

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the Application of)	
Ohio Edison Company, The Cleveland Electric)	
Illuminating Company and The Toledo Edison)	Case No. 12-2190-EL-POR
Company for Approval of Their Energy Efficiency)	Case No. 12-2191-EL-POR
and Peak Demand Reduction Program Portfolio)	Case No. 12-2192-EL-POR
Plans for 2013through 2015.)	

DIRECT TESTIMONY OF

MARTY LANNING

**ON BEHALF OF
THE OHIO HOSPITAL ASSOCIATION**

October 5, 2012

**DIRECT TESTIMONY
MARTY LANNING
OHIO HOSPITAL ASSOCIATION
CASE NO. 12-2190-EL-UNC, 12-2191-EL-UNC AND 12-2192-EL-UNC**

BACKGROUND AND EXPERIENCE

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Marty Lanning. I am employed at Energent Solutions LLC as an energy consultant. My business address is 515 E. Main Street, Columbus, Ohio 43215.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have over 11 years of consulting experience in the energy, insurance and automotive industries. For the last 7 years, my focus has been on sustainability and energy efficiency. My firm began working with the Ohio Hospital Association on designing and implementing energy efficiency education, outreach and analysis programs in December 2009. In 2012, OHA's Energy Program received the Innovation Award from the Midwest Energy Efficiency Alliance (MEEA). I hold a BSBA in Finance specialty from The Ohio State University.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN REGULATORY PROCEEDINGS?

A. No, I have not.

PURPOSE OF DIRECT TESTIMONY

Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of the Ohio Hospital Association ("OHA" or "Hospitals").

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 **A.** I am testifying in support of the Objections filed in this proceeding on September 17,
3 2012 by the OHA. The OHA has identified four areas of concern with respect to the plans
4 submitted by the three FirstEnergy companies in this case. My testimony further explains
5 these areas of concern and I offer suggestions for improving the efficacy of the plans, as
6 filed.

7 **DIRECT TESTIMONY**

8 **Q. WHAT ARE THE AREAS OF CONCERN ARE YOU RAISING IN YOUR**
9 **TESTIMONY?**

10 **A.** There are four basic issues as contained in the OHA's Objections; those issues are as
11 follows:
12

13 Issue 1- The cumbersome, often slow and changing administrative processes
14 imposed by FirstEnergy on program participants negatively impacts the value of
15 the programs.

16 Issue 2- FirstEnergy program mix fails to provide for an ENERGY STAR
17 Portfolio Manager benchmarking program within the suite of small and large C&I
18 programs.

19 Issue 3- the audit program as currently constituted by FirstEnergy is inadequate.

20 Issue 4- C&I program incentives are too low.

21 I further discuss and explain each of these issues below.

22 **ISSUE 1: FIRSTENERGY'S INADEQUATE TREATMENT OF THE PROBLEMS**
23 **THAT HAVE BEEN CAUSED BY THE CUMBERSOME, OFTEN SLOW**
24 **AND EVER CHANGING ADMINISTRATIVE PROCESSES IMPOSED BY**
25 **FIRSTENERGY ON PROGRAM PARTICIPANTS**

1 **Q. WHY IS THIS A SIGNIFICANT ISSUE?**

2 **A.** This is a significant issue because the cost of participation in terms of time and money is
3 perhaps the second most formidable barrier to participation behind the simple lack of
4 information on the part of potential participants. The amount of time and effort required
5 to participate directly affect the cost of participation. Over the past several months,
6 FirstEnergy has changed program rules, benefits and administrative requirements. These
7 changes cause delay and require additional effort on the part of program participants.
8 The net effect has been to *reduce* the value of program participation.

9 The changes that appear to have caused the most significant problems taken two forms:
10 The first is changes to the program forms with little or no advanced notice. The second is
11 that the processing time for applications can be so long that projects are completed while
12 the application is pending. Then the project application must be re-submitted as a
13 Mercantile project (at a 25% discount in the rebate amount), or else the form has changed
14 in the meantime and has to be re-filed on a revised version of a form.

15 **Q. CAN YOU PROVIDE AN EXAMPLE OF WHEN A PROJECT APPLICATION**
16 **HAD TO BE RE-SUBMITTED AS A MERCANTILE PROJECT**
17

18 **A.** St. Vincent Mercy sent in a prescriptive application on May 24, 2012. By the time the
19 project was complete in mid-August, there had been no response on the application from
20 FirstEnergy. The project application had to be resubmitted as a Mercantile application on
21 August 24, 2012.

22 Another example, in April and May, 2011, the Cleveland Clinic submitted several
23 Mercantile applications that were not acted on by FirstEnergy until late in 2011. By the
24 time the applications were processed by FirstEnergy, the forms had changed and new

1 forms were required to be submitted. These new forms did not exist at the time of the
2 original applications and the addition of further calculators slowed the entire process.

3 **Q. WHAT EFFECT DOES THIS HAVE ON OHA MEMBERS?**

4 **A.** Customers participating in these programs expect the benefits as promised when they
5 make the decision to participate in the first instance. The constant shifting of
6 requirements and expectations only serves to dampen customer acceptance of the entire
7 program and provides a clear dis-incentive to participate in the future.

8 **Q. WHAT DO YOU RECOMMEND TO ADDRESS THIS ISSUE?**

9 **A.** I recommend that FirstEnergy be required to demonstrate how the program portfolio now
10 under consideration will address these administrative problems, minimizing the time and
11 effort, and ultimately, the cost, of customer participation.

12 **ISSUE 2: FIRSTENERGY FAILED TO PROVIDE FOR AN ENERGY STAR**
13 **PORTFOLIO MANAGER BENCHMARKING PROGRAM WITHIN THE**
14 **SUITE OF SMALL AND LARGE C&I PROGRAMS.**

15 **Q. WHAT IS THE ENERGY STAR PORTFOLIO MANAGER BENCHING**
16 **MARKING PROGRAM?**

17 **A.** ENERGY STAR Portfolio Manager benchmarking is a very simple and efficient means
18 of alerting consumers to the fact that their energy consumption may be out of line with
19 other consumers of like size and industry. In other words, it is an effective tool for
20 informing customers that they may not be consuming energy wisely and should therefore
21 seek out the benefits of the EE/PDR program offered by FirstEnergy. By taking twelve
22 months energy consumption data, along with easily obtainable and well-defined
23 demographic data, the tool provides a “score” that is comparable to similar facilities.
24 Portfolio manager provides a first-look view into energy efficiency of a facility in a very
25

1 cost effective manner. It doesn't get into the detail of recommending specific capital
2 improvements, but it can diagnose the overall "health" of a facility's energy management
3 compared to itself over time and to similar facilities. The ENERGY STAR Portfolio
4 Manager tool has been utilized in EE/PDR programs in EE/PDR programs in Ohio and
5 throughout the country.

6 **Q. WHAT IS RECOMMENDATION FOR THIS ISSUE?**

7 **A.** I recommend that FirstEnergy include funding for an ENERGY STAR Portfolio Manager
8 benchmarking program that includes collaboration with natural gas utilities serving
9 FirstEnergy customers, and educational programming by customer segment to allow for
10 analysis and sharing of energy management best practices.

11 **ISSUE 3: THE AUDIT PROGRAM AS CURRENTLY CONSTITUTED BY**
12 **FIRSTENERGY IS INADEQUATE.**
13

14 **Q. HOW IS FIRSTENERGY'S AUDIT PROGRAM INADEQUATED?**

15 **A.** FirstEnergy has had this program available since May 1, 2012, and as discussed in the
16 technical conference on September 6, 2012, the program has not yielded any applications
17 to date. This is strong evidence that the current audit program is inadequate.

18 **Q. WHAT CAN FIRSTENERGY DO TO IMPROVE ITS AUDIT PROGRAM?**

19 **A.** FirstEnergy should increase the funding for audits to up to 50 percent of the cost of the
20 study, with different caps set by customer segment, and provide for customer-specific
21 flexibility as to the type of audit—either American Society of Heating, Refrigerating and
22 Air Conditioning Engineers (ASHRAE) Level I or ASHRAE Level II, depending on the
23 particular circumstances of the customers.

24 The OHA supports an audit program structure that requires the customer to have a
25 substantial economic incentive to follow-through on the audit results. OHA members do

1 not want program costs to include audits that “collect dust on the shelf.” However, as
2 \$4,000 is an inadequate amount to properly incent the conduct of an audit of any kind, the
3 OHA would recommend an arrangement whereby the out-of-pocket costs of an audit be
4 paid by the customer, with a reimbursement coming from a portion of the savings
5 generated from the implementation of audit recommendations. There are a number of
6 variations on this arrangement that may be possible, but they have the common benefit of
7 reducing the reluctance on the part of customers to undertake the considerable initial
8 expenditure of time and money necessary for quality audits that identify and prioritize
9 opportunities in all sources and uses of energy consumption for optimization. These
10 audits provide the market for future energy rebate applications.

11 **ISSUE 4: C&I INCENTIVES ARE TOO LOW.**

12 **Q. IN YOUR OPINION WHY ARE FIRSTENERGY’S C&I INCENTIVES TOO**
13 **LOW?**

14 **A.** FirstEnergy has provided the TRC for each of its portfolio programs. While most of the
15 programs, are, as expected, clustered somewhere between just below 1 to as high as just
16 over 4, the Large C&I Demand Reduction Program TRC ranges from 355 for the Toledo
17 Edison Company (“TE”) to 821 for Ohio Edison Company (“OE”) and the Mercantile
18 Customer Program ranges from 16.2 for Cleveland Electric Illuminating Company
19 (“CEI”) to 29 for OE. These outlier TRC numbers indicate that the incentives provided
20 by FirstEnergy for these programs are inadequate. While it is difficult to perform a clear
21 “apples to apples” comparisons across programs from EDU to EDU, it does appear that
22 FirstEnergy’s expenditures on its lighting program, for example, does not compare

1 favorably to the prescriptive programs of either AEP-Ohio or Dayton Power & Light
2 Company.

3 **Q. WHAT IS THE EFFECT OF THE UNDER-UTILIZATION OF PROVEN, COST-**
4 **EFFECTIVE PROGRAMS?**

5 **A.** The under-utilization of prove, cost-effective programs will likely lead to overall higher
6 program costs.

7 **Q. WHAT DO YOU RECOMMEND?**

8 **A.** I recommend that FirstEnergy re-examine its expenditure allocations in order to improve
9 participation rates in high-TRC programs.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served upon the following parties of record by e-mail and/or regular U.S. mail, this 5th day of October 2012.



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Summary: Testimony of Marty Lanning electronically filed by Teresa Orahood on behalf of Ohio Hospital Association