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Via E-File

September 17, 2012

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case No. 12-2190-EL-POR, 12-2191-EL-POR and 12-2192-EL-POR

Dear Sir/Madam:

Please find attached the OBJECTIONS OF OHIO ENERGY GROUP for filing in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
Jody M. Kyler, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Encl.
Cc: Certificate of Service

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Review of 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**

OBJECTIONS OF THE OHIO ENERGY GROUP

Pursuant to Ohio Adm. Code 4901:1-39-04(D), The Ohio Energy Group ("OEG") submits its Objections to Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company's (collectively, "FirstEnergy") Application in this proceeding. OEG's objections are listed below. OEG reserves the right to supplement its objections in response to later case developments.

I. FirstEnergy's Request For The Commission's Approval Of A Shared Savings Incentive Mechanism Should Be Rejected.

In its Application, FirstEnergy requests that the Public Utilities Commission of Ohio ("Commission") approve a shared savings incentive mechanism.[1] But allowing FirstEnergy to recover an incentive for its energy efficiency and peak demand reduction ("EE/PDR") efforts is unreasonable for multiple reasons:

- FirstEnergy has a statutory mandate to meet the EE/PDR benchmarks established by R.C. 4928.66. This statutory mandate provides sufficient incentive for FirstEnergy to engage in EE/PDR efforts. There is no basis in this proceeding to permit FirstEnergy to charge customers the additional costs of incentive payments to stockholders for implementing EE/PDR measures. Given that FirstEnergy can fully recover the costs associated with its

[1] *See* Direct Testimony of Eren G. Demiray on behalf of FirstEnergy (July 31, 2012) ("Demiray Testimony").

EE/PDR programs pursuant to Ohio law, providing for the additional recovery of an incentive payment is unreasonable.

- FirstEnergy has divested all of its generation assets. Once a utility has divested all of its generation assets, customers no longer receive a critical benefit of implementing energy efficiency measures - delaying the construction, and the substantial costs associated with the construction of a new power plant. There is little to no additional benefit of utility-sponsored energy efficiency programs for customers, particularly large industrial customers who already carefully manage their energy consumption and implement their own self-funded energy efficiency measures. Any benefits of reduced market energy prices resulting from energy efficiency are generic benefits spread throughout the PJM system and do not provide targeted savings solely to FirstEnergy's customers. The same could be said for any reliability or environmental benefits of energy efficiency. And because FirstEnergy has divested its generation assets, there are no lost shareholder returns that are foregone by investing in energy conservation rather than supply-side alternatives. Requiring customers to pay an incentive for utilities to exceed EE/PDR benchmarks is not justified in a deregulated environment in which the market determines supply and prices.

- Unlike the shared savings incentive mechanism approved for Ohio Power Company, FirstEnergy's proposed shared savings mechanism does not include a cap on the amount of incentive money that FirstEnergy can receive.[2] A cap on an EE/PDR incentive mechanism is necessary to provide rate stability and protection for FirstEnergy's customers.

For these reasons, FirstEnergy's request for the Commission's approval of a shared savings incentive mechanism should be rejected.

II. FirstEnergy's Application Does Not Provide Sufficient Price Protections For Large Industrial Customers.

To protect large industrial customers from being allocated a disproportionate share of the costs associated with FirstEnergy's proposed EE/PDR plans, the Commission should establish greater price protections for those customers before approving FirstEnergy's Application. Large industrial customers in Ohio taking service under the General Service – Transmission rate schedule ("GT customers") must compete both nationally and internationally with companies outside of the state that are not required to pay the high energy costs associated with EE/PDR benchmarks. R.C. 4928.02(N) provides that it is state policy to facilitate Ohio's effectiveness in the global economy. Accordingly, in order to maintain

[2] Demiray Testimony at 12:3-15.

Ohio's effectiveness in the global economy, the Commission should establish protections to ensure that, though large industrial customers may be charged for EE/PDR costs from which they benefit, such customers will not be allocated a disproportionate share of those costs.

OEG recognizes that Ohio law provides a "self-direct" option under which such industrial customers could be exempt from utility energy efficiency/peak demand reduction costs. But this option is more administratively burdensome than necessary and is difficult to sustain on a year-in, year-out basis. Consequently, the Commission should implement additional measures to protect large industrial customers who may not be able to take advantage of the self-direct option from paying a disproportionate share of FirstEnergy EE/PDR costs.

One significant protection that the Commission should implement is to set a cap on the total amount of FirstEnergy's EE/PDR costs for which GT customers can be charged. In concert with this EE/PDR cost cap, the Commission should likewise cap the amount of EE/PDR funds that GT customers can receive from FirstEnergy for their own EE/PDR efforts. Establishing an EE/PDR cost cap and an associated EE/PDR funding cap for GT customers is a fair way to ensure that such customers only pay for EE/PDR costs from which they may benefit while also providing rate stability and predictability for large industrial customers.

Respectfully submitted,

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September 17, 2012

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CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 17th day of September, 2012 to the following:

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*Indicates that filer has agreed to be automatically served via electronic mail.