

### **Shared Savings Determination**

The Companies include in this report the Shared Savings Incentive Mechanism (“Incentive Mechanism”) calculation performed in a manner consistent with the March 20, 2013 Opinion and Order in Case 12-2190-EL-POR, *et al.* Shared savings is calculated annually on an individual Company basis, consistent with information as presented in each Company’s EE&PDR Plan and Annual Portfolio Status Report, and consistent with the Commission rules as set forth in Rules 4901:1-39-05 and 4901:1-39-06, Ohio Administrative Code.

The Incentive Mechanism calculation is completed in four steps and shown below in CE, OE and TE Tables 1-4. First, the Incentive Mechanism Trigger is calculated. As shown in CE, OE and TE Table 1, each Company triggers the Incentive Mechanism by exceeding both its annual and cumulative energy savings targets in 2013 as set forth in Section 4928.66 (A)(1)(a), Revised Code. Second, the Incentive Percentage is calculated. As shown in CE, OE and TE Table 2, each Company’s energy savings result in a 13.00% Incentive Percentage. Third, the Adjusted Net Benefits are calculated. Discounted Net Lifetime Benefits are calculated by the Companies’ Independent evaluator, ADM Associates, Inc., based upon the Utility Cost Test. The Discounted Net Lifetime Benefits are then adjusted to exclude the effect of Mercantile Customer projects that were installed prior to March 23, 2011, the date the Companies’ Plans were approved by the Commission in Case No. 09-1947-EL-POR, *et al.*, and the effects of Behavioral Modification Projects that do not demonstrate persistence. No adjustments are made for Transmission and Distribution (T&D) projects since no Discounted Net Lifetime Benefits for T&D projects undertaken by the Companies are included. Each Company’s Adjusted Net Benefits is shown in CE, OE and TE Table 3. Fourth, the Company Incentive is calculated as a result of the Incentive Percentage and the Adjusted Net Benefits. Each Company’s Incentive is shown in CE, OE and TE Table 4.

Considering each Company Incentive, the Companies have collectively earned \$18,438,753 in shared savings. According to the cap established with the March 20, 2013 Opinion and Order in Case 12-2190-EL-POR, *et al.*, the Companies will limit collection of shared savings to \$10 million on an after-tax basis through Rider DSE2.

**Table CE-1: Incentive Mechanism Trigger Calculation**

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Achieved Annual Energy Savings MWh	Achieved Cumulative Energy Savings MWh
2013	0.90%	178,941	3.20%	605,758	227,172	1,036,297
(a) Difference between 2012 and 2013 cumulative benchmarks. See Table 2-1 in the respective Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio.						
Year	Annual Compliance	Cumulative Compliance	Eligible for Incentive?			
2013	127%	171%	Y			

**Table CE-2: Incentive Percentage Calculation**

	Annual Target	Achieved Annual	Prior Year	Adjusted Annual Energy	Incentive Mechanism
Year	MWh	Energy Savings MWh	Cumulative Deficit (b)	Savings MWh	Compliance Percentage
2013	178,941	227,172	NA	227,172	127%
Incentive Tier	Compliance Percentage	Incentive Percentage			
1	<100%	0.00%			
2	100-105%	5.00%			
3	>105-110%	7.50%			
4	>110-115%	10.00%			
5	>115%	13.00%			
(b) The Company did not have a prior year cumulative deficit. See Table 2-1 in the Companies Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio for 2012.					

**Table CE-3: Adjusted Net Benefits**

Program	Discounted Lifetime Costs	Discounted Lifetime Benefits	Total Discounted Net Lifetime Benefits
Direct Load Control	\$288,041	\$49,428	-\$238,613
Appliance Turn-In	\$1,139,759	\$2,831,785	\$1,692,026
Energy Efficient Products	\$1,762,047	\$6,873,286	\$5,111,239
Home Performance	\$5,406,840	\$13,418,982	\$8,012,142
Low-Income	\$1,507,964	\$532,730	-\$975,234
C&I Energy Efficiency Equipment-Small	\$2,657,400	\$21,127,288	\$18,469,888
Energy Efficient Buildings-Small	\$1,022,870	\$3,245,291	\$2,222,421
Mercantile Customer	\$1,411,784	\$11,595,298	\$10,183,514
C/I Energy Efficient Equipment-Large	\$1,077,446	\$6,406,973	\$5,329,527
Energy Efficient Buildings-Large	\$211,795	\$0	-\$211,795
Government Tariff Lighting	\$54,830	\$210,079	\$155,249
Other Costs	\$1,008		-\$1,008
<b>Total</b>	<b>\$16,541,784</b>	<b>\$66,291,139</b>	<b>\$49,749,355</b>
<b>Adjustments</b>			
Mercantile Projects Pre-3/23/2011	\$186,455	\$1,531,400	\$1,344,945
Behavioral Modification Projects that do not demonstrate persistence (c)	\$0	\$0	\$0
<b>Total</b>	<b>\$186,455</b>	<b>\$1,531,400</b>	<b>\$1,344,945</b>
<b>Adjusted Discounted Net Lifetime Benefits</b>			<b>\$48,404,411</b>
(c) Discounted lifetime benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports.			

**Table CE-4: Company Incentive Calculation**

Year	Adjusted Net Benefits	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2013	\$48,404,411	127%	5	13%	\$6,292,573

Ohio Edison

**Table OE-1: Incentive Mechanism Trigger Calculation**

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Achieved Annual Energy Savings MWh	Achieved Cumulative Energy Savings MWh
2013	0.90%	225,697	3.20%	766,988	318,174	1,031,755
(a) Difference between 2012 and 2013 cumulative benchmarks. See Table 2-1 in the respective Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio.						
Year	Annual Compliance	Cumulative Compliance	Eligible for Incentive?			
2013	141%	135%	Y			

**Table OE-2: Incentive Percentage Calculation**

	Annual Target	Achieved Annual	Prior Year	Adjusted Annual Energy	Incentive Mechanism
Year	MWh	Energy Savings MWh	Cumulative Deficit (b)	Savings MWh	Compliance Percentage
2013	225,697	318,174	NA	318,174	141%
Incentive Tier	Compliance Percentage	Incentive Percentage			
1	<100%	0.00%			
2	100-105%	5.00%			
3	>105-110%	7.50%			
4	>110-115%	10.00%			
5	>115%	13.00%			
(b) The Company did not have a prior year cumulative deficit. See Table 2-1 in the Companies Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio for 2012.					

**Table OE-3: Adjusted Net Benefits**

Program	Discounted Lifetime Costs	Discounted Lifetime Benefits	Total Discounted Net Lifetime Benefits
Direct Load Control	\$446,539	\$155,363	-\$291,176
Appliance Turn-In	\$1,634,873	\$3,981,534	\$2,346,661
Energy Efficient Products	\$2,361,743	\$8,138,579	\$5,776,837
Home Performance	\$8,497,754	\$19,827,989	\$11,330,235
Low-Income	\$2,043,729	\$858,668	-\$1,185,061
C&I Energy Efficiency Equipment-Small	\$2,834,005	\$17,079,920	\$14,245,915
Energy Efficient Buildings-Small	\$1,735,967	\$5,615,225	\$3,879,258
Mercantile Customer	\$1,613,775	\$15,551,461	\$13,937,686
C/I Energy Efficient Equipment-Large	\$3,714,184	\$25,212,014	\$21,497,830
Energy Efficient Buildings-Large	\$225,657	\$0	-\$225,657
Government Tariff Lighting	\$24,097	\$0	-\$24,097
Other Costs	\$1,090		-\$1,090
<b>Total</b>	<b>\$25,133,412</b>	<b>\$96,420,753</b>	<b>\$71,287,341</b>
<b>Adjustments</b>			
Mercantile Projects Pre-3/23/2011	\$213,810	\$2,060,419	\$1,846,610
Behavioral Modification Projects that do not demonstrate persistence (c)	\$0	\$0	\$0
<b>Total</b>	<b>\$213,810</b>	<b>\$2,060,419</b>	<b>\$1,846,610</b>
<b>Adjusted Discounted Net Lifetime Benefits</b>			<b>\$69,440,731</b>
(c) Discounted lifetime benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports.			

**Table OE-4: Company Incentive Calculation**

Year	Adjusted Net Benefits	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2013	\$69,440,731	141%	5	13%	\$9,027,295

Toledo Edison

**Table TE-1: Incentive Mechanism Trigger Calculation**

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Achieved Annual Energy Savings MWh	Achieved Cumulative Energy Savings MWh
2013	0.90%	100,171	3.20%	331,827	130,294	423,752
<i>(a) Difference between 2012 and 2013 cumulative benchmarks. See Table 2-1 in the respective Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio.</i>						
Year	Annual Compliance	Cumulative Compliance	Eligible for Incentive?			
2013	130%	128%	Y			

**Table TE-2: Incentive Percentage Calculation**

	Annual Target	Achieved Annual	Prior Year	Adjusted Annual Energy	Incentive Mechanism
Year	MWh	Energy Savings MWh	Cumulative Deficit (b)	Savings MWh	Compliance Percentage
2013	100,171	130,294	NA	130,294	130%
Incentive Tier	Compliance Percentage	Incentive Percentage			
1	<100%	0.00%			
2	100-105%	5.00%			
3	>105-110%	7.50%			
4	>110-115%	10.00%			
5	>115%	13.00%			
(b) The Company did not have a prior year cumulative deficit. See Table 2-1 in the Companies Energy Efficiency and Peak Demand Reduction Program Portfolio Status Report to the Public Utilities Commission of Ohio for 2012.					

**Table TE-3: Adjusted Net Benefits**

Program	Discounted Lifetime Costs	Discounted Lifetime Benefits	Total Discounted Net Lifetime Benefits
Direct Load Control	\$102,644	\$21,446	-\$81,198
Appliance Turn-In	\$412,051	\$989,257	\$577,206
Energy Efficient Products	\$810,539	\$2,511,505	\$1,700,965
Home Performance	\$2,671,766	\$6,275,560	\$3,603,794
Low-Income	\$488,897	\$246,853	-\$242,044
C&I Energy Efficiency Equipment-Small	\$933,530	\$5,008,589	\$4,075,059
Energy Efficient Buildings-Small	\$707,081	\$2,348,106	\$1,641,025
Mercantile Customer	\$1,596,909	\$18,669,137	\$17,072,228
C/I Energy Efficient Equipment-Large	\$1,261,450	\$6,011,809	\$4,750,359
Energy Efficient Buildings-Large	\$180,675	\$0	-\$180,675
Government Tariff Lighting	\$5,156	\$0	-\$5,156
Other Costs	\$825		-\$825
<b>Total</b>	<b>\$9,171,524</b>	<b>\$42,082,262</b>	<b>\$32,910,738</b>
<b>Adjustments</b>			
Mercantile Projects Pre-3/23/2011	\$834,298.65	\$9,753,616.30	\$8,919,317.65
Behavioral Modification Projects that do not demonstrate persistence (c)	\$0	\$0	\$0
<b>Total</b>	<b>\$834,299</b>	<b>\$9,753,616</b>	<b>\$8,919,318</b>
<b>Adjusted Discounted Net Lifetime Benefits</b>			<b>\$23,991,420</b>
<i>(c) Discounted lifetime benefits from Behavioral Modification Projects included in the Home Performance Program are based on current year participation only. The Company has not claimed persistence beyond the current year for Home Energy Reports.</i>			

**Table TE-4: Company Incentive Calculation**

Year	Adjusted Net Benefits	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2013	\$23,991,420	130%	5	13%	\$3,118,885