Company Exhibit _____

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 2017 through 2019	)))))))	Case No. 16-0743-EL-POR

REBUTTAL TESTIMONY OF

EDWARD C. MILLER

ON BEHALF OF

OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Edward C. Miller, and my business address is 800 Cabin Hill Drive, Greensburg, PA 15601.

Q. ARE YOU THE SAME EDWARD C. MILLER WHO SUBMITTED DIRECT AND SUPPLEMENTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

Q. ON WHOSE BEHALF ARE YOU PROVIDING REBUTTAL TESTIMONY?

A. I am submitting rebuttal testimony on behalf of Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("Toledo Edison") (the "Companies"). Unless otherwise stated, my testimony applies equally to all three Companies. Also, unless otherwise stated, the defined terms used in my direct and supplemental testimony will have the same meaning in my rebuttal testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address testimony from Staff Witness Patrick Donlon and Office of Ohio Consumers' Counsel Witness Richard Spellman regarding Staff's cost cap proposal and Mr. Spellman's testimony regarding the cost-effectiveness of certain programs.

II. STAFF'S COST CAP PROPOSAL

Q. ARE YOU FAMILIAR WITH THE COST CAP STAFF PROPOSED?

A. Yes, I am.

Q. PLEASE GENERALLY DESCRIBE STAFF'S COST CAP PROPOSAL.

A. As Mr. Donlon explained in his testimony, the proposed cost cap is determined by taking the amount of revenue, as reported on Line 10 on Page 300 of each of the Companies' 2015 FERC Forms 1 ("Line 10"), and multiplying each of those values by three percent. All program costs incurred through the Companies' Revised Plans, along with any pre-tax shared savings earned by the Companies, must be less than each of the cost caps determined through Staff's formula. Adopting Staff's recommendation results in annual cost caps of $38.1 million for Ohio Edison, $28.5 million for CEI, and $13.5 million for Toledo Edison; or $80.1 million for the Companies on a consolidated basis.

Q. DO YOU AGREE WITH STAFF'S COST CAP PROPOSAL?

A. No, I do not agree with Staff's cost cap proposal because it is: (i) unnecessary; (ii) unworkable; and (iii) inequitable. For reasons I explain in my testimony, Staff's proposal should be rejected.

A. STAFF'S COST CAP PROPOSAL IS UNNECESSARY

Q. WHY DO YOU BELIEVE STAFF'S PROPOSED COST CAP IS UNNECESSARY?

A. There are at least four reasons why an overall cost cap is unnecessary. First, the Companies' Revised Plans and the programs included therein are cost-effective on a portfolio and program bases, as required by the Commission pursuant to

Ohio Administrative Code Rule 4901:1-39-04(B). As demonstrated in Exhibit B to the Stipulation, Appendix C-4, PUCO Table 1, each of the Companies' Revised Plans passes the Total Resource Cost ("TRC") test, with TRC scores of 1.5, 1.6, and 1.6 for Ohio Edison, CEI, and Toledo Edison, respectively.

Second, the Revised Plans propose a three-year budget which, if approved by the Commission, would preclude the Companies from recovering any costs above the approved budget without first seeking further Commission approval. In other words, the approved budget will serve as a "cap" that will control the costs of the Revised Plans, including all program costs and shared savings. Thus, there is no need to place another cap on program costs.

Third, the Companies' shared savings are also already subject to a cost cap. Pursuant to the Commission's Fifth Entry on Rehearing in the Companies' ESP IV Case, the Companies' opportunity to earn shared savings is capped at its current value of $10 million (after tax) "until such time as the Companies are no longer receiving revenue under Rider DMR."[1] Capping shared savings yet again under Staff's proposal is, in essence, a "double cap." Imposing such a double cap would not only make reaching the $10 million shared savings level currently permitted by the Commission nearly impossible, but it would also render the Commission's approved increase of the shared savings cap to $25 million meaningless.

[1] Case No. 14-1297-EL-SSO, Fifth Entry on Rehearing at ¶ 326 (October 12, 2016).

And fourth, under the ESP IV Case, the Companies are subject to a mechanism limiting average customer bills that establishes a further ceiling on the total bill customers will pay over the next two years.[2]

B. STAFF'S COST CAP PROPOSAL IS UNWORKABLE

Q. WHY DO YOU BELIEVE THAT STAFF'S PROPOSED COST CAP IS UNWORKABLE?

A. Staff's proposed cost cap is unworkable predominantly because it was determined without taking into consideration the cost of compliance. The Companies developed the budgets included in the Revised Plans based on their EE team's experience in developing and implementing EE and PDR plans in Ohio, Pennsylvania, Maryland, and West Virginia over the past eight years. The Revised Plans were prepared using a bottom-up approach with administration costs, based on actual costs, and escalated to the three-year period. Whenever possible, the Companies based program budgets on the most recent actual pricing for programs and escalated them for inflation, if necessary. The Companies relied upon pricing information and experience gained from the prior and current plans of the Companies and their sister utilities in other states.

Staff did no such analysis. Mr. Donlon supports his recommendation based on data from 2012 – 2014 ("Staff Review Period") with no explanation as to the nature of such data. Staff's focus on backwards-looking data incorrectly assumes a status quo for a period of up to 7 years. Mr. Donlon's assumption that history

[2] Case No. 14-1297-EL-SSO, Opinion and Order, at p. 86 (March 31, 2016).

exclusively predicts the future is wrong. Since 2012, costs have increased not only through inflation, but also because standards and efficient conditions have changed, which impacts savings and costs for certain measures. In some cases, the amount of savings have decreased, requiring more participation simply to achieve the same levels of savings as in the past. In other cases, technologies have evolved and have become more expensive, requiring an increase in the incentive levels offered to customers.

For example, during the Staff Review Period, the Companies were incentivizing residential CFL lighting. In the Revised Plans, the Companies have phased out standard CFL lighting in favor of more efficient LED lighting, which requires a higher customer incentive to offset the increased costs of LED technology. Lighting was incented at approximately $1.00 per bulb during the Staff Review Period, while in the Revised Plans the average lighting incentives are assumed to be $3.00 for residential LED bulbs – an increase of 200%. Further, the Companies achieved approximately 50% of the actual savings during the Staff Review Period through lighting measures, whereas the Revised Plans project that approximately 30% of the total savings will be achieved from lighting, including the more expensive LED lighting technology. This reduction requires approximately 20% of savings once achieved through lighting measures to be captured from other measures, many of which now are more expensive on a cost per kWh basis. The reduction in lighting savings in the Revised Plans is an evolution commonly occurring throughout the industry as "low hanging fruit" is realized.

Another 7% of the savings the Companies achieved during the Staff Review Period occurred through transmission and distribution ("T&D") projects, which, except for minimal administrative costs, had no costs included in the portfolio budget under the Companies' prior EE/PDR plans. The Companies are projecting fewer T&D projects during the Plan Period versus what was completed during the Staff Review Period. As a result, the Revised Plans assume approximately 1% of the savings from these projects, thus requiring the 6% differential in EE savings to be replaced with more expensive measures. Failing to consider these significant changes in the cost of compliance is a major flaw in Staff's proposal.

Q. DO YOU BELIEVE THE COMPANIES CAN REALISTICALLY ACHIEVE THEIR STATUTORY EE AND PDR BENCHMARKS UNDER STAFF'S PROPOSED COST CAP?

A. Absent the use of the Companies' banked savings, I do not. Staff's proposed cost cap results in a maximum aggregate annual budget of $80.1 million for all three Companies. As already explained, the budgets included in the Revised Plans are based on the most current available actual pricing, escalated when necessary. This results in an average annual budget of approximately $90 million, before factoring in shared savings and other costs outside of these budgets that would also fall under Staff's proposed cost cap. In addition to the program costs included in the budgets, the Companies, under ESP IV, are obligated to pay $6 million per year to Ohio Partners for Affordable Energy to operate the Companies' Community Connections Program.[3]

Further, the Commission approved a shared savings mechanism that allows the Companies to collect up to $10 million in after tax annual shared savings during the Plan Period.[4] If the Companies are to have the opportunity to earn the maximum amount of shared savings as approved by the Commission, and assuming a 36% corporate tax rate, this would equate to approximately $15.6 million.

Finally, there are other costs that would be recovered through Rider DSE2 and be subject to Staff's proposed cost cap that cannot be estimated with certainty, such as rebates authorized by individual mercantile applications approved by the Commission in separate dockets. In light of the foregoing, the cost of the Revised Plans is significantly greater than what the $80.1 million cost cap would permit. For the Companies to achieve their EE/PDR targets, while prudently managing their banked savings, the Companies would be required to significantly adjust the program portfolio including the removal of programs and/or measures. This would require the Companies to put much more emphasis on reduced program offerings and increase the likelihood of the Companies using their banked savings to meet their statutory targets – something I do not recommend. Removal of

[3] Case No. 14-1297-EL-SSO, Opinion and Order at 75 (March 31, 2016).

programs and/or measures would also likely involve a restarting of the Collaborative process, ultimately leading to the development and the filing of a new EE/PDR plan.

Q. WHY DO YOU RECOMMEND AGAINST RELYING ON THE COMPANIES' BANKED SAVINGS AT THIS TIME?

A. Such a strategy is penny wise and pound foolish. Under O.R.C. § 4928.66, savings targets will double to two percent in 2021, which will put significant upward pressure on the cost of compliance. In addition, it is expected that more comprehensive (and more expensive) programs and measures will be required over time as the opportunities for savings from lower cost programs and measures are realized. The increase in savings targets, when coupled with the expected increase in costs of programs and measures, will result in significantly greater costs of compliance. As explained in my Supplemental Testimony, the Companies' cost per kWh saved during the Plan Period is in line with industry averages. It would be foolish to apply banked savings at a time when the Companies are achieving compliance in such a cost-effective manner. It is much wiser to preserve the banked savings, which can be utilized as a natural hedge against future compliance cost increases.

[4] The Commission has stayed the increase in the shared saving cap "until such time as the Companies are no longer receiving revenue under Rider DMR." Case No. 14-1297-EL-SSO, Fifth Entry on Rehearing at ¶ 326 (October 12, 2016).

Q. DOES STAFF'S PROPOSED COST CAP PROVIDE THE COMPANIES WITH AN OPPORTUNITY TO EARN THE MAXIMUM AMOUNT OF SHARED SAVINGS AUTHORIZED BY THE COMMISSION?

A. No. While the Companies understand they are not guaranteed any amount of shared savings in any given year, the Commission has ruled that the Companies are at least entitled to the *opportunity to earn* up to $10 million per year in after tax shared savings during the Plan Period. As already discussed, Staff's proposed $80.1 million annual cost cap eliminates any realistic opportunity to do so. If the Companies cannot even meet their benchmarks, they obviously will be unable to earn any shared savings in years where shared savings triggers are set at the benchmarks. Establishing the proposed cost cap effectively renders the Commission's prior approval of shared savings meaningless.

Q. IS STAFF'S SUGGESTION THAT THE COMPANIES WILL BE PERMITTED TO SEEK AN AMENDMENT TO THEIR EE/PDR BENCHMARKS UNDER O.R.C. § 4928.66 A VIABLE OPTION?

A. No. Staff's amendment proposal is an improper application of the relief offered by the General Assembly, and is riddled with uncertainty. The provision in the Ohio Revised Code allowing for an EE/PDR benchmark amendment is for circumstances beyond the reasonable control of the utility and requires the utility to exhaust all reasonable options prior to filing an application to amend its targets. In this instance, the need for the amendment would be based on an arbitrary cost cap. The time to determine the reasonable cost of compliance is now, in this proceeding.

Further, no details were provided as to how the benchmark amendment process would work. From a practical standpoint, if the Companies determine that the funds available under the cost cap are insufficient, should they suspend the programs and risk non-compliance (resulting in hefty statutory penalties)? Or should they continue to spend money that would exceed the proposed cap? In what timeframe would a request for an amendment to the targets be resolved? When Ohio Edison sought a similar amendment in Case No. 11-0126-EL-EEC, the process took four months before resolution. It is also possible that parties would intervene, which could further delay the process, especially if discovery and a hearing are necessary. What guidelines would the Commission use to determine whether an amendment was necessary? What would happen if the Commission denied the request? These are just a small sample of the many issues Staff left unaddressed in making its proposal.

Simply put, Staff's benchmark amendment recommendation is fraught with uncertainty and should not be considered as support for imposing a cost cap that will restrict the Companies' ability to meet their statutory targets.

Q **DO YOU AGREE WITH MR. SPELLMAN THAT IT IS "UNREALISTIC" TO CONCLUDE THAT A UTILITY MIGHT FAIL TO REALIZE UNTIL LATE INTO THE COMPLIANCE YEAR THAT IT WILL BE UNABLE TO MEET ITS STATUTORY BENCHMARK?**

A. No. While the Companies regularly monitor spending and savings levels throughout the year, there are certain factors beyond the Companies' control that could have a significant impact on both, regardless of the Companies' best efforts. Such factors include: timing of individual project completion, customer participation levels in individual programs, and the size of actual savings for individual projects. Given the variables associated with achieving aggressive EE/PDR targets within a 12-month period, whether or not a utility exceeds or falls short of the benchmark may not be known until *after the year has ended* when measured results are completed. By way of example, a large custom project could be submitted and planned to be completed in the fourth quarter but could be delayed to the following year without the Companies having advanced knowledge. Additionally, the savings from custom projects are not finalized until after the project is completed and the customer submits the required documentation. The Companies could also receive a flood of new rebate applications late in the year of which they were unaware prior to their receipt. In fact, this is one of the key reasons the annual status reports, required by the Commission, are not due until spring of the subsequent year.

Q. DOESN'T STAFF'S RECOMMENDATION TO ALLOW PJM REVENUES TO OFFSET THE COST CAP PROVIDE ADDITIONAL ROOM FOR COMPLIANCE UNDER STAFF'S COST CAP PROPOSAL?

A. Not really. While revenues through participation in the PJM capacity auctions help to offset program costs, the majority of PJM revenues resulting from implementation of the Revised Plans will not be realized until the next plan cycle, and the results of those auctions and the associated revenues are unknown. Importantly, implementing the proposed cost cap could force the Companies to make significant revisions to their Revised Plans, thereby limiting the amount of EE resources eligible to be offered into PJM auctions.

Q. WHAT MODIFICATIONS TO THE REVISED PLANS DO YOU ENVISION BEING NECESSARY SHOULD THE COMPANIES BE SUBJECT TO STAFF'S PROPOSED COST CAP?

A. The minimum difference in terms of dollars between Staff's proposed cost cap and the currently known funding necessary to pay for program costs, other costs recovered through Rider DSE2, and the opportunity to earn the maximum amount of Commission-approved pre-tax shared savings, is approximately $32 million. Should the Companies be subject to Staff's proposed $80.1 million cost cap, I would envision several things occurring. First, the Companies would need to adjust the program mix and significantly increase reliance on "low hanging fruit" being available. Second, I would expect some of the more comprehensive and more expensive programs and measures to be eliminated. Either of these actions would result in a less robust plan with fewer opportunities for customer participation. Reducing program opportunities, increasing reliance on certain programs and constraining program budgets, while prudently managing the Companies' banked savings, significantly increases the Companies' potential for noncompliance.

C. STAFF'S COST CAP PROPOSAL IS INEQUITABLE

Q. WHY DO YOU BELIEVE THAT STAFF'S PROPOSED COST CAP IS INEQUITABLE?

A. Staff's proposed cost cap formula is inequitable both on its face, as well as in its results, for at least three reasons: (i) the percentage used in the cap calculation is inconsistent across Ohio's utilities; (ii) using Line 10 creates inequitable results across Ohio's utilities; and (iii) it fails to consider the underlying acquisition costs, which provide a basis upon which to standardize cost comparisons across the utilities.

Q. ARE THE PROPOSED COST CAP PERCENTAGES CONSISTENT ACROSS OHIO'S UTILITIES?

A. No. In this case, Staff has proposed a cost cap that will be determined by multiplying the amount reported on Line 10 by *three* percent. Yet, the Commission (with Staff's support) recently approved a settlement in which AEP Ohio's ("AEP") cost cap was determined by multiplying Line 10 by *four* percent. Similarly, Staff has agreed in a settlement with DP&L, currently pending before the Commission, to modify its multiplier in the same way, thus allowing DP&L's cost cap to be based also on *four* percent of the revenues reported on Line 10. All else being equal (which, as I will explain later in my testimony, is not the case), if the Companies were permitted a cost cap of 4% (instead of 3%) of Line 10, the difference is approximately $26.7 million more.

Q. HOW ELSE DOES THE USE OF LINE 10 CREATE INEQUITABLE RESULTS AMONG OHIO'S UTILITIES?

A. In his testimony, Mr. Donlon indicated that the use of Line 10 on the 2015 FERC Form 1 will "allow[] for consistency amongst all the utilities in the state." While the *use* of this value may be consistent among the utilities, the *results from using* this value definitely are not. Specifically, relying on the value included on Line 10 does not recognize inherent differences among the utilities in the state caused by several important factors, including significant variances among the State's utilities' customer shopping levels and differences in rate structures and customer mixes across customer classes. Each of these factors affects a utility's total sales to ultimate customers, as reported on Line 10, and, thus, can greatly impact the utility's cost cap under Staff's methodology.

Q. CAN YOU PLEASE PROVIDE EXAMPLES OF HOW THOSE FACTORS WOULD INEQUITABLY IMPACT THE COMPANIES UNDER STAFF'S COST CAP PROPOSAL?

A. Sure. The inequity among Ohio's utilities under Staff's proposed cost cap can easily be seen by comparing AEP's average revenue per kWh delivered with that of the Companies. Table 1 below compares the Companies with AEP by using the amount reported on each utility's Line 10, and dividing it by the total number of kWh delivered to the utility's customers, as reported on FERC Form 1, Page 301, Line 10. This calculation illustrates the combined impact of all the variables that affect a utility's Line 10.

TABLE 1 – FERC FORM 1 REVENUE AND SALES COMPARISON

Company		2015 FERC Form 1 Revenue	2015 FERC Form 1 Sales	2015 FERC Form 1 Revenues / Sales
Notes		*1*	*2*	
		(A)	*(B)*	*(C) = (A) / (B)*
		$	kWh	$/kWh
AEP		2,757,997,582	43,415,882,000	0.064
FE Combined		2,669,985,047	53,248,148,000	0.050
	CE	950,172,128	18,501,986,000	0.051
	OE	1,270,927,604	24,291,651,000	0.052
	TE	448,885,315	10,454,511,000	0.043

Notes

1 2015 FERC Form 1, page 300 line 10

2 2015 FERC Form 1, page 301 line 10

On a combined basis, the Companies have an average revenue per kWh that is approximately 78% of AEP's average revenue per kWh. That result does not "allow[] for consistency amongst all the utilities in the state." Staff's proposed use of Line 10, therefore, does not place all of the State's investor owned utilities on an equal plane so as to provide each with the same opportunity to comply with their respective statutory mandates.

Q. DOES STAFF'S COST CAP PROPOSAL TAKE INTO CONSIDERATION THE UTILITIES' RESPECTIVE EE TARGETS FOR 2017 OR THE RESULTING ACQUISITION COSTS?

A. No. Staff's proposal does not take into consideration the utilities' respective EE savings targets for 2017 or the resulting acquisition costs. As Table 2 below demonstrates, the Companies' annual cost cap, as proposed by Staff, produces significantly disproportionate results when compared to other utilities in the State.

TABLE 2 – ACQUISITION COST COMPARISON

Company	Cap %	Budget Cap [1]	2017 Statutory Incremental Target [2]	Acqusition Cost Cap
		(A)	(B)	= (A) / (B) / 1,000,000
	%	$	GWh	$/kWh
AEP	4%	110,319,902	431.7	0.256
DP&L	4%	33,022,141	140.8	0.235
FE Combined	3%	80,099,551	535.2	0.150
CE	3%	28,505,164	188.5	0.151
OE	3%	38,127,828	241.2	0.158
TE	3%	13,466,559	105.6	0.128

Notes

1 2015 FERC Form 1, page 300 line 10 multiplied by Cap %.

2 AEP's Target comes from Table 1 of AEP's 2017-2019 EE/PDR Plan Filing, Case No. 16-0574-EL-POR. DP&L's Target is calculated by taking 1% of baselines sales as reported on page 6 of Exhibit 2 in DP&L's Plan Filing, Case No. 16-0649-EL-POR. For the FE Companies, target is calculated as 1% of baseline sales from Mullins Exhibit DJM-A2.

By using Line 10 and Staff's recommended multiplier for the Companies, AEP, and DP&L, the allowable acquisition costs are as follows: $0.256/kWh saved for AEP; $0.235/kWh saved for DP&L; and only $0.15/kWh saved for the Companies on a combined basis. At the extreme, Toledo Edison has to achieve its targets at half the acquisition cost that AEP has available.

Table 2 also shows that on a combined basis the Companies have a target that is 100 GWh *greater* than AEP, even though the Staff's proposed cost cap for the Companies is over $30 million *less* than that of AEP. To provide the Companies with the same opportunity AEP has for complying with statutory EE/PDR targets, the Companies' annual cost cap would have to be $135 million. In light of this, Staff's proposed cost cap creates significant inequities among Ohio's utilities.

Q. ARE YOU AWARE OF OTHER JURISDICTIONS THAT IMPLEMENTED COST CAPS THAT RESULTED IN SIMILAR INEQUITIES TO THOSE YOU JUST DISCUSSED?

A. Yes. In 2008, Pennsylvania's legislature enacted Pennsylvania Act of 129 ("PA Act 129"),[5] which established the state's Energy Efficiency and Conservation Program requirements, subject to a cost cap. Phase I of PA Act 129 set targets for EE without regard to funding limitations and acquisition costs, which resulted in the same inequities Staff's proposal would create here.

Q. WHAT HAPPENED IN PENNSYLVANIA?

A. Phase I of PA Act 129 imposed upon the state's utilities consistent EE benchmark energy percentage reduction targets and a flat percentage cost cap based on utility revenues, almost identical to what Staff is proposing in this case. Specifically, the electric utilities had to achieve a 1% energy efficiency reduction target by May 31, 2011, and a 3% energy reduction target by May 31, 2013, all the while staying within an average annual spending limit of no more than 2% of 2006 revenues over the terms of their plans.[6] This approach resulted in a large inequity among the utilities, whereby one of the electric utilities had almost double the amount of funding on an acquisition cost basis compared to another utility in the state.

Q. DID PENNSYLVANIA ADDRESS THE INEQUITIES?

A. Yes. The Pennsylvania Public Utilities Commission ("PPUC") recognized the flaws and resulting inequities of having a cost cap based on a percentage of revenues combined with a common percentage reduction target for the various

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[5] 66 Pa. C.S. §2806.1, *et seq.*

electric utilities in the state. For that reason, the PPUC developed EE targets in Phases II and III that were based on the utilities' available funding under the cost cap, efficiency potential, and notably, acquisition costs. The PPUC held that "such a method recognizes the unique potential and conditions in each service territory," and that the "method more appropriately accounts for the varying funding available to each [utility] due to the limitations on plan costs being set at two percent of the [utility's] total annual revenue as of December 31, 2006."[7] The PPUC noted that "not recognizing this fact by setting one statewide target that each [utility] must meet would be either unreasonably onerous on those [utilities] with the lowest funding available or would frustrate the intent of the legislation to obtain cost-effective energy demand and consumption reductions within the service territories of each [utility]."[8]

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[6] *Id.*

[7] *In re Energy Efficiency and Conservation Program,* Pa. Pub. Util. Comm., Docket No. M-2012-2289411, Implementation Order, at p. 30 (Aug. 2, 2012).

[8] *Id.* at p. 31.

III. REMOVAL OF CERTAIN COST-EFFECTIVE PROGRAMS

Q. DO YOU AGREE WITH MR. SPELLMAN'S CLAIM THAT CERTAIN PROGRAMS SHOULD BE REMOVED FROM THE REVISED PLANS BECAUSE THEY ARE NOT COST-EFFECTIVE?

A. No, I do not. Mr. Spellman recommends that the following "programs" be removed from the Revised Plans: (i) Direct Load Control; (ii) Behavioral; (iii) Audits & Education; (iv) HVAC; and (v) Smart Thermostat. As discussed above, the Revised Plans are cost-effective on a portfolio basis, as are each of the programs (with the exception of the low income program).

Q. WILL YOU PLEASE EXPLAIN HOW THE COMPANIES USE THE TERM "SUBPROGRAM"?

A. The Companies use the term "subprogram" internally when designing an EE/PDR portfolio plan. It is either a single measure or a natural grouping of measures that are combined by the Companies because they target similar activities, such as educating customers, or comprise a natural combination of offerings through a program, such as the energy end uses included within the Energy Efficient Products Program. By grouping measures this way, the Companies, stakeholders, and customers have a direct line of sight to and transparency with the various components being offered through a program. This approach supports improved program administration, development, implementation, and customer education.

Q. IS THE SUBPROGRAM DESIGN SOMETHING NEW?

A. No, it is not. The Companies incorporated subprogram design into each of the prior and current EE/PDR plans approved in both Ohio and Pennsylvania. The

Companies have also incorporated subprogram designs into the current EE plans approved in both Maryland and West Virginia.

Q. DO YOU AGREE WITH MR. SPELLMAN'S CLAIMS THAT THE DIRECT LOAD CONTROL, BEHAVIORAL, AUDITS & EDUCATION, HVAC, AND SMART THERMOSTAT "PROGRAMS" ARE NOT COST EFFECTIVE AND SHOULD THEREFORE BE REMOVED FROM THE REVISED PLANS?

A. No, I do not. Mr. Spellman mischaracterizes these sub-programs as "programs." As stated above, the term "sub-program" is an internal term not used interchangeably with "program." Each of these sub-programs are part of programs in the Revised Plans that are cost-effective.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.