

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*, and as modified by the Commission in the October 12, 2016 Fifth Entry on Rehearing in Case No. 14-1297-EL-SSO (the Companies’ ESP IV case), and as approved in the November 21, 2017 Order in Case 16-743-EL-POR. 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 2017 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, energy savings result in a 7.5%, 7.5%, and 10.0% Incentive Percentage for CE, OE, and TE, respectively. 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 (UCT). The Discounted Net Lifetime Benefits exclude the effect of non-cost-effective programs, the Customer Action Program, the historic Mercantile Customer Program, and Transmission and Distribution projects. Discounted Net 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. 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 \$18,859,949 in shared savings. According to the cap established with the March 20, 2013 Opinion and Order in Case 12-2190-EL-POR, *et al*., and in the October 12, 2016 Fifth Entry on Rehearing in Case No. 14-1297-EL-SSO. The Companies will limit collection of shared savings to \$10 million on an after-tax basis through Rider DSE2 until such time as the Companies are no longer receiving revenue under Rider DMR.

Table CE-1: Incentive Mechanism Trigger Calculation

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Adjusted Achieved (b) Annual Energy Savings Savings MWh	Adjusted Achieved (b) Cumulative Energy Savings MWh
2017	1.00%	174,528	5.20%	907,548	185,583	1,989,054

(a) Compliance Baseline (Appendix B) x 1%
 (b) The Achieved Energy Savings excluding the Customer Action Program. See Table 2-1 and Table 2-2 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?
2017	106.3%	219.2%	Y

Table CE-2: Incentive Percentage Calculation

Year	Annual Target MWh	Achieved Annual Energy Savings MWh	Prior Year Cumulative Deficit (c)	Adjusted Annual Energy Savings MWh	Incentive Mechanism Compliance Percentage
2017	174,528	185,583	NA	185,583	106.3%

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%

(c) 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 2016.

Table CE-3: Adjusted Net Benefits (UCT)

Program (d)	Discounted Lifetime Costs (UCT)	Discounted Lifetime Benefits (UCT)	Total Discounted Net Lifetime Benefits (UCT)
Appliance Turn In	\$2,056,033	\$7,344,480	\$5,288,448
EE Products	\$1,435,365	\$20,551,573	\$19,116,208
EE Homes (e)	\$4,796,213	\$19,055,706	\$14,259,493
Energy Solutions for Business - Small	\$7,462,460	\$41,363,576	\$33,901,115
Mercantile Customer	\$544,628	\$6,974,649	\$6,430,021
Energy Solutions for Business - Large	\$2,192,584	\$9,786,634	\$7,594,050
Government Tariff Lighting	\$8,503	\$16,667	\$8,164
Total	\$18,495,785	\$105,093,285	\$86,597,500

(d) Excludes non-cost-effective programs, the Customer Action Program and the historic Mercantile Customer Program.
 (e) 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 (UCT)	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2017	\$86,597,500	106.3%	3	7.5%	\$6,494,813

Table OE-1: Incentive Mechanism Trigger Calculation

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Adjusted Achieved (b) Annual Energy Savings Savings MWh	Adjusted Achieved (b) Cumulative Energy Savings MWh
2017	1.00%	223,893	5.20%	1,164,241	245,494	2,048,849

(a) Compliance Baseline (Appendix B) x 1%

(b) The Achieved Energy Savings excluding the Customer Action Program. See Table 2-1 and Table 2-2 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?
2017	109.6%	176.0%	Y

Table OE-2: Incentive Percentage Calculation

Year	Annual Target MWh	Achieved Annual Energy Savings MWh	Prior Year Cumulative Deficit (c)	Adjusted Annual Energy Savings MWh	Incentive Mechanism Compliance Percentage
2017	223,893	245,494	NA	245,494	109.6%

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%

(c) 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 2016.

Table OE-3: Adjusted Net Benefits (UCT)

Program (d)	Discounted Lifetime Costs (UCT)	Discounted Lifetime Benefits (UCT)	Total Discounted Net Lifetime Benefits (UCT)
Appliance Turn In	\$3,028,877	\$11,197,830	\$8,168,953
EE Products	\$2,297,934	\$26,531,444	\$24,233,510
EE Homes (e)	\$6,667,753	\$26,132,337	\$19,464,585
Energy Solutions for Business - Small	\$6,357,608	\$39,682,721	\$33,325,113
Mercantile Customer	\$1,370,620	\$15,970,053	\$14,599,433
Energy Solutions for Business - Large	\$3,512,540	\$16,779,913	\$13,267,373
Government Tariff Lighting	\$7,130	\$787	-\$6,342
Total	\$23,242,462	\$136,295,087	\$113,052,625

(d) Excludes non-cost-effective programs, the Customer Action Program and the historic Mercantile Customer Program.

(e) 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 (UCT)	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2017	\$113,052,625	109.6%	3	7.5%	\$8,478,947

Table TE-1: Incentive Mechanism Trigger Calculation

Year	Annual Benchmark	Annual Target (a) MWh	Cumulative Benchmark	Cumulative Target MWh	Adjusted Achieved (b) Annual Energy Savings Savings MWh	Adjusted Achieved (b) Cumulative Energy Savings MWh
2017	1.00%	73,882	5.20%	384,187	81,726	823,258

(a) Compliance Baseline (Appendix B) x 1%

(b) The Achieved Energy Savings excluding the Customer Action Program. See Table 2-1 and Table 2-2 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?
2017	110.6%	214.3%	Y

Table TE-2: Incentive Percentage Calculation

Year	Annual Target MWh	Achieved Annual Energy Savings MWh	Prior Year Cumulative Deficit (c)	Adjusted Annual Energy Savings MWh	Incentive Mechanism Compliance Percentage
2017	73,882	81,726	NA	81,726	110.6%

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%

(c) 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 2016.

Table TE-3: Adjusted Net Benefits (UCT)

Program (d)	Discounted Lifetime Costs (UCT)	Discounted Lifetime Benefits (UCT)	Total Discounted Net Lifetime Benefits (UCT)
Appliance Turn In	\$760,043	\$2,553,755	\$1,793,712
EE Products	\$564,453	\$7,413,834	\$6,849,381
EE Homes (e)	\$1,952,409	\$7,537,277	\$5,584,868
Energy Solutions for Business - Small	\$2,036,030	\$14,096,736	\$12,060,706
Mercantile Customer	\$594,194	\$5,622,855	\$5,028,661
Energy Solutions for Business - Large	\$1,849,880	\$9,392,132	\$7,542,251
Government Tariff Lighting	\$1,789	\$4,112	\$2,322
Total	\$7,758,799	\$46,620,700	\$38,861,901

(d) Excludes non-cost-effective programs, the Customer Action Program and the historic Mercantile Customer Program.

(e) 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 TE-4: Company Incentive Calculation

Year	Adjusted Net Benefits (UCT)	Compliance Percentage	Incentive Tier	Incentive Percentage	Company Incentive
2017	\$38,861,901	110.6%	4	10.0%	\$3,886,190