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 2013 through 2015	))))))))	Case Nos. 12-2190-EL-POR 12-2191-EL-POR 12-2192-EL-POR

APPLICATION

1. Pursuant to Section 4928.66, Revised Code, the Commission's Rules,[1] and the Commission's February 29, 2012 Entry in Case No. 12-814-EL-UNC[2], Ohio Edison Company ("OE" or "Ohio Edison"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("TE" or Toledo Edison") (collectively, the "Companies") request approval of their respective updated Energy Efficiency ("EE") and Peak Demand Reduction ("PDR") Plans (the "Proposed Plans"), which are attached hereto as Attachments A (OE), B (CEI) and C (TE). The Companies' Market Potential Study is included as Appendix D to those plans.

2. As set forth herein, and in the supporting exhibits and testimony of John C. Dargie (Company Exhibit 1), Bradley D. Eberts (Company Exhibit 2), George L. Fitzpatrick (Company Exhibit 3), Edward C. Miller (Company Exhibit 4) and Eren G. Demiray (Company Exhibit 5), the Companies' Proposed Plans satisfy the Commission's rules and directives,[3] and

---

[1] Specifically, Rules 4901:1-39-04, 4901:1-39-05, 4901:1-39-06, and 4901:1-39-07, Ohio Administrative Code.
[2] *In the Matter of the Commission's Review of the Participation of the [Companies]in May 2012 PJM Reliability Model Auction*, Case No. 12-814-EL-UNC, Entry at 3 (February 29, 2012).
[3] *See e.g.*, Rule 4901:1-39-04, Ohio Administrative Code.

represent a comprehensive set of cost-effective programs that are designed to meet or exceed the statutory requirements set forth in Section 4928.66, Revised Code. Thus, the Commission should approve this Application and the Proposed Plans as filed.

Background and History

3. Each of the Companies is an electric distribution utility ("EDU") as that term is defined in Section 4928.01(A)(6), Revised Code.

4. Section 4928.66(A)(1)(a), Revised Code required 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." For the Plan Period, the savings requirement increases "nine-tenths of one per cent in 2013, and one per cent in 2014 and 2015." In addition, Section 4928.66(A)(1)(b), Revised Code requires an EDU, starting in 2009, to "implement peak demand reduction programs designed to achieve a one per cent reduction in peak demand in 2009 and an additional seventy-five hundredths of one per cent reduction each year through 2018."

5. Rule 4901:1-39-04, Ohio Administrative Code required an electric utility to propose its first comprehensive energy efficiency and peak-demand reduction program portfolio plan by January 1, 2010. On December 15, 2009, the Companies' filed their application for approval of their initial EE&PDR plans in Case Nos. 09-1947-EL-POR, 09-1948-EL-POR and 09-1949-EL-POR for the period January 1, 2010 through December 31, 2012 ("Existing Plans")[4]. The Commission approved the Companies' Existing Plans on March 23, 2011. Upon approval, the Companies immediately implemented their Existing Plans.

[4] *See In the Matter of the [Companies] Three-Year Energy Efficiency & Peak Demand Reduction Plans and Initial Benchmark* Reports, Case No. 09-1947-EL-POR, 09-1948-EL-POR and 09-1949, Application (December 15, 2009).

6. Rule 4901:1-39-04, Ohio Administrative Code requires each EDU to file an updated program portfolio plan by April 15, 2013.[5] However, by this Commission's February 29, 2012 Entry in Case No. 12-814-EL-UNC, the Commission ordered the Companies to file the Proposed Plans by July 31, 2012.[6]

Benchmark Reports

7. The Companies have calculated their energy efficiency savings and peak demand reduction benchmarks in accordance with the requirements of Section 4928.66, Revised Code. They have appropriately adjusted the energy efficiency savings benchmarks for weather and, for both the EE and PDR benchmarks, the results of mercantile self-directed projects.

8. In his testimony, Company Witness Eberts (Company Exhibit 2) describes the methodologies used by the Companies to produce their estimated benchmarks for 2013 through 2015. Each Company's baseline and benchmarks are described in Exhibits BDE-1 and BDE-3 of Company Witness Eberts' Testimony.

The Development of the Proposed Plans

9. Sections 1 and 3 of the Proposed Plans, which are attached hereto as Attachments A, B, and C, describe the development process for the Proposed Plans, as does the testimony of Company Witness Miller (Company Exhibit 4).

The Companies' Proposed Plans

10. The Companies' Proposed Plans provide detail as to the Companies' proposed EE&PDR programs for which the Companies seek Commission approval. Collectively, the proposed programs provide significant opportunities for energy and cost savings for virtually all of the Companies' customers and provide the Companies with the best opportunity to meet or

---

[5] Rule 4901:1-39-04(A), Ohio Administrative Code.

[6] *In the Matter of the Commission's Review of the Participation of the [Companies] in May 2012 PJM Reliability Model Auction*, Case No. 12-814-EL-UNC, Entry at 3 (February 29, 2012).

exceed their statutory energy efficiency and peak demand reduction requirements in a cost effective manner.

11. Like the Existing Plans, the Proposed Plans include a portfolio of energy efficiency programs targeted to a variety of customer segments, including: (i) Residential-Low Income; (ii) Residential-Other; (iii) Small Enterprise; (iv) Mercantile-Utility; and (v) Governmental. Each of the Proposed Plans passes the Total Resource Cost test on a portfolio basis. Company Witness Miller provides more detail surrounding both the programs being proposed and the Total Resource Cost ("TRC") calculations.

12. Each of the Proposed Plans includes virtually all of the components reflected in the Existing Plans. However, the Companies have modified many of these components in an effort to provide customers with more opportunities for energy and related cost savings and the Companies with more implementation flexibility. For example, many of the programs include new measures and additional end-uses, which expand the program offerings to the Companies' customers and reflect advancements in technology. Many of the programs included in the Existing Plans have also been reorganized in the Proposed Plans so as to make the Proposed Plans similar in design and format to FirstEnergy's other utilities outside of Ohio. These changes allow the Companies to: (i) capitalize on the economies of scale and synergies created through common plan administration and program implementation activities; (ii) simplify EM&V and program performance evaluations; and (iii) streamline program tracking and reporting, thus reducing overall administrative costs.

Residential Programs

13. The Companies request that the Commission approve the following residential programs that have been implemented and have not changed from the Existing Plans:

- **Appliance Turn-In Program** – removes inefficient operating appliances from the system by offering customers an incentive and pick-up and disposal service for refrigerators, freezers and room air conditioners.
- **Direct Load Control Program** – offers residential customers a programmable thermostat with two-way communications that allows customers to achieve energy savings and also allows the Companies to curtail summer air conditioning load during peak periods.
- **Low Income Program (formerly called "Community Connections Program")** – provides weatherization measures, energy efficiency solutions and client education to the Companies' low-income customers at no additional cost to them. The Commission approved the proposed extension of the Community Connections program in its July 18, 2012 Order in the Companies ESP-3 Case, Case No. 12-1230-EL-SSO ("ESP-3 Case")[7]. The Low Income Program, as labeled in the Proposed Plan documents, is the Community Connections program approved in both Case No. 10-388-EL-SS0 ("ESP-2")[8] and ESP-3 Cases, only with a different name.

14. The Companies request approval of the Energy Efficient Products Program, which is a continuation and consolidation of the existing Energy Efficient Products Program and CFL Program. Like the former programs, this program provides rebates to consumers and/or "upstream" financial incentives and support to manufacturers, distributors, and retailers that sell energy efficient products, such as HVAC, appliances, lighting, home electronics, and other

[7] *In the Matter of the [Companies] Application for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 12-1230-EL-SSO, Order at 13 (July 18, 2012).
[8] The Community Connections program was approved in *In the Mater of the [Companies] Application for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143*, Case No. 10-388-EL-SSO.

electricity conservation products. The following changes have been made to the current programs as reflected in the new Energy Efficiency Products Program:

- Added whole house fans and ductless mini-splits to HVAC and water heating sub-program;
- Removed programmable thermostats from the appliances sub-program because they are no longer Energy Star® certified;
- Added freezers to the appliance sub-program;
- Added televisions, computers and computer monitors to the consumer electronics sub-program; and
- Added point of sale CFLs and LEDs, ceiling fans and new emerging technologies to the lighting sub-program.

15. The Companies request approval of the Home Performance Program, which is a continuation and consolidation of the existing "Comprehensive Residential Retrofit Program, "Online Audit Program," and "Efficient New Homes Program." Like its predecessor programs, this new program offers: (i) residential customer online audits and discounted home energy audits; and (ii) rebates to local builders for achieving energy efficiency targets. The following changes have been made to the current programs as reflected in the new Home Performance Program:

- Added all-electric home audits;
- Added energy efficiency kits including customized contents for standard and all-electric customers and an educational program at schools where participants receive energy efficiency kits;
- Added a behavioral program that provides customers with energy usage reports.

Small Enterprise Programs

16. The Companies request approval of the C&I Energy Efficient Equipment Program – Small, which is a continuation and consolidation of the existing C&I Equipment Program-Small, C&I Equipment Program (Industrial Motors) – Small, and C&I Equipment Program (Commercial Lighting) – Small. The new program provides financial incentives (prescriptive & performance) and support to customers directly or through manufacturers, distributors and retailers for purchasing and installing energy efficient equipment and products. The following changes have been made to the current programs as reflected in the new C&I Energy Efficient Equipment Program - Small:

- Expanded measures in the HVAC and water heating sub-program;
- Expanded measures including recycling in the appliances sub-program;
- Expanded measures in the food service sub-program;
- Expanded measures to include LED, Halogen and other EE Lighting technologies in the lighting sub-program; and
- Removed prescriptive rebates for motors up to and over 200HP from the customer equipment sub-program, but the Companies will consider rebates for motors in their custom equipment sub-program.

17. The Companies request approval of the Energy Efficient Buildings Program-Small, which is a continuation and consolidation of the C&I New Construction Program and C&I Audit Program. Like its predecessor programs, this new program provides financial incentives and support to customers for implementing energy efficient custom building shell or building system improvements. The Companies made the following changes to the current programs as reflected in the new Energy Efficient Buildings Program – Small:

- Targeted custom building offering for shell improvements; and

- Added energy efficiency kits.

Mercantile-Utility (Large Enterprise) Programs

18. The Companies request approval of the C&I Energy Efficient Equipment Program – Large, which is a continuation and consolidation of the C&I Equipment Program-Large, C&I Equipment Program (Industrial Motors) – Large, Technical Assessment Umbrella Program and C&I Equipment Program (Commercial Lighting) – Large. Like its predecessor programs, this new program provides financial incentives (prescriptive & performance) and support to customers directly or through manufacturers, distributors and retailers for installing energy efficient equipment and products. The following changes have been made to the current programs as reflected in the new C&I Energy Efficient Equipment Program - Large:

- Expanded measures in the HVAC sub-program;
- Expanded measures to include LED, Halogen and other EE Lighting technologies in the lighting sub-program; and
- Removed rebates for motors up to and over 200HP from the customer equipment sub-program, but the Companies will consider rebates for motors in their custom equipment sub-program

19. The Companies request approval of the Energy Efficient Buildings Program-Large, which is a continuation and consolidation of the C&I Equipment Program-Large and Technical Assessment Umbrella Program. Like its predecessor programs, this new program provides financial incentives and support to customers for making energy efficient custom building shell or building system improvements. The measures included in this program are unchanged from those included in the predecessor programs already included in the Existing Plans.

Government Programs

20. The Companies request approval of the Government Tariff Lighting Program, which is a continuation of the LED Traffic Signals measure offered under the existing Government Lighting Program with the addition of an Energy Efficiency Street lighting measure. The following changes were made to the current programs as reflected in the new Government Tariff Lighting Program:

- Added rebates for Government customers who replace customer owned and maintained street lighting equipment served under the Companies' Street Lighting rate schedules with higher efficiency equipment.

Demand Reduction Programs

21. The Companies request approval of their Demand Reduction Program, which is a continuation of the existing C&I Interruptible Load Tariffs approved in the Companies' ESP-2 and continued in the Companies' ESP-3[9] and contracted demand resources, which allows the Companies to contract for demand attributes with customers or with Curtailment Service Providers ("CSPs") doing business in the territory of PJM Interconnection LLC ("PJM"). The following changes were made to the Demand Reduction Program:

- Revised the program to permit the Companies to count for purposes of peak demand reduction compliance, demand resources participating in the PJM market for the applicable delivery year, without the need to contract for these resources separately. This change avoids the Companies having to provide compensation that may otherwise not be required for the resources.

[9] 12-1230-EL-SSO, Order at 37.

Other Programs for Approval

22. The Companies are also seeking approval of a new program that studies conservation voltage reduction in order to determine if opportunities for voltage reduction on the Companies' systems exist.

Other Programs Addressed in Other Dockets

23. The Proposed Plans also include several programs – the Mercantile Customer Program, the Transmission and Distribution Improvement Program, and the Smart Grid Modernization Program – all of which have been approved in other dockets.[10]

24. The Mercantile Customer Program is a continuation of the existing Mercantile Self-Direct program, only with a different name. This program targets mercantile customer EE projects implemented from January 1, 2010 through the end of the Plan Period, incenting customers to commit their programs implemented prior to the Plan Period, or otherwise incenting them to invest in energy efficient programs during the Plan Period. Applications for approval of mercantile customer sited programs are separately filed with the Commission in individual dockets, with incentives paid to customers (which are recovered by the Companies through their Riders DSE), or rider exemptions, both of which are approved in those individual dockets. Accordingly, the budgets set forth in the Proposed Plans do not include any costs for these incentives, but do include ancillary costs associated with the administration of this program.

25. The T&D Improvements Program is a continuation of the existing Transmission & Distribution Programs, only with a different name. The approval of the projects and resulting energy savings are addressed in a separate docket. No costs for this program are included in the budgets set forth in the Proposed Plans.

---

[10] The Low Income Program (formerly known as the Community Connections Program) was approved in the ESP 2 and ESP 3 Cases. It is discussed as part of the Residential Programs and, except for a change in the name of the Program, it remains as approved in the Existing Plans.

26. The smart grid modernization program was approved in Case No. 09-1820-EL-ATA et al.[11] This program studies the impact of producing an integrated system of protection, performance, efficiency and economy on the energy delivery system for multiple stakeholder benefits. Virtually all costs are recovered through Rider AMI consistent with the Commission's approval.[12]

Waiver Requests

27. The Commission's proposed EE&PDR template as set forth in Case No. 09-714-EL-UNC,[13] calls for the reporting of data using seven customer classifications. However, these seven classifications do not directly correlate to the organization of the Companies' tariffs and billing systems. If the final template mandates the use of classifications that are different from the customer sectors utilized in the Proposed Plans, the Companies could be required to make systematic and costly changes to their accounting and billing systems.

28. The Commission has yet to issue a final Order on the proposed template. As shown in the Proposed Plans, and as described in the testimony of Company Witnesses Eberts and Miller, the Companies have allocated forecasted usage and program costs to customer sectors in a format intended to most closely resemble the draft template's classifications, without incurring the costs to modify their accounting and billing systems. Thus, the customer classifications utilized in the Companies' Proposed Plans are the most cost-effective presentation of the relevant information for consideration by the Commission and interested parties.

29. Should the Commission issue an Order in which the final portfolio plan template differs from the presentation of information as set forth in the Proposed Plans, the Companies

---

[11] *In the Matter of the Application of [Companies] for approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs*, Case No. 09-1280-EL-ATA.
[12] *Nominal costs associated with recovery of peak demand credits are recovered through Rider DSE.*
[13] *In the Matter of the Adoption of a Portfolio Plan Template for Electric Utility Energy Efficiency and Peak-Demand Reduction Programs,* Case No. 09-714-EL-UNC.

request a waiver of any informational requirements that are inconsistent with the presentation of such information at set forth in the Proposed Plans.

30. In its June 17, 2009 Entry on Rehearing in Case No. 08-888-EL-ORD[14], the Commission directed that savings generated from the programs included in an EDU's EE&PDR plan should be based on a pro rated, rather than annualized, accounting methodology. The Companies Proposed Plans are designed based on the use of the pro rata accounting methodology. However, as more fully explained by Company Witness Fitzpatrick (Company Exhibit 3), the use of a pro rated accounting methodology increases costs to customers and is inconsistent with both the vast majority of states that have similar EE & PDR mandates and the Commission's ruling in AEP Ohio's portfolio plan case.[15] In light of this, the Companies respectfully ask the Commission to waive its requirement that savings resulting from the Proposed Plans be based on a pro rata accounting methodology in favor of using an annualized savings methodology.

Cost Recovery

31. As provided for by R.C. § 4928.66, the Companies are authorized to recover the costs of their Proposed Plans. The structure and function of the Companies' cost-recovery mechanism – the Demand Side Management and Energy Efficiency Riders ("Riders DSE") – has, in fact, already been approved by the Commission in the ESP-1 Case, Case No. 08-935-EL-SSO. The Companies are not seeking to modify their Riders DSE in this proceeding. However, consistent with the provisions set forth therein, the revenues received through the PJM capacity auctions and any shared savings resulting from the incentive mechanism included in the

---

[14] *In the Matter of the Adoption of Rules for Alternative and Renewable Energy Technology, Resources, and Climate Regulations, and Review of Chapters 4901:5-1,4901:5-3,4901:5-5, and 4901:5-7 of the Ohio Administrative Code, Pursuant to Amended Substitute Senate Bill No. 221*, Case No. 08-888-EL-ORD, Entry on Rehearing at 9 (June 17, 2009).

[15] *In the Matter of the Application and Request for Expedited Consideration of American Electric Power Company, Inc.* Case Nos. 11-5568-EL-POR; 11-5569-EL-POR, Opinion and Order (March 21, 2012)

Proposed Plans will flow through these riders. Company Witness Dargie (Company Exhibit 1) discusses the Companies' bidding strategy surrounding the PJM auctions and Company Witness Demiray (Company Exhibit 5) discusses the shared savings incentive mechanism included in the Proposed Plans.

Schedule for Commission Review

32. The Companies have established a procedural schedule that will have the evidentiary hearing completed prior to November 1, 2012. This was necessary due to several factors. First, Company counsel has a conflict due to two other cases in which she is involved starting November, 2012. Second, Company Witness Demiray is unavailable the first two weeks in November. Finally it is the Companies' desire to provide the Commission with sufficient time to issue its opinion and order in this proceeding so as to avoid any potential delay in implementing the Proposed Plans on January 1, 2013. In light of the foregoing, the Companies hereby propose the procedural schedule set forth below for the review of the Application and request a waiver of any Commission rule which would result in a contrary and lengthier procedural schedule.

Companies File Proposed Plans	July 31, 2012
Company-Sponsored Technical Conference	Week of August 20, 2012 (TBD)
Objections and Motions to Intervene Due	September 17, 2012
Intervenor Testimony Due	October 5, 2012
Evidentiary Hearings	Week of October 22, 2012
Briefs and Reply Briefs Due	As agreed at close of hearing
Commission Order Issued	No later than December 12, 2012

33. Although the Commission's Rules propose a 60-day timeframe for comments on program portfolio plans, the Rules properly recognize that the Commission has the authority to

modify that timeframe. *See* Rule 4901:1-30-04(D), Ohio Administrative Code. A modification is justified here for several reasons. First, and most importantly, the Companies' Proposed Plans assume a launch program date of January 1, 2013, and accordingly, the proposed schedule is critical to their ability to comply with the statutory benchmarks for 2013. Second, a 60-day review and comment period is unnecessary based on interested parties' participation in the development of the Proposed Plans through the Collaborative. The Companies started sharing information concerning the Proposed Plans in September 2011, and continued with plan development updates at each of the Collaborative Group meetings through July 2012. Third, as demonstrated in this Application, the Companies' Proposed Plans do not differ that greatly from the Existing Plans. And, fourth, the Companies will be holding a technical conference shortly after filing in which parties' questions will be answered by the Companies. As such, the Companies request that the Commission shorten the comment period consistent with the above schedule. The Companies also ask the Commission to issue its order no later than mid-December so as to afford the Companies the opportunity to finalize contracts with potential vendors and otherwise seamlessly transition from the Existing Plans to Proposed Plans without interruption.

34. The Companies are amenable to an alternative schedule proposed by the Commission, provided that the evidentiary hearing can be completed prior to November 1, 2012, due to reasons already discussed.

Conclusion

35. Based upon this Application and the supporting materials and testimony filed herewith, the Companies respectfully ask that the Commission approve this Application and issue an Opinion and Order no later than December 12, 2012 that: (i) approves the Companies' Proposed Plans, finding them to be just, reasonable, and consistent with statutory requirements

and Commission directives; (ii) approves the requested waiver regarding customer classifications and presentation of information to the extent such information is presented in a format inconsistent with that which may be required upon approval of a final reporting template; (iii) approves the requested waiver of the use of the pro rata savings methodology in favor of an annualized approach; and (iv) authorizes the Companies to recover all costs identified in the Proposed Plans through their respective Riders DSE, finding all such costs to be just and reasonable.

Respectfully submitted,

/s/ *Kathy J. Kolich*

Kathy J. Kolich (0038855)
Counsel of Record
Carrie M. Dunn (0076952)
FIRSTENERGY SERVICE COMPANY
76 South Main Street
Akron, OH 44308
(330) 384-4580
(330) 384-3875 (fax)
kjkolich@firstenergycorp.com
cdunn@firstenergycorp.com

ATTORNEYS FOR APPLICANTS, OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, AND THE TOLEDO EDISON COMPANY