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 Portfolio Plans for 2013 through 2015	**)**	**Case Nos. 12-2190-EL-POR** **12-2191-EL-POR** **12-2192-EL-POR**

OBJECTIONS
BY
ADVANCED ENERGY ECONOMY OHIO

I. Introduction

On July 31st, 2012 the FirstEnergy Companies ("FirstEnergy" or "the Companies") filed nearly identical Energy Efficiency and Peak Demand Reduction Portfolio Plans ("EE/PDR Plans.") Ohio Administrative Code "OAC" section 4901:1-39-04 (D) states that "any person filing objections shall specify the basis for all objections, including any proposed additional or alternative programs, or modifications to the (EDU's) portfolio." Accordingly, Advanced Energy Economy Ohio (AEEO) respectfully submits for the Commission's consideration specific objections and proposed modifications to FirstEnergy's EE/PDR Plans.

II. Objection and Proposed Modifications to the Portfolio Management and Implementation Strategies.

The Companies, as detailed in the *2011 Evaluation of EnergySaveOhio Commercial and Industrial Energy Efficiency Incentive Programs* report prepared by ADM Associates and filed in 12-

1533-EL-EEC have suffered from a number of issues in regards to implementation of programs. While some dissatisfaction of users of the programs stemmed from a change in the incentive levels offered, additional dissatisfaction arose from poor communication, inefficient application process, and extended length of time for payment of incentives between the FirstEnergy's representatives and program participants.[1]

We recommend the Commission review the proposed programs mentioned in the evaluation, and modify processes to streamline and reduce the time from application to receipt of rebate funding, improve communications between the Companies and applicants to programs, and improve process transparency.

III. Other Programs

First Energy proposes approval of "other programs" and recovery of other program costs in this proceeding while such programs are the subject of other proceedings. More information is needed to analyze the impact and character of these other programs on the nature of the overall EE/PDR plan.

FirstEnergy's EE/PDR plan outlines four "other programs," three of which are dealt with in separate dockets. That noted, some of the budgets and recovery from customers for the costs of these programs will be approved and resolved in this POR case. Accordingly, the companies need to provide more complete and more detailed information about these programs. This is especially true considering the high levels of spending on other programs the companies have committed to in the plan, and the percentage of the EE/PDR compliance that the companies can expect to achieve through these programs. More detailed budgets, as well as a clear explanation of the cost effectiveness of the programs are needed.

---

[1] ADM Associates, Appendix G, *2011 Evaluation of EnergySaveOhio Commercial and Industrial Energy Efficiency Incentive Programs*, Case No. 12-1533-EL-EEC, et al. at Summary and Conclusions p. 1-4.

A. Objection and Proposed Modifications to the Audit – Small with-in the Energy Efficient Buildings Program.

"The Audit – Small measure with-in the Energy Efficient Buildings Program-Small is intended to encourage customers to acquire a detailed third party energy efficiency audit for their building and/or process systems."[2] The program provides audit incentives of up to $4000.[3] This is a consolidation of previous programs which have not proven to be successful for the Companies. The Companies have previously required an ASHRAE Level II audit to be completed in order to qualify for the rebate. In comparison, AEP and DP& L offer rebates for ASHRAE Level I audits.

We recommend that the Audit Program be modified to bring the amount of rebate on offer in line with the cost of an energy audit, either through an increase in the amount of rebate offered or a broadening of the program to include additional levels of audits.

B. Objection and Proposed Modifications to the Mercantile Customer Program:

The Mercantile Customer Program offers customers two options for the commitment of energy efficiency resources to the companies; a cash rebate or DSE2 Rider exemption.[4] The Ohio Edison Company filing is consistent with the filings of the other FirstEnergy subsidiaries. For Ohio Edison, the overall 2013 budget for the program is $595,152.00; none of these funds will be spent on incentives – 100% is allocated toward program overhead.[5] In 2014 and 2015 the

---

[2] *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 for 2013 through 2015*, Case No 12-2190-EL-POR et al., Ohio Edison Company Energy Efficiency & Peak Demand Reduction Portfolio, at p. 42.
[3] Id.
[4] Id. Attachment A at P. 60.
[5] Id. Attachment A, Appendix B-1.

companies plan to spend $500,998.00 and $414,962.00 respectively; again with all dollars allocated to program overhead, not to incentives.[6]

Overall, this represents spending for Ohio Edison of more than $1.5 million, with 100% of funds to be allocated to program overhead. Funds for the operation of this program will be collected through the DSE2 Rider. Generally, other than behavior-focused residential consumer programs overhead and operations expense is only part of a successful program's budget. Incentives usually make up the majority of a program budget. For instance, Ohio Edison's total 2013 portfolio budget is $35,106,964.00; of these funds the vast majority - $22,338,059.00 will be spent on incentives.[7]

The Mercantile Customer Program utilizes third party administrators to build customer support for commitment of existing savings into the companies program. One important issue not addressed by the current design on the program is the encouragement ongoing, continued energy efficiency investment. We recommend that the budget for the program be adjusted, and that funds for ongoing commitments to new and future energy efficiency investments be worked into the program. Right now, the companies have proposed commendable investments in new large mercantile programs which include real incentives; for Ohio Edison alone in 2013 the amount budgeted towards these programs includes $5,864,043.00 on a variety of tried and true industrial energy efficiency programs.

We recommend that the Mercantile Customer Program be altered significantly; to include mechanisms to encourage mercantile customers to make ongoing investments in energy efficiency, not just a commitment of historic resources to the companies. To accomplish this, we recommend an amendment to the program that specifically encourages customers receiving an

---

[6] Id. Attachment A, Appendix B-2, B-3.
[7] Id. Attachment A, Appendix B-1.

exemption from Rider DSE2 or the proposed cash incentive to reinvest that incentive or the amount equal to the exemption into new energy efficiency projects. This could be accomplished by building an incentive budget into the program, and allowing third party administrators to design customer focused incentive programs for long term investment that can be coupled with exemptions or cash payments applications on a sector by sector basis.

C. Objection and Proposed Modifications to the Conservation Voltage Study:

In the Ohio Edison Plan, and reflected as well in the other subsidiaries plans, the Companies Conservation Voltage Reduction study will cost $250,000.00, to review "the possible energy efficiency impacts of a Conservation Voltage Reduction project on their systems by carefully analyzing their distribution circuits to identify operational changes that have the potential to achieve additional energy savings and demand reductions."[8] According to the company's program summary, this study – though part of the overall energy efficiency program budget, will produce no immediate savings. AEEO recognizes that the study may lead to future savings; however if the companies wish to achieve Commission approval of costs for the study in this proceeding, it needs to specifically enumerate the ways in which the study, if successful, will lead to savings.

Accordingly, we recommend that the company alter its filing to provide specific plans for how the study will be utilized to create future savings for customers, and how those savings will meet Ohio's statutorily mandated cost tests. Without this specific information, and planning, the Commission would not be justified in approving these costs to customers.

[8] Id. Attachment A, at p. 64.

D. Objection and Proposed Modifications to the T&D Improvements Program:

The T&D improvements program, outlined in the Ohio Edison and the other subsidiaries plans, would contain a variety of transmission and distribution upgrade projects that the company would count toward energy efficiency target compliance.[9] The program focuses on the reduction of line losses and improved system operation efficiency. That noted, the budget for the program for 2013-2015 is zero, while the range of proposed program actions is extensive, and would require significant investment on the part of the companies. This creates several questions that the company should answer as part of the current plan under review; first – how will the companies determine, pay for and recover the costs associated with these improvements? What are these costs? What are the investments to be made in the course of the plan? How much savings will individual projects produce for the companies?

Accordingly, we recommend that the company file a detailed list of planned transmission and distribution energy efficiency improvements as an amendment to its EE/PDR plan, along with clear budgets and time tables for projects, as well as anticipated savings on a project by project basis. Without this information the Commission will have no basis on which to approve the T&D Improvements Program as part of the overall plan.

IV. Objection and Proposed Modifications to the EE/PDR Plans for Extra Revenue for Energy Efficiency through PJM:

In a series of recent cases, including a Commission instigated docket, the Commission has urged utilities to ensure that as much energy efficiency as can feasibly be bid into the annual PJM base residual auction ("PJM BRA"). In particular, the Commission pushed for the company to ensure ownership of as much energy efficiency resources as possible through the most recent

[9] Id. Attachment A, at p. 62.

FirstEnergy ESP case order.[10] FirstEnergy has responded by laying out a plan for bidding in these resources in its EE/PDR plan filing.

The PJM BRA is important because of two factors recognized by the Commission; first bidding in low-cost energy efficiency resources in to the BRA has a clear and tangible downward pressure on wholesale energy prices, which is beneficial to customers. Second, revenues that accrue to utilities as a result of bidding into the BRA are put back into energy efficiency programming. This either increases the amount of energy efficiency a utility is able to accomplish in a given plan period, or in the alternative the funds can be utilized to buy down the cost of energy efficiency to utility customers through a reduction in the energy efficiency rider collected by the utility.

FirstEnergy was ordered in its most recent ESP case to ensure that it bids in this resource in the next and subsequent PJM base residual auctions.[11] FirstEnergy's approach to this new requirement imposed by the Commission is discussed in the EE/PDR plan in the testimony of John C. Dargie. Dargie makes clear FirstEnergy's intention to bid all the energy efficiency attributes it has ownership of at the time of coming PJM auctions; recognizing that these credits need to be of scale and meet PJM measurement and verification standards.[12] Dargie notes that requiring ownership to be transferred as a condition of program participation could result in a "chilling effect" regarding the ownership issue on potential participation by mercantile customers.[13]

---

[10] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish A Standard Service Offer*, Case No 12-1230-EL-SSO et al., Entry at 38, July 18th, 2012).
[11] Id.
[12] *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 for 2013 through 2015*, Case No 12-2190-EL-POR et al., Testimony of John C. Dargie at p.15.
[13] Id p. 17-18.

AEEO agrees that requiring a transfer of ownership from large customers with the sophistication and intention to individually participate in the PJM BRA could chill participation. AEEO does not agree that the Companies "take" ownership of all energy efficiency, and propose that opt-in and opt-out mechanisms would serve better, depending upon customer class. Accordingly, we recommend the following modification to the FirstEnergy EE/PDR plan.

Commercial and industrial customers should have the ability to retain ownership of energy efficiency attributes if they intend to individually bid those resources into the PJM BRA. AEEO recommends that program designs give those C/I customers with the opportunity to opt-in to the FirstEnergy and express a desire to elect to join the FirstEnergy overall bid while retaining ownership of energy efficiency attributes. With the exclusion of a reasonable, no greater than 20%, administrative fee, the benefits of the EE bidding into the PJB BRA should flow back to the meter proportionally.

Residential customers should be given the opportunity to opt-out of First Energy ownership of the energy efficiency and participation in the First Energy overall bid to the PJM BRA.

In this way FirstEnergy may still move forward with the bidding in of energy efficiency from customers that do not have an interest in bidding in those resources individually, and customers that have the intention to do so can retain that ability.

V. Objection and Proposed Addition of CHP Encouragement Program:

Ohio law encourages the development of combined heat and power ("CHP"). Ohio Revised Code 4928.02 encourages appropriate incentives to technologies that "can adapt successfully to potential environmental mandates."[14] These cases are an excellent opportunity to provide such an incentive for CHP projects. Recently passed Senate Bill 315 created code changes that qualify CHP, as well as waste energy recovery ("WER"), as energy efficiency resources. Little mention of the development of CHP and WER is made in the EE/PDR plan. CHP receives a passing mention in the summaries of commercial and industrial efficient equipment programs.[15] There is no clear discussion in the plan, or in any proposed program, that adequately integrates new CHP and WER opportunities in FirstEnergy's service territory.

Accordingly, AEEO recommends a specific additional program to the plan; beginning with a stakeholder – i.e. collaborative led effort to design a CHP and WER program that provides effective, appropriate and adequate incentives to attract investment. AEEO has members that are experienced developers of CHP and WER projects, and would be a constructive stakeholder in such a process, committed to the creation of a reasonable and workable program.

VI. Conclusion

For the foregoing reasons, AEEO respectfully request that their objections and recommendations be adopted in this proceeding.

Respectfully submitted,

_/s/ Todd M. Williams_____________________
Todd M. Williams, Counsel of Record (0083647)
Williams Allwein and Moser, LLC
Two Maritime Plaza, Third Floor
Toledo, Ohio 43604
Telephone: (567) 225-3330
E-mail: toddm@wamenergylaw.com

[14] R.C. 4928.02: It is the policy of this state to do the following throughout the state […] (J) Provide coherent, transparent means of giving appropriate incentives to technologies that can adapt successfully to potential environmental mandates."

[15] *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 for 2013 through 2015*, Case No 12-2190-EL-POR et al., Ohio Edison Company Energy Efficiency & Peak Demand Reduction Portfolio Attachment A at p. 38,47,48.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Objections has been filed with the Public Utilities Commission of Ohio and has been served upon the following parties via electronic mail on September 17, 2012.

/s/ Todd M. Williams
Todd M. Williams

Devin Parram
Attorney General's Office
Public Utilities Commission of Ohio
180 East Broad St., 6th Fl.
Columbus, OH 43215
Devin.parram@puc.state.oh.us

Jody M. Kyler
David F. Boehm
Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
jkyler@bkllawfirm.com
dboehm@bkllawfirm.com
mkurtz@bkllawfirm.com
Attorneys for Ohio Energy Group

Christopher J. Allwein
Williams Allwein & Moser, LLC
1373 Grandview Ave., Suite 212
Columbus, OH 43212
callwein@wamenergylaw.com
Attorney for the Sierra Club

Cathryn N. Loucas
Trent Dougherty
The Ohio Environmental Council
1207 Grandview Avenue, Suite 201
Columbus, OH 43212-3449
Cathy@theOEC.org
Trent@theOEC.org
Attorneys for the Ohio Environmental Council

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, OH 45839-1793
cmooney2@columbus.rr.com

Robert Kelter
Justin M. Vickers
Environmental Law & Policy Center
35 East Wacker Drive, Suite 1600
Chicago, IL 60601
jvickers@elpc.org
rkelter@elpc.org
Attorneys for the Environmental Law &Policy Center

Kathy J. Kolich
Carrie M. Dunn
FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
kjkolich@firstenergycorp.com
cdunn@firstenergycorp.com
Attorneys for FirstEnergy Service Company

Kyle L. Kern
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43216
kern@occ.state.oh.us

Thomas J. O'Brien
Bricker & Eckler LLP
100 South Third Street
Columbus, Ohio 43215
tobrien@bricker.com
Attorney for Ohio Hospital Association

Samuel C. Randazzo
Frank P. Darr
Joseph E. Oliker
Matthew R. Pritchard
McNEES WALLACE & NURICK LLC
21 East State Street, 17TH Floor
Columbus, OH 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com
Attorneys for Industrial Energy Users-Ohio

Richard L. Sites
General Counsel & Senior Director of Healthy Policy
Ohio Hospital Association
155 East Broad Street, 15th Floor
Columbus, Ohio 43215
ricks@ohanet.org

Gregory Price
Mandy Willey
Attorney Examiners
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215
gregory.price@puc.state.oh.us
mandy.willey@puc.state.oh.us
Attorney Examiners

J. Thomas Siwo
Thomas J. O'Brien
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
Telephone: (614) 227-2389
tsiwo@bricker.com
tobrien@bricker.com
Attorneys for OMA Energy Group

Nicholas McDaniel
Environmental Law & Policy Center
35 East Wacker Drive, Suite 1600
Chicago, IL 60601
NMcDaniel@elpc.org

Michael K. Lavanga
Brickfield, Burchette, Ritts &
Stone, P.C.
1025 Thomas Jefferson Street,
N.W.
8th Floor, West Tower
Washington, D.C. 20007
mkl@bbrslaw.com
Attorney for Nucor Steel Marion,
Inc.