BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of Ohio Edison Company and Ohio Star Forge Company for Integration of a Mercantile Customer Energy Efficiency or Peak-Demand Reduction Programs:	)	Case No. 09-1217-EL-EEC

ENTRY

The Commission finds:

(1) Section 4928.66, Revised Code, requires electric utilities to meet certain annual energy efficiency and peak demand reduction benchmarks specified in the statute. Further, the statute enables mercantile customers to commit their peak demand reduction, demand response, and energy efficiency programs for integration with an electric utility's programs in order for the electric utility to meet the statutory benchmarks.

(2) Section 4928.01(A)(19), Revised Code, defines a mercantile customer as a commercial or industrial customer that consumes more than 700,000 kilowatt hours of electricity per year or that is part of a national account involving multiple facilities in one or more states.

(3) Ohio Edison Company (OE) is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission. OE recovers its costs of complying with the energy efficiency and demand reduction (EEDR) requirements imposed by Section 4928.66, Revised Code, from its customers through its Rider DSE2.

(4) Rule 4901:1-39-05(G), Ohio Administrative Code (O.A.C.), provides for the filing of an application by a mercantile customer, either individually or jointly with an electric utility, to commit the customer's demand reduction, demand response, and energy efficiency programs for integration with an electric utility's programs in order to meet the utility's statutory EEDR requirements.

(5) On December 28. 2009, OE and Ohio Star Forge Company (Ohio Star Forge or customer) jointly filed an energy efficiency credit

(EEC) application pursuant to Rule 4901:1-39-05(G), O.A.C., to commit four separate customer projects for integration with OE's programs to meet the utility's EEDR benchmarks. Project 1 consists of a variable speed drive installation to improve the efficiency of its air compressor system in March 2008. The other three projects involved operational modifications to reduce demand, gas burner modifications, and heat transfer improvements in 2006.

(6) Motions to intervene were filed by the Ohio Environmental Council (OEC), an environmental advocacy organization, and the Office of the Ohio Consumers' Counsel (OCC) on February 5, 2010 and April 7, 2010, respectively. In support of their motions, OEC and OCC assert that Ohio's citizens and residential consumers have real and substantial interests in assuring that the application will result in sufficient energy savings to justify Ohio Star Forge's opt-out of Rider DSE2. They contend that their clients' interests may be adversely affected if approval of the application results in Ohio Star Forge not paying its share of EEDR costs through OE's Rider DSE2, or if the projected EEDR savings are not realized. They argue that consumers could be forced to pay additional costs toward OE's Rider DSE2 if Ohio Star Forge's projects do not result in the projected EEDR savings since the utility would then need to collect more from other customers to make up for what the Ohio Star Forge projects do not deliver. We find that OEC and OCC have set forth sufficient grounds for intervention, and their motions should be granted.

(7) On September 10, 2010, the Commission Staff issued its report and recommendations regarding this application. Staff reviewed the application and supporting documentation, and has verified that the customer meets the definition of a mercantile customer, and has provided documentation that the methodology used to calculate energy savings conforms to the general principals of the International Performance Measurement Verification Protocol used by OE. The customer has attested to the validity of the information, and its intention to participate in OE's program. Staff compared the customer's average annual energy baseline consumption with the energy savings achieved by each project to verify the length of exemption of the DSE2 Rider and concluded that the exemption period is accurately calculated for Project 1. Staff also verified that the company's avoided cost for Project 1 exceeds the cost that the company spent to acquire the mercantile customer's self-directed EEDR project. Staff reports that Project 1 is consistent with the

presumption that a mercantile project is part of a demand response, energy efficiency, or peak demand reduction program to the extent the project either provides for early retirement of fully functioning equipment, or achieves reductions in energy use and peak demand that exceed the reductions that would have occurred had the customer used standard new equipment or practices where practicable. Staff reports that Project 1 meets the requirements for inclusion in the Company's EEDR compliance plan, and recommends approval of this mercantile exemption from the DSE2 Rider for the electric savings achieved in Project 1 which will exempt Ohio Star Forge from the DSE2 Rider through 2011. Staff recommends no rider exemption or inclusion in the Company's EEDR compliance plan with respect to Project 2, which consists of behavioral changes that required no capital investment by Ohio Star Forge, or with respect to Projects 3 and 4, which provide natural gas savings without any additional electric savings.

(8) No objection to Staff's report and recommendations was filed by any party.

(9) Upon review of the application and supporting documentation, and Staff's recommendations, the Commission finds that the request for mercantile commitment of Project 1 pursuant to Rule 4901:1-39-05, O.A.C., does not appear to be unjust or unreasonable. Thus, a hearing on this matter is unnecessary. Accordingly, we find that the request for an exemption from the DSE2 Rider relative to Project 1 of this application should become effective during the customer's first billing cycle after the issuance of the Commission's order and Project 1 should be included in the company's EEDR compliance plan. As a result of such approval, we find that OE should adjust its baselines, pursuant to Section 4928.66(A)(2)(c), Revised Code, and Rule 4901:1-39-05, O.A.C. However, we note that although Project 1 is approved, such approval is subject to evaluation, measurement, and verification in the company's annual portfolio status report proceeding, as set forth in Rule 4901:1-39-05(C), O.A.C. The Commission also notes that every arrangement approved by this Commission remains under our supervision and regulation, and is subject to change, alteration, or modification by the Commission.

It is, therefore,

ORDERED, That Project 1 of the Ohio Star Forge application be approved. It is, further,

ORDERED, That the motions to intervene filed by OEC and OCC be granted. It is, further,

ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Todd A. Snitchler

Todd A. Snitchler, Chairman

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Entered in the Journal

MAY 25 2011

Betty McCauley

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Secretary