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 2010 through 2012 and Associated Cost Recovery Mechanisms.	)	Case Nos. 09-1947-EL-POR 09-1948-EL-POR 09-1949-EL-POR
In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company For Approval of Their Initial Benchmark Reports.	)	Case Nos. 09-1942-EL-EEC 09-1943-EL-EEC 09-1944-EL-EEC
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 Nos. 09-580-EL-EEC 09-581-EL-EEC 09-582-EL-EEC

APPLICATION

1. Pursuant to R.C. § 4928.66, the Commission's Rules,[1] and the Commission's November 30, 2009 Entry in Case No. 09-580-EL-EEC *et seq.*, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, the "Companies") request approval of their respective Energy Efficiency & Peak Demand Reduction Program Portfolios (the "EE/PDR Plan" or "Plans"), the associated cost-recovery mechanisms, Riders DSE, and their initial Benchmark Reports.

The Companies' Programs

2. The Companies recognize the importance of energy efficiency and are committed to providing cost-effective energy efficient savings opportunities to their customers. As

[1] Specifically, O.A.C. 4901:1-39-04, 4901:1-39-05, 4901:1-39-06 and 4901:1-39-07.

demonstrated by the EE/PDR Plans, the Companies have proposed a wide range of programs to achieve the energy efficiency and peak demand reduction ("EE/PDR") benchmarks set forth in R.C. § 4928.66 for years 2010 through 2012[2] and to provide those opportunities to customers. As discussed below and in the attached Plan documents and supporting testimony, the EE/PDR Plans comply with R.C. § 4928.66 and the Commission's associated rules.

3. Each of the Companies is an electric distribution utility ("EDU") as that term is defined in R.C. § 4928.01(A)(6).

4. R.C. § 4928.66(A)(1)(a) requires an EDU, starting in 2009, to "implement energy efficiency programs that achieve energy savings equivalent to at least three-tenths of one percent of the total annual average, and normalized kilowatt-hour sales of the [EDU] during the preceding three calendar years to customers in this state. 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, ..." In addition, R.C. § 4928.66(A)(1)(b) requires an EDU, starting in 2009, to "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."

5. The Commission recently adopted rules in Case No. 08-888-EL-ORD to provide guidance to EDUs on complying with Ohio's EE/PDR requirements. Those rules became effective on December 10, 2009. OAC 4901:1-39-04 requires an electric utility to propose a comprehensive energy efficiency and peak-demand reduction program portfolio plan. This application is being filed for approval of such a Plan for each of the Companies.

[2] On October 27, 2009, the Companies filed an application seeking a waiver or amendment of their 2009 peak demand reduction benchmark. *See* Application, Case Nos. 09-1004-EL-EEC, 09-1005-EL-EEC and 09-1006-EL-EEC.

6. Indeed, as set forth herein, and in the supporting exhibits and testimony of John E. Paganie, Katherine M. Kettlewell, Steven E. Ouellette, and George L. Fitzpatrick, filed concurrently herewith (collectively, the "Application"), the Companies' EE/PDR Plans satisfy the criteria set forth in O.A.C. 4901:1-39-04 and represent a comprehensive set of cost-effective programs that are the result of the Companies' collaboration with non-profit organizations, municipalities, and trade and customer groups. Thus, the Commission should approve the Application and the Plans.

The Collaborative Process

7. The Companies' preparation of the Plans was shaped, in large part, by the Stipulation and Recommendation and Supplemental Stipulation entered into in Case No. 08-935-EL-SSO (collectively, the "ESP Stipulation") by the Companies and numerous other interested parties representing residential, commercial, and industrial customers, as well as governmental bodies, trade groups, and environmental advocacy organizations. The ESP Stipulation was approved by the Commission's March 25, 2009 Second Opinion and Order.

8. Pursuant to the terms of the ESP Stipulation, the Companies commissioned a market study to identify potential residential, small commercial and industrial energy efficiency and peak demand reduction opportunities. The Companies retained an independent consultant, Black & Veatch, to prepare that study, which was completed on September 1, 2009, and is included as Appendix D to the Plans.

9. The ESP Stipulation also called for the formation of a collaborative of stakeholders representing the ESP Stipulation's numerous interest groups (the "Collaborative"). The Collaborative convened on numerous occasions over the past six months and provided an important forum for the development of the Plans' projects. The Black & Veatch market study

was provided to all Collaborative participants, and its substance was discussed in Collaborative meetings during September, October and November of this year.

10. Through the feedback and insight gained from Black & Veatch and the Collaborative, the Companies have identified those programs that provide the greatest potential for cost-effective energy efficiency and peak demand reduction. Indeed, with the help of the Collaborative, the Companies have developed energy efficiency projects targeted to a variety of customer segments, including: (i) Residential-Low Income; (ii) Residential-Other; (iii) Small Enterprise; (iv) Mercantile-Utility; and (v) Governmental.

The Companies' EE/PDR Plans

11. The Companies' EE/PDR Plans, which are attached hereto as Attachments A through C, provide significant detail as to both the Companies' existing energy efficiency and demand reduction programs, which have already been approved by the Commission, and proposed EE/PDR programs for which the Companies seek Commission approval in this Application. Collectively, the proposed programs provide significant opportunities for energy and cost savings for all of the Companies' customers.

12. The Companies have already implemented the following energy efficiency and demand reduction programs, the first four of which the Companies request Commission approval to either continue, restart or expand as components of the Companies' Plans:

- **Community Connections** - provides weatherization measures, energy efficient solutions and client education to the Companies' low-income customers at no cost to them. The Companies intend to expand this program as outlined in the Plans following Commission approval of this Application.

- **Online Efficiency Products Catalog Program** - provides advice concerning energy efficiency products to residential and small enterprise customers with limited energy savings opportunities and equipment needs. The Companies also anticipate expanding this program as described in the Plans following Commission approval of this Application.

- **Interruptible Rate Tariff for Commercial/Industrial Customers** - provides peak load reduction opportunities through Riders ELR and OLR for large businesses and industrial customers that can curtail load upon receiving a signal from the Company. The Plans contemplate the substitution of the program in 2011 with a revised program in which customers bid their interruptible load in response to a Company RFP.

- **Direct Load Control Thermostat Program** - offers residential customers a programmable thermostat with two-way communications that allows customers to achieve energy savings and also allows the Companies to curtail summer air conditioning load during peak periods. This program as originally authorized in 2006 will be suspended after 2009, but the Plans propose an expansion of the program with new, more current technology following Commission approval of this Application.

- **Home Performance with ENERGY STAR® program** - a retrofit program offering funding for a home energy inspection and evaluation, with an emphasis on delivering energy efficiency improvements. The program as authorized in 2006 was available to customers through the summer of 2009, and will, upon approval, be replaced with a redesigned model in the Comprehensive Residential Retrofit Program described below.

- **Online Audit Program** - offers an on-line software application to customers which enables them to better understand and manage their energy usage. The Commission approved this program for implementation by Opinion and Order issued September 23, 2009 in Case No. 09-580-EL-EEC, *et seq.*

13. The Companies further request that the Commission approve the following residential programs:

- **Direct Load Control Thermostat Program** - offers residential customers a programmable thermostat with two-way communications that allows customers to achieve energy savings and also allows the Companies to curtail summer air conditioning load during peak periods. Following Commission approval, the existing base of customers under the now-current program will be re-activated and new participants added with updated technology.

- **Appliance Turn-In Program** - removes older inefficient appliances from the system by offering customers an incentive and free pick-up and disposal service for second refrigerators, freezers and room air conditioners.

- **Energy Efficient Products Program** - provides rebates to consumers and financial incentives and support to retailers selling energy efficient products. This is an expansion of the current energy efficient products catalog discussed above.

- **Efficient New Homes Program** - seeks to increase energy efficiency of new residential construction during the design and build phase by providing rebates to local builders for achieving energy efficiency targets.

- **Comprehensive Residential Retrofit Program** - offers residential customers a comprehensive home energy audit, which includes an examination of appliance efficiency, lighting and HVAC systems. This program will replace the Home Performance with ENERGY STAR® program discussed above.

- **High Efficiency Lighting (CFL) Program** - includes working with manufacturers to develop coupons and other promotional materials and provides direct distribution of compact fluorescent light bulbs to residential customers and small businesses at no cost. This program has been revised from a CFL program originally approved by the Commission in Case No. 09-580-EL-EEC *et seq.*

14. The Companies also request Commission approval of an additional program that is targeted to low-income residential customers:

- **CFL Program for Low Income Customers** - distributes energy efficient compact fluorescent light bulbs to low income eligible customers. This, too, is part of the revision of the CFL program approved in Case No. 09-580-EL-EEC *et seq.*

15. For Small Enterprise customers, the Companies request Commission approval of the following programs:

- **C&I Audit and Equipment Rebates** - provides comprehensive facility audits and heavily discounted pricing for any non-residential customer.

- **New Construction Program** - seeks to increase energy efficiency of new commercial construction during the design and build phase by providing incentives to builders, developers and building owners for achieving energy efficiency targets. This program also will be available to large enterprise customers.

16. The Companies have partnered with certain mercantile business customers to encourage them to invest in energy efficient projects. Applications for approval of mercantile customer self-directed projects are filed with the Commission on a case-by-case basis.[3]

17. For large enterprise customers, the Companies request Commission approval of the following programs:

- **C&I Equipment Rebates** - provides rebates for high efficiency electric equipment and building shell related measures.
- **C&I Equipment (Industrial Motors)** - encourages customers to upgrade existing motors to NEMA Premium® motors and also supports installation of variable speed drives on motors.
- **Technical Assessment Umbrella Program** - provides incentives toward the installation of energy saving measures identified in a comprehensive facility energy audit.

18. Finally, the Companies request Commission approval of the following governmental program:

- **Government Lighting Program** - seeks to convert municipal street lights to high pressure sodium lights. Also seeks to convert traffic signals and pedestrian/ cycling signals to LED technology.

19. Further, the Companies request a waiver to the extent the customer sectors utilized in the Plans conflict with the Commission's forthcoming order approving a portfolio plan template in Case No. 09-714-EL-UNC. The Commission's proposed template calls for the reporting of data using seven customer classifications. However, these seven classifications do not directly correlate to the organization of the Companies' tariffs and billing systems. To the extent the final template mandates the use of classifications that are different than the customer

[3] The Companies have requested rehearing of the Commission's December 2, 2009 Order in Case No. 09-553-EL-EEC, which modified the compensation structure in administrator agreements the Company intends to use to encourage self-directed mercantile projects. The Companies believe that the compensation structure as originally proposed is the most cost effective solution. If not remedied in that docket, the Companies ask the Commission to approve such a structure as part of its approval of the Plans.

sectors utilized in the Plans, the Companies could be required to make systemic and costly changes to their accounting and billing programs. As shown in the Plans and as described in the testimonies of Mr. Paganie, Ms. Kettlewell, and Mr. Ouellette, the Companies have allocated forecasted usage and program costs to customer sectors in a format intended to most closely resemble the draft template's classifications. The format of the Companies' Plans, therefore, is the most cost-effective presentation of the relevant information for the Commission and interested parties.

Cost Recovery

20. As provided for by R.C. § 4928.66, the Companies are authorized to recover the costs of their EE/PDR Plans. The structure and function of the Companies' cost-recovery mechanism – the Demand Side Management and Energy Efficiency Rider ("Rider DSE") – has, in fact, already been approved by the Commission via the ESP Stipulation for the period in which the Plans will be in effect. *See* ESP Stipulation, §§ E.2, E.6.n. This Application seeks only to modify Rider DSE as set forth below.

21. Rider DSE complies with the requirements of R.C. § 4928.66 and the associated rules, and will be updated on an annual basis.

22. Rider DSE allows the Companies to recover the costs associated with the Plans from all customers because all customers benefit from the energy efficiencies and peak demand reductions that will result. Except for common costs, all other costs will be recovered from customers as incurred by the applicable rate schedule. However, mercantile customers who initiate EE/PDR projects that qualify under Commission Rules are eligible to bypass the costs associated with the DSE2 charge set forth in Rider DSE.

23. The Companies are requesting that the Commission allow them to recover the following costs through Rider DSE: all program development and implementation costs, applicable carrying costs, reasonable administrative costs to conduct the programs, shared savings and variable distribution revenue non-collections resulting from the implementation of such programs.

24. It should be noted that the Commission's requirement that savings be pro-rated on a partial year basis will lead to increased costs to customers. In fact, had the Commission allowed the Companies to represent savings achieved through the Plans on an annualized basis, the total cost to customers would be $51.2 million less than the costs included in the Plans, as required by the Commission's Rules.

25. Upon approval of the Application, the Companies will be authorized to recover the costs of the Plans through Rider DSE. The Plan includes a proposed DSE2 charge in Rider DSE that, upon approval, would become effective on January 1, 2010. Over- or under-recovery of costs will be reconciled as provided in Rider DSE and as more fully described in the Testimony of Steven E. Ouellette, and will be subject to audit by Commission Staff. The reconciliation and audit processes will not include any adjustment to recoverable costs based on the results of customer satisfaction surveys or measurement & verification of energy efficiency savings or peak demand reductions.

26. The amount of variable distribution revenue non-collections similarly will be recovered by the Companies through Rider DSE, as described in the Testimony of Steven E. Ouellette. This cost recovery is appropriate because none of these expenses is accounted for in the Companies' current tariffs. The calculation of variable distribution revenue non-collections also will be subject to audit by Commission Staff. The audit process will not include any

adjustment to such amounts based on the results of customer satisfaction surveys or measurement & verification of energy efficiency savings or peak demand reductions.

Initial Benchmark Reports

27. As set forth in R.C. § 4928.66, the Companies must meet certain energy efficiency and peak demand reduction benchmarks beginning in 2009. R.C. § 4928.66(A)(1)(a) requires that the Companies' energy efficiency programs achieve energy efficiency savings of at least three-tenths of one percent in 2009. The energy efficiency benchmark increases every year and culminates in a required annual energy savings of twenty-two percent by the end of 2025. R.C. § 4928.66(A)(1)(b) also requires that the Companies demonstrate the capability to reduce peak demand by one percent in 2009 and by an additional three-quarters of one percent every year thereafter through 2018. The Plans address the Companies' compliance for the period of January 1, 2010 through December 31, 2012.

28. As a part of this Application, the Companies have provided their initial benchmark report in Section 1.1 and OE Tables 1-3 of the Plans as required by OAC 4901:1-39-05. The Companies' energy efficiency savings and peak demand reduction benchmarks have been calculated in accordance with the requirements of R.C. § 4928.66 and appropriately adjusted for weather and the results of mercantile customer self-directed projects.

29. The Testimony of Katherine M. Kettlewell describes the methodologies used by the Companies to produce their estimated benchmarks for 2009 through 2012. The resulting targets for energy efficiency savings and peak demand reduction are set forth in Exhibits KMK-1 and KMK-3 to the Kettlewell testimony, respectively.

30. These benchmarks will be adjusted, as necessary, in the Companies' annual filings with the Commission. Thus, the Commission should also enter an Order finding that the Companies have complied with the requirements for an initial benchmark report.

Schedule for Commission Review

31. The Companies hereby propose the procedural schedule set forth below for the review of the Application and request a waiver of any Commission rule which would result in a contrary and lengthier procedural schedule.

(a)	December 15	Application and Company direct testimony filed
(b)	January 7	Settlement Conference
(c)	Week of January 11	Technical Conference
(d)	January 15	Deadline for intervention
(e)	January 28	Staff and Intervenor comments/testimony filed; deadline for written discovery
(f)	Week of February 9	Hearing
(g)	February 19	Post-Hearing Briefs
(h)	March 10	Commission decision

32. Although the Commission's Rules propose a 60-day timeframe for comments on program portfolio plans, the Rules properly recognize that the Commission has the authority to modify that timeframe. *See* O.A.C. 4901:1-30-04(D) ("Unless otherwise ordered by the Commission, ..."). A modification is justified here for several reasons. First, and most importantly, the Companies' proposed schedule is critical to their ability to comply with the statutory benchmarks for 2010. Second, a 60-day review and comment period is unnecessary based on interested parties' participation in the development of the Programs through the

Collaborative. The diverse and numerous members of the Collaborative contributed suggestions to the design of many of the programs included in the Plans and, therefore, should be familiar with the Plans' terms and effects. Further, the Companies intend to host both a Settlement Conference (on January 7, 2010) and a Technical Conference (during the week of January 11, 2010) in the hopes of resolving as many of the issues as possible prior to hearing. As such, the Companies request that the Commission establish the schedule set forth above, which will allow the Companies to enact their Programs in time to achieve the savings proposed therein.

33. If the Commission determines that it requires additional time for consideration of the Application, the Companies request that the Commission approve, on or before March 10, 2010, those programs identified in the Testimony of George L. Fitzpatrick as the "Fast Track Programs." Because only partial year savings are allowed in the year in which a program is launched, the Fast Track Programs must be implemented by April 1, 2010, in order to achieve the projected savings and afford the Companies' a reasonable opportunity to comply with their 2010 benchmarks. Because it is unclear as to when a Commission order approving the Plans will be issued, if the Fast Track Programs are not approved on or before March 10, 2010, the Companies may be required to file a request for amendment of their benchmarks for 2010, as provided for in R.C. § 4928.66(A)(2)(b).

Conclusion

34. As set forth herein and in the supporting materials and testimony filed herewith, the Companies request that the Commission approve this Application and issue an Opinion and Order that: (i) approves the Companies' EE/PDR Plans and finds them to be in compliance with R.C. § 4928.66 and O.A.C. 4901:1-39-04 as filed; (ii) approves the modifications to the Companies' Rider DSE; (iii) authorizes the Companies to recover all costs identified in the Plans

through their respective Riders DSE; and (iv) approves the Companies' Initial Benchmark Reports as submitted in the Plans and supporting testimony.

35. The Companies also request that the Commission's approval of the Application constitute a waiver of any later-enacted rules that would otherwise modify or limit the Plans or cost-recovery mechanisms proposed herein.

36. Such an Opinion and Order should be entered so that the Companies may begin the implementation of the Plans and S.B. 221's worthy goals can be achieved.

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Respectfully submitted,

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