

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 : Case No. 16-743-EL-POR
Company, for Approval of the Energy :
Efficiency and Peak Demand Reduction :
Program Portfolio Plans. :

Prepared Testimony
Of
Patrick Donlon
Rates and Analysis Department

Staff Exhibit __

- 1 1. Q. Please state your name and business address.
- 2 A. My name is Patrick Donlon. My business address is 180 East Broad Street,
3 Columbus, Ohio, 43215.
- 4
- 5 2. Q. By whom and in what capacity are you employed?
- 6 A. I am employed by The Public Utilities Commission of Ohio (PUCO) as the
7 Director of the Rates and Analysis Department.
- 8
- 9 3. Q. How long have you been in your present position?
- 10 A. I assumed my present position in November 2014.
- 11
- 12 4. Q. What are your responsibilities in your current position?
- 13 A. In my current position, I am responsible for directing the activities of the Rates
14 and Analysis Department of the PUCO, which generally includes department
15 oversight on all policy matters, procedures, workload, goals, and other department
16 activities.
- 17
- 18 5. Q. Will you describe briefly your educational and business background?
- 19 A. I received a Bachelor of Science degree in Accounting with a minor in Economics
20 Management from Ohio Wesleyan University in 2000. In 2010, I earned a Master
21 of Business Administration degree from Franklin University. I worked for
22 American Electric Power (AEP) for just under ten years in two stints with the
23 company serving in various roles. For AEP, I was an accountant in the

24 Generation Accounting Department; an Hourly Energy Trader for AEP focusing
25 in the Southwestern Power Pool market; a Fuel, Emissions and Logistics
26 Coordinator; and a financial planning analyst in Commercial Operations. I began
27 working at the PUCO in August 2012 as Public Utilities Administrator 2 in the
28 Rates Division of the Utilities Department. I also served as the Interim Director of
29 the Energy and Environment Department, beginning in May 2014, until assuming
30 my current role in November 2014.

31

32 6. Q. Have you previously provided testimony before the Public Utilities Commission
33 of Ohio?

34 A. Yes, I provided testimony in various gas and electric rate cases, electric Standard
35 Service Offer cases, and natural gas Gas Cost Recovery cases.

36

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

38 A. The purpose of my testimony is to propose a methodology for the Commission to
39 use to control the costs of the energy efficiency and peak demand reduction
40 programs that are developed and administered by the electric distribution utilities
41 (EDUs). I am proposing the implementation of an overall cost cap on the
42 program costs and shared savings incurred through the Companies' energy
43 efficiency portfolio plan.

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47 8. Q. How will the cost cap be calculated?

48 A. The cost cap will be set by taking the annual operating revenues of Ohio Edison
49 Company, the Cleveland Electric Illuminating Company, and the Toledo Edison
50 Company (the Companies) for the portfolio plan year, as reported in line 10 on
51 page 300 of each of the Companies' 2015 FERC Form 1 and multiplying each one
52 by 3% for their individual totals.

53

54 9. Q. What does the number found on FERC Form 1, page 300, line 10 ("Line 10")
55 represent?

56 A. As stated on the form, it is the operating revenues attributable to "total sales to
57 ultimate consumers," which is a summation of the following FERC accounts:

- 58 • 440 – Residential Sales (line 2)
- 59 • 442 – Commercial and Industrial Sales (line 3 – 5)
- 60 • 444 – Public Street and Highway Lighting (line 6)
- 61 • 445 – Other Sales to Public Authorities (line 7)
- 62 • 446 – Sales to Railroads and Railways (line 8)
- 63 • 448 – Interdepartmental Sales (line 9)
- 64 • 447 – Sales for Resale (line 11)

65 Attachment 1 of my testimony is the FERC Form 1 page 300 for each of the Companies.

66

67 10. Q. Why is Staff using Line 10?

68 A. Staff chose Line 10 for the following reasons:

- 69 • The number is public and readily available.

- 70 • The number is expressed in total dollars and thus is directly
- 71 comparable to overall program costs and shared savings.
- 72 • Using a single number as a cost cap allows for the Companies to have
- 73 more flexibility in managing their budget than a cost cap based on a
- 74 percentage of specific customer bill impacts.
- 75 • Using a number that is required by FERC to be reported on a
- 76 commonly used form allows for consistency amongst all the utilities in
- 77 the state.

78

79 11. Q. What would be the cost cap applicable to the Companies' portfolio plan?

80 A. The 2015 FERC Form 1, page 300, line 10 for each of the Companies is listed in
 81 the following table, along with the 3% cost cap for each of the Companies, and
 82 the overall totals:

	FERC Form 1, Page 300, Line 10	3% Cost Cap
Ohio Edison Co.	\$1,270,927,604	\$38,127,828
The Cleveland Electric Illuminating Co.	\$950,172,128	\$28,505,164
The Toledo Edison Co.	\$448,885,315	\$13,466,559
Total Amounts	\$2,669,985,047	\$80,099,551

83

84 12. Q. In applying a 3% cost cap on program costs and shared savings, can the
 85 Companies run their energy efficiency portfolio and meet or exceed their statutory
 86 benchmark?

87 A. Yes, based on the Companies 2012-2014 annual status reports demonstrating
 88 achievement related to their prior compliance.

89 13. Q. Why is Staff proposing a cost cap that is inclusive of program costs and pre-tax
90 shared savings?

91 A. While Staff believes that energy efficiency is beneficial, particularly to
92 participating ratepayers, the costs have been escalating to the point that the rider
93 in which energy efficiency costs are collected has become one of the highest
94 riders on residential customers' bills. Staff supports energy efficiency measures
95 and programs, but believes a cost cap will provide some price assurances to
96 customers while still supporting energy efficiency and allowing the utilities to
97 meet or exceed their statutory mandate levels.

98

99 14. Q. Why does Staff support a cost cap of 3% of Line 10?

100 A. Staff reviewed many options for a cost cap, searching for the most appropriate
101 percentage and baseline. Based on the 2015 Line 10 numbers across all of the
102 EDUs in the state, Staff evaluated that 3% would provide price security for all
103 ratepayers, while not hindering the Companies' ability to meet or exceed their
104 statutory benchmarks.

105

106 15. Q. Does the cost cap remain the same for each year of the portfolio plan?

107 A. Yes.

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110

111 16. Q. What if the EDU is unable to develop a portfolio that meets the statutory
112 requirements within the cost cap?
113 A. If, after making all possible adjustments, the EDU projects that it would be unable
114 to meet the statutory requirements within the projected budget, it may request that
115 the Commission amend its applicable benchmark, pursuant to section
116 4928.66(A)(2)(b) of the Revised Code. However, the EDU would not be eligible
117 for shared savings when making such a request.

118
119 17. Q. How will the cost cap be audited?
120 A. Each year the Companies file an annual rider case, the Demand Side Management
121 and Energy Efficiency (DSE) Rider, in which Staff audits the prudence of the
122 costs incurred and included in the rider. Within that filing, the Companies will
123 provide additional information for the audit of the cost cap. Any costs exceeding
124 the cap will not be recovered, and any amount already collected over the cap will
125 be refunded as a credit to customers.

126
127 18. Q. Are there any items that would offset the cost cap?
128 A. Yes. Revenues from PJM that the Companies receive for bidding energy
129 efficiency into the RPM Auction and are credited back to customers through the
130 rider can offset the overall costs of the portfolio programs.

131
132
133

134 19. Q. Do the revenues from PJM include revenues as a result of demand response?

135 A. No. The revenues from PJM's demand response program offset the interruptible
136 demand response credit that is above market and does not count against the
137 Companies' cost cap. Therefore, the revenues received should not be credited
138 against the cost cap.

139

140 20. Q. Should all programs count towards the Companies' shared savings calculation?

141 A. No. Consistent with the Commission Order in 14-1297-EL-SSO Fifth Entry on
142 Rehearing (October 12, 2016, pg. 147), the Companies may not receive shared
143 savings under the Customer Action Program.

144 In addition to those programs specifically excluded from the shared savings
145 calculation in SB 310, the savings achieved from Historical Mercantile Projects
146 and Energy Special Improvement Districts should also not be used in the shared
147 savings calculation.

148

149 21. Q. Does this conclude your testimony?

150 A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true copy of the foregoing **Prepared Testimony of Patrick Donlon** was served by regular U.S. mail email postage prepaid and/or electronic email, this 5th day of December 2016, on the parties listed below.

Respectfully submitted,

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Name of Respondent Toledo Edison Company, The	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q4
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ELECTRIC OPERATING REVENUES (Account 400)

- The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
- Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
- Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
- If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
- Disclose amounts of \$250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	209,191,299	191,285,278
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	118,719,096	110,029,115
5	Large (or Ind.) (See Instr. 4)	112,943,625	116,150,827
6	(444) Public Street and Highway Lighting	8,031,295	8,783,223
7	(445) Other Sales to Public Authorities		
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	448,885,315	426,248,443
11	(447) Sales for Resale	70,117,713	57,287,348
12	TOTAL Sales of Electricity	519,003,028	483,535,791
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	519,003,028	483,535,791
15	Other Operating Revenues		
16	(450) Forfeited Discounts	2,254,239	2,206,557
17	(451) Miscellaneous Service Revenues	380,832	1,134,258
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	3,058,462	2,882,716
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	26,603,677	17,437,085
22	(456.1) Revenues from Transmission of Electricity of Others		
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	32,297,210	23,660,616
27	TOTAL Electric Operating Revenues	551,300,238	507,196,407

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Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	422,282,243	370,746,737
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	381,892,290	341,363,690
5	Large (or Ind.) (See Instr. 4)	125,981,150	112,259,318
6	(444) Public Street and Highway Lighting	20,016,445	22,180,529
7	(445) Other Sales to Public Authorities		
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	950,172,128	846,550,274
11	(447) Sales for Resale	3,656,982	383,528
12	TOTAL Sales of Electricity	953,829,110	846,933,802
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	953,829,110	846,933,802
15	Other Operating Revenues		
16	(450) Forfeited Discounts	5,495,000	5,043,588
17	(451) Miscellaneous Service Revenues	250,877	1,447,117
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	3,862,727	4,319,378
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	-580,923	1,076,943
22	(456.1) Revenues from Transmission of Electricity of Others		
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	9,027,681	11,887,026
27	TOTAL Electric Operating Revenues	962,856,791	858,820,828

ELECTRIC OPERATING REVENUES (Account 400)

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Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	728,148,411	643,968,775
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	354,706,509	313,221,698
5	Large (or Ind.) (See Instr. 4)	173,626,130	181,697,712
6	(444) Public Street and Highway Lighting	14,446,554	14,447,868
7	(445) Other Sales to Public Authorities		
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	1,270,927,604	1,153,336,053
11	(447) Sales for Resale	224,406,009	218,012,078
12	TOTAL Sales of Electricity	1,495,333,613	1,371,348,131
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	1,495,333,613	1,371,348,131
15	Other Operating Revenues		
16	(450) Forfeited Discounts	6,532,498	5,938,537
17	(451) Miscellaneous Service Revenues	1,594,406	4,173,846
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	11,347,288	11,976,883
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	-4,351,362	3,303,839
22	(456.1) Revenues from Transmission of Electricity of Others		
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	15,122,830	25,393,105
27	TOTAL Electric Operating Revenues	1,510,456,443	1,396,741,236

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Summary: Testimony of Patrick Donlon electronically filed by Ms. Tonnetta Scott on behalf of PUC