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FILE

09-580-EL-EEC
09-581-EL-EEC
09-582-EL-EEC

August 21, 2009

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Ms. Renee J. Jenkins
Director, Administration Department
Secretary to the Commission
Docketing Division
The Public Utilities Commission of Ohio
180 Broad Street
Columbus, OH 43215-3793

Dear Ms. Jenkins:

Re: ***In the Matter of the Energy Efficiency and Peak Demand Reduction Program Portfolio of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company***

Enclosed for filing, please find the original and twenty (20) copies of the *Response to Natural Resources Defense Council and Ohio Consumers' Recommendations* regarding the above-referenced case. Please file the enclosed *Response* time-stamping the two extras and returning them to the undersigned in the enclosed envelope.

Thank you for your assistance in this matter. Please contact me if you have any questions concerning this matter.

Very truly yours,

Arthur E. Korkosz

AEK/jhp
Enclosures
cc: Parties of Record

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Energy Efficiency and Peak Demand Reduction Program Portfolio of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company	**Case No. 09-580-EL-EEC** **09-581-EL-EEC** **09-582-EL-EEC**

RESPONSE TO NATURAL RESOURCES DEFENSE COUNCIL AND OHIO CONSUMERS' COUNSEL'S RECOMMENDATIONS

Pursuant to R.C. 4928.66, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, "Companies") filed an Application on July 9, 2009, requesting the Commission's expedited approval of two residential energy savings and peak demand reduction programs for inclusion as part of their compliance with the 2009 energy efficiency and peak demand reduction benchmarks. More than a month after the filing of the Application, the Natural Resources Defense Council ("NRDC") and the Ohio Consumers' Counsel ("OCC") chose to file, respectively, "Recommendations" and "Recommendations for Modifications" (collectively, "Recommendations")[1] which urged certain changes be made to the proposals in the Companies' Application or, in the case of NRDC, alternatively urged returning the proposals to the collaborative group for further

[1] NRDC's and OCC's filings were made on August 10, 2009. NRDC purports to file its Recommendation under authority of proposed O.A.C. 4901:1-39-07(B), and, in both the NRDC and the OCC filings, there are numerous references, both procedural and substantive, to the rules promulgated by the Commission in Case No. 08-888-EL-ORD. Those rules, however, at least to the extent that they address the matters under consideration here, are not now (nor, for that matter, have they ever been) in effect and, accordingly, provide no supporting authority to the extent they are relied on in the NRDC and OCC filings. The Commission has withdrawn those rules from further proceedings in the JCARR review process, and it is uncertain either when, or in what form, they may reemerge. Clearly, they provide no basis upon which the Companies can rely in planning the 2009 compliance activities required by the statute.

consideration without substantive action by the Commission.[2] This Response addresses the NRDC and OCC Recommendations.

Most of the matters raised in the Recommendations can be addressed fairly briefly and we do so at the outset of this Response. NRDC, for example, complains the Application is incomplete in that the Companies failed to provide "detailed and precise" results of the total resource cost test for the compact fluorescent light bulb ("CFL") program. (Memorandum, pp. 6–7). While the Companies would think that such a presentation of data should be unnecessary given the overwhelming and well known efficiencies associated with CFLs, this data is nonetheless contained in a Total Resource Test analysis appended as Attachment A to this Response.

Another preliminary matter, raised by OCC, is directed to the proposal regarding the Aclara Online Home Energy Education Tool. While OCC supports the program, it recommends that the Companies' "measurement and verification of the energy savings be based on a statistical sampling of customers who performed online audits and that customer participation be tracked." (Memorandum, p. 6) The Companies have no objection to and, in fact, contemplate doing follow up sampling in order to maximize, prospectively, the benefits to be achieved from the program's implementation. The results of such sampling, however, should in no way be used retroactively to adjust downward the 300 kWh per customer estimate which should be used as the contribution toward compliance with the Companies' 2009 energy savings benchmark. Any potential suggestion for such an after-the-fact downward adjustment would create so much

[2] Although NRDC could have participated in the Residential Subcommittee, that portion of the collaborative process where both the programs proposed in the Application were discussed, it choose not to participate in that group or in its earlier discussions. NRDC's recommendation now, therefore, to send the Companies' proposal back for further consideration to the group and for discussions which NRDC itself shunned is, at best, curious. (Memorandum, p. 7)

uncertainty and risk for the Companies as to make committing to the up front costs of this program unwise.

OCC also suggests that the expected costs of education and marketing for the Tool should decrease after the first year and in subsequent years. (Memorandum, p. 6) The projections of future costs which accompanied the Application were illustrative estimates only. In the future, based on a review of the use of the Tool, the Companies intend to target a particular level of customer participation and provide funding appropriate to reaching that level of participation.

The principal criticism raised in the Recommendations, and shared by both NRDC and OCC, is directed to the design of the Companies' compact fluorescent light bulb ("CFL") proposal that, for 2009, contemplates direct to customer distribution of bulbs from the Companies without any cost to the customer. Instead, OCC and NRDC maintain the program should be changed to one which only partially subsidizes the cost of the CFLs at the point and time of customer purchase (either by direct payment to the retailer or with coupon distribution which customers then redeem at the point of purchase). This recommended alternative necessarily requires additional action on the part of customers (i.e. in going to a store and making a purchase) and lessens the monetary incentive (by imposing some cost, rather than no cost, on the customer) to acquire and use the CFLs. NRDC claims that the Companies' no cost approach is undesirable in that it disrupts the customer learning process regarding the value of CFLs and inhibits bulb installation rates as customers will "assign little value to CFLs". NRDC also claims that a partial, rather than full, subsidy of the customers' CFL cost will result in the program reaching a larger number of participants. Both NRDC and OCC point to

CFL programs initiated by AEP and Duke (which follow the recommended alternative) as mechanisms which further the goal of market transformation, i.e. customer recognition of the value of energy efficiency savings through mechanisms such as CFLs.

The critical point, however, completely ignored by both the NRDC and OCC filings, is that the Companies have a statutory obligation to comply with the energy efficiency savings benchmarks in 2009 and the Companies' Application was directed expressly to 2009.[3] The program proposed in the Application is directed to achieving that compliance within that timeframe. Under the Companies' proposal, the action required for implementation – direct distribution of CFLs to customers at no cost to them – is undertaken entirely *by the Companies.* Accordingly, there is greater assurance that compliance with the 2009 benchmark obligation under the statute can be achieved. In contrast, the alternative recommended in the filings, requires an affirmative choice and action *by the customer* to make a purchase[4] cannot provide the assurance that benchmark compliance – within the necessary timeframe, i.e. within the limited number of months remaining in 2009 – can be achieved. Whatever may be the merits of manipulating the extent of subsidization to achieve some idealized economic course of market transformation and customer recognition of the value of CFLs, the statute does not permit the luxury of an indefinite timeframe and an unlimited period for consideration by the

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[3] OCC's observations in the "Overview Regarding Timing" (Memorandum, p. 4) recognize that 2009 compliance requirements exist, but nonetheless recommend "care" and, implicitly, further delay of any Commission approval of the Companies' proposals. This approach is unhelpful and only makes the Companies' required 2009 compliance with the statute more difficult and tenuous.

[4] Although that purchase is incented by the utility provided subsidy, any expectation as to such customer choice and purchases is necessarily dubious given the current difficult economic circumstances faced by all Ohioans.

collaborative group in which to effect that result. We are approaching the end of August and there are scant months left in which to achieve 2009 compliance.[5]

Although the NRDC and OCC alternative recommendation is unsuitable in its present form, there is, however, an enhancement to the recommendation that would allow not only its implementation but is also consistent with the Companies' obligation to comply with the 2009 statutory benchmarks. Under the Companies' proposal, the energy savings (and hence the contribution toward compliance with the statutory benchmarks) is deemed to occur with delivery of the CFL to the customer. If, however, under a coupon alternative approach (where the Companies provide customers with coupons redeemable at the time of their CFL purchases), the energy savings (and the contribution toward compliance with the benchmark) is deemed to occur at the time of distribution of the coupon to the customer, the objectives sought by NRDC and OCC and the goal of compliance with the statutory benchmarks can be harmonized. The Companies are prepared to modify their original proposal and move forward with such approach upon its approval by the Commission.

The Companies believe the Application, as filed, is reasonable and appropriate and, given the need for compliance in 2009, should be approved promptly by the Commission. The Companies do not object, however, to the acceptable modifications discussed above.

[5] It is this factor which distinguishes the AEP and Duke experiences from the circumstances here. Both of those programs have already been in place for a considerable period. They are not brand new programs which must achieve a desired customer response within an increasingly shorter period for statutory compliance. Moreover, as noted above, the rules promulgated in Case No. 08-888-EL-ORD are currently in something of a state of limbo. In their earlier formulation, it is apparent that the Commission was disinclined to annualize the effect of a partial year's energy savings for purposes of calculating utility compliance with the statutory benchmarks. Such uncertainty only emphasizes the importance of the Companies implementing programs for 2009 energy efficiency compliance which provide significant, immediate, and assured impacts.

Respectfully submitted,

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ATTORNEY FOR APPLICANTS, OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, AND THE TOLEDO EDISON COMPANY

Estimated Total Resource Cost Test - High Efficiency Light Bulb Program

$ in Millions

OH Rate of Return

8.48%

Benefits

Line	Benefit Description	2009		2010	2011	2012
1	# Lightbulbs per year	3,750		0	0	0
2	Deemed KWH Savings Per Bulb	80		80	80	80
3	Total New MWHs Saved in Currer	300,000		0	0	0
4	Compound MWHs Saved for 5 Ye	100,000		300,000	300,000	300,000
5	Distribution Line Loss Factor	1.081		1.081	1.081	1.081
6	Gross MWH's Saved	108,100		324,300	324,300	324,300
7	Forecasted Wholesale Energy Pri	$32.37		$37.91	$48.49	$55.83
8	Deemed Electric Energy Savings	$3.5		$12.3	$15.7	$18.1
10	Peak Demand Reduction Savings	$0.0		$0.1	$0.1	$0.1
11	Total Savings	$3.5		$12.4	$15.9	$18.3
	NPV Benefits	**$39.6**				

Note 1: Deemed KWH Savings assumed to go through 2012.
Note 2: Forecasted Wholesale Energy Price based on EIA forecast adjusted to Cinergy Hub.
Note 3: Present Value of Deemed Electric Savings is reflected on TRC Summary page (discount rate = 8.48%)

Costs

Line	Cost Description	2009		2010	2011	2012
1	Cost per Light Bulb	$5.00		$0.00	$0.00	$0.00
2	FE Sales & Program Support	$0.75		$0.00	$0.00	$0.00
3	Other Costs	$0.00		$0.00	$0.00	$0.00
4	Total Annual Cost/Bulb	$5.75		$0.00	$0.00	$0.00
	# Lightbulbs		3,750,000			
	Total Annual Cost	**$21.6**				

Note 1: Customer Cost assumed to be $0.00 because measures implemented have no cost.

Attachment A

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Response to Natural Resources Defense Council and Ohio Consumers' Counsel's Recommendations was served by regular U.S. Mail upon the parties of record identified below in this case on this 21st day of August 2009.

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