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FILE

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<u>Via Overnight Mail</u>

February 15, 2010

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case Nos. 09-1947-EL-POR, 09-1948-EL-POR and 09-1949-EL-POR
Case Nos. 09-1942-EL-EEC, 09-1943-EL-EEC and 09-1944-EL-EEC
Case Nos. 09-580-EL-EEC, 09-581-EL-EEC and 09-582-EL-EEC

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies of OBJECTIONS OF THE OHIO ENERGY GROUP filed in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
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MLKkew
Encl.
Cc: Certificate of Service

CERTIFICATE OF SERVICE

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BEFORE THE
PUBLIC UTILITY 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

OBJECTIONS OF THE OHIO ENERGY GROUP

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1. This Proceeding Is Not The Appropriate Venue For Determining Whether Interruptible Riders ELR And OLR Should Be Extended.

In its Application the Companies stated that its plan "*contemplates the substitution of* (Riders ELR and OLR) *in 2011 with a revised program in which the customers bid in their interruptible load in response to a Company RFP.*"[1] However, in response to Nucor's inquiry as to whether the Companies are "*seeking approval in this proceeding for a Company RFP to procure interruptible load beginning in 2011, even though this RFP is already being litigated in the Company's MRO proceeding,*" the Companies responded that it is "*only seeking approval in this proceeding to include the results of the Interruptible RFP program (however it is ultimately approved in the MRO proceeding) for purposes of*

[1] Application p. 5.

compliance with R.C. 4928.66(A) benchmarks."[2] OEG reads this Response to Nucor to mean that FirstEnergy is not proposing that the Commission make any ruling on the issue of whether the current interruptible Riders can be replaced with an RFP process that would require interruptible customers to submit bids in order to determine interruptible credits in this proceeding. The Companies response indicates that it believes that this issue is more appropriately decided in its pending MRO proceeding (Case No. 09-906-EL-SSO). OEG concurs.

The Commission should not address whether Riders ELR and OLR should be extended in this case. The FirstEnergy MRO proceeding contains an extensive record, including voluminous testimony and briefs from various parties, on this issue. The record in this proceeding lacks sufficient detail to allow the Commission to determine the future of the interruptible program. The MRO proceeding is the appropriate venue for the determination of the ELR/OLR issue.

2. DSE2 Cost Are Appropriately Allocated Among Large Business Customers Based On Distribution Revenue.

In its Application the Companies proposed to recover its Peak Demand Reduction (PDR) and Energy Efficiency (EE) costs ("DSE2 costs") from GP, GSU and GT customers according to each class's energy usage.[3] Such an allocation would overstate the expected benefit that transmission voltage customers would derive from EE/PDR programs.

The manufacturing operations of transmission voltage customers typically consist of highly specialized processes that do not lend themselves to generalized PDR and EE programs. It would be very difficult for an outside party to enter an industrial facility and effectively identify methods to

[2] See FirstEnergy's Response to Nucor Set 1, DR-16(c).
[3] See Exhibit SEO-C1, lines 9-18.

reduce energy consumption in complicated manufacturing processes better than the managers and engineers of that facility.

Further, due to the highly competitive nature of large manufacturing operations it is likely that transmission voltage customers have already implemented nearly every cost-effective PDR and EE measure. Electricity costs are such a significant part of the total costs of a large manufacturing operation that the Companies' industrial customers have been working to reduce energy consumption out of business necessity long before the Companies' EE and PDR programs were proposed.

As a result of these factors, it is unlikely that large manufacturers will be able to take advantage of the benefits of the Companies' PDR and EE programs at the same level as distribution voltage customers. OEG recommends that the Commission allocate DSE2 costs to GP, GSU and GT customers based on distribution revenue. This allocation methodology will allocate more of the program costs to the customers that are likely to use these programs. Once GT customers are allocated their share of costs based on distribution revenues, costs should be collected through a kWh charge to GT customers.

Additionally, OEG recommends that total program costs should be equal to the budget projected by the Companies in its filing. This amount should be trued-up to actual dollars spent on an annual basis. The Commission should direct the Companies that Rate GT program costs should approximate the amount of money initially allocated to Rate GT programs in its projected budget. Of course the Companies should be free to spend more on GT programs if the Companies reasonably believe that such expenditures are necessary in order to meet statutory energy efficiency requirements.

3. The Current Interruptible Program That Was Approved In FirstEnergy's ESP Filing Should Be Used To Satisfy The Requirements Of RC §4928.66.

In Case No. 08-935, the Commission approved Riders ELR and OLR. These Riders provide customers a credit in exchange for the customer's agreement to allow a service interruption during 870 hours during the year. By approving these rates the Commission determined that the interruptible program is a valuable source of peak demand reduction. This is exactly the type of program contemplated in RC §4928.66.

This Section clearly includes the interruptible program. FirstEnergy and its customers are already absorbing the costs of the interruptible programs. It would be wasteful and illogical for the Commission to not count the demand-reduction capacity provided by these programs.

Respectfully submitted,

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