BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

APPLICATION FOR REHEARING OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP

Pursuant to Section 4903.10, Revised Code, and Rule 4901-1-35, Ohio Administrative Code (O.A.C.), the Ohio Manufacturers' Association Energy Group (OMAEG) hereby respectfully requests rehearing of the Public Utilities Commission of Ohio's (Commission) November 20, 2014 Finding and Order (Order)[1] issued in the above-captioned matters regarding the amended portfolio programs and plan of Cleveland Electric Illuminating Company (CEI), Ohio Edison Company (OE), and The Toledo Edison Company (TE) (collectively, the Companies or FirstEnergy). OMAEG contends that the Order is unlawful and unreasonable in the following respect:

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[1] *In the Matter of the Application of The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company for Approval of Their Energy Efficiency and Peak Demand Reduction Program Plans for 2013 through 2015*, Case No. 12-2190-EL-POR, et al., Finding and Order (November 20, 2014).

1. The Order is unlawful and unreasonable in that it fails to limit FirstEnergy's portfolio plan budget to reflect the costs of the Companies' amended plan offerings.

For these reasons, and as further explained in the Memorandum in Support attached hereto, OMAEG respectfully requests that the Commission grant its Application for Rehearing.

Respectfully submitted,

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On behalf of OMAEG

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MEMORANDUM IN SUPPORT

I. Background and Procedural History

On July 31, 2012, the Companies filed an application for approval of their respective energy efficiency and peak demand reduction (EE/PDR) program portfolios and the associated cost-recovery mechanisms with the Public Utilities Commission of Ohio (Commission). Thereafter, on March 20, 2013, the Commission issued an Opinion and Order approving the portfolio plans with modifications.

In May 2014, the General Assembly passed 2014 Sub. S.B. No. 310 (S.B. 310), which became effective on September 12, 2014. S.B. 310 amended Ohio's renewable energy, energy efficiency, and peak demand reduction requirements. Section 6(A) of S.B. 310 provides that an electric distribution utility that has a portfolio plan in effect on the effective date may seek an amendment to that portfolio plan, pursuant to Section 6(B) of S.B. 310.

On September 24, 2014, FirstEnergy filed an application to amend its energy efficiency and peak demand reduction program portfolio plans for 2015 through 2016 (Application), pursuant to Section 6 of S.B. 310. By entry dated September 29, 2014, the attorney examiner set a procedural schedule for consideration of the amended plan. Pursuant to that entry, on October

20, 2014, OMAEG and a number of other parties filed comments on the Companies' Application. Inter alia, OMAEG argued in its comments that FirstEnergy's approved program budget should be reduced in proportion to the diminished program offerings under its amended plan.[2] OMAEG and other interested parties additionally filed reply comments on the Companies' amended plan on October 27, 2014.

On November 20, 2014, the Commission issued an Order approving the Companies' Application with a number of modifications. Importantly, with regard to modification of the existing budget, the Commission stated the following:

> The Commission finds that it is unnecessary to modify FirstEnergy's Existing Plan budget at this time as recommended by OMAEG and OCC because, as discussed by FirstEnergy and IEU-Ohio, regardless of the budget, collection is based on a forecast of the costs to be incurred over a six-month rider period, not on the budget, and are always subject to true-up to actual costs. Consequently, the Commission declines to modify the budget and stresses that as conceded by FirstEnergy, collection is subject to a true-up to actual prudently-incurred costs. *The Commission notes, however, that it is our expectation that the next rider adjustment will reflect lower costs to customers resulting from the implementation of the Amended Portfolio.* (Emphasis added).[3]

On December 1, 2014, in Case No. 14-1947-EL-RDR, FirstEnergy filed tariff pages for CEI, OE, and TE reflecting changes to Rider DSE and its associated pages in response to and compliance with, among other cases, the Commission's Order in Case No. 12-1230-EL-SSO, et al.[4] The filed updated pages reflect increases in DSE1 and DSE2 charges which are scheduled to

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[2] *In the Matter of the Application of The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company for Approval of Their Energy Efficiency and Peak Demand Reduction Program Plans for 2013 through 2015*, Case No. 12-2190-EL-POR, et al., Comments of the Ohio Manufacturers' Association Energy Group at 5-6 (October 20, 2014).

[3] Order at 11-12.

[4] See In the Matter of the Application of the *The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 12-1230-EL-SSO, Opinion and Order (July 18, 2012).

be effective January 1, 2015.[5] As noted in the updated pages, DSE1 charges recover costs incurred by the Companies associated with customers taking service under the Economic Load Response Rider (ELR) and Optional Load Response Rider (OLR). In contrast, DSE2 charges recover the following costs:

> [C]osts incurred by the Compan[ies] associated with the programs that may be implemented by the Compan[ies] to secure compliance with the energy efficiency and peak demand reduction requirements in Section 4928.66, Revised Code, through demand response programs, energy efficiency programs, peak demand reduction programs, and self-directed demand-response, energy efficiency or other customer-sited programs. The costs initially deferred by the Company and subsequently fully recovered through this Rider will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all reasonable administrative costs to conduct such programs, and lost distribution revenues resulting from the implementation of such programs.[6]

II. The Order is unlawful and unreasonable in that it fails to limit FirstEnergy's portfolio plan budget to reflect the costs of the Companies' amended plan offerings.

As noted above, in its Order, the Commission approved FirstEnergy's amended portfolio plan and declined to modify its associated budget. The Commission did, however, specifically note that it expected the Companies' next Rider DSE adjustment to reflect lower costs, in light of the amended program offerings. Despite this admonition, FirstEnergy's December 1, 2014 correspondence regarding upcoming Rider DSE adjustments reflects DSE2 costs that in some cases increase significantly. The figures below represent the changes customers are facing in the DSE2 portion of Rider DSE in the upcoming six month period, as proposed by FirstEnergy in Case No. 14-1947-EL-RDR:

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[5] Updated CEI Rider DSE tariff sheets are attached as Exhibit A; updated OE Rider DSE tariff sheets are attached as Exhibit B; updated TE Rider DSE tariff sheets are attached as Exhibit C.

[6] See Exhibits A, B, and C, attached.

Figure 1. CEI - Comparison of Currently-Effective v. Proposed DSE2 Costs

Rate Schedule	Current DSE2 (¢/kWh)	Proposed DSE2 (¢/kWh)
RS	0.3962	0.4057
GS	0.2319	0.2055
GP	0.1258	0.3901
GSU	0.1517	0.1563
GT	0.0396	0.2883
STL	0.0541	0.0153
TRF	1.2354	0.4381

Figure 2. OE - Comparison of Currently-Effective v. Proposed DSE2 Costs

Rate Schedule	Current DSE2 (¢/kWh)	Proposed DSE2 (¢/kWh)
RS	0.2716	0.2934
GS	0.2170	0.2142
GP	0.1491	0.3599
GSU	0.2519	0.1979
GT	0.1966	0.2389
STL	0.0403	0.0141
TRF	0.1566	0.2427

Figure 3. TE - Comparison of Currently-Effective v. Proposed DSE2 Costs

Rate Schedule	Current DSE2 (¢/kWh)	Proposed DSE2 (¢/kWh)
RS	0.1440	0.2959
GS	0.2734	0.1649
GP	0.2713	0.2160
GSU	-0.2589	0.0585
GT	0.2151	0.1632
STL	0.0291	0.0207
TRF	0.1072	0.1781

As reflected in Figures 1, 2, and 3 above, DSE2 costs for Rate RS, representing Residential Service, increase for customers of all three of FirstEnergy's electric distribution utilities. Notably, DSE2 costs for residential customers in TE's service territory will double beginning January 1, 2015. Further, Rate GP, representing General Service - Primary customers, is facing DSE2 increases in the OE and CEI service territories, with the DSE2 charges in CEI's territory increasing by more than three times. Customers taking service under these rate schedules are not permitted to opt out of Rider DSE; therefore, those customers will undoubtedly be facing these costs in the upcoming year. DSE2 costs for Rate GT, representing General Service – Transmission customers, are also increasing by more than seven times in CEI's service territory. However, customers taking service under Rate GT have the ability to opt out of the costs of Rider DSE.

In reviewing the above-listed DSE2 cost revisions, it appears that, in practice, FirstEnergy's Rider DSE costs will unfortunately not be decreasing in line with the Commission's expectations. OMAEG submits that this circumstance may be an unintended effect of the decision not to limit FirstEnergy's portfolio plan budget to more closely reflect the costs of the Companies' amended plan offerings. OMAEG is concerned that an unabridged plan budget may be used to legitimize forecasts for program and attending costs for the upcoming six month period. The workpapers supporting the adjustments to proposed DSE2 costs are not publicly filed, and thus, not readily available for interested parties to review. Therefore, OMAEG cannot ascertain the degree to which Rider DSE increases reflected in FirstEnergy's revised tariff sheets in Case No. 14-1947-EL-RDR reflect true-up amounts versus new program costs, or any other aspect of Rider DSE. However, the danger inherent in permitting the amended plan to continue with an unrevised budget in these circumstances is that interested parties are unable to associate proposed adjustments to specific program costs or other enumerated costs. The opportunity for unnecessary spending is present anytime a program budget significantly exceeds realistic costs. This situation appears especially true when, as here, the plan budget exceeds the costs of the amended plan by $53.6 million over the next two years. In the case of Rider DSE, unnecessary spending will result in increased costs to consumers. OMAEG accordingly requests that the Commission grant its application for rehearing to examine the potential effects of an unrevised portfolio plan budget on related spending and its consequences to customers, and reconsider its decision not to decrease FirstEnergy's amended plan budget to reflect the decreased programs and costs therein.

III. Conclusion

In connection with the arguments presented above, OMAEG respectfully requests that the Commission grant its Application for Rehearing and accordingly adjust FirstEnergy's amended plan budget to better reflect its amended energy efficiency and peak demand reduction program offerings.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following parties via electronic mail on December 22, 2014.

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