BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan.	)))))))	Case No. 14-1297-EL-SSO

DIRECT TESTIMONY OF JOHN A. SERYAK ON BEHALF OF THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP

March 2, 2015

Introduction

Q. Please state your name and business address.

A. My name is John A. Seryak. My principal place of business is at 3709 N. High Street, Columbus, OH, 43214.

Q. By whom are you employed and in what capacity?

A. I am the Chief Executive Officer of RunnerStone, LLC, and serve as the lead analyst for regulatory, policy, and wholesale market matters concerning customer-sited energy resources, which we define as energy efficiency, demand response, distributed generation, and energy storage. I am also Chief Executive Officer of Go Sustainable Energy, LLC, a consultancy that provides technical assistance on energy efficiency matters to the industrial, commercial, residential, and utility sectors.

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is being sponsored by the Ohio Manufacturers' Association Energy Group (OMAEG). OMAEG is a non-profit entity that strives to improve business conditions in Ohio and drive down the cost of doing business for Ohio manufacturers. OMAEG members take service under a number of the non-residential rate schedules of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, the Companies).

Q. Please describe your professional experience and qualifications.

A. I received a Bachelor's degree in Mechanical Engineering from the University of Dayton, as well as a Master's of Science degree in Mechanical Engineering. I am a licensed Professional Engineer in the State of Ohio. I have worked extensively with customer-sited resources, primarily energy efficiency, for 14 years. My experience includes fieldwork at industrial, commercial, and residential buildings identifying energy savings opportunities and quantifying the energy and dollar savings, chiefly through my responsibilities the last nine years for Go Sustainable Energy, LLC, of which I am a founding partner. Additionally, I have extensive experience working with utility and government-managed energy efficiency programs, including directly contracting with utilities to provide technical services; measuring, verifying, and evaluating results for energy efficiency programs as an independent evaluator; and serving as a contracted Senior Technical Analysis for a utility-operated energy efficiency program. Go Sustainable Energy has designed and assists with the operation of several utility-operated energy efficiency programs. I have been involved in both the design and operations associated with these programs. Finally, I have three years of experience in regulatory and policy analysis in regard to behind-the-meter customer-sited energy resources. I have gained this experience in my role as an energy efficiency engineer to the Ohio Manufacturers' Association Energy Group. In connection with these experiences, I have authored over 25 peer-reviewed academic papers on technical, programmatic, cultural, and regulatory issues concerning energy efficiency and distributed generation.

Q. Have you previously testified before this Commission?

A. Yes.[1]

<u>Overview and Conclusions</u>

Q. What is the purpose of your testimony in this proceeding?

A. My testimony addresses the following aspects of the stipulation and recommendation filed in this case on December 22, 2014 by the Companies (Stipulation):[2]

- The claim that "the ESP IV as set forth in this Stipulation represents a serious compromise of complex issues and involves substantial customer benefits that would not otherwise have been achievable."[3] Particularly, I address the alleged "substantial customer benefits" as they relate to energy efficiency and peak demand reduction (EE/PDR) programs enumerated in Section V. B. of the Stipulation.[4]
- The collection of the Stipulation EE/PDR funding through Rider DSE.

Given the wide scope of the issues addressed in the Stipulation, my recommendations are concentrated on a limited number of issues. Absence of comment on my part regarding a particular aspect of the Stipulation does not

[1] See *In the Matter of the Review 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 to 2015*, Case No. 12-2190-EL-POR, et al., Direct Testimony of John Seryak, PE, on behalf of the OMA Energy Group (October 5, 2012).

[2] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO, Stipulation (December 22, 2014).

[3] Stipulation at 5.

[4] Id. at 10-13.

signify support (or opposition) toward the Companies' filing with respect to said issue.

Q. What are your primary conclusions and recommendations?

A. The Stipulation states that it represents "a serious compromise of complex issues and involves substantial customer benefits that would not otherwise have been achievable."[5] Under Section V.B. of the Terms and Conditions of the Stipulation, it is clear that energy efficiency is one of the "substantial customer benefits," if not the primary benefit, that serves as the fundamental basis for several Signatory Parties to reach a compromise. I conclude that the "substantial customer benefits" from the Stipulated EE/PDR programs would, in fact, have been otherwise achievable without the Stipulation.

Recently, the Companies unilaterally withdrew available energy efficiency programs and energy efficiency project funding from consumers, including members of the Signatory Parties identified in Section V.B. of the Stipulation, in Case 12-2190-EL-POR, et al. (Portfolio Plan Amendment Case). The Signatory Parties directly benefitting from Section V.B. of the Stipulation did not object or otherwise provide comment in the Portfolio Plan Amendment Case, despite having had an opportunity to do so. The "substantial customer benefits" arising from EE/PDR programs, including those now championed by some of the Signatory Parties, may have been otherwise available in the Portfolio Plan Amendment Case; however a number of the Signatory Parties who stand to benefit, financially and otherwise, from the EE/PDR programs supported in the

[5] Id. at 5.

Stipulation chose not to participate in that proceeding. Additionally, the Companies could have chosen to continue their EE/PDR programs through 2016 without amendment. I therefore recommend that the Commission reject Section V.B. of the Stipulation based on the fact that the benefits associated therewith could have been otherwise available.

<u>The Companies' Suspension of Energy Efficiency Programs</u>

Q. Could you describe what energy efficiency programs would have otherwise been available to the Signatory Parties if the Companies had not previously suspended them in another proceeding?

A. Yes. The Companies voluntarily filed an Amended EE/PDR Portfolio in the Portfolio Plan Amendment Case which included the suspension of Small Enterprise Programs (Custom Equipment, Prescriptive – Appliances, Prescriptive – Food Service, Prescriptive – Lighting, Prescriptive – HVAC and Water Heating, Custom Building - New Construction, and Energy Audit efficiency programs) and Larger Enterprise Programs (Custom Equipment, Prescriptive – Lighting, Prescriptive – HVAC and Water Heating, Custom Building - New Construction, Custom Building – Retro-commissioning, and Energy Audit efficiency programs).

Q. Did the Signatory Parties listed in Section V.B. of the Stipulation object to the suspension of certain energy efficiency programs in the Portfolio Program Amendment Case or otherwise?

A. No, not to my knowledge.

Q. Can you provide a specific example of a suspended energy efficiency program that is now offered in this Stipulation?

A. Yes. The Companies' original EE/PDR portfolio included funding for energy audits of commercial and industrial facilities. This program was suspended by the Companies as of January 1, 2015. The suspended program was previously available to all qualifying ratepayers. In Section V.B.4 of the Stipulation, the Companies agree to perform a total of 300 energy audits for a Signatory Party, funded by Rider DSE. This "substantial customer benefit" was clearly "otherwise available" to the Signatory Party just weeks prior to the time of signing. In effect, the substantial customer benefit was suspended for all customers, and then simultaneously recreated for just the one Signatory Party, at the expense of other ratepayers who pay for Rider DSE.

Q. What is your recommendation to the Commission on this matter?

A. For the reasons cited above, I recommend that the Commission reject the compromises reached in Section V.B., as the benefits listed within were otherwise available just weeks prior to the signing of the Stipulation. The Signatory Parties identified in Section V.B. of the Stipulation did not contest the suspension of the benefits that were available to them prior to the Companies' Portfolio Plan Amendment filing.

Rider DSE

Q. Are there concerns associated with collecting the costs of the stipulated EE/PDR programs in Rider DSE?

A. Yes, there are several serious concerns stemming from the proposed collection of the costs of the energy efficiency programs included in the Stipulation through Rider DSE. First, the Companies' decision to amend their EE/PDR portfolio as allowed by Substitute Senate Bill 310 (SB 310) triggered the ability of an above-primary service customer to "opt out" of the benefits and costs of energy efficiency and demand response programs. In practice, this creates alignment between the direct benefits a consumer receives through energy efficiency programs and rebates, and the direct costs to fund these programs. An opt-out customer does not pay for the programs, and therefore cannot benefit from the programs. Similarly, any customer that does not opt out pays the costs for the programs, and is thus eligible to receive benefits. As filed, the Stipulation creates direct efficiency program benefits for only the Signatory Parties identified in Section V.B., while the cost is borne by other ratepayers through Rider DSE (except for those who opt out). In effect, this means that non-Signatory Parties pay the cost of energy efficiency programs benefiting only the Signatory Parties, but with no ability to access the direct benefits themselves of the programs they are funding.

Second, the Commission's approval of the Companies' Amended EE/PDR Portfolio was predicated on the condition that the reduction in available EE/PDR programs would yield a proportional reduction in forecasted program costs as recovered in Rider DSE. Specifically, the Commission recently noted, "it is our expectation that the next rider adjustment will reflect lower costs to customers resulting from the implementation of the Amended Portfolio."[6] The Stipulation runs counter to the intent of the Commission's Finding and Order, in that the costs paid by a customer for EE/PDR programs who is not a Signatory Party to the Stipulation will not be reduced proportionally, as reflected in the DSE rider.

Q. What is your recommendation to the Commission on this matter?

A. I recommend that the proposed Stipulation be rejected by the Commission for the reason that Section V.B. will result in costs, recoverable through Rider DSE, for the EE/PDR programs advanced in the Stipulation, which are not aligned with benefits for non-Signatory Parties.

Q. Does this conclude your direct testimony?

A. Yes.

[6] *In the Matter of the Review 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 to 2015*, Case No. 12-2190-EL-POR, et al., Finding and Order at 12 (November 20, 2014).

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served on March 2, 2015 by electronic mail upon the persons listed below.

/s/ Rebecca L. Hussey__________
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