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**

VOLUME 1

Application
Direct Testimony of John E. Paganie
Direct Testimony of Katherine M. Kettlewell
Direct Testimony of Steven E. Ouellette
Direct Testimony of George L. Fitzpatrick

Filing Date: December 15, 2009

[Company Exhibit 1]

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DIRECT TESTIMONY OF

JOHN E. PAGANIE

ON BEHALF OF

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

INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John E. Paganie and my business address is FirstEnergy Corp. ("FirstEnergy"), 76 South Main Street, Akron, Ohio 44308.

Q. MR. PAGANIE, BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by FirstEnergy Service Company as Vice President, Customer Service and Energy Efficiency. In addition to overseeing all customer care issues involving the distribution utilities, I am responsible for ensuring that all of FirstEnergy's seven electric distribution utilities comply with, among other things, all energy efficiency and peak demand reduction ("EE&PDR") requirements imposed at either the federal or state level. This involves the development, coordination, implementation and oversight of programs that promote energy efficiency, peak demand reduction, demand-side management and emerging technologies. I report to the Executive Vice President and President of FirstEnergy Utilities, but also work closely with the presidents of each of FirstEnergy's utilities on most matters.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. I graduated from Gannon University with a Bachelor of Science degree in electrical engineering. I graduated from Case Western Reserve University with a Masters in Arts degree in Economics. I began my career with the Cleveland Electric Illuminating Company in 1969 and have served in a variety of

engineering and management positions, including Vice President of the Western Region – Ohio, and regional President of Pennsylvania Electric Company. My work experience is more fully described in Exhibit JEP-1, which is attached to my testimony.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("Toledo Edison") (collectively "Companies"). Unless otherwise stated, my testimony equally applies to all three Companies.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide a general overview of: (i) the Companies and their EE&PDR requirements; (ii) the Companies' EE&PDR filing, including the process used to develop their program portfolio plans (the "EE&PDR Plans" or "Plans"); and (iii) the Companies' EE&PDR activities during 2009. I also generally describe the impact on the Companies of the Commission's decision not to allow annualized savings for energy efficiency programs and propose a process for the review and approval of the EE&PDR Plans by the Public Utilities Commission of Ohio ("Commission").

THE COMPANIES AND THEIR EE&PDR REQUIREMENTS

Q. PLEASE GENERALLY DESCRIBE THE FIRSTENERGY CORPORATE STRUCTURE AS IT RELATES TO STATE REQUIREMENTS TO IMPLEMENT EE&PDR PROGRAMS.

A. FirstEnergy Corp. ("FirstEnergy") is a diversified energy company headquartered in Akron, Ohio. Among its many subsidiaries are seven electric utility subsidiaries – Ohio Edison, CEI and Toledo Edison in Ohio, three electric distribution utilities in Pennsylvania (Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company) and Jersey Central Power and Light Company in New Jersey. These seven electric utility operating companies comprise the nation's fifth largest investor-owned electric system, based on 4.5 million customers served within a 36,100 square-mile area of Ohio, Pennsylvania and New Jersey. FirstEnergy's goal is to develop cost effective EE&PDR solutions that can, when practical, be consistently applied not only in Ohio, but also in Pennsylvania and New Jersey. In so doing, all FirstEnergy customers benefit from any economies of scale that may be created and, when appropriate, a larger customer base over which common costs can be spread.

Q. PLEASE GENERALLY DESCRIBE THE COMPANIES.

A. The Companies are each a wholly owned subsidiary of FirstEnergy. Ohio Edison provides service to approximately one million electric utility customers in central and northeastern Ohio; CEI, approximately 756,000 customers in and around the Cleveland area; and Toledo Edison, approximately 313,000 customers in northwest Ohio. Ohio Edison has a summer peak load of approximately 5,270 MW; CEI, 4,113 MW; and Toledo Edison, 1,998 MW.

Q. WHAT EE&PDR REQUIREMENTS APPLY TO THE COMPANIES?

A. Under Ohio Revised Code Section 4928.66, the Companies are obligated to implement energy efficiency programs that achieve, and peak demand reduction programs designed to achieve, certain benchmarks that increase year-over-year. The Commission adopted rules, effective December 10, 2009, that establish a process for Commission review of each electric utility's EE&PDR program portfolio plan and initial benchmark report. The rules also authorize an electric utility, at the time it files its EE&PDR plan, to request recovery of a rate adjustment mechanism to recover program costs, lost distribution revenues and shared savings.

Q. IN GENERAL, WHAT DO THE EE&PDR PROGRAM PORTFOLIO PLAN AND THE INITIAL BENCHMARK REPORT INCLUDE?

A. The Commission's new rules direct that an EE&PDR plan include a range of programs that encourage innovation and market access for cost-effective EE&PDR reduction for all customer classes. The Commission's rules require, among other things, that the EE&PDR plan describe the following: (i) an assessment of potential reductions from EE&PDR programs; (ii) stakeholder participation in plan development; (iii) attempts to align and coordinate programs with other public utilities' programs; (iv) existing programs; and (v) proposed programs.

The initial benchmark report identifies two categories of information: (i) the energy and demand baselines for the reporting year, including a description of

the method of calculating the baseline; and (ii) the applicable statutory benchmarks.

Q. WHAT IS THE REQUIRED TIMING FOR FILING THE COMPANIES' EE&PDR PLANS?

A. The Commission's rules provide that the first EE&PDR plans for all Ohio utilities must be filed no later than December 31, 2009. The Commission granted in Docket Nos. 09-580-EL-EEC *et seq.* an extension to the Companies for filing their revised high efficiency light bulb program ("CFL Program") until December 15, 2009, and allowed the Companies to incorporate the CFL Program into their EE&PDR Plans. As a result, the Companies have elected to file their Plans on December 15, 2009. As required by the Commission's rules, the initial EE&PDR Plans address the period January 1, 2010 through December 31, 2012 ("Reporting Period.").

The initial benchmark report must be filed within sixty days of December 10, 2009. Because the Plans rely, in part, upon the benchmarks set forth in the initial benchmark report, the Companies also have elected to file this report on December 15, 2009. The energy and demand baselines and associated statutory benchmarks are described in the Direct Testimony of Katherine M. Kettlewell and also in Section 1.1 and OE, CEI and TE Tables 1-3 of the Plans.

THE COMPANIES' EE&PDR PLANS

Q. PLEASE GENERALLY DESCRIBE THE COMPANIES' EE&PDR PLANS BEING FILED IN THIS PROCEEDING.

A. The Companies have each filed an EE&PDR Plan. However, the three Plans were designed the same and generally include the same programs. As Mr. Fitzpatrick describes in his testimony, the Plans not only include the Companies' modified CFL Program, but a suite of programs that, if approved as filed, will provide the Companies with the opportunity to comply with S.B. 221 requirements and meet the Companies' overall objectives.

Q. WHAT WERE THE COMPANIES' OVERALL OBJECTIVES WHEN DEVELOPING THE EE&PDR PLANS?

A. When developing the Plans, the Companies strived to design plans that (i) comply with statutory and regulatory requirements; (ii) include at least one program for each of the major customer segments; and (iii) balance costs with results. I believe the Plans accomplish each of these objectives.

Q. PLEASE DESCRIBE THE GENERAL PROCESS UTILIZED BY THE COMPANIES WHEN DEVELOPING THEIR EE&PDR PLANS.

A. All of the EE&PDR Plans were created using the same process, which is described in Section 1.0 of the Plans. The three primary contributors to the process were (i) an internal FirstEnergy group overseen by me; (ii) Black & Veatch Corp. ("Black & Veatch"); and (iii) a collaborative group that represents various stakeholders.

Q. PLEASE DESCRIBE THE INTERNAL FIRSTENERGY GROUP AND ITS ROLE IN THE DEVELOPMENT OF THE PLANS.

A. FirstEnergy intends to maintain, to the degree possible, consistency in the three states with regard to EE&PDR program design and overall corporate objectives.

To do so, FirstEnergy created the Customer Service and Energy Efficiency Group, which is responsible for ensuring compliance with all state and federal EE&PDR requirements. This group oversaw the development of the three Plans and will be responsible for the successful implementation of the Plans as approved. A more detailed description of this group, as well as an organization chart, is included in Section 5.2 of the Plans.

Q. PLEASE EXPLAIN BLACK & VEATCH'S ROLE IN THE DEVELOPMENT OF THE PLANS.

A. Section E.6.b. of the Stipulation approved by the Commission on March 25, 2009, in the Companies' Electric Security Plan case, Docket No. 08-935-EL-SSO ("ESP Stipulation"), required the Companies to conduct a Market Study on or before September 1, 2009, to identify potential EE&PDR reduction opportunities. Effective June 2009, the Companies hired Black & Veatch, which performed the Market Study and also has assisted the Companies in the development of the three Plans. Black & Veatch is a leading global engineering, consulting and construction company that has worked with utilities throughout the country on demand side management and energy efficiency projects. The Black & Veatch team worked with FirstEnergy's Customer Service and Energy Efficiency Group to develop the Plans that are being filed in this case. Personnel from Black & Veatch also moderated the collaborative meetings with stakeholders, gathering comments on the plans and programs from members of this group and incorporating these comments as appropriate into the program design.

Q. PLEASE DESCRIBE THE COLLABORATIVE PROCESS USED BY THE COMPANIES DURING THE DEVELOPMENT OF THE PLANS.

A. Pursuant to Section E.6.c. of the ESP Stipulation, the Companies created a collaborative process involving many stakeholders with a wide range of interests ("the Collaborative") to consider EE&PDR reduction opportunities. The Collaborative reviewed and commented on individual EE&PDR programs developed by the Companies to satisfy the 2009 EE&PDR benchmarks and also provided input on programs described in the Market Potential Study, including the programs ultimately included in the Plans. On December 10, 2009, the Companies presented a preview of this filing to the Collaborative. The Collaborative process is described further in Section 3.1.5 of the Plans.

As stated in that section, the Companies recognize that, due to the timing of this meeting vis-à-vis the filing, there was minimal time for the Collaborative to review the details of the Plans. Therefore, the Companies have scheduled a meeting on January 7, 2010, where all members of the Collaborative will have an opportunity to provide feedback and suggested changes to the Plans. If the Companies agree with the suggestions, the Companies will address any necessary changes to the Plans during the Commission's approval process. As I will explain later in my testimony, the anticipated procedural schedule, absent certain activities to accelerate it, will place the Companies' 2010 compliance in jeopardy. This meeting is one of several steps the Companies intend to take to accelerate that schedule.

Q. IS IT POSSIBLE THAT THE PROGRAMS INCLUDED IN EACH OF THE COMPANIES' EE&PDR PLANS MIGHT BE ADJUSTED DURING THE PLAN PERIOD?

A. Yes. The portfolio of programs should be viewed as the Companies' starting point. It is anticipated that timely adjustments will be made based on feedback from customers, administrators and program managers, and the Collaborative members. For example, program managers/vendors are likely to have strong, experience-based recommendations on particular programs. In addition, adjustments are likely to be made based on the performance of individual programs as measured by the Companies' tracking system and information gleaned from independent program evaluations. This issue is discussed in more detail in Section 5.0 of the Plans.

Q. DO THE PLANS SATISFY THE FILING REQUIREMENTS IN THE COMMISSION'S RULES FOR A PROGRAM PORTFOLIO PLAN?

A. Yes. In Rule 4901:1-39-04(C), the Commission set forth the information required to be included in the Plans:

(1) An executive summary, including its assessment potential. This can be found in Section 1.0 of the Plans and the Market Potential Study attached as Appendix D to the Plans.

(2) A description of stakeholder participation in program planning development efforts. This is described above, in Mr. Fitzpatrick's testimony, and in Section 3.1.5 of the Plans.

(3) A description of efforts to coordinate programs with other public utility programs. This is described in Section 3.1.6 of the Plans.

(4) A description of existing programs, which is included in Sections 2.0 and 3.0 of the Plans.

(5) A description of proposed programs, which is included in Sections 2.0 and 3.0 of the Plans.

Q. WHAT OTHER COMMISSION PROCEEDINGS DID THE COMPANIES CONSIDER IN PREPARING THE PLANS?

A. The Commission opened a docket, Case No. 09-512-GE-UNC, to develop a Technical Reference Manual ("TRM"), which has not yet been completed. The Plans as filed are consistent with the TRM as currently proposed.

Also, in Case No. 09-714-EL-UNC, the Commission is reviewing a template to be followed for filing program portfolio plans. Although a final order has yet to be issued in that proceeding, the Plans generally are consistent with the draft template.

Q. HOW ARE THE PLANS AS FILED POTENTIALLY INCONSISTENT WITH THE DRAFT TEMPLATE?

A. The proposed template describes seven "customer classifications": Residential, Residential Low-Income, Small Enterprise, Mercantile Self-Directed, Mercantile-Utility, Government & Nonprofit and Transmission & Distribution. As the Companies explained in their September 11, 2009 comments submitted in Case No. 09-714-EL-UNC, the Companies' customer accounting systems do not track customer data in the manner needed to conform reporting precisely to these

classifications. Ms. Kettlewell and Mr. Ouellette describe in their testimony how forecasted usage and costs, respectively, have been allocated to customer sectors in a format intended to most closely resemble the draft template's classifications.

The Commission has not issued a final order in Docket No. 09-714-EL-UNC. Should it do so and mandate reporting using classifications different than those provided in the Plans, the Companies request a waiver for this Application to permit reporting in the format as filed.

2009 PROGRAM ACTIVITY

Q. DO THE PLANS DESCRIBE THE COMPANIES' 2009 EE&PDR PROGRAM ACTIVITY?

A. Yes. in Section E.6.a. of the ESP Stipulation, the Companies agreed to develop an Energy Efficiency and Peak Demand Program for the period 2009 through 2011. Because of this requirement, when coupled with the Commission's requirement to submit a plan for the Reporting Period (Rule 4901:1-39-04(A)), the Plans include not only the Companies' compliance plans for the 2010-2012 period, but also an Appendix G outlining the Companies' compliance for 2009.

Q. DID OTHER PROVISIONS OF THE ESP STIPULATION FACTOR INTO THE DEVELOPMENT OF THE PLANS AS FILED WITH THE COMMISSION?

A. Yes. The ESP Stipulation also includes the following provisions:

(1) Section E.6.e. provides that the Companies will propose an independent third-party evaluation, measurement and verification ("EM&V") administrator(s) ("EM&V Consultant"). As explained in Section 6.1 of

the Plans, the Companies are in the process of hiring the EM&V Consultant, who will coordinate all EM&V activities for the Companies and work with the Commission's EM&V expert as circumstances require.

(2) Section E.6.i. provides that administrators will be used to accomplish the goals of EE&PDR programs. At a minimum, the Ohio Schools Council, the Ohio Hospital Association and the Council of Smaller Enterprises must serve as administrators. The Companies entered into ten administrator agreements, which the Commission approved, with modifications, on December 2, 2009, in Case No. 09-553-EL-EEC.[1]

In addition to the above requirements, the ESP Stipulation also provides for pre-approval by the Commission for statutory compliance and cost recovery purposes the EE&PDR programs contemplated by the Companies for compliance with S.B. 221 benchmarks (Section E.6.a.), the carry-over of any over-compliance (Section E.6.g.), and the recovery of uncollected variable distribution revenues associated with EE&PDR programs. (Section E.6.n.). Each of these provisions was also incorporated into the Plans.

PARTIAL YEAR SAVINGS IN PLANS

Q. ARE THERE ANY OTHER AREAS IN WHICH THE COMPANIES ARE ASKING THE COMMISSION TO MODIFY ITS RULINGS?

[1] The Companies have requested rehearing of the Commission's Order to the extent it modified the compensation structure in the Administrator agreements. The Companies believe that the compensation structure included in the Administrator agreements, which includes both a monthly fee plus an incentive of one cent per kWh, is the most cost effective solution. This fee structure is included in the Mercantile Program proposed in the Plans, and the Company asks the Commission to approve such a fee structure as part of its approval of the Plans.

A. Yes. There is one. The Companies ask the Commission to allow the use of full year rather than partial year savings in the year in which a program is launched.

Q. WHY ARE THE COMPANIES ASKING THE COMMISSION TO ALLOW FULL SAVINGS IN THE YEAR IN WHICH A PROGRAM IS LAUNCHED?

A. As Mr. Fitzpatrick explains in his testimony, the use of partial year savings significantly increases the costs of compliance. Further, without this change, or an expedited ruling on at least some of the programs as explained below, the Companies will not be able to comply with the 2010 energy efficiency benchmarks and will be compelled to seek a waiver of those benchmarks.

PROPOSED PROCEDURAL SCHEDULE

Q. ARE THE COMPANIES PROPOSING AN EXPEDITED SCHEDULE FOR REVIEW OF THE PLANS?

A. Yes. If the default process provided by the Commission's rules is followed, which includes a 60-day comment period, mandatory hearing, and anticipated briefing period, the Companies believe that the earliest the Commission could issue an order approving the Plans would be late May, 2010. If this default process is followed, Black & Veatch have calculated that, because of pro rata savings requirements and practical launch considerations, no more than a half year of savings could be generated in 2010. As Mr. Fitzpatrick explains in his testimony, the Companies cannot meet their 2010 energy efficiency benchmarks under this scenario.

Q. WHAT PROCEDURAL SCHEDULE IS PROPOSED BY THE COMPANIES?

The Companies are proposing a schedule that will permit them to begin launching Plan programs on April 1, 2010. The proposed schedule is set forth in the Application. The Companies request that the Commission either (i) approve the Plans as filed on or before March 10, 2010; or (ii) issue an order on or before March 10, 2010, approving the "fast track" programs for implementation as described in Mr. Fitzpatrick's testimony. One element of the proposed schedule is to shorten the comment period from sixty days to forty-five days, which, under Rule 4901:1-39-04(D), the Commission may authorize by order. The Companies believe that the Plans will generate sufficient savings to comply with 2010 benchmarks if the Commission approves the Plans using this timeline.

Q. IS THIS THE ONLY ALTERNATIVE?

A. No, if the Commission modifies the savings calculations so as to allow full-year savings, the Companies believe that the Plans would meet the 2010 benchmarks assuming a July 1, 2010 launch.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes, it does.

John E. Paganie – Biography
Vice President - Customer Service & Energy Efficiency

John E. Paganie is vice president of Customer Service & Energy Efficiency for FirstEnergy. He is responsible for all customer service functions for the company's Ohio, Pennsylvania and New Jersey service areas, and the development and implementation of customer programs that promote energy efficiency, peak demand reduction, demand-side management, and emerging technologies.

Mr. Paganie was previously regional president of Pennsylvania Electric Company (Toledo Edison), a FirstEnergy electric utility operating company serving approximately 581,000 customers within a 17,600-square-mile area of western and central Pennsylvania. He was active in a variety of community activities, including the Erie Regional Chamber and Growth Partnership, United Way of Erie County, WQLN, the Hamot Board of Corporators, the Foundation for Free Enterprise Education, the Board of Directors of TEAM – Pennsylvania, and Gannon University Board of Trustees.

He began his career with The Cleveland Electric Illuminating Company (CEI) in 1969 and served in a variety of engineering and personnel positions until 1986, when he was named director of Union Relations. That same year, CEI merged with Toledo Edison to form the former Centerior Energy Corporation. In 1987, Mr. Paganie was named director of Personnel and Union Relations for CEI, followed by a promotion to general manager, Cleveland West operations, in 1991. In 1993, he was named director, Human Resources and Labor Relations for Centerior, and in 1995 was named Centerior regional vice president for its Western Region. After Ohio Edison merged with Centerior to form FirstEnergy in 1997, Mr. Paganie was named vice president for the company's Western Region – Ohio, based in Toledo. While in Toledo, he was active in a variety of community activities, including serving on the boards of trustees of the Toledo Regional Growth Partnership, WGTE Public Broadcasting, and the Toledo Northwest Foodbank. Mr. Paganie also served for five years as unit chair for the Greater Toledo United Way Campaign.

A native of Ellwood City, Pennsylvania, Mr. Paganie earned a Bachelor of Science degree in electrical engineering in 1969 from Gannon University in Erie, Pennsylvania, and a master's degree in economics in 1973 from Case Western Reserve University in Cleveland, Ohio.

Education and Experience of John E. Paganie

Education:

1969	Bachelor of Science Degree in Electrical Engineering - Gannon University
1973	Master of Business Administration Degree in Economics – Case Western Reserve University

Experience:

9/69 - 1/87	Engineering and Personnel Positions at CEI
1/87 - 1/91	Director of Personnel and Union Relations at CEI
1/91 - 2/93	General Manager Cleveland West Operations at CEI
2/93 - 1/95	Director Human Resources and Labor Relations at Centerior
1/95 - 1/97	Regional Vice President Western Region at Centerior
1/97 - 11/01	Regional Vice President Western Region at FirstEnergy
11/01 - 2/09	Regional President at Pennsylvania Electric Company
2/09 – Present	Vice President – Customer Service & Energy Efficiency

[Company Exhibit 2]

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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
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DIRECT TESTIMONY OF

KATHERINE M. KETTLEWELL

ON BEHALF OF

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

Q: **PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

A: My name is Katherine (Kathy) M. Kettlewell and my business address is FirstEnergy Corp. ("FirstEnergy"), 76 South Main Street, Akron, Ohio. I am the Director of Retail Load Forecasting and RTO Settlements for FirstEnergy Service Company.

Q: **ON WHOSE BEHALF ARE YOU TESTIFYING TODAY?**

A: I am testifying on behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (the "Companies"). Unless otherwise stated, my testimony applies equally to all three Companies.

Q: **WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?**

A: I graduated from The Ohio State University with a Bachelor of Arts Degree, and graduated from the University of Akron with a Masters of Business Administration degree with a finance concentration. I have worked in a variety of fields and positions, but my relevant professional experience began in 1999, when I joined FirstEnergy in the Generation Business Strategies group. In that position, I managed the group's analysis of long term environmental and commodity supply planning strategies for the generation business. In 2002, I became the Manager of Enterprise Risk Management in the newly formed Enterprise Wide Risk Management group. In 2003, I transferred to FirstEnergy's unregulated affiliate, FirstEnergy Solutions ("FES"). Initially, I managed all of the retail processes associated with the competitive electricity and natural gas businesses: retail contracts, credit, customer billings and customer care. In 2005, I was

named Director of FES Finance and was given added responsibility for settlement of FES and the Companies participation in the wholesale markets, the Midwest Independent Transmission System Operator, Inc. ("MISO"), and PJM Interconnection, L.L.C. (collectively, the "RTOs"). Through the end of 2008, FES acted as the agent for the Companies in MISO. FirstEnergy participates in the markets as a market participant through FES; as a load serving entity through the Companies; and as a transmission system operator through another FirstEnergy affiliate, American Transmission Systems, Inc. ("ATSI"). From 2005 until 2007, I only settled FES's and the Companies' participation in the RTOs. In 2006, I transferred to FirstEnergy Service Company, taking the position of Director of Settlements and Wholesale Tariff Analysis, and in 2007, my group joined the Rates and Regulatory Affairs Department, where I focused solely on FirstEnergy's participation in the RTOs, including ATSI's participation in the RTOs. In 2009 I started my current position as Director of Retail Load Forecasting and RTO Settlements for FirstEnergy Service Company. I no longer have responsibility for settling FES's participation in the RTOs, but I continue to settle the Companies' and ATSI's participation in the RTOs. In addition, I assumed responsibility for preparing and reporting the Companies' load and revenue forecasts.

Q: PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR OF RETAIL LOAD FORECASTING AND RTO SETTLEMENTS FOR THE RATES AND REGULATORY AFFAIRS DEPARTMENT.

A: I supervise a group which is responsible for all retail load forecasting for the Companies. This entails, among other things, preparing the Companies' distribution and generation load forecasts in both the short and long term. This group is also responsible for all long term forecasts required by the Public Utilities Commission of Ohio ("Commission"), and for projecting the revenues associated with those forecasts for internal planning and reporting purposes. With regard to RTO settlements, I am responsible for the accounting for all revenues and expenses associated with the Companies' participation in the RTOs and act as the Meter Data Management Agent for all retail and select wholesale parties who serve load or supply generation in the Companies' service territory. My responsibilities in RTO settlements also include supporting the financial settlement with the Companies' Standard Service Offer ("SSO") Suppliers under the current stipulated Electric Security Plan approved in Case No. 08-935-EL-SSO, including determination of invoice amounts, distribution of invoices and timely payment of invoices. My responsibilities related to load and revenue forecasts and for RTO settlement and SSO purchases also extend to the FirstEnergy operating companies located in Pennsylvania and New Jersey.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A: The purpose of my testimony is to describe the Companies' methodology for calculating their respective baselines and associated benchmarks for the energy efficiency requirements set forth in Ohio Rev. Code ("R.C.") § 4928.66(A)(1)(a) ("Energy Efficiency Baseline"), and for the peak demand reduction benchmarks

set forth in R.C. § 4928.66(A)(1)(b) ("Peak Reduction Baseline"). I will also describe the methodology for allocating the forecasted usage into plan sectors for the purpose of preparing the three year energy efficiency and peak demand reduction ("EE&PDR") plans that are the subject of this filing.

Q: ARE YOU SUPPORTING ANY EXHIBITS?

A: Yes, Exhibits KMK-1, which details the calculation of the Energy Efficiency Baseline and Benchmarks for each Company; KMK-2, which is an example of the steps taken to weather adjust certain information; and KMK-3, which details the calculation of Peak Reduction Baselines and Benchmarks for each Company.

Q: WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A: Yes, they were.

ENERGY EFFICIENCY BASELINE

Q: WHAT GUIDELINES DID THE COMPANIES USE IN CALCULATING THE ENERGY EFFICIENCY BASELINE?

A: Pursuant to R.C. § 4928.66(A)(2)(a) the baseline for energy savings "shall be the average of the total kilowatt hours the electric distribution utility sold in the preceding three calendar years. . ." Additional guidance is provided in Section 4901:1-39-01(J) of the rules developed by the Commission in Docket No. 08-888-EL-ORD ("Rules"), which states that the Energy Efficiency Baseline means "the average total kilowatt-hours ["kWh"] of distribution service sold to retail customers [of the Companies'] in the preceding three calendar years as reported in the [Companies'] most recent long term forecast report ["LTFR"] …. The total

kilowatt-hours sold shall equal the total kilowatt-hours delivered by the [Companies]."

R.C. § 4928.66(A)(2) specifically allows the Energy Efficiency Baseline to be adjusted or normalized for several reasons, including new economic growth, numbers of customers, sales, weather, peak demand, and other appropriate factors. Rule 4901:1-39-05(B) also allows an electric utility to file an application to adjust its baseline for a variety of factors that are outside its control. This Rule further provides that to the extent any adjustments are approved by the Commission, any "normalizations for weather, changes in numbers of customers, sales, and peak demand shall be consistently applied from year to year."

Q: PLEASE DESCRIBE HOW THE COMPANIES' ENERGY EFFICIENCY BASELINES WERE CALCULATED.

A: Each Company calculated an Energy Efficiency Baseline as shown in detail in attached Exhibit KMK-1. In pertinent part, the past "distribution service sold" by each Company matches the usage reported by each Company in the April 15, 2009 LTFR PUCO FORM FE4-D1, column (6) by individual utility. These amounts do not include line losses and Company use, which is consistent with Rule 4901:1-39-01(J). The values for "distribution service sold" have been normalized for weather consistent with both R.C. § 4928.66(A)(2)(c) and Rule 4901:1-39-05(B). The only other adjustment the Companies made to the Energy Efficiency Baselines is to add back the savings in the baseline years associated with mercantile customer self directed projects that have been filed with the

Commission prior to December 1, 2009, for approval by the Commission for commitment to the Companies, consistent with R.C. § 4928.66(A)(2)(c).

Q: WHY DIDN'T YOU INCLUDE RESULTS FROM ANY MERCANTILE CUSTOMER SELF DIRECTED PROJECTS THAT HAVE BEEN FILED SINCE DECEMBER 1, 2009?

A. In order to prepare each Company's EE&PDR plan, we had to have a cut off date for changes to the parameters. November 30, 2009 was the last day that the Companies could make changes to the plan and still meet their December 15, 2009 filing commitment. Further, given the number of mercantile customer projects projected to be filed during the month of December, the impact of these filings should have little impact on the Companies' respective Energy Efficiency Baselines for 2009. And finally, any projections for 2010 through 2012 are just that – projections. Therefore, if there is a significant number of such projects filed post 2009, the Companies will update their Energy Efficiency Baselines in their annual update filings that are required by Rule 4901:1-39-05(C).

Q: DO THE COMPANIES' ENERGY EFFICIENCY BASELINES FOR THE YEARS 2010-2012 INCLUDE FORECASTED USAGE?

A: Yes. As actual usage for 2009-2011 has not yet been determined, calculation of the Energy Efficiency Baseline for 2010-2012 includes forecasted usage, as reported on the April 15, 2009 LTFR PUCO FORM FE4-D1.

Q: SINCE THE COMPANIES' ENERGY EFFICIENCY BASELINES INCLUDE FORECASTED USAGE, COULD THERE BE CHANGES BETWEEN THE BASELINE PROVIDED FOR PLANNING PURPOSES

("ENERGY EFFICIENCY PLANNING BASELINE") AND THE BASELINE USED FOR COMPLIANCE PURPOSES ("ENERGY EFFICIENCY COMPLIANCE BASELINE")?

A: Yes. This result is unavoidable, because the Energy Efficiency Compliance Baseline will be based on actual usage data from the preceding three years rather than on forecasted usage. The Energy Efficiency Compliance Baseline will be more or less than the Energy Efficiency Planning Baseline, and the associated benchmarks will be adjusted accordingly. In addition, actual realized savings from mercantile self directed programs could vary from the forecast. Actual realized mercantile self directed program savings will be added back once the actual realized savings are determined, and will be documented in the Companies' compliance filings.

To accommodate the anticipated differences between actual and forecasted usage, as part of future filings of the Companies' Portfolio Status Report required by Rule 4901:1-39-05, the Companies' Energy Efficiency Planning Baselines will be updated on an annual basis to reflect the actual usage which occurred in the baseline years, and for new forecasts of the baseline years. Also as part of this same report, the Companies anticipate making a compliance demonstration pursuant to Rule 4901:1-39-05(C). Absent a significant unforeseen event, the Energy Efficiency Compliance Baseline will include the actual distribution service sold by each Company, as normalized only for weather and the effects of actual realized savings associated with mercantile customer self directed projects.

Q: DO THE FORECASTS USED BY THE COMPANIES INCLUDE ADJUSTMENTS FOR ANTICIPATED ENERGY EFFICIENCY PROGRAM SAVINGS IN FUTURE YEARS?

A: Yes. As previously stated, the Companies Energy Efficiency Baselines are based on usage as reported in the April 15, 2009 LTFR PUCO FORM FE4-D1, which includes the effects of historical energy efficiency savings implemented by customers on their own. The April 15, 2009 LTFR forecast did not account for the additional incremental savings required pursuant to R.C. § 4928.66. The Companies plan to incorporate into the LTFR filed on April 15, 2010, the incremental effects of complying with R.C. § 4928.66 consistent with all applicable rules and regulations.

Q: HOW WAS ACTUAL USAGE ADJUSTED TO NORMALIZE FOR WEATHER?

A: Actual kWh usage for residential and some small commercial customers is driven by the heating and cooling degree days ("HDD/CDD") associated with the day-to-day weather. To eliminate the effect of weather on the kWh usage in the actual baseline years, the Company calculates the change in the kWh usage compared to the difference between normal HDD/CDD, and actual HDD/CDD through a regression analysis. To determine normal heating and cooling degree days, the Company relies on monthly rolling 20-year averages. Exhibit KMK-2 illustrates the steps for weather adjusting actual sales. The resulting kWh adjustments can be positive or negative depending on whether the actual weather was warmer or colder than normal. In this example, the actual CDD's were above the normal

CDD's, so the adjustment is subtracted from actual sales to arrive at weather adjusted sales (actual sales would have been lower had the CDD's been normal). The forecast models take into account normal weather; therefore, no additional adjustment for weather is made to the forecasted baseline years.

Q: WHAT ADJUSTMENTS HAVE THE COMPANIES MADE TO THE ACTUAL USAGE AS REPORTED IN THE APRIL 15, 2009 LTFR PUCO FORM FE4-D1?

A: There have been no adjustments other than those for the weather and the effects of the mercantile customer projects that have already been discussed.

Q: DO THE COMPANIES ANTICIPATE FOLLOWING THIS SAME METHODOLOGY IN FUTURE YEARS?

A: Yes. Unless otherwise directed by the Commission, and absent a significant unforeseen event, the Companies intend to follow this same methodology for the Planning and Compliance Energy Efficiency Baselines in future years.

Q: ARE YOU PERSONALLY FAMILIAR WITH THE ADJUSTED AVERAGE "DISTRIBUTION SERVICE SOLD" BY THE COMPANIES FOR THE CALENDAR YEARS 2006-2008, AS DEFINED IN R.C. § 4928.66(A)(2) AND RULE 4901:1-39-01 *et seq.*?

A: Yes. The Companies' adjusted average "distribution service sold" for calendar years 2006-2008 are reflected in the attached Exhibit KMK-1.

Q: ARE YOU PERSONALLY FAMILIAR WITH THE FORECASTED ADJUSTED AVERAGE "DISTRIBUTION SERVICE SOLD" FOR THE

A: Yes. The Companies' forecasted adjusted average "distribution service sold" for calendar years 2009-2011 are reflected in the attached Exhibit KMK-1.

PEAK DEMAND BASELINE

Q: WHAT GUIDELINES DID THE COMPANIES USE IN CALCULATING THE PEAK DEMAND BASELINE?

A: Pursuant to R.C. § 4928.66(A)(2)(a), the baseline for a peak demand reduction shall be "the average peak demand on the utility in the preceding three calendar years…." Rule 4901:1:39:01(S) provides further guidance, and states that the peak demand baseline is "the average peak demand on the electric utility's system in the preceding three calendar years as reported in the electric utility's most recent long term forecast report…."

The Peak Demand Baselines have been adjusted for peak demand reductions associated with mercantile self directed projects that have been filed for approval with the Commission before December 1, 2009. The peak demand reduction capability which is available to the Companies for compliance purposes is imbedded in the peak demand reported in the LTFR, therefore no adjustment is needed.

Q: PLEASE DESCRIBE HOW THE COMPANIES' PEAK DEMAND BASELINES WERE CALCULATED.

A: The Companies have calculated the Peak Demand Baselines for each Company, as shown in detail in the attached Exhibit KMK-3. In pertinent part, the

Companies have reported peak demand as reported in the April 15, 2009 LTFR PUCO FORM FE4-D4.

Q: DO THE COMPANIES' PEAK DEMAND BASELINES INCLUDE DISTRIBUTION AND TRANSMISSION LOSSES?

A: The Companies have calculated the Peak Demand Baselines as a retail system peak that includes both distribution and transmission losses. This is the methodology used to calculate peak demand on the utility's system that currently is reported on the April 15, 2009 PUCO FORM FE4-D4.

Q: DO THE COMPANIES' PEAK DEMAND BASELINES FACE THE SAME ISSUES RELATING TO FORECASTING AND ANTICIPATED DEMAND REDUCTIONS IN THE MERCANTILE SELF DIRECTED PROGRAM AS THE COMPANIES' ENERGY EFFICIENCY BASELINES?

A: Yes. The Companies' Peak Demand Planning and Compliance Baselines will have to be adjusted in the same manner to account for differences between forecasted peaks and actual peaks and anticipated versus actual demand reductions in the mercantile self directed program.

Q: HAVE THE COMPANIES' PEAK DEMAND BASELINES BEEN ADJUSTED FOR ANY OF THE FACTORS IN R.C. § 4928.66(A)(2)(c)?

A: Yes. The Peak Demand Baseline have been adjusted for the mercantile program effects discussed above. In addition, the forecasted peak demands will reflect the normal weather that is imbedded in the forecasted usage described above. The peaks in the actual baseline years were not weather adjusted at this time because sufficient data is not available. Weather adjusting the peaks in the actual baseline

years would require at least twenty years of daily peak and at least twenty years of the daily temperature humidity index. However, only daily peaks back to 2002 are available, and any calculation using only eight years of history would not be reliable.

Q: DO THE COMPANIES ANTICIPATE FOLLOWING THIS SAME METHODOLOGY IN FUTURE YEARS?

A: Yes. Unless otherwise directed by the Commission, and absent a significant unforeseen event, the Companies intend to follow this same methodology for the Peak Demand Baselines in future years.

Q: ARE YOU PERSONALLY FAMILIAR WITH THE AVERAGE PEAK DEMAND FOR THE CALENDAR YEARS 2006-2008, AS DEFINED IN R.C. §4928.66(A)(1)(b) AND RULE 4901:1-39-01(S)?

A: Yes. The Companies' average peak demand for the calendar years 2006-2008 is reflected in the attached Exhibit KMK-3.

Q: ARE YOU PERSONALLY FAMILIAR WITH THE FORECASTED AVERAGE PEAK DEMAND FOR THE COMPANIES FOR THE CALENDAR YEARS 2009-2011 AS DEFINED IN R.C. § 4928.66(A)(1)(b) AND RULE 4901:1-39-01(S)?

A: Yes. The Companies' average peak demand for the calendar years 2009-2011 is reflected in the attached Exhibit KMK-3.

Q. WERE THE CALCULATIONS CONTAINED IN EXHIBITS KMK-1 AND KMK-3 TO THIS TESTIMONY CONDUCTED IN ACCORDANCE WITH

R.C. § 4928.66 AND THE RULES ADOPTED BY THE COMMISSION IN CASE NO. 08-888-EL-ORD?

A: In my opinion, yes they were.

ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION BENCHMARKS

Q: DID YOU CALCULATE THE APPLICABLE BENCHMARKS USING THE BASELINES DESCRIBED ABOVE?

A: Yes.

Q: WHAT GUIDELINE DID YOU USE TO CALCULATE THE BENCHMARKS?

A: R.C. § 4928.66(A)(1)(a) and (A)(1)(b) set forth the standards for calculating energy efficiency and peak demand reduction benchmarks, respectively.

Q: WHAT ARE THE ESTIMATED BENCHMARKS FOR 2009, 2010, 2011 AND 2012?

A: The estimated benchmarks, using actual data to the extent currently available, are reflected in the attached Exhibits KMK-1 and KMK-3 and are also discussed in the Companies' EE&PDR plans in Section 1.1.

CUSTOMER SECTOR ALLOCATIONS

Q: ARE YOU RESPONSIBLE FOR ANY OTHER INPUTS INTO THE EE&PDR PLANS?

A: Yes. I provided the 2009 LTFR 2010 forecasted usage to our consultants, Black & Veatch, for the purpose of creating five of the seven plan sectors included in the EE&PDR plans. This forecasted usage has been assigned to the following sectors: (i) Residential Low Income; (ii) Residential Other; (iii) Small Enterprise; (iv) Mercantile-Utility; and (v) Governmental. Residential Customers taking

service under the RS tariff were split between “low income” and “other”. Because the Company currently has no way to determine which of its 1.9 million residential customers fit within the formal definition of “low income”, customers who were enrolled in the Percentage of Income Payment Plan program (“PIPP”) as of August 31, 2009 were used as a proxy for the low income category for planning purposes. The Small Enterprise group consists of small commercial and industrial (“C&I”) customers who are taking service on the General Service Secondary Rate schedule (“GS”). The Mercantile-Utility group consists of large C&I customers taking service on the General Service Primary (“GP”), General Service Subtransmission (“GSU”), and General Service Transmission (“GT”) rate schedules. The Governmental group consists of customers on the Street Lighting (“STL”) and Traffic Lighting (“TRF”) Rate Schedules. Customers were assigned to these categories based on available information in the billing systems.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Energy Efficiency Baselines and Benchmarks

Usage in GWh = KWh times 1 million

	LTFR Retail Sales (1)	Retail Weather Adjustment (2)	Weather-Adjusted Retail Sales (3)	Mercantile Addbacks (4)	Fully Adjusted Retail Sales (5)	Baseline (6)	Cumulative Benchmark % (7)	Benchmarks (8)
CEI								
2006	19,292	142	19,434	1	19,435			
2007	19,718	(189)	19,529	3	19,532			
2008	19,302	(112)	19,190	5	19,196			
2009	18,203	-	18,203	5	18,208	19,387	0.3%	58
2010	18,678	-	18,678	5	18,683	18,979	0.8%	152
2011	19,580	-	19,580	5	19,585	18,696	1.5%	280
2012	19,981	-	19,981	5	19,986	18,826	2.3%	433
OE								
2006	25,432	252	25,684	1	25,686			
2007	26,052	(184)	25,868	3	25,871			
2008	25,279	(61)	25,218	22	25,240			
2009	23,915	-	23,915	22	23,937	25,599	0.3%	77
2010	24,576	-	24,576	22	24,598	25,016	0.8%	200
2011	25,902	-	25,902	22	25,924	24,592	1.5%	369
2012	26,612	-	26,612	22	26,634	24,820	2.3%	571
TE								
2006	10,448	38	10,486	-	10,486			
2007	10,690	(81)	10,609	1	10,610			
2008	10,281	(26)	10,255	2	10,257			
2009	9,553	-	9,553	2	9,555	10,451	0.3%	31
2010	9,911	-	9,911	2	9,913	10,140	0.8%	81
2011	10,522	-	10,522	2	10,524	9,908	1.5%	149
2012	10,848	-	10,848	2	10,850	9,997	2.3%	230
Total Ohio								
2006	55,172	431	55,603	3	55,606			
2007	56,460	(455)	56,005	7	56,012			
2008	54,862	(199)	54,663	29	54,692			
2009	51,671	-	51,671	29	51,700	55,437	0.3%	166
2010	53,165	-	53,165	29	53,194	54,135	0.8%	433
2011	56,004	-	56,004	29	56,033	53,195	1.5%	798
2012	57,441	-	57,441	29	57,470	53,643	2.3%	1,234

Notes - (1) April 15, 2009 LTFR PUCO FORM FE4-D1, Column 6
(2) Weather Adjustment based on normal heating and cooling degree days
(3) = (1) + (2)
(4) Baseline years were adjusted for mercantile self directed program savings as filed with the PUCO by Dec 1, 2009
(5) Sum of (3) + (4)
(6) = average of 3 previous years (5)
(7) R.C. § 4928.66 Energy Efficiency Benchmarks
(8) = (6) * (7)

EXHIBIT KMK-2

Historical Sales Weatherization Example: July 2008 for CEI

Step 1): Regression of CDDs* and daily system load for 22 days resulted in a MWh/CDD slope of 1097 MWh/CDD

Step 2): Actual CDD = 274 for the month, the 20-year normal CDD for July = 253 for a difference of 21 CDD above normal

Step 3): 21 additional CDD * 1097 MWh/CDD estimates that 23,037 MWh of sales in July were due to higher than normal CDD

Step 4): The adjustments are negative because the actual CDDs were above the normal CDDs so the negative adjustments were added to the actual sales for the month which reduced the baseline

* CDD: Cooling Degree Days
Same regression analysis is performed for months where heating degree days (HDD) are relevant.

Peak Demand Reduction Baselines and Benchmarks
(MW)

		LTFR Retail Sales (1)	Retail Weather Adjustment (2)	Weather-Adjusted Retail Sales (3)	Mercantile Addbacks (4)	Fully Adjusted Retail Sales (5)	Baseline (6)	Cumulative Benchmark % (7)	Benchmarks (8)
CEI									
	2006	4,341	-	4,341	0	4,342			
	2007	4,155	-	4,155	1	4,155			
	2008	3,982	-	3,982	1	3,983			
	2009	4,113	-	4,113	1	4,115	4,160	1.00%	41.6
	2010	4,224	-	4,224	1	4,226	4,084	1.75%	71.5
	2011	4,379	-	4,379	1	4,380	4,108	2.50%	102.7
	2012	4,436	-	4,436	1	4,437	4,240	3.25%	137.8
OE									
	2006	5,492	-	5,492	0	5,492			
	2007	5,345	-	5,345	1	5,345			
	2008	4,997	-	4,997	6	5,002			
	2009	5,270	-	5,270	6	5,276	5,280	1.00%	52.8
	2010	5,356	-	5,356	6	5,361	5,208	1.75%	91.1
	2011	5,423	-	5,423	6	5,428	5,213	2.50%	130.3
	2012	5,467	-	5,467	6	5,473	5,355	3.25%	174.0
TE									
	2006	2,119	-	2,119	-	2,119			
	2007	2,002	-	2,002	0	2,003			
	2008	1,899	-	1,899	0	1,899			
	2009	1,998	-	1,998	0	1,999	2,007	1.00%	20.1
	2010	2,030	-	2,030	0	2,030	1,967	1.75%	34.4
	2011	2,053	-	2,053	0	2,054	1,976	2.50%	49.4
	2012	2,068	-	2,068	0	2,068	2,028	3.25%	65.9
Total Ohio									
	2006	12,751	-	12,751	1	12,752			
	2007	11,342	-	11,342	2	11,343			
	2008	10,870	-	10,870	7	10,877			
	2009	11,177	-	11,177	7	11,184	11,447	1.00%	114.5
	2010	11,401	-	11,401	7	11,409	11,259	1.75%	197.0
	2011	11,642	-	11,642	7	11,649	11,297	2.50%	282.4
	2012	11,755	-	11,755	7	11,763	11,623	3.25%	377.7

Notes -

(1) April 15, 2009 LTFR PUCO FORM FE4-D4
(2) No Weather Adjustment
(3) = (1) + (2)
(4) Baseline years were adjusted for mercantile self directed program savings as filed with the PUCO by Dec 1, 2009
(5) Sum of (3) + (4)
(6) = average of 3 previous years (5): total Ohio reflects diversity
(7) R.C. § 4928.66 Peak Demand Reduction Benchmarks
(8) = (6) * (7) for individual companies, total Ohio reflects diversity

[Company Exhibit 3]

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

DIRECT TESTIMONY OF

STEVEN E. OUELLETTE

ON BEHALF OF

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

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Steven E. Ouellette. My business address is FirstEnergy Corp. ("FirstEnergy"), 76 S. Main St., Akron, Ohio 44308.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by FirstEnergy Service Company as Director, Ohio Rates and Regulatory Affairs.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Ohio Edison Company ("OE"), The Toledo Edison Company ("TE") and The Cleveland Electric Illuminating Company ("CEI") (collectively, "Companies"). Unless otherwise stated, my testimony equally applies to all three Companies.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I majored in industrial education with a minor in business, receiving a Bachelor of Science degree from Kent State University in 1977. In 1983, I received a Masters of Arts degree from Kent State University, with a concentration in industrial technology and education supervision. I have also completed a portion of the MBA program at Cleveland State University.

In 1987, I began my career at CEI as an Industrial Account Representative. I later became a Key Account Representative, responsible for handling large industrial accounts. In December of 2000 I began my current

position as Manager, Rates and Regulatory Affairs of Ohio, and since have been promoted to Director, Rates and Regulatory Affairs of Ohio.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR, RATES AND REGULATORY AFFAIRS OF OHIO?

A. As Director, Rates and Regulatory Affairs of Ohio, my staff and I are responsible for enforcing rate tariffs and contracts and developing and clarifying policies/procedures associated with electric service to customers. We develop, design and/or review new and existing tariffs, evaluate customer issues and interface with customers to facilitate a better understanding of rate policies, tariffs and procedures. In addition, my staff and I prepare state regulatory filings and participate in proceedings before the Commission. My group interacts with regulatory agencies and Commission staff on various regulatory matters. I am the chair of the Companies' Energy Efficiency Collaborative Subcommittee for Commercial and Industrial customers, and am also actively involved with the Residential Subcommittee. In this role I work with interested parties to develop the Companies' programs for meeting the Energy Efficiency and Peak Demand Reduction requirements of S.B. 221.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony in this proceeding is to explain how the Companies are proposing to recover costs associated with the Companies' energy efficiency and peak demand reduction program plans (the "EE&PDR Plans" or "Plans"). I

will discuss the DSE cost recovery rider, explain the methodology for updating the rider and discuss its impact on typical customer bills.

Q. WHAT EXHIBITS ARE YOU SPONSORING?

A. I am sponsoring the following exhibits:

Exhibit SEO-A1: Proposed OE Rider DSE- Redline

Exhibit SEO-A2: Proposed CEI Rider DSE- Redline

Exhibit SEO-A3: Proposed TE Rider DSE - Redline

Exhibit SEO-B1: Proposed OE Rider DSE- Clean

Exhibit SEO-B2: Proposed CEI Rider DSE – Clean

Exhibit SEO-B3: Proposed TE Rider DSE - Clean

Exhibit SEO-C1: Supporting Calculations of Proposed OE DSE2 Rate

Exhibit SEO-C2: Supporting Calculations of Proposed CEI DSE2 Rate

Exhibit SEO-C3: Supporting Calculations of Proposed TE DSE2 Rate

Exhibit SEO-D1: Typical Bill Impacts OE

Exhibit SEO-D2: Typical Bill Impacts CEI

Exhibit SEO-D3: Typical Bill Impacts TE

Exhibit SEO-E1: Adjustments to Plan Sector Costs OE

Exhibit SEO-E2: Adjustments to Plan Sector Costs CEI

Exhibit SEO-E3: Adjustment to Plan Sector Costs TE

Q. DO THE COMPANIES HAVE AN EXISTING COST RECOVERY RIDER FOR ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS?

A. Yes. The Companies' Demand Side Management and Energy Efficiency Rider ("Rider DSE") includes two separate charges, DSE1 and DSE2. All rates in Rider DSE are expressed as a price per kilowatt-hour ("kWh") and will be billed on that basis. All rates in Rider DSE are calculated and stated separately for the following rate schedules: RS, GS, GP, GSU, GT, STL, TRF and POL ("Rate Schedules"). Rider DSE was approved through the Companies' Stipulated Electric Security Plan ("ESP") in March of 2009 for collection through the DSE2 charge of all costs associated with compliance with Revised Code ("R.C.") § 4928.66. Rider DSE also provides for the recovery through the DSE1 charge of the cost of credits paid to customers who take service under the Economic Load Response Program Rider and the Optional Load Response Program Rider. The current DSE2 rate for all rate schedules is set at 0.0000 cents per kWh. In accordance with the Rider Updates provision in Rider DSE, on December 1, 2009 the Companies filed to update DSE1 rates to be effective January 1, 2010 in Case Nos. 08-935-EL-SSO, 09-21-EL-ATA, 09-22-EL-AEM, 09-23-EL-AAM and 89-6006-EL-TRF.

Q. ARE THE COMPANIES PROPOSING ANY AMENDMENTS TO RIDER DSE?

A. Yes.

Q. WHAT AMENDMENTS ARE BEING PROPOSED TO RIDER DSE?

A. The Companies are proposing in this filing that the following amendments be made to Rider DSE: (i) shared savings may be added to the costs eligible for recovery through the DSE2 charge; (ii) the charges in DSE1 and DSE2 should be

updated and reconciled at least annually; (iii) the rate filed on December 1, 2009 for DSE1 would be applicable to all of 2010 and would be reconciled and filed on December 1, 2010 to be effective on January 1, 2011; (iv) the first update of the charges for the RS Rate Schedule in DSE2 following the approval of the Companies' EE&PDR Plans should collect the Program Costs (as defined in the Rider) in the 2010 rate as levelized over three years (2010, 2011, and 2012), and all other components of the RS 2010 rate will be equal to the expected 2010 annual costs; (iv) the first update of the charges for all other Rate Schedules in DSE2 following the approval of the Companies' EE&PDR Plans should collect costs eligible for recovery incurred from September 1, 2009 through November 30, 2009, as well as projected costs for the period December 1, 2009 through December 31, 2010; and (v) thereafter, each annual update to the DSE1 and DSE2 rates should include recovery of the Companies' projected ELR/OLR related costs (DSE1), and projected EE&PDR Costs (defined below) (DSE2), as levelized over the remainder of the planning period for the RS Rate Schedule, or for the next annual period for all other Rate Schedules, adjusted for any over/under-collection during the preceding recovery period. All of these amendments to Rider DSE are reflected in Exhibits SEO-A1, SEO-A2, SEO-A3 and SEO-B1, SEO B2,-SEO-B3.

Q. WHY DID YOU LEVELIZE THE RESIDENTIAL RATE ASSOCIATED WITH PROGRAM COSTS?

A. Projected Program Costs for the Residential sectors declined over the three-year planning period. These costs were levelized to even out the recovery costs over the three years so as not to unduly burden residential customers in 2010.

Q. WILL THE COMPANY CONTINUE TO DEFER THE DIFFERENCE BETWEEN THE REVENUE UNDER RIDER DSE AND THE COSTS INCURRED?

A. Yes, any difference between the revenue and costs incurred will continue to be deferred on a monthly basis with carrying charges on the deferred balances. As stated previously, the Companies intend to update the Rider at least annually. However the Companies reserve the right to file for a change in the Rider on a more frequent basis.

Q. PLEASE EXPLAIN THE COSTS RECOVERED THROUGH THE DSE1 CHARGE.

A. As stated previously, the DSE1 charge will remain as currently filed with the exception of proposing to update the charge annually. The DSE1 charge recovers costs incurred by the Companies associated with customers taking service under the Economic Load Response ("ELR") Rider and Optional Load Response ("OLR") Rider. The ELR and OLR programs give interruptible customers that meet the criteria for either program a $1.95 credit per kW of curtailable load per month. Riders ELR and OLR expire on their own terms with service rendered through May 31, 2011. The Companies have proposed in their recent MRO filing, Case No. 09-906-EL-SSO, that the DSE1 charge be modified to reflect the expiration of Rider ELR and Rider OLR. As proposed in the MRO proceeding,

the Companies intend to implement an interruptible RFP process starting in 2011. After May 31, 2011, the DSE1 charge will remain in place to ensure that all reconciliation amounts associated with costs previously incurred as a result of Rider ELR and Rider OLR are fully recovered.

Q. PLEASE EXPLAIN THE COSTS TO BE RECOVERED THROUGH THE DSE2 CHARGE.

A. The DSE2 charge recovers all costs (the "EE&PDR Costs") incurred by the Companies for the design, approval and implementation of programs for compliance with benchmarks established in R.C. § 4928.66, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through other cost recovery mechanisms) and self-directed demand-response, energy efficiency or other customer-sited programs. The EE&PDR Costs incurred by the Companies and subsequently fully recovered through the DSE2 charge will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all reasonable administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such EE&PDR programs.

Q. WHAT ARE THE SOURCES OF THE COSTS USED TO CALCULATE THE PROPOSED JANUARY 1, 2010 RATES?

A. Program Year 2010 Portfolio Budget and Program Year 2010 Common Costs, as shown in Exhibits SEO-C1, SEO-C2 and SEO-C3, were developed by Black and Veatch and can be found in the EE&PDR Plans. These costs include actual

expenditures in 2009 and projected expenditures planned for 2010, 2011, and 2012. Black and Veatch provided these costs by the Residential, Low-Income Residential, Small Enterprise, Mercantile Self-Direct, Mercantile-Utility (Large Enterprise), and Governmental sectors. The Companies also will recover variable distribution revenues not otherwise collected as shown on Exhibits SEO-C1, SEO-C2 and SEO-C3. Future rates may include a component for shared savings as defined below.

Q. HOW WILL YOU ALLOCATE SECTOR LEVEL COSTS TO THE RATE SCHEDULE?

A. As shown on Exhibits SEO-C1, SEO-C2 and SEO-C3, Residential and Residential Low-Income sector costs were directly assigned to the RS rate schedule. Small Enterprise sector costs were directly assigned to the GS rate schedule. Mercantile Utility (Large Enterprise) sector costs were allocated to rate schedules GP, GSU and GT using 2010 forecasted usage that was based on the Companies' April 15, 2009 Long Term Forecast Reports ("LTFR Usage"). The Governmental sector costs have been directly assigned to Rate Schedules STL and TRF based on their respective program costs.

Q. WERE ANY ADJUSTMENTS MADE TO THE SECTOR COSTS IN THE PLANS?

A. Yes. The Governmental programs are treated differently with respect to costs in the Plans because the Companies actually install and maintain the equipment. The Governmental sector costs assumed a 15-year stream of incremental operating and maintenance costs ("O&M") that the Companies would incur to

maintain the new lighting. Black & Veatch included the net present value of this 15-year cost stream in the 2010 sector costs so that the program could accurately reflect its total cost in the Total Resource Cost Test. The Companies subtracted the 15-year net present value of the O&M costs and added back the O&M costs associated with only 2010 prior to calculating the rate. The Companies are not supporting maintenance on any other non-Residential programs, so the 2010 sector costs for other sectors have not been adjusted. Supporting calculations are shown in Exhibits SEO-E1, SEO-E2 and SEO-E3.

In addition, the Plans' sector costs include the cost of interruptible capability that is being recovered through DSE1. Those costs have been subtracted from program costs before calculating the rate associated with DSE2.

Q. HOW DID YOU CALCULATE THE PROPOSED JANUARY 1, 2010 RATES?

A. Once all of the costs were assigned or allocated to the appropriate Rate Schedule, the Commercial Activity Tax was added in since these costs are considered "commercial activity." The total recoverable amount per Rate Schedule was then divided by the LTFR Usage from January 1 through December 2010. These calculations are shown in Exhibits SEO-C1, SEO-C2 and SEO-C3.

Q. DO THE PLANS PROVIDE FOR THE COMPANIES TO RECOVER ADDITIONAL AMOUNTS IF THEY EXCEED REQUIRED BENCHMARKS?

A. Yes. Consistent with O.A.C. 4901:1-39-07(A), the Companies plan to include a shared savings component in Rider DSE provided one or more of the Companies

achieve more reductions than are mandated by R.C. § 4928.66 in any given year. This shared savings component provides that a Company will receive 15% of the net benefits as calculated by the Company utility cost test, net of taxes, for generating savings in excess of that Company's required benchmarks.

Q. DOES THE PROPOSED JANUARY 1, 2010 RATE INCLUDE A COMPONENT FOR SHARED SAVINGS?

A. No. If a Company does actually exceed benchmarks by the end of 2010, its rate will be reconciled to include shared savings for 2010. A shared savings component will be included in future years as appropriate.

Q. HOW ARE NET BENEFITS CALCULATED IN THE UTILITY COST TEST?

A. The benefits used in the utility cost test are a Company's avoided costs minus the program costs. These are the avoided cost of energy plus the avoided cost of capacity. The costs in the utility cost test are the ratepayer costs. These are the Company's incentive costs plus administrative costs. The net of the avoided costs less the incentive costs plus administrative costs represent the net benefits.

Q. HOW ARE YOU GOING TO RECONCILE COSTS AND ENSURE THAT THERE IS NO CROSS-SUBSIDIZATION BETWEEN RATE SCHEDULES?

A. Incentives and energy savings will be tracked for each customer in the non-residential sectors, thereby allowing a very specific reconciliation of incentive costs and variable distribution costs not collected by Rate Schedule. Actual residential costs and variable distribution costs will be collected at the program

level and will be directly assigned to the RS Rate Schedule. For any cost incurred by an entire sector or by all sectors, the same allocation method mentioned above will be applied, although the Companies will use actual usage instead of forecasted usage. Black & Veatch allocated common costs to the Plan sectors in the Plans; however, the Companies will allocate these common costs using the allocation method discussed above.

Q. WHAT COSTS ASSOCIATED WITH THE COMMITMENT OF MERCANTILE SELF-DIRECTED PROJECTS WILL BE RECOVERED THROUGH THE DSE2 CHARGE?

A. The Companies will pay administrators to develop the documentation of Mercantile Self-Directed Projects that are submitted to the Commission for approval. These administrator fees will be assigned to the respective Rate Schedules for recovery from customers in the Small Enterprise and Mercantile-Utility (Large Enterprise) customer segments. The initial rate will include an estimate of these administrator costs. These costs will be reconciled to actual administrator costs in the annual reconciliation.

Q. WHAT IMPACT WILL THE JANUARY 1, 2010 DSE2 RATE HAVE ON CUSTOMERS?

A: The impact that the January 1, 2010 DSE2 rate will have on customers is explicitly shown in Exhibits SEO-D1, SEO-D2 and SEO-D3. The typical bills filed in Case No. 08-935-EL-SSO, which showed the June 1, 2009 rates, were used as the "Current Bill" in Exhibits SEO-D1, SEO-D2 and SEO-D3. For the

"Proposed Bill," the same charges as the "Current Bill" were used with the addition of the January 1, 2010 DSE2 rate.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~The Company reserves the right to revise such schedule consistent with the Commission's final rules, which may include modification or deletion of all or portions of this schedule.~~

APPLICABILITY:

Applicable to any customer that takes electric service under the Company's rate schedules. ~~The following charges will apply, by rate schedule, effective for service rendered beginning January 1, 2010, for all kWhs per kWh:~~

RATE:

The following charges will apply, by rate schedule, effective for service rendered beginning the first day of the month following approval of this revised Rider DSE, for all kWhs per kWh as follows:

	DSE1	DSE2
RS	0.0196¢	0.~~0000~~1889¢
GS	0.0196¢	0.~~0000~~1252¢
GP	0.0196¢	0.~~0000~~0465¢
GSU	0.0196¢	0.~~0000~~0461¢
GT	0.0196¢	0.~~0000~~0460¢
STL	0.0196¢	0.~~0000~~4452¢
TRF	0.0196¢	0.~~0000~~4645¢
POL	0.0196¢	0.0000¢

DSE1: The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).

DSE2: The DSE2 charges set forth in this Rider recover EE/PDR Costs defined below.

EE/PDR Costs: EE/PDR Costs include all costs incurred by the Company for the design, approval and implementation of programs for compliance with benchmarks established in Section 4928.66, Revised Code, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through the DSE1 charges), and self-directed demand-response, energy efficiency or other customer-sited programs. The costs incurred by the Company and fully recovered through the DSE2 charges will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such programs.

Program Costs: EE/PDR Costs excluding all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected.

~~**PROVISIONS:**~~

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~1.The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).~~

~~2.The DSE2 charges set forth in this Rider recover costs incurred by the Company associated with the programs that may be implemented by the Company to secure compliance with the, energy efficiency and peak demand reduction requirements in Section 4928.66, Revised Code through demand-response programs, energy efficiency programs, peak demand reduction programs, and self-directed demand response, energy efficiency or other customer sited programs. The costs initially deferred by the Company and subsequently fully recovered through this Rider will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all reasonable administrative costs to conduct such programs, and lost distribution revenues resulting from the implementation of such programs.~~

RIDER UPDATES:

1. The DSE1 charges set forth in this Rider shall be updated and reconciled at least ~~semi-~~annually. No later than December 1st ~~and June 1st~~ of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the ~~these~~ DSE1 charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st or as otherwise specified~~and July 1st of each year, beginning with the January 1, 2010 effective date~~.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

2. The DSE2 charges will become effective on January 1, 2010 and ~~set forth in this Rider~~ shall be updated and reconciled at least ~~semi-~~annually. No later than December 1st ~~and June 1st~~ of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the ~~these~~ charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st ~~and July 1st~~ of each year as applicable or as otherwise specified~~, beginning with the January 1, 2010 effective date. The deferred balance at April 30th and at October 31st of each year, utilizing a three year amortization schedule, will be used to calculate the semi-annual charges. This rider shall be in effect until all costs are fully recovered~~.

   a. For customers taking service under Rate Schedules GS, GP, GSU, GT, STL, TRF, and POL: Subject to PUCO approval of the Company's Three Year Program Portfolio Plan, the initial DSE2 charge includes (i) EE/PDR Costs incurred from September 1, 2009 through November 30, 2009; and (ii) projected EE/PDR Costs for the period December 1, 2009 through December 31,2010. All such charges shall be recovered through the period ending December 31, 2010. Thereafter, each update to the DSE2 charges shall include the Company's total projected EE/PDR Costs related to the next period. All EE/PDR Costs shall be allocated on a rate schedule basis.
   b. For customers taking service under Rate Schedule RS: The initial DSE2 charge following approval of the Companies' EE/PDR Plans shall collect the levelized Program Costs for the years 2010, 2011, and 2012, and all other EE/PDR Costs of the DSE2 charge which will be equal to the expected 2010 annual costs and costs eligible for recovery for the period September 1, 2009 through December 31, 2009. Thereafter, each update to the DSE2 charge shall include recovery of the Companies' projected EE/PDR Costs levelized over the remainder of the period in which the then current Three Year Program Portfolio Plan is in effect.

3. This rider shall be in effect until all costs are fully recovered by the Company.

AVOIDABILITY:

1. The DSE1 charges set forth in this Rider are avoidable only for those customers taking service under Rider ELR and Rider OLR.

2. The DSE2 charges set forth in this Rider are avoidable for Non-Residential customers who (~~1~~i) are not taking service under ~~either~~ a unique arrangement (special contract) or the Reasonable Arrangements Rider (RAR) and (~~2~~ii) who qualify as a "mercantile customer" as that term in defined in the Ohio Revised Code, provided that such customer executes a Mercantile Customer Project Commitment Agreement ("MCPCA") with the Company and obtains exempt status pursuant to PUCO order consistent with PUCO requirements~~meet the criteria of all of paragraphs a) through e) below~~.

   ~~Each customer applying to the Company to avoid the DSE2 charges must at a minimum meet all of the criteria set forth below and must submit to the Company verifiable information detailing how the criteria are met, and must provide an affidavit from a company official attesting to the accuracy and truthfulness of the information provided. Qualification and verification on an annual basis is required, subject to the Failure to Comply section of this rider.~~

   ~~a)The customer identifies its capital investments and expenses related to customer-sited advanced energy resource programs, alternative energy programs, demand response programs, energy efficiency programs or peak demand reduction programs.~~
   ~~b)For consideration of avoidance of this Rider, the customer shall provide sufficient data to illustrate that it has undertaken or will undertake self-directed energy efficiency and/or demand reduction programs that have produced or will produce energy savings and/or peak demand reductions~~

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~~equal to or greater than the statutory benchmarks to which the Company is subject. The energy savings and demand reductions resulting from the customer's self-directed programs shall be calculated using the same methodology used to calculate the Company's energy savings and demand reductions for purposes of determining compliance with statutory benchmarks, including normalization adjustments to the baseline, where appropriate~~

~~c)The customer commits, in writing, its customer-sited capabilities for integration into the Company's portfolio of programs such that the customer-sited capabilities shall assist the Company in satisfying the requirements in Section 4928.66, Revised Code.~~

~~d)The customer demonstrates to the satisfaction of the Company that the avoidance of the DSE2 charges shall reasonably encourage the customer to commit its customer-sited capabilities for integration into the Company's portfolio of programs described above.~~

~~e)The customer commits to use its best efforts to cooperate with and assist the Company in conjunction with any reviews conducted by a regulatory authority of the Company's efforts to utilize the customer's customer-sited capabilities to satisfy the requirements in Section 4928.66, Revised Code.~~

~~The customer must complete a standard application form in order to be considered for qualification to avoid charges under this Rider. The Company shall provide a standard application form upon request by the customer. Customers applying to avoid the DSE2 charges must successfully demonstrate that they have completed an energy efficiency project on or after January 1, 2006 without financial support from the Company. The burden of proof to successfully demonstrate compliance with the standard application form lies with the customer.~~

~~Upon the Commission's approval of the customer's completed standard application form, the DSE2 charges shall be avoidable by the customer as long as, on an annual basis, the customer makes a filing with the Commission demonstrating that it remains eligible for the exemption under the criteria set forth herein.~~

~~Customer information provided to demonstrate eligibility under the criteria above shall remain confidential by the Company. Nonetheless, the name and address of customers eligible to avoid the DSE2 charges shall be public information. The Commission Staff shall have access to all customer and electric utility information related to service provided pursuant to the DSE2 charges for periodic and random audits.~~

~~REPORTING REQUIREMENTS:~~

~~Customers served under this Rider must submit an annual report to the Company (Director, Ohio Rates and Regulatory Affairs), no later than April 30th of each year. The format of that report shall be identical to the Standard Application Form such that a determination of the compliance with the eligibility criteria can be determined.~~

~~The burden of proof to demonstrate on-going compliance with this Rider lies with the customer.~~

~~CONFIDENTIALITY:~~

~~Customer information provided to demonstrate eligibility under this Rider shall remain confidential by the Company. The name and address of customers eligible for the schedules shall be public information. The Public Utilities Commission of Ohio shall have access to all customer and Company information related to service provided pursuant to this Rider for periodic and random audits.~~

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~FAILURE TO COMPLY:~~

~~If the customer being provided with service pursuant to this Rider fails to comply with any of the criteria for eligibility to avoid charges under this Rider, the Company will provide reasonable notice to the customer that the customer will pay all charges under this Rider. Furthermore, the Company shall charge the customer for the sum of all of the customer's avoided charges realized under this Rider, which the customer shall thus be obligated to pay.~~

MERCANTILE CUSTOMER PROJECT COMMITMENT AGREEMENT (MCPCA):

The terms and conditions set forth in the Company's MCPCA are incorporated into this Rider by reference and made a part of said Rider. A copy of such agreement can be obtained from the Company by calling its customer service toll free number. In the event any terms of this Rider conflict with those set forth in the MCPCA, the latter shall control.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~The Company reserves the right to revise such schedule consistent with the Commission's final rules, which may include modification or deletion of all or portions of this schedule.~~

APPLICABILITY:

Applicable to any customer that takes electric service under the Company's rate schedules. ~~The following charges will apply, by rate schedule, effective for service rendered beginning January 1, 2010, for all kWhs per kWh:~~

RATE:

The following charges will apply, by rate schedule, effective for service rendered beginning the first day of the month following approval of this revised Rider DSE, for all kWhs per kWh as follows:

	DSE1	DSE2
RS	0.0196¢	0.~~0000~~2088¢
GS	0.0196¢	0.~~0000~~1392¢
GP	0.0196¢	0.~~0000~~0677¢
GSU	0.0196¢	0.~~0000~~0675¢
GT	0.0196¢	0.~~0000~~0671¢
STL	0.0196¢	0.~~0000~~5883¢
TRF	0.0196¢	0.~~0000~~4509¢
POL	0.0196¢	0.0000¢

DSE1: The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).

DSE2: The DSE2 charges set forth in this Rider recover EE/PDR Costs defined below.

EE/PDR Costs: EE/PDR Costs include all costs incurred by the Company for the design, approval and implementation of programs for compliance with benchmarks established in Section 4928.66, Revised Code, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through the DSE1 charges), and self-directed demand-response, energy efficiency or other customer-sited programs. The costs incurred by the Company and fully recovered through the DSE2 charges will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such programs.

Program Costs: EE/PDR Costs excluding all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected.

~~**PROVISIONS:**~~

RIDER DSE
Demand Side Management and Energy Efficiency Rider

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RIDER UPDATES:

1. The DSE1 charges set forth in this Rider shall be updated and reconciled at least ~~semi-~~annually. No later than December 1st ~~and June 1st~~ of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the ~~these~~ DSE1 charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st or as otherwise specified~~and July 1st of each year, beginning with the January 1, 2010 effective date~~.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

2. The DSE2 charges will become effective on January 1, 2010 and ~~set forth in this Rider~~ shall be updated and reconciled at least ~~semi-~~annually. No later than December 1st ~~and June 1st~~ of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the ~~these~~ charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st ~~and July 1st~~ of each year as applicable or as otherwise specified~~, beginning with the January 1, 2010 effective date. The deferred balance at April 30th and at October 31st of each year, utilizing a three year amortization schedule, will be used to calculate the semi-annual charges. This rider shall be in effect until all costs are fully recovered~~.

   a. For customers taking service under Rate Schedules GS, GP, GSU, GT, STL, TRF, and POL: Subject to PUCO approval of the Company's Three Year Program Portfolio Plan, the initial DSE2 charge includes (i) EE/PDR Costs incurred from September 1, 2009 through November 30, 2009; and (ii) projected EE/PDR Costs for the period December 1, 2009 through December 31,2010. All such charges shall be recovered through the period ending December 31, 2010. Thereafter, each update to the DSE2 charges shall include the Company's total projected EE/PDR Costs related to the next period. All EE/PDR Costs shall be allocated on a rate schedule basis.
   b. For customers taking service under Rate Schedule RS: The initial DSE2 charge following approval of the Companies' EE/PDR Plans shall collect the levelized Program Costs for the years 2010, 2011, and 2012, and all other EE/PDR Costs of the DSE2 charge which will be equal to the expected 2010 annual costs and costs eligible for recovery for the period September 1, 2009 through December 31, 2009. Thereafter, each update to the DSE2 charge shall include recovery of the Companies' projected EE/PDR Costs levelized over the remainder of the period in which the then current Three Year Program Portfolio Plan is in effect.

3. This rider shall be in effect until all costs are fully recovered by the Company.

AVOIDABILITY:

1. The DSE1 charges set forth in this Rider are avoidable only for those customers taking service under Rider ELR and Rider OLR.

2. The DSE2 charges set forth in this Rider are avoidable for Non-Residential customers who (~~1~~i) are not taking service under ~~either~~ a unique arrangement (special contract) or the Reasonable Arrangements Rider (RAR) and (~~2~~ii) who qualify as a "mercantile customer" as that term in defined in the Ohio Revised Code, provided that such customer executes a Mercantile Customer Project Commitment Agreement ("MCPCA") with the Company and obtains exempt status pursuant to PUCO order consistent with PUCO requirements~~meet the criteria of all of paragraphs a) through e) below~~.

   ~~Each customer applying to the Company to avoid the DSE2 charges must at a minimum meet all of the criteria set forth below and must submit to the Company verifiable information detailing how the criteria are met, and must provide an affidavit from a company official attesting to the accuracy and truthfulness of the information provided. Qualification and verification on an annual basis is required, subject to the Failure to Comply section of this rider.~~

   ~~a)The customer identifies its capital investments and expenses related to customer-sited advanced energy resource programs, alternative energy programs, demand response programs, energy efficiency programs or peak demand reduction programs.~~
   ~~b)For consideration of avoidance of this Rider, the customer shall provide sufficient data to illustrate that it has undertaken or will undertake self-directed energy efficiency and/or demand reduction programs that have produced or will produce energy savings and/or peak demand reductions~~

RIDER DSE
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~~equal to or greater than the statutory benchmarks to which the Company is subject. The energy savings and demand reductions resulting from the customer's self-directed programs shall be calculated using the same methodology used to calculate the Company's energy savings and demand reductions for purposes of determining compliance with statutory benchmarks, including normalization adjustments to the baseline, where appropriate.~~

~~c)The customer commits, in writing, its customer-sited capabilities for integration into the Company's portfolio of programs such that the customer-sited capabilities shall assist the Company in satisfying the requirements in Section 4928.66, Revised Code.~~

~~d)The customer demonstrates to the satisfaction of the Company that the avoidance of the DSE2 charges shall reasonably encourage the customer to commit its customer-sited capabilities for integration into the Company's portfolio of programs described above.~~

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~~Upon the Commission's approval of the customer's completed standard application form, the DSE2 charges shall be avoidable by the customer as long as, on an annual basis, the customer makes a filing with the Commission demonstrating that it remains eligible for the exemption under the criteria set forth herein.~~

~~Customer information provided to demonstrate eligibility under the criteria above shall remain confidential by the Company. Nonetheless, the name and address of customers eligible to avoid the DSE2 charges shall be public information. The Commission Staff shall have access to all customer and electric utility information related to service provided pursuant to the DSE2 charges for periodic and random audits.~~

~~REPORTING REQUIREMENTS:~~

~~Customers served under this Rider must submit an annual report to the Company (Director, Ohio Rates and Regulatory Affairs), no later than April 30th of each year. The format of that report shall be identical to the Standard Application Form such that a determination of the compliance with the eligibility criteria can be determined.~~

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RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~FAILURE TO COMPLY:~~

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MERCANTILE CUSTOMER PROJECT COMMITMENT AGREEMENT (MCPCA):

The terms and conditions set forth in the Company's MCPCA are incorporated into this Rider by reference and made a part of said Rider. A copy of such agreement can be obtained from the Company by calling its customer service toll free number. In the event any terms of this Rider conflict with those set forth in the MCPCA, the latter shall control.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~The Company reserves the right to revise such schedule consistent with the Commission's final rules, which may include modification or deletion of all or portions of this schedule.~~

APPLICABILITY:

Applicable to any customer that takes electric service under the Company's rate schedules. ~~The following charges will apply, by rate schedule, effective for service rendered beginning January 1, 2010, for all kWhs per kWh:~~

RATE:

The following charges will apply, by rate schedule, effective for service rendered beginning the first day of the month following approval of this revised Rider DSE, for all kWhs per kWh as follows:

	DSE1	DSE2
RS	0.0196¢	0.~~0000~~2032¢
GS	0.0196¢	0.~~0000~~0776¢
GP	0.0196¢	0.~~0000~~0352¢
GSU	0.0196¢	0.~~0000~~0351¢
GT	0.0196¢	0.~~0000~~0350¢
STL	0.0196¢	0.~~0000~~4997¢
TRF	0.0196¢	0.~~0000~~9973¢
POL	0.0196¢	0.0000¢

DSE1: The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).

DSE2: The DSE2 charges set forth in this Rider recover EE/PDR Costs defined below.

EE/PDR Costs: EE/PDR Costs include all costs incurred by the Company for the design, approval and implementation of programs for compliance with benchmarks established in Section 4928.66, Revised Code, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through the DSE1 charges), and self-directed demand-response, energy efficiency or other customer-sited programs. The costs incurred by the Company and fully recovered through the DSE2 charges will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such programs.

Program Costs: EE/PDR Costs excluding all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected.

~~**PROVISIONS:**~~

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~1.The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).~~

~~2.The DSE2 charges set forth in this Rider recover costs incurred by the Company associated with the programs that may be implemented by the Company to secure compliance with the, energy efficiency and peak demand reduction requirements in Section 4928.66, Revised Code through demand-response programs, energy efficiency programs, peak demand reduction programs, and self-directed demand response, energy efficiency or other customer sited programs. The costs initially deferred by the Company and subsequently fully recovered through this Rider will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all reasonable administrative costs to conduct such programs, and lost distribution revenues resulting from the implementation of such programs.~~

RIDER UPDATES:

1. The DSE1 charges set forth in this Rider shall be updated and reconciled at least ~~semi-~~annually. No later than December 1st ~~and June 1st~~ of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the ~~these~~ DSE1 charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st or as otherwise specified~~and July 1st of each year, beginning with the January 1, 2010 effective date~~.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

2. The DSE2 charges will become effective on January 1, 2010 and ~~set forth in this Rider~~ shall be updated and reconciled at least ~~semi-~~annually. No later than December 1st ~~and June 1st~~ of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the ~~these~~ charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st ~~and July 1st~~ of each year as applicable or as otherwise specified~~, beginning with the January 1, 2010 effective date. The deferred balance at April 30th and at October 31st of each year, utilizing a three year amortization schedule, will be used to calculate the semi-annual charges. This rider shall be in effect until all costs are fully recovered~~.

   a. For customers taking service under Rate Schedules GS, GP, GSU, GT, STL, TRF, and POL: Subject to PUCO approval of the Company's Three Year Program Portfolio Plan, the initial DSE2 charge includes (i) EE/PDR Costs incurred from September 1, 2009 through November 30, 2009; and (ii) projected EE/PDR Costs for the period December 1, 2009 through December 31,2010. All such charges shall be recovered through the period ending December 31, 2010. Thereafter, each update to the DSE2 charges shall include the Company's total projected EE/PDR Costs related to the next period. All EE/PDR Costs shall be allocated on a rate schedule basis.
   b. For customers taking service under Rate Schedule RS: The initial DSE2 charge following approval of the Companies' EE/PDR Plans shall collect the levelized Program Costs for the years 2010, 2011, and 2012, and all other EE/PDR Costs of the DSE2 charge which will be equal to the expected 2010 annual costs and costs eligible for recovery for the period September 1, 2009 through December 31, 2009. Thereafter, each update to the DSE2 charge shall include recovery of the Companies' projected EE/PDR Costs levelized over the remainder of the period in which the then current Three Year Program Portfolio Plan is in effect.

3. This rider shall be in effect until all costs are fully recovered by the Company.

AVOIDABILITY:

1. The DSE1 charges set forth in this Rider are avoidable only for those customers taking service under Rider ELR and Rider OLR.

2. The DSE2 charges set forth in this Rider are avoidable for Non-Residential customers who (~~1~~i) are not taking service under ~~either~~ a unique arrangement (special contract) or the Reasonable Arrangements Rider (RAR) and (~~2~~ii) who qualify as a "mercantile customer" as that term in defined in the Ohio Revised Code, provided that such customer executes a Mercantile Customer Project Commitment Agreement ("MCPCA") with the Company and obtains exempt status pursuant to PUCO order consistent with PUCO requirements~~meet the criteria of all of paragraphs a) through e) below~~.

   ~~Each customer applying to the Company to avoid the DSE2 charges must at a minimum meet all of the criteria set forth below and must submit to the Company verifiable information detailing how the criteria are met, and must provide an affidavit from a company official attesting to the accuracy and truthfulness of the information provided. Qualification and verification on an annual basis is required, subject to the Failure to Comply section of this rider.~~

   ~~a)The customer identifies its capital investments and expenses related to customer-sited advanced energy resource programs, alternative energy programs, demand response programs, energy efficiency programs or peak demand reduction programs.~~
   ~~b)For consideration of avoidance of this Rider, the customer shall provide sufficient data to illustrate that it has undertaken or will undertake self-directed energy efficiency and/or demand reduction programs that have produced or will produce energy savings and/or peak demand reductions~~

RIDER DSE
Demand Side Management and Energy Efficiency Rider

~~equal to or greater than the statutory benchmarks to which the Company is subject. The energy savings and demand reductions resulting from the customer's self-directed programs shall be calculated using the same methodology used to calculate the Company's energy savings and demand reductions for purposes of determining compliance with statutory benchmarks, including normalization adjustments to the baseline, where appropriate.~~

~~c)The customer commits, in writing, its customer-sited capabilities for integration into the Company's portfolio of programs such that the customer-sited capabilities shall assist the Company in satisfying the requirements in Section 4928.66, Revised Code.~~

~~d)The customer demonstrates to the satisfaction of the Company that the avoidance of the DSE2 charges shall reasonably encourage the customer to commit its customer-sited capabilities for integration into the Company's portfolio of programs described above.~~

~~e)The customer commits to use its best efforts to cooperate with and assist the Company in conjunction with any reviews conducted by a regulatory authority of the Company's efforts to utilize the customer's customer-sited capabilities to satisfy the requirements in Section 4928.66, Revised Code.~~

~~The customer must complete a standard application form in order to be considered for qualification to avoid charges under this Rider. The Company shall provide a standard application form upon request by the customer. Customers applying to avoid the DSE2 charges must successfully demonstrate that they have completed an energy efficiency project on or after January 1, 2006 without financial support from the Company. The burden of proof to successfully demonstrate compliance with the standard application form lies with the customer.~~

~~Upon the Commission's approval of the customer's completed standard application form, the DSE2 charges shall be avoidable by the customer as long as, on an annual basis, the customer makes a filing with the Commission demonstrating that it remains eligible for the exemption under the criteria set forth herein.~~

~~Customer information provided to demonstrate eligibility under the criteria above shall remain confidential by the Company. Nonetheless, the name and address of customers eligible to avoid the DSE2 charges shall be public information. The Commission Staff shall have access to all customer and electric utility information related to service provided pursuant to the DSE2 charges for periodic and random audits.~~

~~REPORTING REQUIREMENTS:~~

~~Customers served under this Rider must submit an annual report to the Company (Director, Ohio Rates and Regulatory Affairs), no later than April 30th of each year. The format of that report shall be identical to the Standard Application Form such that a determination of the compliance with the eligibility criteria can be determined.~~

~~The burden of proof to demonstrate on-going compliance with this Rider lies with the customer.~~

~~CONFIDENTIALITY:~~

~~Customer information provided to demonstrate eligibility under this Rider shall remain confidential by the Company. The name and address of customers eligible for the schedules shall be public information. The Public Utilities Commission of Ohio shall have access to all customer and Company information related to service provided pursuant to this Rider for periodic and random audits.~~

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~~FAILURE TO COMPLY:~~

~~If the customer being provided with service pursuant to this Rider fails to comply with any of the criteria for eligibility to avoid charges under this Rider, the Company will provide reasonable notice to the customer that the customer will pay all charges under this Rider. Furthermore, the Company shall charge the customer for the sum of all of the customer's avoided charges realized under this Rider, which the customer shall thus be obligated to pay.~~

MERCANTILE CUSTOMER PROJECT COMMITMENT AGREEMENT (MCPCA):

The terms and conditions set forth in the Company's MCPCA are incorporated into this Rider by reference and made a part of said Rider. A copy of such agreement can be obtained from the Company by calling its customer service toll free number. In the event any terms of this Rider conflict with those set forth in the MCPCA, the latter shall control.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

APPLICABILITY:

Applicable to any customer that takes electric service under the Company's rate schedules.

RATE:

The following charges will apply, by rate schedule, effective for service rendered beginning the first day of the month following approval of this revised Rider DSE, for all kWhs per kWh as follows:

	DSE1	DSE2
RS	0.0196¢	0.1889¢
GS	0.0196¢	0.1252¢
GP	0.0196¢	0.0465¢
GSU	0.0196¢	0.0461¢
GT	0.0196¢	0.0460¢
STL	0.0196¢	0.4452¢
TRF	0.0196¢	0.4645¢
POL	0.0196¢	0.0000¢

DSE1: The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).

DSE2: The DSE2 charges set forth in this Rider recover EE/PDR Costs defined below.

EE/PDR Costs: EE/PDR Costs include all costs incurred by the Company for the design, approval and implementation of programs for compliance with benchmarks established in Section 4928.66, Revised Code, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through the DSE1 charges), and self-directed demand-response, energy efficiency or other customer-sited programs. The costs incurred by the Company and fully recovered through the DSE2 charges will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such programs.

Program Costs: EE/PDR Costs excluding all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected.

RIDER UPDATES:

1. The DSE1 charges set forth in this Rider shall be updated and reconciled at least annually. No later than December 1st of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the DSE1 charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st or as otherwise specified.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

2. The DSE2 charges will become effective on January 1, 2010 and shall be updated and reconciled at least annually. No later than December 1st of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st of each year as applicable or as otherwise specified.

   a. For customers taking service under Rate Schedules GS, GP, GSU, GT, STL, TRF, and POL: Subject to PUCO approval of the Company's Three Year Program Portfolio Plan, the initial DSE2 charge includes (i) EE/PDR Costs incurred from September 1, 2009 through November 30, 2009; and (ii) projected EE/PDR Costs for the period December 1, 2009 through December 31,2010. All such charges shall be recovered through the period ending December 31, 2010. Thereafter, each update to the DSE2 charges shall include the Company's total projected EE/PDR Costs related to the next period. All EE/PDR Costs shall be allocated on a rate schedule basis.
   b. For customers taking service under Rate Schedule RS: The initial DSE2 charge following approval of the Companies' EE/PDR Plans shall collect the levelized Program Costs for the years 2010, 2011, and 2012, and all other EE/PDR Costs of the DSE2 charge which will be equal to the expected 2010 annual costs and costs eligible for recovery for the period September 1, 2009 through December 31, 2009. Thereafter, each update to the DSE2 charge shall include recovery of the Companies' projected EE/PDR Costs levelized over the remainder of the period in which the then current Three Year Program Portfolio Plan is in effect.

3. This rider shall be in effect until all costs are fully recovered by the Company.

AVOIDABILITY:

1. The DSE1 charges set forth in this Rider are avoidable only for those customers taking service under Rider ELR and Rider OLR.

2. The DSE2 charges set forth in this Rider are avoidable for Non-Residential customers who (i) are not taking service under a unique arrangement (special contract) or the Reasonable Arrangements Rider (RAR) and (ii) who qualify as a "mercantile customer" as that term in defined in the Ohio Revised Code, provided that such customer executes a Mercantile Customer Project Commitment Agreement ("MCPCA") with the Company and obtains exempt status pursuant to PUCO order consistent with PUCO requirements.

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RIDER DSE
Demand Side Management and Energy Efficiency Rider

APPLICABILITY:

Applicable to any customer that takes electric service under the Company's rate schedules.

RATE:

The following charges will apply, by rate schedule, effective for service rendered beginning the first day of the month following approval of this revised Rider DSE, for all kWhs per kWh as follows:

	DSE1	DSE2
RS	0.0196¢	0.2088¢
GS	0.0196¢	0.1392¢
GP	0.0196¢	0.0677¢
GSU	0.0196¢	0.0675¢
GT	0.0196¢	0.0671¢
STL	0.0196¢	0.5883¢
TRF	0.0196¢	0.4509¢
POL	0.0196¢	0.0000¢

DSE1: The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).

DSE2: The DSE2 charges set forth in this Rider recover EE/PDR Costs defined below.

EE/PDR Costs: EE/PDR Costs include all costs incurred by the Company for the design, approval and implementation of programs for compliance with benchmarks established in Section 4928.66, Revised Code, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through the DSE1 charges), and self-directed demand-response, energy efficiency or other customer-sited programs. The costs incurred by the Company and fully recovered through the DSE2 charges will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such programs.

Program Costs: EE/PDR Costs excluding all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected.

RIDER UPDATES:

1. The DSE1 charges set forth in this Rider shall be updated and reconciled at least annually. No later than December 1st of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the DSE1 charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st or as otherwise specified.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

2. The DSE2 charges will become effective on January 1, 2010 and shall be updated and reconciled at least annually. No later than December 1st of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st of each year as applicable or as otherwise specified.

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   b. For customers taking service under Rate Schedule RS: The initial DSE2 charge following approval of the Companies' EE/PDR Plans shall collect the levelized Program Costs for the years 2010, 2011, and 2012, and all other EE/PDR Costs of the DSE2 charge which will be equal to the expected 2010 annual costs and costs eligible for recovery for the period September 1, 2009 through December 31, 2009. Thereafter, each update to the DSE2 charge shall include recovery of the Companies' projected EE/PDR Costs levelized over the remainder of the period in which the then current Three Year Program Portfolio Plan is in effect.

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RIDER DSE
Demand Side Management and Energy Efficiency Rider

APPLICABILITY:

Applicable to any customer that takes electric service under the Company's rate schedules.

RATE:

The following charges will apply, by rate schedule, effective for service rendered beginning the first day of the month following approval of this revised Rider DSE, for all kWhs per kWh as follows:

	DSE1	DSE2
RS	0.0196¢	0.2032¢
GS	0.0196¢	0.0776¢
GP	0.0196¢	0.0352¢
GSU	0.0196¢	0.0351¢
GT	0.0196¢	0.0350¢
STL	0.0196¢	0.4997¢
TRF	0.0196¢	0.9973¢
POL	0.0196¢	0.0000¢

DSE1: The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR).

DSE2: The DSE2 charges set forth in this Rider recover EE/PDR Costs defined below.

EE/PDR Costs: EE/PDR Costs include all costs incurred by the Company for the design, approval and implementation of programs for compliance with benchmarks established in Section 4928.66, Revised Code, including demand-response programs, energy efficiency programs, peak demand reduction programs (other than those recovered through the DSE1 charges), and self-directed demand-response, energy efficiency or other customer-sited programs. The costs incurred by the Company and fully recovered through the DSE2 charges will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected resulting from the implementation of such programs.

Program Costs: EE/PDR Costs excluding all administrative costs to conduct such programs, shared savings, and variable distribution revenue not collected.

RIDER UPDATES:

1. The DSE1 charges set forth in this Rider shall be updated and reconciled at least annually. No later than December 1st of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the DSE1 charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st or as otherwise specified.

RIDER DSE
Demand Side Management and Energy Efficiency Rider

2. The DSE2 charges will become effective on January 1, 2010 and shall be updated and reconciled at least annually. No later than December 1st of each year or as otherwise deemed necessary, the Company shall file with the PUCO a request for approval of the charges which, unless otherwise ordered by the PUCO, shall automatically become effective on a service rendered basis on January 1st of each year as applicable or as otherwise specified.

   a. For customers taking service under Rate Schedules GS, GP, GSU, GT, STL, TRF, and POL: Subject to PUCO approval of the Company's Three Year Program Portfolio Plan, the initial DSE2 charge includes (i) EE/PDR Costs incurred from September 1, 2009 through November 30, 2009; and (ii) projected EE/PDR Costs for the period December 1, 2009 through December 31,2010. All such charges shall be recovered through the period ending December 31, 2010. Thereafter, each update to the DSE2 charges shall include the Company's total projected EE/PDR Costs related to the next period. All EE/PDR Costs shall be allocated on a rate schedule basis.
   b. For customers taking service under Rate Schedule RS: The initial DSE2 charge following approval of the Companies' EE/PDR Plans shall collect the levelized Program Costs for the years 2010, 2011, and 2012, and all other EE/PDR Costs of the DSE2 charge which will be equal to the expected 2010 annual costs and costs eligible for recovery for the period September 1, 2009 through December 31, 2009. Thereafter, each update to the DSE2 charge shall include recovery of the Companies' projected EE/PDR Costs levelized over the remainder of the period in which the then current Three Year Program Portfolio Plan is in effect.

3. This rider shall be in effect until all costs are fully recovered by the Company.

AVOIDABILITY:

1. The DSE1 charges set forth in this Rider are avoidable only for those customers taking service under Rider ELR and Rider OLR.

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MERCANTILE CUSTOMER PROJECT COMMITMENT AGREEMENT (MCPCA):

The terms and conditions set forth in the Company's MCPCA are incorporated into this Rider by reference and made a part of said Rider. A copy of such agreement can be obtained from the Company by calling its customer service toll free number. In the event any terms of this Rider conflict with those set forth in the MCPCA, the latter shall control.

Exhibit SEO-C1
Ohio Edison Company
Supporting Calculations of Proposed OE DSE2 Rate

Summary of Costs from Plan

	(A)	(B) Residential *(3 Year)	(C) Residential Low-Income *(3 Year)	(D) Small Enterprise	(E) Mercantile Self-Direct	(F) Mercantile-Utility (Large Enterprise)	(G) Governmental	(H) T&D
(1)	Program Year 2010 Portfolio Budget (Except B and C)	$37,371,827	$9,881,039	$8,147,074	$471,000	$4,326,475	$1,530,110	$0
(2)	Less Program Year 2010 DSE 1 Portfolio Budget	$0	$0	$0	$0	($1,291,320)	$0	$0
(3)	Program Year 2010 DSE 2 Portfolio Budget	$37,371,827	$9,881,039	$8,147,074	$471,000	$3,035,154	$1,530,110	$0
(4)	Program Year 2010 Common Costs	$481,715	Included in (B)	$223,166	$10,857	$176,313	$51,620	$0
(5)	**Total Costs**	**$37,853,543**	**$9,881,039**	**$8,370,240**	**$481,857**	**$3,211,467**	**$1,581,730**	**$0**

$3,693,324.41

*Total Costs for (E) and (F) are allocated by MWhs from Long Term Forecast Report

* Common Costs for (G) are allocated by MWhs from Long Term Forecast Report. DSE2 Portfolio Budget costs are directly assigned by B&V to rate schedule

(6)	Total 3 Year RS Program Costs	$47,252,866
(7)	MWhs (3 years)	29,060,354
(8)	**Levelized Program Cost for 2010**	**$15,400,447**

Calculation of January 1, 2010 Rate

~32% ~11% ~57% ~86% ~14%

		RS	GS	GP	GSU	GT	STL	TRF	POL	TOTAL
(9)	Program Year 2010 DSE 2 Portfolio Budget	$15,400,447	$8,147,074	$1,133,706	$380,982	$1,991,466	$1,449,668	$80,443	$0	$28,583,786
(10)	Adjustments per Exhibit SEO-E1	$0	$0	$0	$0	$0	($955,694)	$0	$0	($955,694)
(11)	Program Year 2010 Common Costs	$481,715	$223,166	$60,521	$20,338	$106,311	$44,504	$7,115	$0	$943,671
(12)	Variable Distribution Revenue Not Collected	$1,962,493	$204,204	$13,516	$1,799	$1,883	$1,502	$2,506	$0	$2,187,903
(13)	Shared Savings	$0	$0	$0	$0	$0	$0	$0	$0	$0
(14)	Amount to be Recovered before Commercial Activity Tax	$17,844,655	$8,574,444	$1,207,743	$403,120	$2,099,660	$539,980	$90,064	$0	$30,759,666
(15)	Commercial Activity Tax	$46,517	$22,352	$3,148	$1,051	$5,473	$1,408	$235	$0	$80,184
(16)	Total Amount to be Recovered	$17,891,172	$8,596,796	$1,210,892	$404,170	$2,105,133	$541,388	$90,299	$0	$30,839,850
(17)	2010 MWhs	9,471,223	6,864,588	2,606,419	876,254	4,580,290	121,601	19,442	36,348	24,576,165
(18)	**Rate (¢ / kWh)**	**0.1889**	**0.1252**	**0.0465**	**0.0461**	**0.0460**	**0.4452**	**0.4645**	**0.0000**	

NOTES

(1) Source: OE EE/PDR Plan - PUCO Table 3 (Residential and Residential Low Income 2010-2012, Others 2010)
(2) The ELR / OLR Program Year 2010 costs from the Portfolio Budget to be recovered in DSE1
(3) Calculation: (1) - (2)
(4) Source: OE EE/PDR Plan - Table 6C
(5) Calculation: (3) + (4)
(6) Calculation: (B1) + (C1)
(7) MWhs from 2010-2012. Source: 09-504-EL-FOR Long Term Forecast Report
(8) Calculation:[(B6) / (B7)] * (B17)
(9) Line (1) allocated to rate schedule as discussed in testimony
(10) See Exhibit SEO-E1.
(11) Line (2) allocated to rate schedule as discussed in testimony
(12) Variable Distribution Revenue Not Collected = (Expected Savings from Program) x (Energy Charge or Capacity Charge from the Distribution tariffs + Distribution Service Improvement Rider (Rider DSI))
(13) Shared Savings, if they actually occur, will be reconciled at year end
(14) Calculation: (9) + (10) + (11) + (12) + (13)
(15) Commercial Activity Tax rate for 2010 is 0.26%. Calculation: (14) * 0.0026
(16) Calculation: (14) + (15)
(17) MWhs from 2010. Source: 09-504-EL-FOR Long Term Forecast Report
(18) Calculation: [(16) * 100] / [(17) * 1000]

Exhibit SEO-C2
The Cleveland Electric Illuminating Company
Supporting Calculations of Proposed CE DSE2 Rate

Summary of Costs from Plan

	(A)	(B) Residential *(3 Year)	(C) Residential Low-Income *(3 Year)	(D) Small Enterprise	(E) Mercantile Self-Direct	(F) Mercantile-Utility (Large Enterprise)	(G) Governmental	(H) T&D
(1)	Program Year 2010 Portfolio Budget (Except B and C)	$24,393,622	$6,614,267	$8,951,865	$367,000	$6,519,135	$2,263,179	$0
(2)	Less Program Year 2010 DSE 1 Portfolio Budget	$0	$0	$0	$0	($3,048,728)	$0	$0
(3)	Program Year 2010 DSE 2 Portfolio Budget	$24,393,622	$6,614,267	$8,951,865	$367,000	$3,470,407	$2,263,179	$0
(4)	Program Year 2010 Common Costs	$293,192	Included in (B)	$202,365	$7,886	$186,384	$63,901	$0
(5)	**Total Costs**	**$24,686,814**	**$6,614,267**	**$9,154,230**	**$374,886**	**$3,656,791**	**$2,327,080**	**$0**

$4,031,676.75

*Total Costs for (E) and (F) are allocated by MWhs from Long Term Forecast Report

* Common Costs for (G) are allocated by MWhs from Long Term Forecast Report. DSE2 Portfolio Budget costs are directly assigned by B&V to rate schedule

(6)	Total 3 Year RS Program Costs	$31,007,889
(7)	MWhs (3 years)	17,231,551
(8)	**Levelized Program Cost for 2010**	**$10,126,487**

Calculation of January 1, 2010 Rate

~8% ~60% ~32% ~85% ~15%

		RS	GS	GP	GSU	GT	STL	TRF	POL	TOTAL
(9)	Program Year 2010 DSE 2 Portfolio Budget	$10,126,487	$8,951,865	$300,906	$2,306,815	$1,229,687	$2,162,501	$100,677	$0	$25,178,937
(10)	Adjustments per Exhibit SEO-E2	$0	$0	$0	$0	$0	($1,427,420)	$0	$0	($1,427,420)
(11)	Program Year 2010 Common Costs	$293,192	$202,365	$15,233	$116,783	$62,253	$54,110	$9,792	$0	$753,728
(12)	Variable Distribution Revenue Not Collected	$1,300,660	$286,570	$2,451	$10,616	$3	$24,976	$2,447	$0	$1,627,723
(13)	Shared Savings	$0	$0	$0	$0	$0	$0	$0	$0	$0
(14)	Amount to be Recovered before Commercial Activity Tax	$11,720,339	$9,440,800	$318,590	$2,434,214	$1,291,943	$814,167	$112,916	$0	$26,132,968
(15)	Commercial Activity Tax	$30,552	$24,610	$830	$6,345	$3,368	$2,122	$294	$0	$68,123
(16)	Total Amount to be Recovered	$11,750,891	$9,465,410	$319,420	$2,440,559	$1,295,311	$816,289	$113,210	$0	$26,201,091
(17)	2010 MWhs	5,627,441	6,801,014	472,030	3,617,574	1,930,793	138,743	25,106	65,115	18,677,817
(18)	**Rate (¢ / kWh)**	**0.2088**	**0.1392**	**0.0677**	**0.0675**	**0.0671**	**0.5883**	**0.4509**	**0.0000**	

NOTES

(1) Source: CE EE/PDR Plan - PUCO Table 3 (Residential and Residential Low Income 2010-2012, Others 2010)
(2) The ELR / OLR Program Year 2010 costs from the Portfolio Budget to be recovered in DSE1
(3) Calculation: (1) - (2)
(4) Source: CE EE/PDR Plan - Table 6C
(5) Calculation: (3) + (4)
(6) Calculation: (B1) + (C1)
(7) MWhs from 2010-2012. Source: 09-504-EL-FOR Long Term Forecast Report
(8) Calculation:[(B6) / (B7)] * (B17)
(9) Line (1) allocated to rate schedule as discussed in testimony
(10) See Exhibit SEO-E1.
(11) Line (2) allocated to rate schedule as discussed in testimony
(12) Variable Distribution Revenue Not Collected = (Expected Savings from Program) x (Energy Charge or Capacity Charge from the Distribution tariffs + Distribution Service Improvement Rider (Rider DSI))
(13) Shared Savings, if they actually occur, will be reconciled at year end
(14) Calculation: (9) + (10) + (11) + (12) + (13)
(15) Commercial Activity Tax rate for 2010 is 0.26%. Calculation: (14) * 0.0026
(16) Calculation: (14) + (15)
(17) MWhs from 2010. Source: 09-504-EL-FOR Long Term Forecast Report
(18) Calculation: [(16) * 100] / [(17) * 1000]

Exhibit SEO-C3
The Toledo Edison Company
Supporting Calculations of Proposed TE DSE2 Rate

Summary of Costs from Plan

	(A)	(B) Residential *(3 Year)	(C) Residential Low-Income *(3 Year)	(D) Small Enterprise	(E) Mercantile Self-Direct	(F) Mercantile-Utility (Large Enterprise)	(G) Governmental	(H) T&D
(1)	Program Year 2010 Portfolio Budget (Except B and C)	$10,128,125	$3,352,687	$1,572,118	$120,000	$7,014,790	$636,586	$0
(2)	Less Program Year 2010 DSE 1 Portfolio Budget	$0	$0	$0	$0	($5,501,921)	$0	$0
(3)	Program Year 2010 DSE 2 Portfolio Budget	$10,128,125	$3,352,687	$1,572,118	$120,000	$1,512,869	$636,586	$0
(4)	Program Year 2010 Common Costs	$124,262	Included in (B)	$72,447	$2,839	$147,875	$40,178	$0
(5)	**Total Costs**	**$10,252,388**	**$3,352,687**	**$1,644,565**	**$122,839**	**$1,660,744**	**$676,764**	**$0**

$1,783,583.47

*Total Costs for (E) and (F) are allocated by MWhs from Long Term Forecast Report

* Common Costs for (G) are allocated by MWhs from Long Term Forecast Report. DSE2 Portfolio Budget costs are directly assigned by B&V to rate schedule

(6)	Total 3 Year RS Program Costs	$13,480,813
(7)	MWhs (3 years)	7,740,858
(8)	**Levelized Program Cost for 2010**	**$4,418,633**

Calculation of January 1, 2010 Rate

~20% ~2% ~78% ~90% ~10%

		RS	GS	GP	GSU	GT	STL	TRF	POL	TOTAL
(9)	Program Year 2010 DSE 2 Portfolio Budget	$4,418,633	$1,572,118	$327,754	$30,173	$1,274,942	$588,791	$47,795	$0	$8,260,206
(10)	Adjustments per Exhibit SEO-E3	$0	$0	$0	$0	$0	($386,000)	$0	$0	($386,000)
(11)	Program Year 2010 Common Costs	$124,262	$72,447	$30,252	$2,785	$117,677	$36,143	$4,035	$0	$387,602
(12)	Variable Distribution Revenue Not Collected	$600,618	$51,972	$2,498	$66	$521	$8,721	$3,350	$0	$667,746
(13)	Shared Savings	$0	$0	$0	$0	$0	$0	$0	$0	$0
(14)	Amount to be Recovered before Commercial Activity Tax	$5,143,513	$1,696,537	$360,504	$33,024	$1,393,140	$247,656	$55,180	$0	$8,929,554
(15)	Commercial Activity Tax	$13,408	$4,422	$940	$86	$3,632	$646	$144	$0	$23,277
(16)	Total Amount to be Recovered	$5,156,921	$1,700,960	$361,443	$33,111	$1,396,772	$248,301	$55,323	$0	$8,952,832
(17)	2010 MWhs	2,537,236	2,191,378	1,025,961	94,429	3,991,313	49,692	5,547	16,335	9,911,891
(18)	**Rate (¢ / kWh)**	**0.2032**	**0.0776**	**0.0352**	**0.0351**	**0.0350**	**0.4997**	**0.9973**	**0.0000**	

NOTES

(1) Source: TE EE/PDR Plan - PUCO Table 3 (Residential and Residential Low Income 2010-2012, Others 2010)
(2) The ELR / OLR Program Year 2010 costs from the Portfolio Budget to be recovered in DSE1
(3) Calculation: (1) - (2)
(4) Source: TE EE/PDR Plan - Table 6C
(5) Calculation: (3) + (4)
(6) Calculation: (B1) + (C1)
(7) MWhs from 2010-2012. Source: 09-504-EL-FOR Long Term Forecast Report
(8) Calculation:[(B6) / (B7)] * (B17)
(9) Line (1) allocated to rate schedule as discussed in testimony
(10) See Exhibit SEO-E1.
(11) Line (2) allocated to rate schedule as discussed in testimony
(12) Variable Distribution Revenue Not Collected = (Expected Savings from Program) x (Energy Charge or Capacity Charge from the Distribution tariffs + Distribution Service Improvement Rider (Rider DSI))
(13) Shared Savings, if they actually occur, will be reconciled at year end
(14) Calculation: (9) + (10) + (11) + (12) + (13)
(15) Commercial Activity Tax rate for 2010 is 0.26%. Calculation: (14) * 0.0026
(16) Calculation: (14) + (15)
(17) MWhs from 2010. Source: 09-504-EL-FOR Long Term Forecast Report
(18) Calculation: [(16) * 100] / [(17) * 1000]

Ohio Edison Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate RS

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
1	0	250	$ 31.89	$ 32.36	$ 0.47	1.5%
2	0	500	$ 59.69	$ 60.63	$ 0.94	1.6%
3	0	750	$ 89.99	$ 91.41	$ 1.42	1.6%
4	0	1,000	$ 120.32	$ 122.21	$ 1.89	1.6%
5	0	1,500	$ 180.92	$ 183.75	$ 2.83	1.6%
6	0	2,000	$ 241.52	$ 245.30	$ 3.78	1.6%

Rate GS

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
7	10	1,000	$ 143.24	$ 144.49	$ 1.25	0.9%
8	10	2,000	$ 231.04	$ 233.54	$ 2.50	1.1%
9	10	3,000	$ 318.43	$ 322.19	$ 3.76	1.2%
10	10	4,000	$ 405.78	$ 410.79	$ 5.01	1.2%
11	10	5,000	$ 493.17	$ 499.43	$ 6.26	1.3%
12	10	6,000	$ 580.53	$ 588.04	$ 7.51	1.3%
13	1,000	100,000	$ 15,261.59	$ 15,386.79	$ 125.20	0.8%
14	1,000	200,000	$ 23,942.48	$ 24,192.88	$ 250.40	1.0%
15	1,000	300,000	$ 32,623.37	$ 32,998.97	$ 375.60	1.2%
16	1,000	400,000	$ 41,304.25	$ 41,805.05	$ 500.80	1.2%
17	1,000	500,000	$ 49,985.14	$ 50,611.14	$ 626.00	1.3%
18	1,000	600,000	$ 58,666.03	$ 59,417.23	$ 751.20	1.3%

Ohio Edison Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate GP

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
19	10	1,000	$ 310.59	$ 311.06	$ 0.47	0.2%
20	10	2,000	$ 394.53	$ 395.46	$ 0.93	0.2%
21	10	3,000	$ 478.03	$ 479.43	$ 1.40	0.3%
22	10	4,000	$ 561.52	$ 563.38	$ 1.86	0.3%
23	10	5,000	$ 645.03	$ 647.36	$ 2.33	0.4%
24	10	6,000	$ 728.51	$ 731.30	$ 2.79	0.4%
25	1,000	100,000	$ 11,597.11	$ 11,643.61	$ 46.50	0.4%
26	1,000	200,000	$ 19,890.40	$ 19,983.40	$ 93.00	0.5%
27	1,000	300,000	$ 28,183.69	$ 28,323.19	$ 139.50	0.5%
28	1,000	400,000	$ 36,476.97	$ 36,662.97	$ 186.00	0.5%
29	1,000	500,000	$ 44,770.26	$ 45,002.76	$ 232.50	0.5%
30	1,000	600,000	$ 53,063.55	$ 53,342.55	$ 279.00	0.5%

Rate GSU

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
31	10	1,000	$ 306.95	$ 307.41	$ 0.46	0.1%
32	10	2,000	$ 382.84	$ 383.76	$ 0.92	0.2%
33	10	3,000	$ 458.31	$ 459.69	$ 1.38	0.3%
34	10	4,000	$ 533.75	$ 535.59	$ 1.84	0.3%
35	10	5,000	$ 609.22	$ 611.53	$ 2.31	0.4%
36	10	6,000	$ 684.66	$ 687.43	$ 2.77	0.4%
37	1,000	100,000	$ 9,115.21	$ 9,161.31	$ 46.10	0.5%
38	1,000	200,000	$ 16,604.50	$ 16,696.70	$ 92.20	0.6%
39	1,000	300,000	$ 24,093.79	$ 24,232.09	$ 138.30	0.6%
40	1,000	400,000	$ 31,583.07	$ 31,767.47	$ 184.40	0.6%
41	1,000	500,000	$ 39,072.36	$ 39,302.86	$ 230.50	0.6%
42	1,000	600,000	$ 46,561.65	$ 46,838.25	$ 276.60	0.6%

Ohio Edison Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate GT

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
43	500	50,000	$ 7,527.60	$ 7,550.60	$ 23.00	0.3%
44	500	100,000	$ 10,390.48	$ 10,436.48	$ 46.00	0.4%
45	500	150,000	$ 13,253.36	$ 13,322.36	$ 69.00	0.5%
46	500	200,000	$ 16,116.24	$ 16,208.24	$ 92.00	0.6%
47	500	250,000	$ 18,979.11	$ 19,094.11	$ 115.00	0.6%
48	500	300,000	$ 21,842.00	$ 21,980.00	$ 138.00	0.6%
49	5,000	500,000	$ 72,079.91	$ 72,309.91	$ 230.00	0.3%
50	5,000	1,000,000	$ 100,558.17	$ 101,018.17	$ 460.00	0.5%
51	5,000	1,500,000	$ 128,736.30	$ 129,426.30	$ 690.00	0.5%
52	5,000	2,000,000	$ 156,914.43	$ 157,834.43	$ 920.00	0.6%
53	5,000	2,500,000	$ 185,092.56	$ 186,242.56	$ 1,150.00	0.6%
54	5,000	3,000,000	$ 213,270.70	$ 214,650.70	$ 1,380.00	0.6%

Rate STL

**The impact of the DSE2 charge for Rate STL was calculated by the following method: Columns (B) and (C) represent actual usage and bill amounts for OE STL on the aggregate for July 2009. Column (D) uses the following calculation: (C) + (B)*OE STL DSE2 rate.

Bill Data

Line No.	(A)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
55		9,855,139	$ 974,823.39	$ 1,018,698.47	$ 43,875.08	4.5%

Rate TRF

**The impact of the DSE2 charge for Rate TRF was calculated by the following method: Columns (B) and (C) represent actual usage and bill amounts for OE TRF on the aggregate for July 2009. Column (D) uses the following calculation: (C) + (B)*OE TRF DSE2 rate.

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
56		1,498,580	$ 100,844.86	$ 107,805.76	$ 6,960.90	6.9%

The Cleveland Electric Illuminating Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate RS						
Bill Data						
	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Level of Demand (kW)	Level of Usage (kWH)	Current Bill	Proposed Bill	Dollar Increase (D)-(C)	Percent Increase (E)/(C)
1	0	250	$ 32.14	$ 32.66	$ 0.52	1.6%
2	0	500	$ 62.45	$ 63.49	$ 1.04	1.7%
3	0	750	$ 95.25	$ 96.82	$ 1.57	1.6%
4	0	1,000	$ 128.05	$ 130.14	$ 2.09	1.6%
5	0	1,500	$ 193.65	$ 196.78	$ 3.13	1.6%
6	0	2,000	$ 259.24	$ 263.42	$ 4.18	1.6%

Rate GS						
Bill Data						
	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Level of Demand (kW)	Level of Usage (kWH)	Current Bill	Proposed Bill	Dollar Increase (D)-(C)	Percent Increase (E)/(C)
7	5	500	$ 75.33	$ 76.03	$ 0.70	0.9%
8	5	1,000	$ 126.65	$ 128.04	$ 1.39	1.1%
9	5	1,500	$ 177.94	$ 180.03	$ 2.09	1.2%
10	5	2,000	$ 229.27	$ 232.05	$ 2.78	1.2%
11	5	2,500	$ 280.33	$ 283.81	$ 3.48	1.2%
12	5	3,000	$ 331.40	$ 335.58	$ 4.18	1.3%
13	30	3,000	$ 549.72	$ 553.90	$ 4.18	0.8%
14	30	6,000	$ 856.17	$ 864.52	$ 8.35	1.0%
15	30	9,000	$ 1,162.62	$ 1,175.15	$ 12.53	1.1%
16	30	12,000	$ 1,469.06	$ 1,485.76	$ 16.70	1.1%
17	30	15,000	$ 1,775.50	$ 1,796.38	$ 20.88	1.2%
18	30	18,000	$ 2,080.23	$ 2,105.29	$ 25.06	1.2%

The Cleveland Electric Illuminating Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate GP

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
19	100	10,000	$ 1,282.64	$ 1,289.41	$ 6.77	0.5%
20	100	20,000	$ 2,119.96	$ 2,133.50	$ 13.54	0.6%
21	100	30,000	$ 2,954.48	$ 2,974.79	$ 20.31	0.7%
22	100	40,000	$ 3,789.00	$ 3,816.08	$ 27.08	0.7%
23	100	50,000	$ 4,623.52	$ 4,657.37	$ 33.85	0.7%
24	100	60,000	$ 5,458.04	$ 5,498.66	$ 40.62	0.7%
25	1,000	100,000	$ 11,419.52	$ 11,487.22	$ 67.70	0.6%
26	1,000	200,000	$ 19,764.72	$ 19,900.12	$ 135.40	0.7%
27	1,000	300,000	$ 28,109.92	$ 28,313.02	$ 203.10	0.7%
28	1,000	400,000	$ 36,455.11	$ 36,725.91	$ 270.80	0.7%
29	1,000	500,000	$ 44,800.31	$ 45,138.81	$ 338.50	0.8%
30	1,000	600,000	$ 53,145.51	$ 53,551.71	$ 406.20	0.8%

Rate GSU

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
31	100	10,000	$ 1,067.86	$ 1,074.61	$ 6.75	0.6%
32	100	20,000	$ 1,811.13	$ 1,824.63	$ 13.50	0.7%
33	100	30,000	$ 2,547.35	$ 2,567.60	$ 20.25	0.8%
34	100	40,000	$ 3,283.58	$ 3,310.58	$ 27.00	0.8%
35	100	50,000	$ 4,019.80	$ 4,053.55	$ 33.75	0.8%
36	100	60,000	$ 4,756.03	$ 4,796.53	$ 40.50	0.9%
37	5,000	500,000	$ 43,922.20	$ 44,259.70	$ 337.50	0.8%
38	5,000	1,000,000	$ 80,828.29	$ 81,503.29	$ 675.00	0.8%
39	5,000	1,500,000	$ 117,923.52	$ 118,936.02	$ 1,012.50	0.9%
40	5,000	2,000,000	$ 155,018.75	$ 156,368.75	$ 1,350.00	0.9%
41	5,000	2,500,000	$ 192,113.98	$ 193,801.48	$ 1,687.50	0.9%
42	5,000	3,000,000	$ 229,209.22	$ 231,234.22	$ 2,025.00	0.9%

The Cleveland Electric Illuminating Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate GT

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
43	1,000	100,000	$ 14,126.06	$ 14,193.16	$ 67.10	0.5%
44	1,000	200,000	$ 19,809.63	$ 19,943.83	$ 134.20	0.7%
45	1,000	300,000	$ 25,493.20	$ 25,694.50	$ 201.30	0.8%
46	1,000	400,000	$ 31,176.76	$ 31,445.16	$ 268.40	0.9%
47	1,000	500,000	$ 36,860.33	$ 37,195.83	$ 335.50	0.9%
48	1,000	600,000	$ 42,543.90	$ 42,946.50	$ 402.60	0.9%
49	20,000	2,000,000	$ 275,932.31	$ 277,274.31	$ 1,342.00	0.5%
50	20,000	4,000,000	$ 389,040.64	$ 391,724.64	$ 2,684.00	0.7%
51	20,000	6,000,000	$ 502,148.96	$ 506,174.96	$ 4,026.00	0.8%
52	20,000	8,000,000	$ 615,257.29	$ 620,625.29	$ 5,368.00	0.9%
53	20,000	10,000,000	$ 728,365.61	$ 735,075.61	$ 6,710.00	0.9%
54	20,000	12,000,000	$ 841,473.94	$ 849,525.94	$ 8,052.00	1.0%

Rate STL

**The impact of the DSE2 charge for Rate STL was calculated by the following method: Columns (B) and (C) represent actual usage and bill amounts for CE STL on the aggregate for July 2009. Column (D) uses the following calculation: (C) + (B)*CE STL DSE2 rate.

Bill Data

Line No.	(A)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
55		10,620,999	$ 1,576,367.23	$ 1,638,850.57	$ 62,483.34	4.0%

Rate TRF

**The impact of the DSE2 charge for Rate TRF was calculated by the following method: Columns (B) and (C) represent actual usage and bill amounts for CE TRF on the aggregate for July 2009. Column (D) uses the following calculation: (C) + (B)*CE TRF DSE2 rate.

Bill Data

Line No.	(A)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
56		1,859,191	$ 113,312.13	$ 121,695.22	$ 8,383.09	7.4%

The Toledo Edison Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate RS						
Bill Data						
	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Level of Demand (kW)	Level of Usage (kWH)	Current Bill	Proposed Bill	Dollar Increase (D)-(C)	Percent Increase (E)/(C)
1	0	250	$ 33.50	$ 34.01	$ 0.51	1.5%
2	0	500	$ 62.94	$ 63.96	$ 1.02	1.6%
3	0	750	$ 94.86	$ 96.38	$ 1.52	1.6%
4	0	1,000	$ 126.80	$ 128.83	$ 2.03	1.6%
5	0	1,500	$ 190.63	$ 193.68	$ 3.05	1.6%
6	0	2,000	$ 254.47	$ 258.53	$ 4.06	1.6%

Rate GS						
Bill Data						
	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Level of Demand (kW)	Level of Usage (kWH)	Current Bill	Proposed Bill	Dollar Increase (D)-(C)	Percent Increase (E)/(C)
7	10	1,000	$ 160.15	$ 160.93	$ 0.78	0.5%
8	10	2,000	$ 249.26	$ 250.81	$ 1.55	0.6%
9	10	3,000	$ 333.71	$ 336.04	$ 2.33	0.7%
10	10	4,000	$ 418.16	$ 421.26	$ 3.10	0.7%
11	10	5,000	$ 502.63	$ 506.51	$ 3.88	0.8%
12	10	6,000	$ 587.08	$ 591.74	$ 4.66	0.8%
13	1,000	100,000	$ 18,351.51	$ 18,429.11	$ 77.60	0.4%
14	1,000	200,000	$ 27,161.00	$ 27,316.20	$ 155.20	0.6%
15	1,000	300,000	$ 35,970.49	$ 36,203.29	$ 232.80	0.6%
16	1,000	400,000	$ 44,779.97	$ 45,090.37	$ 310.40	0.7%
17	1,000	500,000	$ 53,589.46	$ 53,977.46	$ 388.00	0.7%
18	1,000	600,000	$ 62,398.95	$ 62,864.55	$ 465.60	0.7%

The Toledo Edison Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate GP

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
19	100	10,000	$ 1,256.50	$ 1,260.02	$ 3.52	0.3%
20	100	20,000	$ 2,093.36	$ 2,100.40	$ 7.04	0.3%
21	100	30,000	$ 2,948.40	$ 2,958.96	$ 10.56	0.4%
22	100	40,000	$ 3,803.46	$ 3,817.54	$ 14.08	0.4%
23	100	50,000	$ 4,658.50	$ 4,676.10	$ 17.60	0.4%
24	100	60,000	$ 5,513.55	$ 5,534.67	$ 21.12	0.4%
25	1,000	100,000	$ 11,434.03	$ 11,469.23	$ 35.20	0.3%
26	1,000	200,000	$ 19,984.52	$ 20,054.92	$ 70.40	0.4%
27	1,000	300,000	$ 28,535.01	$ 28,640.61	$ 105.60	0.4%
28	1,000	400,000	$ 37,085.49	$ 37,226.29	$ 140.80	0.4%
29	1,000	500,000	$ 45,635.98	$ 45,811.98	$ 176.00	0.4%
30	1,000	600,000	$ 54,186.47	$ 54,397.67	$ 211.20	0.4%

Rate GSU

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
31	100	10,000	$ 1,074.69	$ 1,078.20	$ 3.51	0.3%
32	100	20,000	$ 1,821.46	$ 1,828.49	$ 7.03	0.4%
33	100	30,000	$ 2,586.41	$ 2,596.95	$ 10.54	0.4%
34	100	40,000	$ 3,351.38	$ 3,365.43	$ 14.05	0.4%
35	100	50,000	$ 4,116.33	$ 4,133.90	$ 17.57	0.4%
36	100	60,000	$ 4,881.29	$ 4,902.37	$ 21.08	0.4%
37	1,000	100,000	$ 9,164.04	$ 9,199.17	$ 35.13	0.4%
38	1,000	200,000	$ 16,813.63	$ 16,883.89	$ 70.26	0.4%
39	1,000	300,000	$ 24,463.22	$ 24,568.61	$ 105.39	0.4%
40	1,000	400,000	$ 32,112.80	$ 32,253.32	$ 140.52	0.4%
41	1,000	500,000	$ 39,762.39	$ 39,938.04	$ 175.65	0.4%
42	1,000	600,000	$ 47,411.98	$ 47,622.76	$ 210.78	0.4%

The Toledo Edison Company
Case No. 09-XXXXXXX
Rate Impacts - June 1, 2009 vs June 1, 2009 with July 1, 2010 DSE2 Rate - Typical Bill Comparison

Rate GT

Bill Data

Line No.	(A) Level of Demand (kW)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
43	2,000	200,000	$ 29,171.57	$ 29,241.57	$ 70.00	0.2%
44	2,000	400,000	$ 40,585.68	$ 40,725.68	$ 140.00	0.3%
45	2,000	600,000	$ 51,999.80	$ 52,209.80	$ 210.00	0.4%
46	2,000	800,000	$ 63,413.91	$ 63,693.91	$ 280.00	0.4%
47	2,000	1,000,000	$ 74,605.01	$ 74,955.01	$ 350.00	0.5%
48	2,000	1,200,000	$ 85,752.04	$ 86,172.04	$ 420.00	0.5%
49	20,000	2,000,000	$ 287,597.17	$ 288,297.17	$ 700.00	0.2%
50	20,000	4,000,000	$ 399,067.50	$ 400,467.50	$ 1,400.00	0.4%
51	20,000	6,000,000	$ 510,537.82	$ 512,637.82	$ 2,100.00	0.4%
52	20,000	8,000,000	$ 622,008.15	$ 624,808.15	$ 2,800.00	0.5%
53	20,000	10,000,000	$ 733,478.47	$ 736,978.47	$ 3,500.00	0.5%
54	20,000	12,000,000	$ 844,948.80	$ 849,148.80	$ 4,200.00	0.5%

Rate STL

**The impact of the DSE2 charge for Rate STL was calculated by the following method: Columns (B) and (C) represent actual usage and bill amounts for TE STL on the aggregate for July 2009. Column (D) uses the following calculation: (C) + (B)*TE STL DSE2 rate.

Bill Data

Line No.	(A)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
55		4,240,131	$ 678,445.24	$ 699,633.17	$ 21,187.93	3.1%

Rate TRF

**The impact of the DSE2 charge for Rate TRF was calculated by the following method: Columns (B) and (C) represent actual usage and bill amounts for TE TRF on the aggregate for July 2009. Column (D) uses the following calculation: (C) + (B)*TE TRF DSE2 rate.

Bill Data

Line No.	(A)	(B) Level of Usage (kWH)	(C) Current Bill	(D) Proposed Bill	(E) Dollar Increase (D)-(C)	(F) Percent Increase (E)/(C)
56		113,535	$ 9,586.57	$ 10,718.85	$ 1,132.28	11.8%

Exhibit SEO-E1
2010 Government Lighting Program
Ohio Edison Company

	Program Cost (1)	15 Yr. NPV O&M (2)	Incremental Annual O&M (3)	Number of Customers (4)	O&M Price per Customer (5)
Street Lighting - 175 Mercury to 100 HPS	$361,173	$1,088,495	$132,801	6,070	$21.88
LED Pedestrian Signals	$14,587	$0	$0	283	
LED Auto Traffic Signals	$65,856	$0	$0	1,132	
Total	**$ 441,616**	**$ 1,088,495**	**$ 132,801**	**7,485**	

(1) Sum of all Plan costs less Plan O&M
(2) Plan O&M
(3) Calculation: (4) * (5)
(4) Source: APP-C2 Annual measure participation numbers
(5) Source: B&V Energy Efficiency Expert, Joe Trainor

Exhibit SEO-E2
2010 Government Lighting Program
The Cleveland Electric Illuminating Company

	Program Cost (1)	15 Yr. NPV O&M (2)	Incremental Annual O&M (3)	Number of Customers (4)	O&M Price per Customer (5)
Street Lighting - 175 Mercury to 100 HPS	$536,731	$1,625,770	$198,350	9,065	$21.88
LED Pedestrian Signals	$17,235	$0	$0	366	
LED Auto Traffic Signals	$83,442	$0	$0	1,462	
Total	**$ 637,408**	**$ 1,625,770**	**$ 198,350**	**10,893**	

(1) Sum of all Plan costs less Plan O&M
(2) Plan O&M
(3) Calculation: (4) * (5)
(4) Source: APP-C2 Annual measure participation numbers
(5) Source: B&V Energy Efficiency Expert, Joe Trainor

Exhibit SEO-E3
2010 Government Lighting Program
The Toledo Edison Company

	Program Cost (1)	15 Yr. NPV O&M (2)	Incremental Annual O&M (3)	Number of Customers (4)	O&M Price per Customer (5)
Street Lighting - 175 Mercury to 100 HPS	$149,154	$439,637	$53,637	2,451	$21.88
LED Pedestrian Signals	$10,315	$0	$0	150	
LED Auto Traffic Signals	$37,480	$0	$0	600	
Total	**$ 196,949**	**$ 439,637**	**$ 53,637**	**3,201**	

(1) Sum of all Plan costs less Plan O&M
(2) Plan O&M
(3) Calculation: (4) * (5)
(4) Source: APP-C2 Annual measure participation numbers
(5) Source: B&V Energy Efficiency Expert, Joe Trainor

[Company Exhibit 4]

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

DIRECT TESTIMONY OF

GEORGE L. FITZPATRICK

ON BEHALF OF

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

INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is George L. Fitzpatrick, and my business address is 898 Veterans Memorial Highway, Suite 430, Hauppauge, NY 11788.

Q. MR. FITZPATRICK, BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a Managing Director within the Enterprise Management Solutions ("EMS") division of Black & Veatch Corporation. My current responsibilities include co-leading the DSM/Energy Efficiency practice and leading the Regulatory Litigation Support practice within EMS. I am also designated as a Subject Matter Specialist in a number of areas related to our electric and gas utility consulting practice.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE RELEVANT TO THE TESTIMONY YOU ARE NOW GIVING.

A. My professional experience includes over 30 years within utility management and electric/gas technical and management consulting fields. My areas of expertise include: econometric and statistical analysis for energy and peak forecasting, load research, integrated resource planning, demand side management/energy efficiency ("DSM/EE") assessment, program design, implementation and evaluation, as well as generating plant life cycle economics, operating costs and performance modeling and overall utility investment prudence analyses.

I have testified extensively before state regulatory commissions throughout the United States, in both direct and rebuttal roles. Areas in which I have provided testimony include:

- Integrated Resource Planning
- Electric and Gas DSM/EE Program Assessment, Implementation and Evaluation
- Comparative lifecycle economics of competing utility investments
- Econometric/statistical-based Load and Energy Forecasting
- Other Econometric and Statistical Studies on Utility-related Issues
- Weather Normalization Studies
- Strategic Planning
- Load Research Program Sample Design, Implementation and Analysis
- Rate Design
- Cost of Service Studies
- Renewable Program Evaluation
- Performance Standard design and statistical construction

A more complete description of relevant qualifications to this testimony is contained in my professional resume which is attached to my testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to: (1) summarize and sponsor the Energy Efficiency and Peak Demand Reduction ("EE&PDR") Plans being submitted by Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("TE") (collectively, "Companies"),

including the risks surrounding the achievement of the goals set forth in the Plans and Plan-related recommendations; (2) explain the effect of the Public Utilities Commission of Ohio's ("Commission") recent decision requiring savings for each Program to be pro-rated based upon partial year participation rather than simply annualized; (3) analyze whether the Plans comply with the Commission's Total Resource Cost test threshold; and (4) offer recommendations to the Commission regarding these important EE&PDR initiatives.

Q. DOES YOUR TESTIMONY APPLY TO ALL OF THE COMPANIES?

A. Unless otherwise stated, my testimony equally applies to all three Companies. It should also be noted that throughout my testimony I refer to sections included in each of the Companies' EE&PDR Plans filed with the Companies' Application as Attachments A, B and C. Rather than reiterate in my testimony the details of the sections to which I refer, I am incorporating each of the Companies' Plans by reference, and my testimony is applicable to each Company's Plan.

SUMMARY OF THE COMPANIES' PLANS

Q. PLEASE SUMMARIZE THE KEY FEATURES AND IMPLICATIONS OF THE COMPANIES' PLANS.

A. The Plans that have been filed pursuant to the Commission's directives related to Am. Sub. S.B. 221 ("S.B. 221") comply with all benchmarks, meet or exceed the targets imposed, and exhibit an overall Company-by-Company portfolio TRC in excess of 1.0.

Q. PLEASE SUMMARIZE THE LIFETIME COSTS AND BENEFITS RESULTING FROM EACH COMPANY'S PLAN.

A. Exhibit GLF-1, consisting of three pages, summarizes each Company's lifetime costs and benefits related to the EE&PDR Plans developed in response to S.B. 221. Additionally, these tables provide overall Plan TRC results. The Plans provide opportunities for energy and related cost savings to each of the Companies' major customer sectors. While the TRC test results vary by sector and program, the overall Plans for each Company achieve TRCs greater than 1.0, which is the only Commission-stated cost effectiveness threshold.

Q. PLEASE SUMMARIZE THE GOALS PRESCRIBED FOR EACH COMPANY AND EACH COMPANY'S PLAN PERFORMANCE IN RELATION TO THOSE GOALS.

A. Exhibit GLF-2, consisting of three pages, provides the MW and MWh goals prescribed by the Commission for the 2010-2012 program years and each Company's Plan performance in relation to those goals. A review of these tables will confirm that each Company's Plan has been designed to exceed the goals prescribed.

Q. WHY ARE THE PLANS DESIGNED TO EXCEED STATUTORY GOALS?

A. All of the results included in the Plans are estimates. Therefore, it is necessary to design the Plans with a "cushion" should some of the risks that I talk about later come to fruition. Further, as the benchmark requirements increase over time, especially given certain of the Commission's Rules that will disallow certain savings to be counted in the future, there may be a need to over-comply in one year in order to achieve compliance in a subsequent

year. And finally, the Plans are designed with a provision that allows the Companies to "back down" programs that exceed expectations, so as to achieve compliance in a cost effective manner.

Q. PLEASE SUMMARIZE THE ANNUAL COSTS OF EACH COMPANY'S EE&PDR PLAN OVER THE 2010-2012 PROGRAM YEAR.

A. Exhibit GLF-3, consisting of three pages, provides the relevant Plan cost information for each Company. These budgets reflect the costs necessary to achieve the prescribed targets given the Commission's ruling requiring the Companies to account for partial year savings in the event that program participation is for less than a full twelve months in any program year.

BLACK & VEATCH'S ROLE IN THE COMPANIES' EE&PDR PROGRAM DEVELOPMENT

Q. WHAT WAS BLACK & VEATCH'S ROLE IN THE DEVELOPMENT OF THE COMPANIES' PLANS?

A. Black & Veatch performed the following tasks during the development of the Plans:

- Developed the Market Potential Study Report ("Market Study") included in Appendix D of each of the Plans;
- Developed electric energy efficiency, conservation and demand response programs for each class of customers that were shared with the interested parties during the course of our meetings with the Companies' collaborative group ("Collaborative");
- Reviewed program designs that already had been developed by the Companies before the Market Study was launched;

- Participated in meetings with the Collaborative and related subcommittee meetings, incorporating member's suggestions into the ultimate program designs where appropriate and feasible;
- Balanced the Plan components to achieve to the degree possible the goals set forth in S.B. 221, while factoring in Commission directives;
- Developed evaluation, measurement, verification ("EM&V") criteria and processes to support the demonstration of achieved savings consistent with the Commission's requirements; and
- Assisted in the preparation of the Plans, including the provision of supporting testimony for filing with the Commission.

Q. HOW DID THE BLACK & VEATCH TEAM PREPARE FOR THIS PROJECT?

A. In addition to staffing the project with Black & Veatch subject matter specialists in the areas of energy efficiency and demand reduction, the Black & Veatch team reviewed the provisions of S.B. 221, the Commission's rules established in Docket No. 08-888-EL-ORD ("Rules") and other directives, including the dockets in which a Technical Reference Manual ("TRM") and Total Resource Cost ("TRC") test were addressed.

Q. DID BLACK & VEATCH PREPARE THE PLANS?

A. Developing each of the Companies' three EE&PDR Plans was a collaborative effort between Black & Veatch and the Companies' in-house experts. Black & Veatch's national experience was blended with the DSM/EE experience specific to the Companies' respective service territories, resulting in three separate, yet

similar, EE&PDR Plans that employ consistent assumptions on measure costs, consistent utilization of the Commission's Rules and other directives, and consistent application of the results of the three individual Company surveys administered by Black & Veatch to establish realizable market penetration goals. Each of the EE&PDR Plans includes a broad spectrum of programs containing several important measures that cover all of the Companies' customer classes. At the outset, consistency of portfolios across the three Companies, if economically appropriate and geographically relevant, was deemed beneficial in order to optimize the costs of delivery of these programs to all of the Companies' customers.

Q. WERE THE COMPANIES' EE&PDR PLANS DEVELOPED UNDER YOUR DIRECTION AND CONTROL?

A. Yes, with significant valuable input from the Companies' personnel who worked closely on the Plans with the Black & Veatch team. While some earlier program designs preceded Black & Veatch's involvement, my team has worked with the Companies and the Collaborative to present a comprehensive set of well designed programs in these Plans.

EE&PDR TARGETS, TIMING AND PLAN ACHIEVEMENTS

Q: DO THE EE&PDR PLANS MEET THE PREVIOUSLY MENTIONED MW AND MWH TARGETS?

A: Yes. Each Plan, as filed, has been developed to produce results that will meet or exceed the targets established by S.B. 221 for the period January 1, 2010 through December 31, 2012 ("Reporting Period"). Details of the specific year-by-year

kW and MWh contributions, as well as associated TRCs, for each program in total during the Reporting Period, is contained in PUCO Tables 7A-7G entitled "TRC Benefits Table" in each of the Companies' Plans.

Q. WHAT CRITICAL ASSUMPTIONS WERE MADE WHEN ESTIMATING THE EFFECT OF EACH PLAN?

A. There are several critical assumptions underlying the estimated results set forth in the Plans. First, the Plans assume that the Companies will not receive approval of the majority of the Plans until mid-2010 and that the majority of the Programs will not be launched until that time. Second, the remaining Programs, discussed in detail below and referred to as the "Fast Track Programs," are assumed to be launched no later than April 1, 2010. Third, the savings estimates are pro-rated in the year in which a program is launched based on the actual number of months the program is in effect.

Q. WHAT ARE THE FAST TRACK PROGRAMS?

A. The Fast Track Programs are those programs included in Figure 2 of the Plan with an estimated implementation date of no later than April 1, 2010. The programs required to be "fast tracked" for early deployment are (i) the Appliance Turn-In Program; (ii) the CFL (and CFL Low Income) Program; (iii) the C/I Equipment Program (Lighting component); and (iv) C/I Equipment Program (Industrial Motors). An early start of these four programs is essential in order to insure that the Companies have the opportunity to meet their individual 2010 goals. This approach is necessitated both by the Commission's ruling requiring the Companies to count only partial year savings toward the achievement of their

goals and by the anticipated procedural schedule set forth in the Commission's Rules.

Q. WHY DO THE MAJORITY OF THE PROGRAMS ASSUME A COMMENCEMENT DATE OF MID-2010?

A. It is my understanding that the Companies have proposed a procedural schedule that would result in a decision from the Commission on the each of the Plans by mid-March, 2010. To the extent that schedule is not accepted, and as Witness Paganie discusses in his testimony, the Commission's Rules anticipate a 60-day comment period, with a mandatory hearing thereafter. Given that the end of the 60-day comment period occurs in mid-February, 2010, as well as the fact that the Commission's rules include a mandatory hearing, and thus both a briefing and Commission consideration period, the projection for a mid-year approval and subsequent mid-year program commencement date is reasonable. Obviously, if the Companies receive approval sooner than expected, then the program launch dates included in the Plans can be accelerated.

Q. ARE THE COMPANIES PROPOSING TO IMPLEMENT CERTAIN PROGRAMS ON AN EXPEDITED BASIS?

A. Yes. The Companies' Application seeks Commission approval of the Plans on or before March 10, 2010. Should that not occur, the Application seeks, at a minimum, approval of the Fast Track Programs, and related cost recovery on or before March 10, 2010, so that these programs can be implemented no later than April 1, 2010. If neither approval is obtained in this time frame, it is quite

unlikely that the Companies will be able to achieve the 2010 statutory benchmarks.

Q. WHY IS EXPEDITED APPROVAL OF THE FAST TRACK PROGRAMS NECESSARY?

A. Beginning the Fast Track Programs earlier than mid-year is necessary in order to give the Companies an opportunity to reach the 2010 Compliance Benchmarks. Based on the market penetration results from the Ohio market research performed by Black & Veatch, there will be a gradual build up period for any energy efficiency and/or peak demand programs, and there are only a certain percentage of customers that indicated an interest in participating in these programs. Due to the need to allow adequate time for customer outreach, program registration and participation processing, certain programs must begin by no later than April 1, 2010 in order for the Companies to reach their 2010 Compliance Benchmarks.

Q. ARE THE PLANS IMPACTED BY THE PRO-RATED SAVINGS REQUIREMENT IMPLEMENTED BY THE COMMISSION?

A. Yes. If the savings requirement was not pro-rated, the total cost of each of the Plans would have been $75.6 million for Ohio Edison; $58.4 million for CEI; and $29.1 million for Toledo Edison, or a total of $163.1 million. Under the Commission's current standard requiring the savings to be pro-rated, the total cost of each Plan will be $92.6 million for Ohio Edison; $79.7 million for CEI; and $42 million for Toledo Edison, or a total of $214.3 million. In the aggregate, the Commission's requirement to pro-rate savings is costing the Companies'

customers $51.2 million more than would otherwise be necessary over the three-year life of the Plans.

Q: WHAT ARE THE REQUIREMENTS IMPOSED BY THE TRC TEST BENEFIT THRESHOLD?

A: As provided by O.A.C. 4901:1-39-01(Y):

> "Total resource cost test" is an analysis to determine if, for an investment in energy efficiency or peak-demand reduction measure or program, on a life-cycle basis, the present value of the avoided supply costs for the periods of load reduction, valued at marginal cost, are greater than the present value of the monetary costs of the demand-side measure or program borne by both the electric utility and the participants, plus the increase in supply costs for any periods of increased load resulting directly from the measure or program adoption. Supply costs are those costs of supplying energy and/or capacity that are avoided by the investment, including generation, transmission, and distribution to customers. Demand-side measure or program costs include, but are not limited to, the costs for equipment, installation, operation and maintenance, removal of replaced equipment, and program administration, net of any residual benefits and avoided expenses such as the comparable costs for devices that would otherwise have been installed, the salvage value of removed equipment, and any tax credits.

O.A.C. 4901:1-39-04(B) requires each electric utility to demonstrate that its program portfolio plan is cost effective on a portfolio basis.

Q: DO THE PLANS ACHIEVE THE OVERALL TOTAL RESOURCE COST ("TRC") TEST BENEFIT THRESHOLD OF 1.0?

A: Yes**.** As explained in detail in Section 8.0 and Tables 7(A)-(G) of the Companies' Plans, as well as exhibited in Exhibit GLF-1, each of the Companies' Plans pass the TRC test.

RESULTS OF BLACK & VEATCH'S STUDY

Q. **PLEASE DESCRIBE GENERALLY HOW THE PROGRAMS WERE SELECTED FOR INCLUSION IN THE PLANS.**

A. The first step was to assess the market potential for various DSM/EE programs, which was done through various measures. The Companies' Plans include kW and MWh impact estimates based on the most current TRM information submitted to the Commission by various parties in Docket No. 09-0512-GE-UNC. Further, the measure/plan cost assumptions were developed by Black & Veatch based largely upon its DSM/EE measure database, the California Database for Energy Efficient Resources ("DEER"), the DSMore MI Database, and the Energy Star Website, as well as information obtained from Ohio stakeholders. This information set was augmented with input from the Companies' team. The measure penetration estimates were developed in large part from Black & Veatch's residential, commercial and industrial survey results for each of the three Companies. Based upon this information, a market assessment of potential results was developed and incorporated into the development of the programs included in

the Plans. This market potential study, referred to in the Plans as "the Market Potential Study" can be found in Appendix D to the Plans.

Q. WERE ANY OTHER RESOURCES USED DURING THE DEVELOPMENT OF THE PLANS?

A. Yes. In addition to the resources described above, Black & Veatch also reviewed the following:

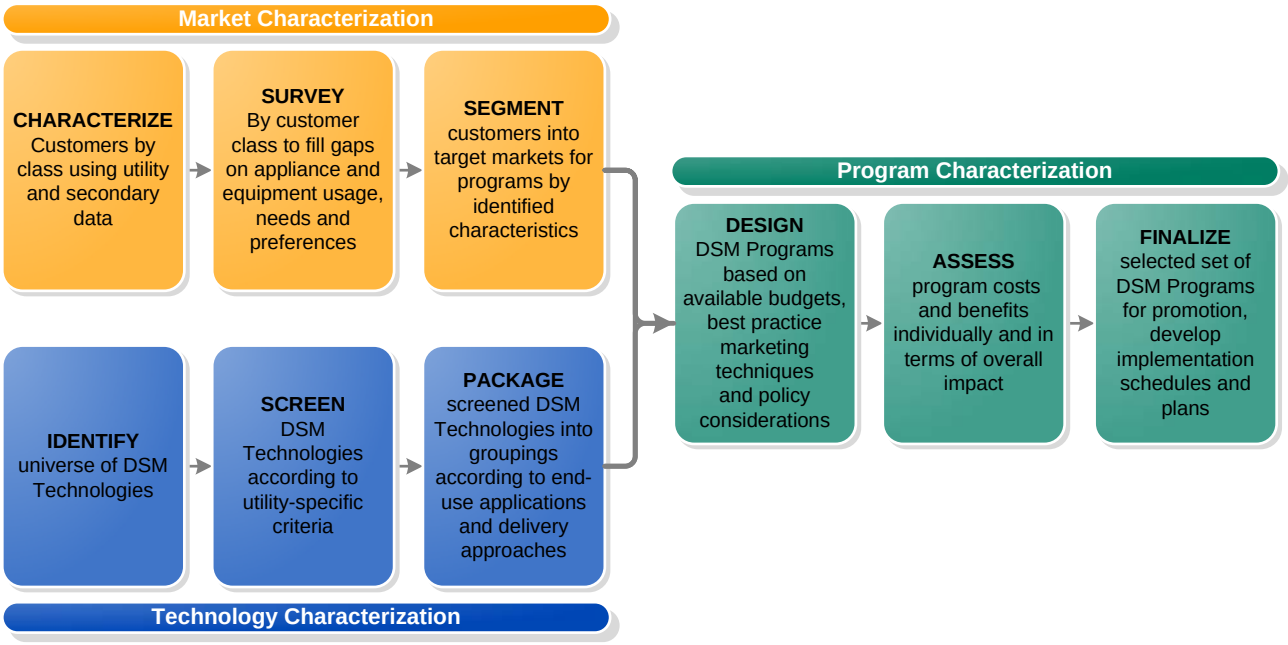
- American Council for an Energy Efficient Economy (ACEEE) Report EO92, Shaping Ohio's Energy Future: Energy Efficiency Works, March 2009;
- U.S. Environmental Protection Agency's ENERGY STAR estimates; and
- The Michigan Public Utilities Commission's deemed measure life and savings database.

Appendix C-1 in each Company Plan lists the measures selected and the source of each deemed savings estimates.

Q. PLEASE DISCUSS THE PROCESS THAT BLACK & VEATCH UTILIZED IN COMPLETING ITS WORK.

A: Representatives from the Companies and Black & Veatch (the "FirstEnergy/Black & Veatch team") worked together to develop the EE&PDR Plans. The figure below illustrates the process undertaken by the FirstEnergy/Black & Veatch team.

FirstEnergy EE&PDR Plan Development Process



Our approach balances three key sources of information:

1. External stakeholder experience and opinions captured in meetings of the Collaborative group.
2. Industry experience as reflected in the literature and previous contractor evaluation studies.
3. CEI, OE, and TE customer attitudes and preferences captured through Company-specific mail and telephone surveys and key account representative interviews. To capture this customer data, the Companies commissioned Black & Veatch to perform 100 C/I phone surveys per Company and completed over 400 residential mail surveys per Company. Interviews were conducted with a sample of each Company's Managed Account representatives, National Account representatives and Area Managers to

capture needed information on each Company's largest customers and local governments.

Using all of the data collected, the Black & Veatch team populated its models by Company in order to assess measure, program and overall portfolio costs and benefits, by Company, utilizing the draft TRM information that was under development.

Q. HOW MANY MEASURES WERE EVALUATED BY BLACK & VEATCH FOR THIS STUDY?

A. The FirstEnergy/Black & Veatch team has in the past evaluated hundreds of EE&PDR measures. For these plans, the FirstEnergy/Black & Veatch team used a prescreening process to identify over 110 EE&PDR measures, along with additional energy efficiency measures based upon stakeholder input. Our program modeling was augmented with a significant amount of data obtained from 28 responses to the Request for Information from Conservation Service Providers ("CSPs") and other energy efficiency program vendors on the costs of various program elements. Other information was collected as part of market research of retail stores that sought product availability and pricing for selected energy efficient appliances.

Q. HOW MANY MEASURES WERE ULTIMATELY INCLUDED IN EACH OF THE COMPANIES' PLANS?

A. Ninety-three measures were ultimately included at various levels of participation. While some measures did not pass the TRC they were considered valuable

components of a comprehensive portfolio. Each Company's EE&PDR Plan provides details of each of the included measures.

RESULTS OF STAKEHOLDER MEETINGS

Q. PLEASE DESCRIBE THE PROCESS THROUGH WHICH STAKEHOLDER INPUT WAS SOLICITED AND RECEIVED OVER THE COURSE OF BLACK & VEATCH'S ASSIGNMENT.

A. Stakeholder input was obtained through the institution of a Collaborative at the direction of the Commission. This process was further augmented by the creation of residential and commercial-industrial/demand response subcommittees that were charged with providing more detailed input on the respective classes within their collective focus. The data received from this group, as well as information obtained through subsequent discussions and suggestions from subcommittee and collaborative members, was taken into account during our planning and program design phases. Collaborative members who are registered Program Administrators and their offers regarding roles that they wish to play going forward in terms of program outreach or delivery of services (such as conducting energy audits or delivery of CFLs) was also factored in.

THE EE&PDR PLANS

Q. WHAT ARE THE PROGRAMS PROPOSED BY THE COMPANIES?

A. The programs proposed by the Companies are described in detail in the Companies' EE&PDR Plans. The EE&PDR Plans also detail the scope and benefits of the various energy efficiency and peak demand reduction proposals for which the Companies seek Commission approval. The proposed programs

provide significant opportunities for energy and cost savings for all of the Companies' customers.

The Companies have requested Commission approval for the following programs:

Residential Programs:

- Direct Load Control Program
- Appliance Turn-In Program
- Energy Efficient Products Program
- Efficient New Homes Program
- Comprehensive Residential Retrofit Program
- Online Audit Program
- Online Energy Efficient Products Program
- CFL Program
- CFL Program-Low Income
- Community Connections Program

Small Enterprise Programs:

- Small Enterprise Equipment Program
- C/I Audit Program
- C/I New Construction Program

Large Enterprise Programs:

- C/I Equipment Program
- C/I Equipment Program (Industrial Motors)
- Technical Assessment Umbrella Program

- Economic Load Response Program
- C/I New Construction Program

Mercantile Self-Directed Programs

- Mercantile Program

Government Programs

- Government Lighting Program

Transmission & Distribution Programs

- Transmission and Distribution Infrastructure Programs

Detailed descriptions of each of these programs may be found in section 3.2 through 3.6 of each of the Company's Plans.

Q. WHAT WERE THE GUIDING PRINCIPLES UTILIZED BY THE FIRSTENERGY/BLACK & VEATCH TEAM IN DEVELOPING THE ELEMENTS OF EACH EE&PDR PLAN?

A. The FirstEnergy/Black & Veatch team pursued the following priorities in designing each EE&PDR Plan:

- Seek out near-term "shovel ready" opportunities;
- Focus on high reliability programs first;
- Build market share with lower reliability programs and those requiring more lead time; and
- Favor programs with attributable savings that are easily proven via the TRM.

The FirstEnergy/Black & Veatch team made some additional global assumptions about the context within which these programs will be implemented over the next three years:

- An economic context of continued high unemployment rates caused concern that mass market programs that require customer capital may be slower to build, at least in the initial years of each plan;
- Programs may require higher rebate subsidies or full financing, which may make some programs marginally cost effective;
- It will be possible to seek out large projects, such as government accounts that can leverage other funding.

Q. WHAT ARE THE KEY FEATURES OF THE PLANS?

A. Each of the EE&PDR Plans:

- Include a variety of EE&PDR measures and will provide the measures equitably to all customer classes.
- Include a well-reasoned and balanced test of measures that are tailored to usage and to the potential for savings and reductions for each customer class.
- Are cost effective, in accordance with the Total Resource Cost test, and will provide a diverse cross-section of alternatives and reasonable mix of programs that will benefit consumers of all rate classes.
- Will enable the Companies to meet or exceed the required consumption and peak demand reductions required by S.B. 221. These consumption and demand reduction goals will be achieved based on the Technical Reference

Manual and other metric resources to measure the effect of various EE&PDR measures.

Q. PLEASE DISCUSS THE PROGRAM MENU THAT IS INCLUDED IN EACH PLAN.

A. The programs ultimately selected for inclusion in the Companies' respective Plans cover the customer classes of each Company, and offer a mix of technologies that achieves S.B. 221 kW and MWh goals. The combination of these programs provides benefits to all classes and optimizes the program mix in order to achieve each Company's portfolio TRC Benefit/Cost ratio of over 1.0. Each of the Companies' respective Plans provides detailed descriptions of each program, along with the underlying analyses supporting their inclusion in the Plans.

Q. WHY DOES IT APPEAR THAT THE COMPANIES ARE EMPHASIZING RESIDENTIAL PROGRAMS IN THEIR INITIAL PLANS?

A. Given the relatively short timeframe for achieving S.B. 221 kW and MWh targets, the most reliable and predictable set of programs to achieve such targets are for the Residential class. For example, Residential CFL programs have been identified by our surveys to have significant short-term energy conservation potential. For the Commercial-Industrial classes, programmatic savings are less reliable since these programs require some level of customer investment. Given the current economic conditions, there are questions concerning the extent to which these classes will be willing to invest in EE&PDR promoted technologies. Further, from a kW load shed perspective, a significant hurdle to many C/I demand response programs is the requirement to achieve load sheds over the

Companies' peak load hours. Thus, the most effective demand response methods in this situation focus on the Residential Direct Load Control Program offerings. The Companies have also committed plan resources to expand services to low income customers and by providing certain energy saving measures free of charge.

Q. WILL THE FOCUS ON RESIDENTIAL PROGRAMS CONTINUE THROUGHOUT THE TERM OF THE PLANS?

A. No. The Companies will continue to monitor the success of each program, continue to seek input from various stakeholders and continue to assess economic conditions. Nothing precludes the Companies from modifying or adding programs as conditions and market demands warrant; something that the Companies fully intend to do during the life of these Plans.

RISKS AND RECOMMENDATIONS

Q. DURING THE COURSE OF YOUR WORK ON THE COMPANIES' EE&PDR PLANS, DID YOU IDENTIFY ANY SIGNIFICANT RISKS THAT WOULD IMPEDE THE COMPANIES FROM ACHIEVING THE TARGETS DEVELOPED IN EACH PLAN?

A. Yes. In my opinion, the following are the most significant risks that may impede the Companies from achieving the goals that have been set under S.B. 221:

- The Ohio Commission's decision requiring savings for each Program to be pro-rated based upon partial year participation rather than simply annualized, despite the aggressiveness of the goals established;

- Due to the timing of this initiative, implementation resources may be in shorter supply than perhaps anticipated;
- With the exception of Residential programs, many programs will be new to Ohio, with no historical basis for participation rates or actual program acceptance, which may cause installation rates to be lower than modeled, particularly in the early years;
- The supply of certain energy efficiency products in Ohio may also be in shorter supply than desired causing an increase in the prices paid for such equipment; and
- The struggling economy may dampen customer participation in the portfolio of programs to be offered. To meet targets, projects may require higher rebate subsidies, which may make some programs marginally cost effective or exceed program funding constraints.

Q. GIVEN THE RISKS THAT YOU HAVE IDENTIFIED, DO YOU HAVE ANY RECOMMENDATIONS FOR THE COMMISSION?

A. In order to minimize the potential risks associated with this important undertaking, I would suggest that the following recommendations be considered:

- The Commission should attempt to expedite the setting of schedules for hearings and briefings when possible. The earlier that EE&PDR program implementation can begin, the greater the chance for overall success in meeting S.B. 221 goals with the most cost effective program designs. If accelerated scheduling is not feasible, then the approval of the Fast Track

Programs and related cost recovery in time for an April 1, 2010 launch is an absolute must.

- To assist in the expeditious approval of each Company's Plan, the Commission could consider in-person workshops between Commission Staff, Collaborative members and the Companies to facilitate a more comprehensive understanding of the key elements of each Company's programs in a shorter timeframe than if the more common "information request-followed by written responses" approach is taken.
- When the Commission finally approves some version of each Plan, I would suggest that there be a level of flexibility contained in the Order so that the Companies can make one or more mid-course corrections, as needed, in order to keep the overall progress of each EE&PDR portfolio on track to meet S.B. 221 goals during the Reporting Period while utilizing the most cost effective program designs.
- S.B. 221 is a forward thinking piece of legislation that envisions a long-term solution for energy efficiency in Ohio. Thus, I would suggest that the Commission reconsider their decision requiring pro-rated savings for partial year participation and recognize the extent to which "persistence" of the Energy Efficiency ethic will be initiated and fostered by the Companies' programs and portfolios. Once the EE&PDR plans are put in motion, the objective should be to use these plans as the initial down payment on a long term, sustainable EE&PDR investment for residents and businesses in Ohio.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Portfolio Summary of Lifetime Costs and Benefits - OHIO Edison Company
Net Lifetime Benefits, and TRC per the California Standard Practice Manual

Portfolio	Discount Rate	Total Discounted Lifetime Costs ($000)	Total Discounted Lifetime Benefits ($000)	Total Discounted Net Lifetime Benefits ($000)	Cost- Benefit Ratio (TRC)
Residential *(exclusive of Low-Income)*	8.48%	76,620,080	150,588,538	73,968,458	1.97
Residential Low-Income	8.48%	9,881,039	15,156,650	5,275,612	1.53
Small Enterprise	8.48%	99,722,020	78,787,644	(20,934,376)	0.79
Mercantile Self-Direct	8.48%	1,065,000	44,875,652	43,810,652	42.14
Mercantile-Utility (Large Enterprise)	8.48%	45,570,577	33,400,778	(12,169,799)	0.73
Governmental	8.48%	5,180,489	5,177,291	(3,198)	1.00
Transmission & Distribution*	8.48%	*	*	*	*
Total	8.48%	**238,039,204**	**327,986,553**	**89,947,349**	**1.38**

** The Company is not seeking Cost Recovery through Rider DSE for costs associated with T&D projects. These costs will be addressed in the future proceedings. T&D projects are further described in Section 2.7.*

Portfolio Summary of Lifetime Costs and Benefits - The Cleveland Electric Illuminating Company					
Portfolio	**Discount Rate**	**Total Discounted Lifetime Costs ($000)**	**Total Discounted Lifetime Benefits ($000)**	**Total Discounted Net Lifetime Benefits ($000)**	**Cost- Benefit Ratio (TRC)**
Residential *(exclusive of Low-Income)*	8.48%	47,825,881	100,938,533	53,112,652	2.11
Residential Low-Income	8.48%	6,614,267	10,514,278	3,900,010	1.59
Small Enterprise	8.48%	97,917,016	69,433,864	(28,483,152)	0.71
Mercantile Self-Direct	8.48%	834,000	39,778,880	38,944,880	47.70
Mercantile-Utility (Large Enterprise)	8.48%	49,257,045	32,703,569	(16,553,476)	0.66
Governmental	8.48%	6,894,134	6,596,945	(297,190)	0.96
Transmission & Distribution*	8.48%	*	*	*	*
Total	8.48%	**209,342,344**	**259,966,068**	**50,623,724**	**1.24**

** The Company is not seeking Cost Recovery through Rider DSE for costs associated with T&D projects. These costs will be addressed in the future proceedings. T&D projects are further described in Section 2.7.*

Portfolio Summary of Lifetime Costs and Benefits - The Toledo Edison Company Net Lifetime Benefits, and TRC per the California Standard Practice Manual					
Portfolio	**Discount Rate**	**Total Discounted Lifetime Costs ($000)**	**Total Discounted Lifetime Benefits ($000)**	**Total Discounted Net Lifetime Benefits ($000)**	**Cost- Benefit Ratio (TRC)**
Residential *(exclusive of Low-Income)*	8.48%	24,491,812	41,589,484	17,097,672	1.70
Residential Low-Income	8.48%	3,352,687	6,900,278	3,547,590	2.06
Small Enterprise	8.48%	36,443,950	27,979,692	(8,464,259)	0.77
Mercantile Self-Direct	8.48%	308,000	20,571,476	20,263,476	66.79
Mercantile-Utility (Large Enterprise)	8.48%	44,725,392	30,882,715	(13,842,677)	0.69
Governmental	8.48%	4,488,908	4,944,449	455,541	1.10
Transmission & Distribution*	8.48%	*	*	*	*
Total	8.48%	**113,810,750**	**132,868,094**	**19,057,344**	**1.17**

** The Company is not seeking Cost Recovery through Rider DSE for costs associated with T&D projects. These costs will be addressed in the future proceedings. T&D projects are further described in Section 2.7.*

Summary of Portfolio Energy and Demand Savings - OHIO Edison Company						
MWh Saved for Consumption Reductions kW Saved for Peak Load Reductions	**Program Year 2010**		**Program Year 2011**		**Program Year 2012**	
	MWh Saved	**kW Saved**	**MWh Saved**	**kW Saved**	**MWh Saved**	**kW Saved**
Baseline	*25,015,720*	*5,207,790*	*24,591,525*	*5,213,171*	*24,819,632*	*5,355,200*
Residential Sector *(exclusive of Low- Income)* - Cumulative Projected Portfolio Savings	36,887	18,858	173,075	41,427	266,841	64,260
Residential Low-Income Sector - Cumulative Projected Portfolio Savings	20,048	2,803	33,749	4,654	38,620	5,567
Small Enterprise - Cumulative Projected Portfolio Savings	11,873	9,499	57,305	17,569	97,946	28,331
Mercantile-Self Direct	123,577	31,349	145,089	36,806	155,741	39,508
Mercantile-Utility (Large Enterprise)- Cumulative Net Weather Adjusted Savings	4,029	35,808	18,360	38,401	30,997	41,860
Governmental- Cumulative Projected Portfolio Savings	698	223	4,191	446	7,450	743
Tranmission & Distribution	14,594	3,860	22,609	5,828	30,624	7,796
Portfolio Plan Total - Cumulative Projected Savings	211,707	102,400	454,378	145,132	628,220	188,065
Percent Reduction From Baseline (MWh)	0.8%	2.0%	1.8%	2.8%	2.5%	3.5%
Percent Savings Due to Portfolio Above or Below Targets*	6%	12%	23%	11%	10%	8%

*The indicated amounts are estimates only and based on aggressive program implementation schedules. Any over compliance should be viewed solely as a contingency. In the event actual over-compliance occurs, the Company reserves the right to modify any program contributing to such over compliance to the degree necessary to bring actual results more in line with statutory benchmark requirements.

Summary of Portfolio Energy and Demand Savings - The Cleveland Electric Illuminating Company						
MWh Saved for Consumption Reductions kW Saved for Peak Load Reductions	**Program Year 2010**		**Program Year 2011**		**Program Year 2012**	
	MWh Saved	**kW Saved**	**MWh Saved**	**kW Saved**	**MWh Saved**	**kW Saved**
Baseline	*18,978,618*	*4,084,473*	*18,695,811*	*4,107,903*	*18,825,788*	*4,240,187*
Residential Sector *(exclusive of Low- Income)* - Cumulative Projected Portfolio Savings	27,065	16,483	125,464	32,088	187,254	45,205
Residential Low-Income Sector - Cumulative Projected Portfolio Savings	13,478	1,884	22,703	3,126	26,623	3,962
Small Enterprise - Cumulative Projected Portfolio Savings	11,686	9,663	53,103	17,586	84,406	25,510
Mercantile-Self Direct	85,955	21,805	105,024	26,642	114,466	29,038
Mercantile-Utility (Large Enterprise)- Cumulative Net Weather Adjusted Savings	4,420	37,944	19,466	40,794	30,736	43,644
Governmental- Cumulative Projected Portfolio Savings	996	312	5,977	623	9,961	935
Tranmission & Distribution	10,124	2,847	17,165	4,847	24,205	6,847
Portfolio Plan Total - Cumulative Projected Savings	153,724	90,937	348,902	125,706	477,651	155,140
Percent Reduction From Baseline (MWh)	0.8%	2.2%	1.9%	3.1%	2.5%	3.7%
Percent Savings Due to Portfolio Above or Below Targets*	1%	27%	24%	22%	10%	13%

*The indicated amounts are estimates only and based on aggressive program implementation schedules. Any over compliance should be viewed solely as a contingency. In the event actual over-compliance occurs, the Company reserves the right to modify any program contributing to such over compliance to the degree necessary to bring actual results more in line with statutory benchmark requirements.

Summary of Portfolio Energy and Demand Savings - The Toledo Edison Company								
MWh Saved for Consumption Reductions kW Saved for Peak Load Reductions	**Program Year 2009**		**Program Year 2010**		**Program Year 2011**		**Program Year 2012**	
	MWh Saved	**kW Saved**	**MWh Saved**	**kW Saved**	**MWh Saved**	**kW Saved**	**MWh Saved**	**kW Saved**
Baseline	*10,450,667*	*2,007,052*	*10,140,405*	*1,966,849*	*9,908,140*	*1,976,090*	*9,997,194*	*2,027,561*
Residential Sector *(exclusive of Low- Income)* - Cumulative Projected Portfolio Savings	219	1,353	9,024	3,767	43,431	9,870	73,155	17,874
Residential Low-Income Sector - Cumulative Projected Portfolio Savings	456	130	6,713	928	10,955	1,547	12,519	1,866
Small Enterprise - Cumulative Projected Portfolio Savings	0	0	2,020	1,676	12,168	4,465	28,931	10,045
Mercantile-Self Direct	24,864	6,307	57,735	14,646	67,597	17,148	72,479	18,386
Mercantile-Utility (Large Enterprise)- Cumulative Net Weather Adjusted Savings	0	84,355	1,913	85,857	10,695	16,174	25,010	21,004
Governmental - Cumulative Projected Portfolio Savings	0	0	311	103	2,492	310	6,229	724
Tranmission & Distribution	3,696	1,092	13,614	3,638	23,532	6,184	33,450	8,730
Portfolio Plan Total - Cumulative Projected Savings	29,234	93,238	91,331	110,616	170,868	55,698	251,774	78,630
Percent Reduction From Baseline (MWh)	0.3%	4.6%	0.9%	5.6%	1.7%	2.8%	2.5%	3.9%
Percent Savings Due to Portfolio Above or Below Targets*	-7%	365%	13%	221%	15%	13%	9%	19%

*The indicated amounts are estimates only and based on aggressive program implementation schedules. Any over compliance should be viewed solely as a contingency. In the event actua over-compliance occurs, the Company reserves the right to modify any program contributing to such over compliance to the degree necessary to bring actual results more in line with statutory benchmark requirements.

Summary of Portfolio Costs - OHIO Edison Company Program year is June 1 – May 31			
	Program Year 2010	**Program Year 2011**	**Program Year 2012**
	Portfolio Budget ($)	**Portfolio Budget ($)**	**Portfolio Budget ($)**
Residential Portfolio Annual Budget ($000 and percent of Portfolio Budget)	13,334,663	12,197,042	11,840,122
Residential Low-Income Portfolio Annual Budget ($000 and percent of Portfolio Budget)	4,133,289	2,850,167	2,897,583
Small Enterprise Portfolio Annual Budget ($000 and percent of Portfolio Budget)	8,147,074	5,890,718	7,853,225
Mercantile-Self Direct Portfolio Annual Budget($000 and percent of Portfolio Budget)	471,000	332,000	262,000
Mercantile-Utility (Large Enterprise) Portfolio Annual Budget ($000 and percent of Portfolio Budget)	4,326,475	6,140,082	6,828,504
Governmental Portfolio Annual Budget ($000 and percent of Portfolio Budget)	1,530,110	1,514,435	2,018,972
Transmission & Distribution Portfolio Annual Budget ($000 and percent of Portfolio Budget)*	*	*	*
Total Portfolio Annual Budget	**31,942,611**	**28,924,445**	**31,700,406**

** The Company is not seeking Cost Recovery through Rider DSE for costs associated with T&D projects. These costs will be addressed in the future proceedings. T&D projects are further described in Section 2.7.*

Summary of Portfolio Costs - The Cleveland Electric Illuminating Company Program year is June 1 – May 31			
	Program Year 2010	**Program Year 2011**	**Program Year 2012**
	Portfolio Budget ($)	**Portfolio Budget ($)**	**Portfolio Budget ($)**
Residential Portfolio Annual Budget ($000 and percent of Portfolio Budget)	10,290,063	8,006,897	6,096,662
Residential Low-Income Portfolio Annual Budget ($000 and percent of Portfolio Budget)	2,782,916	1,915,676	1,915,676
Small Enterprise Portfolio Annual Budget ($000 and percent of Portfolio Budget)	8,951,865	6,224,655	6,225,469
Mercantile-Self Direct Portfolio Annual Budget($000 and percent of Portfolio Budget)	367,000	260,000	207,000
Mercantile-Utility (Large Enterprise) Portfolio Annual Budget ($000 and percent of Portfolio Budget)	6,519,135	6,601,915	6,590,795
Governmental Portfolio Annual Budget ($000 and percent of Portfolio Budget)	2,263,179	2,247,504	2,247,504
Transmission & Distribution Portfolio Annual Budget ($000 and percent of Portfolio Budget)*	*	*	*
Total Portfolio Annual Budget	**31,174,158**	**25,256,646**	**23,283,105**

** The Company is not seeking Cost Recovery through Rider DSE for costs associated with T&D projects. These costs will be addressed in the future proceedings. T&D projects are further described in Section 2.7.*

Summary of Portfolio Costs - The Toledo Edison Company Program year is June 1 – May 31			
	Program Year 2010	**Program Year 2011**	**Program Year 2012**
	Portfolio Budget ($)	**Portfolio Budget ($)**	**Portfolio Budget ($)**
Residential Portfolio Annual Budget ($000 and percent of Portfolio Budget)	2,616,049	3,188,848	4,323,228
Residential Low-Income Portfolio Annual Budget ($000 and percent of Portfolio Budget)	1,382,243	964,941	1,005,503
Small Enterprise Portfolio Annual Budget ($000 and percent of Portfolio Budget)	1,572,118	2,096,949	4,190,522
Mercantile-Self Direct Portfolio Annual Budget($000 and percent of Portfolio Budget)	120,000	99,000	89,000
Mercantile-Utility (Large Enterprise) Portfolio Annual Budget ($000 and percent of Portfolio Budget)	7,014,790	3,526,419	5,501,275
Governmental Portfolio Annual Budget ($000 and percent of Portfolio Budget)	636,586	1,240,998	2,481,170
Transmission & Distribution Portfolio Annual Budget ($000 and percent of Portfolio Budget)*	*	*	*
Total Portfolio Annual Budget	**13,341,787**	**11,117,154**	**17,590,698**

* The Company is not seeking Cost Recovery through Rider DSE for costs associated with T&D projects. These costs will be addressed in the future proceedings. T&D projects are further described in Section 2.7.

Summary: Testimony of John E.Paganie, Katherine M. Kettlewell, Steven E. Ouellette and George L. Fitzpatrick & related Exhibits electronically filed by Ms. Kathy J Kolich on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company