BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Applications of The Cleveland Electric Illuminating Company and Ohio Edison Company for Integration of Mercantile Customer Energy Efficiency or Peak-Demand Reduction Programs with Lowes Home Centers, Inc.	)	Case No. 10-1907-EL-EEC Case No. 10-2008-EL-EEC

FINDING AND ORDER

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. The statute also 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 is part of a national account involving multiple facilities in one or more states.

(3) The Cleveland Electric Illuminating Company (CEI) and Ohio Edison Company (OE) are public utilities as defined in Section 4905.02, Revised Code, and, as such, are subject to the jurisdiction of this Commission. CEI and OE recover their costs of complying with the energy efficiency and demand reduction (EEDR) requirements imposed by Section 4928.66, Revised Code, from their customers through their respective Riders DSE2.

(4) Rule 4901:1-39-05(G), Ohio Administrative Code (O.A.C.), permits a mercantile customer to file, either individually or jointly with an electric utility, an energy efficiency commitment (EEC) application to commit the customer's EEDR programs for integration with the electric utility's

programs, pursuant to Section 4928.66, Revised Code, in order to meet the utility's statutory requirements.

(5) On July 28, 2010, these applications were filed by Lowes Home Centers, Inc. (customer) with CEI and OE, pursuant to Rule 4901:1-39-05(G), O.A.C., to commit the customer's programs for integration with the respective utility's programs to meet the utility's energy efficiency and peak demand reduction benchmarks. Case No. 10-1907-EL-EEC involves lighting system replacements in five separate Lowes Home Centers, implemented between June 19, 2006, and September 19, 2008. Case No. 10-2008-EL-EEC covers lighting replacements for 13 Lowes retail stores installed between June 5, 2006, and July 11, 2009.

(6) On September 15, 2010, the Commission issued an entry in Case No. 10-834-EL-POR establishing a pilot program (10-834 Pilot Program) to accelerate the review and approval process for applications filed by mercantile customers under Rule 4901:1-39-05(G), O.A.C. The 10-834 Pilot Program expedites the processing of EEC applications through the use of a standard template and a 60-day automatic approval process under which the application is deemed approved unless suspended or denied by order of the Commission or attorney examiner. By entry issued May 25, 2011, the Commission expanded the 10-834 Pilot Program to include applications requesting an exemption from the utility's EEDR rider for a period longer than 24 months, but held that any such exemption will be subject to adjustments every two years to ensure that the exemption accurately reflects the EEDR savings. Further, the Commission determined that, henceforth, mercantile customers will have one calendar year to sign a commitment agreement with the electric utility for EEDR projects implemented within the past three calendar years in accordance with the three-year measurement period under Section 4928.66, Revised Code. The electric utility will then have until March 31 of the following year to file a complete application with the Commission. *Pilot Program*, Case No. 10-834-EL-POR, May 25, 2011 Entry, at 5-6.

(7) On October 13, 2011, the applicants filed correspondence in both cases requesting that the customer receive cash rebates instead of rider exemptions.

(8) On November 30, 2011, the Commission's Staff filed reports in both cases recommending approval of the applications and the customer's request for cash rebates of $300,258 in Case No. 10-1907-EL-EEC and $500,000 in Case No. 10-2008-EL-EEC. Staff notes that one project in Case No. 10-1907-EL-EEC was implemented in 2006, but is still eligible for counting and an incentive award as the application was filed prior to the deadline of July 25, 2011, established in the Commission's May 25, 2011 Entry in Case No. 10-834-EL-POR. With respect to Case No. 10-2008-EL-EEC, Staff notes that the total eligible rebate amount for all 13 projects equals $801,182, which exceeds the maximum annual rebate limit of $500,000 per customer established in FirstEnergy's Mercantile Customer Project Commitment Agreement. Therefore, with the energy savings achieved, the customer is limited to the maximum cash rebate of $500,000.

(9) With respect to both cases, Staff reviewed the application, supporting documentation, and reports that these applications were properly filed in conformance with the applicable rules. Staff 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 the companies. Staff compared the customer's average annual energy baseline consumption with the energy savings achieved to verify the length of exemption of the DSE2 Rider and concluded that the exemption periods are accurately calculated. Staff also verified that the respective company's avoided cost exceeds the cost that the electric utility will spend to acquire the customer's commitment for integration of the self-directed energy efficiency project.

(10) Upon review of the applications and supporting documentation, and Staff's recommendations, the Commission finds that the requirements related to each of these applications have been met. The Commission finds that the requests for mercantile commitment, pursuant to Rule 4901:1-39-05, O.A.C., do not appear to be unjust or unreasonable. Thus, a hearing on these matters is unnecessary. Accordingly, we find that these applications are hereby approved. As a result of such approval, we find that

the utilities should adjust their 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 these projects are approved, they are subject to evaluation, measurement, and verification in the portfolio status report proceeding initiated by the filing of the utilities' portfolio status reports on March 15 of each year, 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 both of these applications be approved as set forth above, and that the record of each case be closed. 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, Chairman

Steven D. Lesser

Andre T. Porter

Cheryl L. Roberto

Lynn Slaby

RMB/dah

Entered in the Journal
APR 1 8 2012

Barcy F. McNeal

Barcy F. McNeal
Secretary