BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

POST-HEARING BRIEF OF ENERNOC, INC.

I. INTRODUCTION

On July 31, 2012, the Ohio Edison Company, the Cleveland Electric Company, and the Toledo Edison Company (hereinafter collectively referred to as "FirstEnergy Companies" or the "Companies") requested approval of an application ("Application") of their Energy Efficiency and Peak Demand Reduction Program Portfolio Plans for 2013 through 2015 from the Public Utilities Commission of Ohio ("PUCO" or the "Commission").[1] The Companies were ordered to file the Applications by July 31, 2012 as part of the Commission's Entry on February 29, 2012 in PUCO Case No. 12-814-EL-UNC. In the February 29, 2012 Entry the Commission stated:

> In order to encourage that all cost-effective steps are implemented promptly to offset generation retirements, the Companies are hereby directed under Rule 4901:l-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.[2]

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[1] FirstEnergy Companies Application at 1 (April 13, 2012).
[2] In the Matter of the Commission's Review of the Participation of the Cleveland Electric Illuminating Company, the Ohio Edison Company, and the

As discussed further below, demand response resources offered into the wholesale market directly by customers or by third party providers has been established as a cost-effective mechanism to reduce capacity prices in the PJM Reliability Pricing Model ("RPM") for Northern Ohio and should be encouraged. Demand response ("DR") participation in the PJM RPM auctions will potentially reduce the need to build additional generation capacity.[3]

The Commission's efforts to develop more energy efficiency and peak demand reduction offers for Northern Ohio should focus on providing a long-term resource and comparable incentives to all market participants. In particular, encouraging the development of peak demand reduction resources in ATSI will be an effective part of the solution for years to come. Developing more peak demand reduction resources from all qualified market participants, including third-party demand response resources, will result in lower capacity prices in the ATSI zone while putting money directly into the pockets of Ohio's commercial, industrial, and institutional customers.

II. APPLICABLE LAW

In 2008, Ohio enacted Sub. S.B. 221 that requires each electric distribution utility ("EDU") to establish energy efficiency programs that will achieve substantial energy savings through at least 2025 as well as peak demand reduction programs that will

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Toledo Edison Company in the May 2012 PJM Reliability Pricing Model Auction, PUCO Case No. 12-814-EL-UNC, Entry (February 29, 2012)at ¶10.

[3] See Hearing Transcript Vol. II (October 23, 2012) at 318(Cross examination of FirstEnergy Companies witness Edward Miller).

achieve reductions in the electricity used during peak demand hours through 2018.[4] To achieve these savings each EDU is required to implement energy efficiency and peak demand reduction programs.

Relevant to this discussion, the FirstEnergy Companies must achieve "a one per cent reduction in peak demand in 2009 and an additional seventy-five hundredths of one per cent reduction each year through 2018." The annual cumulative benchmarks for reductions in total peak demand from 2013 through 2015 are four percent (4%), four point eight percent (4.8%) and five point five percent (5.5%) respectively. According to the projections provided by the Companies during the hearing the Companies must obtain the following combined peak demand reduction metrics over the course of the three programs:

Total Ohio:

By 2013 - 463 Megawatts ("MWs") of peak demand reduction
By 2014 - 551 MWs of peak demand reduction
By 2015 - 622 MWs of peak demand reduction

The FirstEnergy Companies applied separately for the approval of their Energy Efficiency and Peak Demand Reduction Program Plan. The Plans were filed on July 31, 2012 as ordered by the Commission on February 29, 2012.[5] The Companies have the burden of proof to demonstrate that the programs proposed in the Applications are cost-effective and will provide them with the opportunity to meet the State mandated EE and PDR benchmarks.

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[4] See R.C. 4928.66(A)(1)(a)and(b).

[5] See In the Matter of the Commission's Review of the Participation of the Cleveland Electric Illuminating Company, the Ohio Edison Company, and the Toledo Edison Company in the May 2012 PJM Reliability Pricing Model Auction, PUCO Case No. 12-814-EL-UNC, Entry (February 29, 2012)at ¶10.

III. APPLICABLE FACTS AND DISCUSSION

A. Background

The Companies are requesting approval of demand reduction programs that are a continuation of the existing programs with one exception. The Companies propose to meet the incremental peak demand reduction benchmarks for the 2015-2016 plan period through three sources. First, the Companies intend to rely on the peak demand reductions that are attributable to energy efficiency resources to meet their peak demand reduction goals.[6] Second, the Companies intend to use the approximately 200 MWs of resources signed up under the Companies' interruptible load tariff, the Economic Load Reduction ("ELR") rider.[7] Finally, the Companies intend to rely upon DR resources participating in the PJM market that are established directly by customers or though Curtailment Service Providers ("CSPs") doing business in the territory.[8]

The only change to the existing demand reduction program that the Companies propose is to eliminate the incentives for the DR resources that are established directly by customers or though CSPs.[9] The Plans, as proposed, actually reduce the incentives for these market based DR resources. As part of the current plan the Companies submit requests for proposals ("RFPs") for any demand response resource attributes – or "contracted DR" -- they need to fulfill their benchmark obligations.[10] The RFP program has been a cost-effective method for the Companies to meet their respective peak demand reduction benchmarks in the current plan. For example, in

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[6] See Hearing Transcript Vol. II (October 23, 2012) at 319. (Cross examination of FirstEnergy Witness Edward Miller).
[7] See Id.
[8] See Id. at 319-20
[9] See Id. at 335-36
[10] See Hearing Transcript Vol. II (October 23, 2012) at 324. (Cross examination of FirstEnergy Witness Edward Miller). "Contract DR" includes the contracts the Companies may have customers or with CSPs. (Hearing Transcript at 321. Cross examination of FirstEnergy Witness Edward Miller).

2011 the Companies paid less than 10% of the amount budgeted for "contracted" demand response attributes.[11] (The FirstEnergy Companies budgeted $120,000 per MW. The $120,000 per MW estimate is equivalent to the administratively set price for the ELR resource.[12]) The significant savings that were created by the contracted DR RFP program saved all customers money and allowed the Companies to utilize significant amounts of budgeted money to fund other programs.

However, under the new proposal, the Companies propose "to count for purposes of peak demand reduction compliance, demand resources participating in the PJM market for the applicable delivery year, without the need to contract for these resources separately"[13]--irrespective of the Companies connection to the demand response resource. In addition, there has been some concern noted about the legality of simply taking the resource without compensation or approval from the customer. (In fact, the budgets for the Companies' proposed EE/PDR program plans assume the continuation of the contracted DR RFP program.[14])

In conclusion, it appears that the Companies first proposal is to leverage the existing resources in the market and not to provide encouragement for market based demand response participation by CSPs.[15] However, if the Commission determines that it is not appropriate (or legal) for the Companies to simply claim a demand reduction resource without compensation or approval from the customer then the Companies will proceed with the current contracted DR approach.

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[11] See Hearing Transcript Vol. VI (October 30, 2012) at 1085. (Stipulated statement)
[12] See Hearing Transcript Vol. II (October 23, 2012) at 338 (Cross examination of FirstEnergy Witness Edward Miller).
[13] Id. at 324-325. (Cross examination of FirstEnergy Witness Edward Miller).
[14] See Staff Exhibit 1, the pre-filed testimony of PUCO Staff Testimony of Gregory C. Scheck (October 9, 2012) at 13,
[15] See Hearing Transcript Vol. II (October 23, 2012) at 331-332. (Cross examination of FirstEnergy Witness Edward Miller).

B. Demand response resources played a significant role in responding to the Commission's February 29, 2012 call for more resources in the ATSI region.

Demand response resources should be considered a vital part of the generation resource mix in the PJM American Transmission System Inc. ("ATSI") zone going forward. From the start of 2012, the Commission identified a heightened concern about the dearth of generation resources in ATSI. The Commission's concern over the lack of resources in ATSI started with FirstEnergy's January 26, 2012 announcement that it would retire approximately 2,200 Megawatts of coal-fired generation located in northern Ohio by September 1, 2012.[16]

The February 29, 2012 Entry identified the potential for significant increases in capacity prices in the PJM ATSI zone, located in Northern Ohio, "if appropriate steps are not taken to reduce generation requirements, improve energy efficiency, and expand demand response resources."[17] The reduction in generation within the ATSI zone coupled with limited import capabilities into ATSI created a transmission constrained zone and significantly higher capacity prices than anywhere else in the PJM footprint as part of the 2015/2016 RPM Base Residual Auction ("BRA").[18] The Commission's concern was correct.

[16] See In the Matter of the Commission's Review of the Participation of the Cleveland Electric Illuminating Company, the Ohio Edison Company, and the Toledo Edison Company in the May 2012 PJM Reliability Pricing Model Auction, PUCO Case No. 12-814-EL-UNC, Entry (February 29, 2012) at ¶1.
[17] Id. at ¶3.
[18] See Id. at ¶¶2 & 3.

C. Demand response resources had a significant, positive, impact on the PJM market rates particularly in the last year.

The 2015/2016 RPM BRA auction prices for ATSI would most likely have been even higher if the response from demand response ("DR") resources was not so robust. Demand response resources through third party providers, like EnerNOC, and directly from customers nearly doubled from just one year ago. Demand Response Resources played an integral role in filling some of the gap left by the coal-fired generation retirements in the ATSI zone.

In the short period of time that was provided, demand response resources were able to practically double the amount of resources that were offered into the ATSI BRA for the 2015/16 Planning Year that was conducted in May as opposed to the BRA conducted last year for the 2014/15 Planning Year -- from 1,055.1 MWs in 2014/2015 to 2,765.9 MWs and cleared from 955.7 MWs in 2014/15 to 1,763.7 MW.[19] The net result is 808 MW, or almost a Gigawatt, of new demand response resources cleared in the ATSI zone in May.[20] The quick response of the Demand Response Resources will result in lower overall prices for consumers in the ATSI zone and additional revenue opportunities for local institutional, commercial, and industrial businesses that provide this valuable resource.

The ability to quickly offer an additional 808 MWs of demand response resources for this the PJM RPM BRA auction in May 2012 most likely saved all customers in the ATSI footprint a significant amount of money. There are not many resources that could have responded as quickly.

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[19] EnerNOC Exhibit 1 (2015/2016 RPM Base Residual Auction Results, Table 3A – Comparison of Demand Resources Offered and Cleared in 2014/15 BRA & 2015/16 BRA represented in UCAP, page 8) and Hearing Transcript Vol. II (October 23, 2012) at 326. (Cross examination of FirstEnergy Witness Edward Miller).

[20] EnerNOC Exhibit 1, 2015/2016 RPM Base Residual Auction Results, Table 3A – Comparison of Demand Resources Offered and Cleared in 2014/15 BRA & 2015/16 BRA represented in UCAP, page 8.

D. The policies established by the FirstEnergy Companies and the Commission in the past played a significant role in providing this opportunity for demand response resources.

The State of Ohio has enacted specific policies that encourage the development of demand response resources and a competitive opportunity to provide those services:

> It is the policy of this state to do the following throughout this state:
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> * * * *
>
> (D) Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure.[21]

The Commission's directives over the past few years have clearly provided the opportunity for CSPs to work with customers and provide direct access to the wholesale markets. The 808 MWs of DR resources that were added to the PJM ATSI market this past May are a direct result of that effort -- proof again, that open, competitive market opportunities will encourage innovation.

Furthermore, the Companies past policies and applications have also encouraged a substantially open, competitive market toward demand side resources. The Companies existing Demand Reduction Programs rely upon "contracted" DR resources that are established directly by customers or though Curtailment Service Providers ("CSPs") doing business in the territory.[22] The fact that 1,763 MWs of DR cleared -- an 84% increase over the past year -- in the most recent PJM BRA in the ATSI zone is testament to the success of the program.

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[21] R.C. 4928.02(D)

[22] See Hearing Transcript Vol. II (October 23, 2012) at 319-320 (Cross examination of FirstEnergy Companies witness Edward Miller).

E. The Commission should order the Companies to promote demand response resources.

Bidding DR resources into the PJM RPM can further displace higher-priced generation resources and result in lower capacity prices.[23] In addition, developing additional DR resources will provide revenue to customers and may also benefit the environment.[24]

The Companies could take steps to encourage more DR directly from customers or from CSPs.[25] However, there is nothing in this proposal that provides incentive for that growth.[26] In fact, the only change that is proposed to the Demand Reduction Program is to eliminate the incentives for the DR resources that are established directly by customers or though CSPs. The Companies instead propose to count for purposes of peak demand reduction compliance, demand resources participating in the PJM market for the applicable delivery year, without the need to contract for these resources separately.[27]

Instead of reducing this proven and valuable resource the Companies should attempt to develop more DR resources directly by customers or though CSPs. The Commission should order the Companies to establish new incentives for the next application or demonstrate that the PJM ATSI footprint has no need for new resources.

IV. CONCLUSION

For the reasons stated above, the Commission should approve the Companies Applications and direct the Companies to develop more demand reduction potential in the ATSI

[23] See Hearing Transcript Vol. II (October 23, 2012) at 319 (Cross examination of FirstEnergy Companies witness Edward Miller).
[24] Id. at 318-319 (Cross examination of FirstEnergy Companies witness Edward Miller).
[25] See Id. at 332. (Cross examination of FirstEnergy Witness Edward Miller).
[26] See Id at 332. (Cross examination of FirstEnergy Witness Edward Miller).
[27] See Id at 331. (Cross examination of FirstEnergy Witness Edward Miller

footprint through continuing the "contracted" third-party demand response program and exploring new opportunities in the next round of applications.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Post-Hearing Brief was served by electronically, to the persons listed below on this 20th day of November, 2012.

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