companies’ Home Energy Audit Program as RCTs. A subset of customers who choose to participate in the program can act as the control group (receiving no program) and the change in energy use between the two groups can be compared. If a utility does not want to deny the program to some who want it, the utility can adopt a RCT with Encouragement design, where the control group is able to opt-in to the program but is not *encouraged* to join the program (by not targeting marketing to the control group, for example).

But instead of using any of the above approaches, ADM Associates compared the difference in energy use among the participants with the difference in energy use in a control group made up of a “random sample of customers who did not participate in the HEA program” supplied by the Companies.⁶ This “random sample of customers,” the control group, could have been very different than participating customers. As stated in the LBNL report, “if households that opt-in are compared with a control group of households that did not opt in, then these two groups contain very different types of households, which can result in selection bias and potentially invalid results.”⁷

ii. The Commission’s independent evaluator should evaluate the 2011 Home Energy Audit Program using a valid control group.

The energy and demand savings determined by ADM should not be used toward compliance with the Companies’ 2011 statutory energy efficiency and peak demand reduction obligations. The evaluation contains potentially invalid results, as described above. The Commission should, however, attempt to determine the impact of the program and credit the Company for a valid measure of savings: the Company incurred costs to run the program, and it likely led to some energy savings. To determine these savings, the Commission should use its independent evaluator to measure the impact of the program using a valid control group. We recommend the evaluator use the Variation in Adoption with Test of Assumptions method to evaluate the 2011 program. This method takes advantage of the fact that customers participate in a program at different times of the year. “This allows for the comparison of the energy usage of

⁶ ADM Associates, Appendix B, Evaluation of the 2011 Home Energy Audit Program, May 14, 2012, Section 4, Page 4.

⁷ Ibid 6 at 14.

households that opt in to the energy usage of households that have not yet opted in but will ultimately opt in at a later point.”⁸ The assumption of this method is that those who participate early in a program year are the same type of households as those who participate later in the year, the only difference being when they received program marketing. Regardless of the method chosen by the evaluator, the Commission should not accept results of the program until the program is shown to have saved energy using a valid control group. If the new evaluation does not reject the null hypothesis (that the program saved no energy), the Commission should order the program terminated.

iii. In its next portfolio, the Commission should require the Companies to use a Randomized Control Trial design for behavior-based energy efficiency programs.

Unbiased, precise estimates of savings from behavior-based energy efficiency programs are critical: unlike “widget-based” energy efficiency programs, there is no equipment evaluators can go check. The evaluation of this program confirms one of our concerns regarding Lost Revenue Adjustment Mechanisms: that they give the Companies’ an incentive to run programs that only *appear* to save energy because the Companies can collect “lost revenues” from programs that are poorly evaluated. Commission acceptance of the ADM evaluation would send the wrong signal to the energy efficiency industry, where some players (OPower, Efficiency 2.0) use best-practice methods to measure the impact of their program and others do not.

The Companies are preparing to file their 2013-2015 portfolio of energy efficiency programs. The Commission should require the Company to use Randomized Control Trial design – or another method that produces a valid control group – for any behavior-based energy efficiency programs (those for which the Company does not claim savings based on a rebate for a widget).

c. The evaluation of the 2011 Compact Fluorescent Lamp program overstates the energy and demand savings from the program, and the evaluator offers few substantive program recommendations.

Many of the design features of the 2011 Compact Fluorescent Lamp (“CFL”) Program reflect its complicated history and the 3.7 million 100 Watt-equivalent CFLs purchased for the Companies’ original CFL program.

i. ADM Associates’ evaluation of the 2011 CFL Program overstates 2011 savings.

The original CFL program would have sent only 100-Watt-equivalent CFLs to customers, even though 100-Watt CFLs are not the most common CFL bulb type.⁹ With CFL programs that operate in the market, reducing CFL cost to approximately \$1 per-bulb, it can be assumed that

⁸ Ibid 6 at 17.

⁹ There are twice as many CFL products in the 40-75 equivalent-Watt range than there are in the 60-100 equivalent-Watt range. U.S. Department of Energy, Energy Star CFL Market Profile, September 2010, Page 16, Table 7.

customers switch from incandescent to CFLs of roughly the same lumen output (that is, a 60 Watt incandescent will be replaced by a 60 Watt-equivalent CFL) . Indeed, that is the assumption in the Ohio TRM. However, because the program only sent customers 100 Watt-equivalent CFLs, and substantially marked down only 100 Watt-equivalent CFLs in discount retailers, most customers replaced a lower-than-100 Watt incandescent with 100 Watt-equivalent CFLs. According to interviews with program participants included in the evaluation, “approximately 63% of the new CFLs replaced incandescent light bulbs of 75 Watts or less and approximately 37% of the new CFLs replaced incandescent light bulbs of 100 Watts or more.”¹⁰ ADM Associates did not, however, use this information in their evaluation of the program’s energy savings impact.

The Commission’s independent evaluator should recalculate the 2011 savings to take into account the inflated “delta watts:” from available information, the 100 Watt CFLs did not produce as much gross energy savings energy as suggested by the evaluation. In our preliminary calculation, the program in 2011 had an ex-post gross savings of 151,872,900 kWh, instead of the 188,028,063 kWh reported by ADM Associates. This is based on the assumption that 63% of the 23 Watt CFLs replaced 75 Watt incandescent bulbs, and 37% of the 23 Watt CFLs replaced 100 Watt incandescent.¹¹ This assumption is reasonable because, while customers may have switched out higher-than-100 Watt incandescent bulbs for the 23 Watt CFL, they may also have switched lower-than-75 Watt incandescent bulbs for the 23 Watt CFLs.

The TRM states that “users of the TRM are expected to use actual efficiency program data”¹² and evaluators should take into account program design in their evaluations. We are not suggesting the Company should not collect program costs from customers for this program: it clearly led to energy savings (if less than claimed). If ADM’s numbers are accepted, the Company will get credit for energy savings shown *in its own evaluation* to be illusory, and also collect lost revenues on these inflated savings. It was within the Companies’ power to adopt a more flexible CFL program: they should have known that if they only offered one, high-wattage bulb type, customers would stick that bulb in sockets that previously held lower-than 100 Watt incandescent bulbs.

ii. ADM Associates’ evaluation of the 2011 CFL program overstates lifetime savings.

ADM Associates calculate lifetime savings by multiplying the already-inflated (for the reasons described above) annual savings by 8, the estimated useful life (in years) of the CFLs. However, the annual savings from the program are not uniform over the estimated useful life because the “delta watts multiplier” changes in 2012 to account for changes in federal lighting

¹⁰ ADM Associates, Appendix E, Evaluation of the 2011 Compact Fluorescent Lamp (CFL) Program, May 14, 2012, Page 19.

¹¹ We assume that 2,889,941 CFLs were installed, that the annual energy savings for changing a 100 Watt incandescent bulb to a 23 Watt CFL remains the same (65.108 kWh), and that the annual energy savings for changing a 75 Watt incandescent bulb to a 23 Watt CFL is 45.236 kWh (52 Watts/1000 * .801 * 1015 * 1.07), using the same method as shown on Section 4, Page 12 of the CFL program evaluation.

¹² Draft TRM at 8.

standards.¹³ Because in 2012 a customer would have bought a federal standard-compliant bulb in the absence of the program, the “delta watts multiplier” should be 2.06 for years 2-8. Therefore, the correct lifetime savings (not taking into account the impact of the previous section) is 1,022,638 MWh, instead of the reported 1,504,225 MWh. This change is also important because lost revenue recovery will be based on savings in years beyond 2011.

iii. ADM associates could have investigated in-service rates separately for retail and direct mail customers.

Customers calling about a high bill, or calling to request a pack of CFLs may be different than customers who respond to a heavily discounted CFL in a store. The evaluation would have more closely reflected real savings had ADM Associates investigated in-service rates separately for retail and direct mail customers.

iv. In the future, the Companies’ should use market-based program designs to encourage customer adoption of energy efficiency lighting.

As mentioned above, many of the CFL program’s idiosyncrasies and problems are a result of its unfortunate birth. For example, it would have been better to distribute the CFLs to retailers where customers typically buy CFLs (Home Depot, Costco, Wal-Mart), instead of discount retailers (although having some CFLs in discount retailers like Goodwill and the Dollar Tree helps a program reach lower income customers). However, we are aware that the Companies attempted to do this but were unable to get a broad range of retailers to accept the CFLs. In the future, the Company should provide incentives on a wide variety of efficient lights (both wattage and lamp time) in ways that help transform the market over time toward higher efficiency. Unfortunately, ADM Associates’ evaluation contains very few insights or recommendations that could be used in the 2013-2015 program portfolio.

v. Necessary and helpful information is missing from the evaluation.

The evaluators provide none of the information from the in-depth interviews of program stakeholders described in section 4.3. This information would be useful in designing the 2013-2015 efficient lighting program. Also, it doesn’t appear as though evaluators asked where participating customers typically purchase CFLs and lighting products. As most participants purchased CFLs through retail channels, a copy of the retail channel phone survey should be attached as an appendix, in addition to the direct mail channel survey. Also, it is not clear from the evaluation whether the CFLs were sold individually or in multi-packs.

d. ADM Associates’ evaluation of the 2011 Appliance Turn-in Program ignores important questions.

Appliance turn-in programs only save energy if the appliance picked up was being used or would have been used in the future. A small but significant fraction of appliances picked up by JACO in 2011 were reported by customers to not be “in use” at the time of pick-up: 6.29% of

¹³ Draft TRM at 11.

refrigerators and 9.80% of freezers. ADM Associates did not assign energy savings to these units, but their process evaluation did not ask how it was possible for JACO to pick up unused appliances.

The evaluation mentions but fails to describe the retail partnerships that appear to be a new facet of the program. The evaluators also apparently failed to query JACO about the number of times customers were not present when JACO came to pick up the appliance (which can be costly) or the number of times customers cancelled appointments for appliance pick-up. The evaluator also does not discuss why the program failed to perform as anticipated:¹⁴ this of course could be due to delayed program launch, but it's an important question.

- e. The 2011 Energy Efficient Products program appears to have not been well-implemented. It could be improved by increasing rebates to national average levels, improving program marketing, and moving HVAC applications online. The Companies should re-bid the program as part of its next portfolio.**

The Energy Efficient Products Program did not perform nearly as well as expected.¹⁵ The program included two elements: one aimed at increasing the market penetration of appliances and smart strips, and another at improving HVAC system efficiency. The program was not well-designed or implemented.

The program's rebates for efficient appliances are about half of the national average:¹⁶ for this amount of rebate, it is possible that the only people responding to the rebates are people that would have bought efficient appliances anyway. Thus, the program may not actually be inducing a change in purchasing behavior. The Companies should increase rebates to national average levels to increase savings and market penetration of energy efficient appliances. This was suggested in the evaluators' recommendation, but along with all evaluator recommendations for this program, it was not included in the program changes section of the compliance report.

Evaluators also recommend improving the program's in-store, utility bill insert, television, and print advertising; making the rebate application process less burdensome by developing an online rebate application; and simplifying the rebate application. The Companies should do all of these things. The Companies should also consider whether providing rebates for smart strips and torchiere lamps is worth the effort. The Companies only provided incentives on 29 smart strips in 2011. The 6 incentives that the Companies provided for torchiere floor lamps in 2011 were not even for energy efficient models.

In future program years, the Company should run an efficient products program with the following elements:

¹⁴ Ibid 4 at 11.

¹⁵ Ibid 4 at 12.

¹⁶ ADM Associates, Appendix D, Evaluation of the 2011 Energy Efficient Products Program, May 14, 2012, Page 6-2.

- Marketing and education targeted to customers making a decision about appliances,
 - Incentives sufficient to motivate customers,
 - Easy processing of rebates, and
 - Extensive in-store promotion and retailer sales staff training.
- f. **The Commission should require the Companies' to implement the evaluators' recommended improvements to the Community Connections program.**

The Companies' portfolio status report reflects none of the evaluators' recommendations. The Companies need to put in place mechanisms to monitor the installation contractors for the Community Connections program to ensure that CFLs, and Energy Star Freezers are installed and that home energy assessments and roofing repairs are completed properly. The program implementer also needs to educate customers about replacing incandescent with CFLs even if the incandescent haven't burned out, or ensure that CFLs are directly installed.

- g. **The Companies' programs targeted to Commercial and Industrial customers got off to a "rocky"¹⁷ start in 2011. The Companies should make changes to make it more effective in 2012 and in the next portfolios.**
- i. When launched the Companies' Commercial and Industrial Equipment Programs offered incentives of \$.80/kWh of energy savings. Due to a high level of customer interest and budget concerns, the incentive was lowered to \$.05/kWh at the end of September. It appears from the evaluation at Figures 5-5 and 5-6 that application submission dropped to near-zero after the Companies changed incentives. According to ADM Associates' Evaluation, only 34% of trade allies though the new incentive levels are adequate to encourage customers to choose energy efficiency.¹⁸ The Companies should increase incentives in 2012 and in the subsequent portfolio to motivate more customers to increase energy efficiency: at current levels, the Company is likely paying incentives to projects that would have proceeded without the incentive. The Companies should benchmark their incentives with other Ohio electric utilities.
 - ii. Customers are demanding incentives for LED fixtures.¹⁹ Although LED fixtures have a higher initial cost than efficient fluorescents, LEDs generally save more energy. Since lighting fixtures are long-lived, a program that encourages the adoption of LED lighting will "lock in" high energy savings for more than a decade. In contrast, a program that encourages the adoption of standard T8 lights will lock-in 2012 market-

¹⁷ ADM Associates, Appendix G, 2011 Evaluation of EnergySaveOhio Commercial and Industrial Energy Efficiency Incentive Programs, Section 1, Page 8.

¹⁸ Ibid at 20, Table 5-19.

¹⁹ Ibid at B-47.

standard levels of efficiency for decades. The Companies should add LED lighting incentives to its current program, and do the same in its subsequent portfolio. Initial incentives should be set by reviewing what utilities in the Northeast and are offering for LED lighting upgrades. Customers should get higher incentives for implementing the most efficient subset of cost-effective efficient technologies. Additionally, the Companies, similar to Duke Energy-Ohio,²⁰ should eliminate incentives for standard T8 and T5 lighting products in 2012 and its subsequent portfolio. Due to increasing federal standards, standard T8 and T5 lighting products are becoming the market standard.

- iii. The evaluator does not explain what is meant by the categories of “non-standard lighting” and “standard lighting.” The Companies should not be providing incentives on market-standard lighting if it does not lead to savings compared to what the customer would have done absent the program. If “non-standard” means not subject to prescriptive incentives, the Companies could streamline the application process by “standardizing” common non-standard lighting measures.²¹
- iv. The evaluators state that “Communication and Collaboration among Parties has been Fair”²² but that “improvements could be made” in communication between the Companies and the implementation vendor. However, the evaluator doesn’t include any detail of their interviews with the Companies and implementation vendor, information that is critical in understanding program operations and ways to improve the program. The evaluator should supplement its evaluation with the interviews with Companies’ staff members and SAIC staff members.

The evaluator also should submit supplemental information about the number of applications received over the year. The information in Figure 5-5 and 5-6 only shows cumulative energy savings.

- v. The Companies should streamline the application process, as suggested by the evaluator.²³ Program participants and trade allies should understand what measures are supported by the program, understand the workflow of the application process, and their place within it. The online “status check” the Companies have implemented is a good start.
- vi. The Companies should make better efforts to market the program. “Fifty-seven percent of program trade allies thought that the Companies could

²⁰ Duke Energy Annual Efficiency Status Report, Case No. 12-1477-EL-EEC, May 15, 2012, Page 25.

²¹ Ibid at Section 3, Page 2, Table 3-3.

²² Ibid at Section 1, Page 7.

²³ Ibid at Section 1, Page 8.

market the programs more effectively.”²⁴ Evaluators suggest packaging knowledge related to energy efficient technologies. But the Companies should also create “virtual programs” targeted to particular market segments, such as small offices, restaurants, hotels, and other not well-reached market segments. A “virtual program” includes case studies of efficiency projects in the targeted type of business, suggested measures, and targeted marketing to that business.

The Companies should also continue developing their trade ally network, as suggested by evaluators.²⁵

The Company should also explore promoting the program using their internal resources. Less than 20% of small enterprise program participants got information on the program from representatives of the Companies.²⁶ Slightly more than a third of large enterprise customers heard about the program from their Account Representative.²⁷ The Companies should consider tying a portion of Account Representative compensation (or bonuses) to their promotion of the Commercial and Industrial Energy Efficiency Programs. Also, relatively few customers report getting information on the program from “trade associations or business groups” they belong to.²⁸ This suggests that the Companies could get more “bang for the buck” by reducing the money it spends on trade association “administrators” and concentrate efforts on building relationships with trade allies, architects, engineers, and energy consultants, and creating opportunities for customers to hear about successful energy efficiency stories from peers.

- vii. The Companies should develop a program targeted at small businesses, similar to the “Small Business Express” program offered by AEP-Ohio. The evaluators state that “smaller organizations that utilize less energy have not been as active in the programs” and that “the lower level of participation suggests that these organizations face additional barriers.” In its next portfolio, the Companies should include a small-business program that includes higher incentives and direct installation of measures.

The Companies should also make efforts to better target programs to underserved market segments, as shown in Figure B-9.

²⁴ Ibid at Section 5, Page 18.

²⁵ Ibid at Section 6, Page 4.

²⁶ Ibid at Table 5-16.

²⁷ Ibid at Table 5-17.

²⁸ Ibid at Tables 5-16 and 5-17.

viii. The Companies should consider re-vamping the motors and drives element of the program. Motors and Drives accounted for only one quarter of one percent of gross ex-post kWh program savings,²⁹ even though mechanical drive accounts for more than 40% of electricity use in the Midwest industrial sector.³⁰ The program could be revamped by working with motor and drive distributors (a midstream incentive model) or creating partnerships with businesses that sell, install, and service technologies where variable speed drives are used.

- h. **The evaluation of the Mercantile Customer Program suggests that the Companies should focus less on this program in future, and concentrate its efforts on improving its Commercial and Industrial Energy Efficiency Programs that attempt to influence current and future actions rather than capturing past ones.**

Most of the savings in the 2011 Mercantile Customer Program came from projects completed prior to 2011.³¹ The Mercantile Customer program is not producing new savings, and is a drain on the resources of the Companies, Commission, and stakeholders. Under the “pilot program,” past mercantile customer actions are subject to what may be the most lax measure and verification standard in the country (whereby customers can claim savings when they replace equipment at the end of its life with standard equipment), creating poor incentives for the Companies and customers. If the program is to continue, the Commission should hold Mercantile Customer Projects to the usual standard: energy savings are measured compared to what would have happened in the absence of the program.

III. Conclusion

The Companies’ portfolio status report show that all but one of the Companies’ programs (the Appliance Turn-in Program) has serious implementation or evaluation problems. The Commission should require the Companies to make changes to its current portfolio of programs, and enforce the changes mentioned in this document in the subsequent portfolio.

Respectfully Submitted,

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²⁹ Ibid at Table 5-1.

³⁰ AEP-Ohio, Volume 2: Appendices, 2012-2014 Energy Efficiency/Peak Demand Reduction Action Plan, Case No. 11-5568-EL-POR, et al., November 29, 2011, Page A-15, Table 6.

³¹ ADM Associates, Appendix H, 2011 Evaluation of EnergySaveOhio Mercantile Customer Program, May 14, 2012, Page 5-2.

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Motion to Intervene has been filed with the Public Utilities Commission of Ohio and has been served upon the following parties via electronic mail on July 16, 2012.

/s/ Todd M. Williams

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Summary: Comments Comments of the Natural Resources Defense Council and the Ohio Environmental Council electronically filed by Mr. Todd M Williams on behalf of Natural Resources Defense Council