

FILE

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PUCO EXHIBIT FILING

Date of Hearing: 10-25-12 VOL IV

Case No. 12-2190-EL-POR

PUCO Case Caption: _____

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 2013
through 2015

List of exhibits being filed:

Company 17
18
Staff 2
3
4

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
 Review of the Application :
 of Ohio Edison Company, :
 The Cleveland Electric :
 Illuminating Company, The : Case No. 12-2190-EL-POR
 Toledo Edison Company for : Case No. 12-2191-EL-POR
 Approval of Their Energy : Case No. 12-2192-EL-POR
 Efficiency and Peak :
 Demand Reduction Program :
 Portfolio Plans for 2013 :
 through 2015. :

- - -

PROCEEDINGS

before Mr. Gregory Price and Ms. Mandy Willey Chiles,
 Attorney Examiners, at the Public Utilities
 Commission of Ohio, 180 East Broad Street, Room 11-A,
 Columbus, Ohio, called at 9:00 a.m. on Thursday,
 October 25, 2012.

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VOLUME IV

- - -

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- - -

6: Performance Incentives



This chapter provides a practical overview of alternative performance incentive mechanisms and presents their pros and cons. Detailed case studies are provided for each mechanism.

6.1 Overview

The final financial effect is represented by incentives provided to utility shareholders for the performance of a utility's energy efficiency programs. Even if regulatory policy enables recovery of program costs and addresses the issue of lost margins, at best, two major disincentives to promotion of energy efficiency are removed. Financially, demand- and supply-side investments are still not equivalent, as the supply-side investment will generate greater earnings. However, the availability of performance incentives can establish financial

equivalence and creates a clear utility financial interest in the success of efficiency programs.

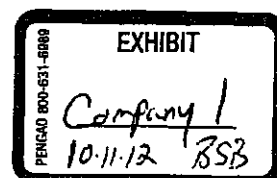
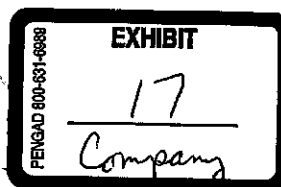
Three major types of performance mechanisms have been most prevalent:

- Performance target incentives
- Shared savings incentives
- Rate of return incentives

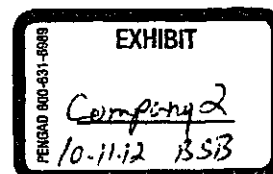
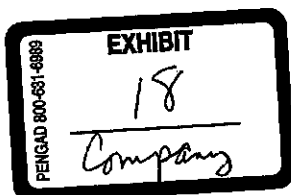
Table 6-1 illustrates the various forms of performance incentives in effect today.

Table 6-1. Examples of Utility Performance Incentive Mechanisms

State	Type of Utility Performance Incentive Mechanism	Details
AZ	Shared savings	Share of net economic benefits up to 10 percent of total DSM spending.
CT	Performance target Savings and other programs goals	Management fee of 1 to 8 percent of program costs (before tax) for meeting or exceeding predetermined targets. One percent incentive is given to meet at least 70 percent of the target, 5 percent for meeting the target, and 8 percent for 130 percent of the target.
GA	Shared savings	15 percent of the net benefits of the Power Credit Single Family Home program.
HI	Shared savings	Hawaiian Electric must meet four energy efficiency targets to be eligible for incentives calculated based on net system benefits up to 5 percent.



8. To help make energy efficiency programs available to Lucas County electric consumers in the Toledo Edison service territory and to enable Lucas County to achieve its energy efficiency and sustainability goals, the Companies will provide funding to Lucas County to be used only for the benefit of Toledo Edison customers in Lucas County in the following amounts: \$100,000 in 2014, and \$100,000 in 2015, with such amounts recovered through Rider DSE.
9. The Companies have identified up to 65 MW of energy efficiency resources that can potentially be bid into the PJM BRA auction on May 7, 2012. Assuming a Commission order approving this ESP 3 by May 2, 2012, the Companies will use their reasonable best efforts and will expend the additional time and resources to alter their energy efficiency plans in an effort to qualify the energy efficiency resources that reduce demand at the PJM coincident peak for the PJM BRA auction on May 7, 2012. The Companies will use their reasonable best efforts to put forward an M&V plan that will be acceptable to PJM. Only such resources as qualify under a PJM-approved M&V plan and for which the Companies have ownership and/or control over the resources shall be considered to be "PJM-qualifying energy efficiency resources," as used herein, and bid into the PJM BRA auction. The actual number of megawatts of energy efficiency resources bid into the PJM BRA auction is dependent upon the level of customer agreement, which will be pursued and identified following the signing of the Stipulation. The revenues received by the Companies from any energy efficiency resources that clear the PJM BRA auction will be flowed through to customers in Rider DSE2.



10.0 TABLES FOR PORTFOLIO PLAN

EE&PDR Program Plan
Ohio Edison

Mercantile Utility (Large Enterprise)			
* Indicates an Existing/Pre-Filed Program			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2012)
Peak Demand Reduction Programs			
Interruptible Demand Reduction*	9,054,806	287,916	9,342,723
Peak Demand Reduction Program Subtotal	9,054,806	287,916	9,342,723
Energy Efficiency Programs			
C/I Audits & Equipment Program	118,262	68,908	187,170
C/I Equipment Program (Commercial Lighting)	5,966,095	1,661,349	7,627,444
C/I Equipment Program (Industrial Motors)	85,466	52,259	137,725
EE Program Subtotal	6,169,822	1,782,516	7,952,338
Totals	15,224,629	2,070,432	17,295,061

Governmental			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2012)
Government Lighting	1,205,031	3,858,487	5,063,518
Totals	1,205,031	3,858,487	5,063,518

Transmission & Distribution			
* Indicates an Existing/Pre-Filed Program			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2012)
Transmission & Distribution Projects*	0	0	0
Totals	0	0	0

10.0 TABLES FOR PORTFOLIO PLAN

EE& PDR Program Plan
The Cleveland Electric Illuminating Company

Mercantile Utility (Large Enterprise)			
* Indicates an Existing/Pre-Filed Program			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2013)
Peak Demand Reduction Programs			
Interruptible Demand Reduction*	11,133,717	406,062	11,539,779
Peak Demand Reduction Program Subtotal	11,133,717	406,062	11,539,779
Energy Efficiency Programs			
C/I Audits & Equipment Program	48,309	42,293	90,602
C/I Equipment Program (Commercial Lighting)	6,256,231	1,731,580	7,987,811
C/I Equipment Program (Industrial Motors)	48,699	44,954	93,653
EE Program Subtotal	6,353,240	1,818,826	8,172,066
Totals	17,486,957	2,224,888	19,711,845
Governmental			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2013)
Government Lighting	1,584,639	5,173,547	6,758,186
Totals	1,584,639	5,173,547	6,758,186
Transmission & Distribution			
* Indicates an Existing/Pre-Filed Program			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2013)
Transmission & Distribution Projects*	0	0	0
Totals	0	0	0

10.0 TABLES FOR PORTFOLIO PLAN

EE&PDR Program Plan
Toledo Edison

Mercantile Utility (Large Enterprise)			
* Indicates an Existing/Pre-Filed Program			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2012)
Peak Demand Reduction Programs			
Interruptible Demand Reduction*	8,134,441	432,346	8,566,786
Peak Demand Reduction Program Subtotal	8,134,441	432,346	8,566,786
Energy Efficiency Programs			
C/I Audits & Equipment Program	40,281	38,968	79,249
C/I Equipment Program (Commercial Lighting)	5,673,786	1,629,113	7,302,900
C/I Equipment Program (Industrial Motors)	48,109	45,440	93,549
EE Program Subtotal	5,762,177	1,713,521	7,475,698
Totals	13,896,617	2,145,867	16,042,484

Governmental			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2012)
Government Lighting	1,073,253	3,285,501	4,358,754
Totals	1,073,253	3,285,501	4,358,754

Transmission & Distribution			
* Indicates an Existing/Pre-Filed Program			
EE&PDR Program	Cost Elements (\$)		
	Total Incentives	Operations Costs	Total Budget (2010-2012)
Transmission & Distribution Projects*	0	0	0
Totals	0	0	0