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 Company for Approval of Their Energy Efficiency and Peak Demand Reduction Program Portfolio Plans for 2013 through 2015.	))))))	Case No. 12-2190-EL-POR Case No. 12-2191-EL-POR Case No. 12-2192-EL-POR

INITIAL BRIEF OF THE OHIO HOSPITAL ASSOCIATION

I. INTRODUCTION

On July 31, 2012, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively "FirstEnergy") filed an application for approval of its energy efficiency and peak demand reduction program portfolio for 2013 through 2015, including its initial benchmark report. Pursuant to the schedule established by the Attorney Examiners assigned to this case, evidentiary hearings were held between October 22 and October 30, 2012, during which the testimony of approximately 15 witnesses was entered into the record. The Ohio Hospital Association ("OHA") now respectfully submits its initial brief on the above referenced cases for the Commission's consideration.

The OHA is a private, nonprofit trade association with 167 hospitals and 19 healthcare system members that have more than 700 electricity accounts statewide. Collectively, OHA members annually spend in excess of $150 million for electric services. A significant amount of that expenditure is for electric service provided by the Companies to the approximately 60 OHA member hospitals in FirstEnergy's service areas.

The OHA is an active advocate on behalf of its member hospitals in the respective EE/PDR programs of AEP-Ohio, Dayton Power & Light Company ("DP&L") and the

FirstEnergy companies. The OHA's efforts in bringing the benefits of EDU EE/PDR programs to its members have been recognized by Midwest Energy Efficiency Alliance when it awarded the OHA the 2012 Inspiring Energy Efficiency Innovation Award. This award was given in response to the OHA's program of educational outreach, energy audits, and benchmarking with ENERGY STAR's Portfolio Manager tool that lowers the informational and transactional barriers that otherwise prevent participation in EDU EE/PDR programs.

OHA member hospitals encompass energy-consuming facilities ranging from large to small in each EDU's territory. As a result of its participation on behalf of these diverse members, the OHA understands the differing efficiency "opportunity" that may be most readily available to a particular type of healthcare facility. The OHA has a practical insight into the effectiveness of the programs that heretofore have been offered by the EDUs, along with the difficulties faced by its member facilities in taking advantage of the programs as offered.

II. APPLICABLE LAW

Ohio Revised Code Section ("R.C.") 4928.66 requires electric distribution utilities ("EDUs") to implement peak demand reduction programs designed to achieve a one percent reduction in peak demand in 2009 and an additional seventy-five hundredths of one percent reduction each year through 2018. These annual benchmarks are cumulative and represent statutory minimums. Thus, the EDUs are required to implement energy efficiency and peak demand reduction programs that would be expected to reduce their normalized kilowatt hour sales and peak demand by more than five percent by 2015. More specifically R.C. 4928.66(A) sets forth the requirements for the EDUs:

> (A)(1)(a) Beginning in 2009, an electric distribution utility shall implement energy efficiency programs that achieve energy savings equivalent to at least three-tenths of one per cent of the total, annual average, and normalized kilowatt-hour sales of the electric distribution utility during the preceding three calendar years to

> customers in this state. An energy efficiency program may include a combined heat and power system placed into service or retrofitted on or after the effective date of the amendment of this section by S.B. 315 of the 129th general assembly, or a waste energy recovery system placed into service or retrofitted on or after the same date, except that a waste energy recovery system described in division (A)(38)(b) of section 4928.01 of the Revised Code may be included only if it was placed into service between January 1, 2002, and December 31, 2004. For a waste energy recovery or combined heat and power system, the savings shall be as estimated by the public utilities commission. The savings requirement, using such a three-year average, shall increase to an additional five-tenths of one per cent in 2010, seven-tenths of one per cent in 2011, eight-tenths of one per cent in 2012, nine-tenths of one per cent in 2013, one per cent from 2014 to 2018, and two per cent each year thereafter, achieving a cumulative, annual energy savings in excess of twenty-two per cent by the end of 2025. … .
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> (b) Beginning in 2009, an electric distribution utility shall 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. In 2018, the standing committees in the house of representatives and the senate primarily dealing with energy issues shall make recommendations to the general assembly regarding future peak demand reduction targets.

In order to implement the statutory mandate, the Commission adopted Ohio Administrative Code ("OAC") Rule 4901:1-39-04(A) and (B) that provides in relevant part:

> (A) Each electric utility shall design and propose a comprehensive energy efficiency and peak-demand reduction program portfolio, including a range of programs that encourage innovation and market access for cost-effective energy efficiency and peak-demand reduction for all customer classes, which will achieve the statutory benchmarks for peak-demand reduction, and meet or exceed the statutory benchmarks for energy efficiency. An electric utility's first program portfolio plan filed pursuant to this rule, shall be filed with supporting testimony prior to January 1, 2010. Each electric utility shall file an updated program portfolio plan by April 15, 2013, and by the fifteenth of April every third year thereafter, unless otherwise directed by the commission.
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> (B) Each electric utility shall demonstrate that its program portfolio plan is cost-effective on a portfolio basis. In general, each program proposed within a program portfolio plan must also be cost-effective, although each measure within a program need not be cost-effective. However, an electric utility may include a program within its program portfolio plan that is not cost-effective when that program provides substantial nonenergy benefits.

III. ARGUMENT

A. FirstEnergy's program mix will benefit from an ENERGY STAR Portfolio Manager benchmarking program within the suite of small and large C&I programs.

Through the testimony of its witness, Marty Lanning, the OHA offered suggestions for improving the range of cost-effective programs contained within its overall portfolio mix. Mr. Lanning testified that the addition of an ENERGY STAR Portfolio Manager benchmarking program would be an effective addition. ENERGY STAR Portfolio Manager benchmarking is a simple and efficient way to alert consumers to the fact that their energy consumption may be out of line with other consumers of like size and industry. OHA Ex. 1, p. 4. This tool informs customers that they may not be consuming energy wisely and should therefore seek out the benefits of the specific EE/PDR programs offered by FirstEnergy. *Id.* By taking twelve months energy consumption data, along with easily obtainable and well-defined demographic data, the tool provides a "score" that is comparable to similar facilities. Portfolio manager provides a first-look view into energy efficiency of a facility in a very cost effective manner. Portfolio Manager can diagnose the overall "health" of a facility's energy management compared to itself over time and to similar facilities. The ENERGY STAR Portfolio Manager tool has been utilized in EE/PDR programs in EE/PDR programs in Ohio and throughout the country. *Id.*, p. 5.

Mr. Lanning recommended that FirstEnergy include funding for an ENERGY STAR Portfolio Manager benchmarking program that includes collaboration with natural gas utilities serving FirstEnergy customers, and educational programming by customer segment to allow for analysis and sharing of energy management best practices. *Id.*

Through the rebuttal testimony of Mr. Miller, First Energy responded favorably to the recommendations of the OHA. Mr. Miller testified on rebuttal that the Companies agree to earmark an additional $50,000 total over the term of the Plans to enable the OHA to conduct

ENERGY STAR® Portfolio Manager benchmarking for OHA member hospitals served by the Companies. Hospitals with a benchmark score of 33 or below would automatically qualify for a Hospital Audit, subject to the $200,000 program budget cap. Company Ex. 21, p. 6. Mr. Miller explained further that given the increased customer awareness and education that results from this when coupled with the experience of and the commitment by OHA to support their members with this benchmarking, the Companies' believe that leveraging the OHA to help their member hospitals will result in additional opportunities being identified and pursued, thereby providing the Companies with additional savings opportunities. *Id.*

B. First Energy's Audit Program as Currently Constituted by FirstEnergy Can Be Improved.

Mr. Lanning also recommended that FirstEnergy make certain improvements to its energy audit program. As explained by Mr. Lanning, FirstEnergy has had its audit program available since May 2012, but that the program has yet to yield any applications to date. According to Mr. Lanning, this is evidence that the current audit program is inadequate. OHA Ex. 1, p. 5. Mr. Lanning recommended that FirstEnergy increase the funding for audits to up to 50 percent of the cost of the study, with different caps set by customer segment, and provide for customer-specific flexibility as to the type of audit—either American Society of Heating, Refrigerating and Air Conditioning Engineers ("ASHRAE") Level I or ASHRAE Level II, depending on the particular circumstances of the customers. *Id.* Mr. Lanning emphasized that the OHA supports an audit program structure that requires the customer to have a substantial economic incentive to follow-through on the audit results and that OHA members do not want program costs to include audits that "collect dust on the shelf" but that $4,000 is an inadequate amount to properly incent the conduct of an audit of any kind. *Id.*, pp. 5-6. The OHA recommends an arrangement whereby the out-of-pocket costs of an audit be paid by the customer, with a reimbursement coming from a portion of the savings generated from the implementation of audit recommendations. *Id.*, p. 6. Mr. Lanning concluded by pointing out that audits provide the market for future energy rebate applications. *Id.*

Here too on rebuttal, FirstEnergy witness Mr. Miller indicated that FirstEnergy will expand the Energy Efficient Buildings Program – Large by $200,000 total over the term of the Plans, with such funds being earmarked specifically to offset all or a portion of the cost of a Health Audit. Companies Ex. 21, at p. 6. Mr. Miller recommended that the funds be paid through OHA in an amount not to exceed the lesser of $5,000 or 50% of the cost of the Health

Audit, which requires pre-approval by the Companies' implementation vendor to confirm eligibility. *Id.* Additionally, the OHA member hospitals may apply for the remainder of the cost of the Health Audit, in an amount not to exceed the lesser of $5,000 or 50% of the remaining cost of the Health Audit. The OHA member hospitals must satisfy all prerequisites for participation and all documentation requirements as set forth in the Energy Efficient Buildings Program. *Id.*

Mr. Miller explained that under FirstEnergy's plan as filed in the case, the audit program is geared towards ASHRAE Level II audits. While this level of audit is more comprehensive (and costly), the OHA has communicated its experience and performance with the Level I audits. By expanding the scope of audits to include ASHRAE Level I, based on the OHA experience, the potential number of customers that might be able to benefit from the audit program is expanded, thus providing the Companies with more opportunities to generate savings towards their statutory targets. *Id*., p. 7.

Mr. Miller made the point that unlike many other recommendations made by parties for the first time in this proceeding, Mr. Lanning's recommendations have been presented to the Companies and Collaborative members as a focus of previous Collaborative meetings. *Id.*, p. 5.

The OHA supports FirstEnergy's proposed modifications to its plan regarding healthcare facility audits and ENERGY STAR Portfolio Manager benchmarking for OHA member facilities and urges the Commission to adopt the modifications, as contained in Mr. Miller's rebuttal testimony.

C. OHA Supports the Recommendations of Staff Witness Scheck

As a final matter, the OHA recommends that the position in this case espoused by Staff witness Scheck be adopted by the Commission and reflected in the plan approved herein.

IV. CONCLUSION

For the foregoing reasons, the OHA respectfully requests that the Commission allow FirstEnergy to modify its EE/PDR Plan to reflect the recommendations of Messrs. Lanning, Miller and Scheck in order to provide reasonable, affordable, and efficient programs for customers.

Respectfully submitted on behalf of
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Initial Brief of the Ohio Hospital Association was served upon the parties of record listed below this 20th day of November 2012 *via* electronic mail.

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