

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review)
of the Participation of The Cleveland)
Electric Illuminating Company, the Ohio) Case No. 12-814-EL-UNC
Edison Company, and The Toledo Edison)
Company in the May 2012 PJM Reliability)
Pricing Model Auction.)

ENTRY

The Commission finds:

- (1) On January 26, 2012, First Energy Corporation announced that its generation subsidiaries would be retiring the following power plants located in northern Ohio by September 1, 2012: Units 2-4 at the Bay Shore Plant, the Eastlake Plant, the Ashtabula Plant, and the Lake Shore Plant. These generation facilities are in the American Transmission System Inc. (ATSI) zone for the PJM Interconnection, LLC (PJM).
- (2) The retirement of this generation in one area of the transmission system could impact the ability to maintain voltage support and result in transmission constraints during peak periods.
- (3) On February 2, 2012, PJM posted its initial Planning Parameters for the 2015/2016 Reliability Pricing Model (RPM) Base Residual Auction (BRA) to be held in May 2012. The Parameters indicate that as a result of the removal of approximately 2,200 MW of generation located in the ATSI zone, the ATSI zone for the first time would be modeled separately by PJM for purposes of setting prices in the 2015/2016 RPM BRA. Limited import capabilities and reduced generation located within the ATSI zone could produce a significant increase in capacity prices in the 2015/2016 RPM BRA if appropriate steps are not taken to reduce generation requirements, improve energy efficiency, and expand demand response resources.
- (4) Given their obligation to provide adequate service and reasonable and adequate facilities and instrumentalities, and consistent with state policy, the FirstEnergy electric distribution

utilities in the ATSI zone, The Cleveland Electric Illuminating Company, the Ohio Edison Company, and The Toledo Edison Company (collectively, the Companies), have an obligation to take all reasonable and cost-effective steps to avoid unnecessary RPM price increases for their customers. Sections 4905.22, 4905.70, and 4928.02, Revised Code. Moreover, the retirements of First Energy's generation plants could make some measures cost-effective which might not have been considered cost-effective assuming the continued operation of this generation.

- (5) Section 4928.66, Revised Code, requires the Companies to implement energy efficiency programs that achieve energy savings equal to increasing annual benchmarks of at least three-tenths of one percent of normalized kilowatt-hour sales for 2009, an additional five-tenths of one percent in 2010, seven-tenths of one percent in 2011, eight-tenths of one percent in 2012, nine-tenths of one percent in 2013, one per cent in each year from 2014 to 2018, and two percent per year thereafter. Similarly, Section 4928.66, Revised Code, requires the Companies to implement peak demand reduction programs designed to achieve a one percent reduction in peak demand in 2009 and an additional seventy-five hundredths of one percent reduction each year through 2018. These annual benchmarks are cumulative and represent statutory minimums. Thus, the Companies are obligated to implement energy efficiency and peak demand reduction programs that would be expected to reduce their normalized kilowatt hour sales and peak demand by more than five percent by 2015. The Commission fully expects the Companies to file timely updates to their portfolio plans that meet or exceed their cumulative energy efficiency and peak demand reduction benchmarks for 2015. By definition cost-effective energy efficiency and peak demand reduction programs will reduce total costs to consumers.
- (6) On January 18, 2012, the Commission held a workshop on Volt-VAR Control for Electric Distribution Systems that identified a potential to reduce generation and voltage requirements by monitoring and optimizing voltage on distribution circuits.
- (7) The energy efficiency and peak demand reduction portfolio cases covering the period of the 2015/2016 RPM auction will

not be completed prior to the May 2012 BRA. Moreover, PJM's forecast of ATSI zone demand and voltage parameters for the 2015/2016 RPM auction is scheduled to be completed by early April 2012. As a result, the Commission is initiating this review to ensure that the EDUs inputs to and participation in the May 2012 RPM auction for 2015/2016 PJM capacity requirements are reasonable and to the extent practicable mitigate potential increases in RPM prices.

- (8) The Commission directs the Companies within thirty days following the date of this Entry to consult with Staff and file a report detailing potential energy efficiency and peak demand reduction offers into the May 2012 PJM RPM auction for the 2015/2016 year. This report should include all cost-effective energy efficiency and peak demand reductions achievable by 2015 and a forecast of the demand and voltage reductions achievable by 2015 as a result of implementing all cost-effective distribution system Volt-VAR controls. Additionally, the Companies should provide PJM with a forecast of the demand and voltage reductions achievable by 2015 so that PJM may consider it in developing its forecast demand and voltage parameters for the May 2012 RPM auction, or report to the Commission reasons why the data will not be provided.
- (9) Interested persons may file comments on the Companies proposed energy efficiency and peak demand reduction offers for the May 2012 PJM RPM auction no later than April 10, 2012.
- (10) In order to encourage that all cost-effective steps are implemented promptly to offset generation retirements, the Companies are hereby directed under Rule 4901:1-39-04(A), Ohio Administrative Code, to file no later than July 31, 2012, interim energy efficiency and peak demand reduction program portfolio plans, specifically those programs that in the aggregate would have a mitigating impact on the generation retirements.

It is, therefore,

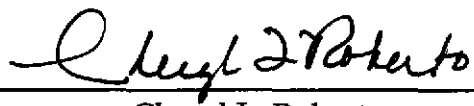
ORDERED, That Companies shall make filings in accordance with finding (8). It is, further,

ORDERED, That interested persons may file comments in accordance with finding (9). It is, further,

ORDERED, That the Companies shall move up the date for filing their next energy efficiency and peak demand reduction portfolio plans in accordance with finding (10). It is, further,

ORDERED, That notice of this Entry shall be served on the Companies, the PJM Interconnection LLC., and all parties to Cases No. 09-1947-EL-POR, 09-1948-EL-POR, 09-1949-EL-POR, and 11-5818-EL-POR.

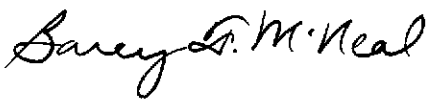
THE PUBLIC UTILITIES COMMISSION OF OHIO


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Entered in the Journal

FEB 29 2012



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