

THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Application of Ohio Edison :
Company, The Cleveland :
Electric Illuminating :
Company, and The Toledo :
Edison Company for : Case No. 16-0743-EL-POR
Approval of Their Energy :
Efficiency and Peak Demand :
Reduction Program Portfolio:
Plans for 2017 through 2019:

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PROCEEDINGS

before Mr. Richard Bulgrin, Attorney Examiner, at the
Public Utilities Commission of Ohio, 180 East Broad
Street, Room 11-D, Columbus, Ohio, called at
10:00 a.m. on Friday, January 27, 2017.

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VOLUME IV

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1 Friday Morning Session,

2 January 27, 2017.

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4 EXAMINER BULGRIN: Let's go back on the
5 record.

6 And good morning, ladies and gentlemen.
7 This is Day Four of the hearing for Case No.
8 16-743-EL-POR, being the FirstEnergy companies'
9 portfolio plan case.

10 And I believe we have Mr. Neme.

11 MR. KELTER: Neme.

12 EXAMINER BULGRIN: Neme, due up next, so.

13 MS. WILLIAMS: Thank you, your Honor. We
14 would like to call Chris Neme to the stand.

15 EXAMINER BULGRIN: All righty. Before
16 you have a seat.

17 (Witness sworn.)

18 EXAMINER BULGRIN: Please be seated.

19 - - -

20 CHRIS NEME

21 being first duly sworn, as prescribed by law, was
22 examined and testified as follows:

23 DIRECT EXAMINATION

24 By Ms. Williams:

25 Q. Good morning, Mr. Neme.

1 A. Good morning.

2 Q. Can you please state and spell your name
3 for the record.

4 A. My name is Chris Neme. That's N as in
5 Nancy, E as in Edward, M as in Mary, E as in Edward.

6 Q. Please state your place of business and
7 address.

8 A. I'm a principal with Energy Futures
9 Group, the address for which is P.O. Box 587
10 Hinesburg, Vermont 05482.

11 Q. Thank you.

12 MS. WILLIAMS: Your Honor, I'd like --

13 A. I'm sorry, 05461.

14 Q. Thank you.

15 A. I gave you my home zip code.

16 MS. WILLIAMS: Your Honor, I'd like to
17 mark the rebuttal testimony of Chris Neme filed on
18 January 25, 2017, as Environmental Intervenors
19 Exhibit 1. May I approach?

20 EXAMINER BULGRIN: Sure. Environmental
21 Intervenors Exhibit 1, it will be so marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 MS. WILLIAMS: Thank you.

24 Q. Good morning, Mr. Neme.

25 A. Good morning.

1 Q. Do you have a copy in your hand or in
2 front of you what's been marked as Environmental
3 Intervenors Exhibit 1?

4 A. I do.

5 Q. Are you familiar with this document?

6 A. I am.

7 Q. What is this document?

8 A. This is my rebuttal testimony that I
9 prepared and was filed on January 25th.

10 Q. Do you have any changes or corrections to
11 that rebuttal testimony?

12 A. I have two small typo corrections to
13 make. The first is on page 9, line 23, the word near
14 the end of the line there that says "produce" should
15 say "produces."

16 And, secondly, on page 10, line 135, as
17 it rolls on to line 36, currently it says "without
18 consideration for value." It's missing the word
19 "the." It should say "without consideration for the
20 value."

21 Q. Other than the corrections you just
22 noted, if I were to ask you the same questions in
23 your rebuttal testimony, would your answers be the
24 same?

25 A. They would.

1 MS. WILLIAMS: We move to admit
2 Environmental Intervenors Exhibit 1.

3 EXAMINER BULGRIN: Mr. Healey.

4 MR. HEALEY: I do have a quick motion to
5 strike, if your Honor would entertain that at this
6 time.

7 EXAMINER BULGRIN: Sure.

8 MR. HEALEY: Your Honor, OCC moves to
9 strike Mr. Neme's testimony beginning on page 28,
10 line 445, through page 29, line 450. In this portion
11 of Mr. Neme's testimony, Mr. Neme refers to a
12 stipulation that was filed in a different case, the
13 AEP energy efficiency case, and he performs various
14 calculations based on this stipulation. The parties
15 he represents in this case are environmental parties
16 that were signatories to that settlement in the AEP
17 case and that settlement has a provision that the
18 signatory parties will not cite the stipulation as
19 precedent in any other PUCO proceeding.

20 That is what Mr. Neme is doing in lines
21 445 through 450. And on that basis I would move to
22 strike.

23 I would also note for the record on line
24 446 that Mr. Neme states that the AEP stipulation is
25 supported by staff and OCC. In that matter, OCC

1 filed a letter on the docket that explicitly states
2 that OCC neither supports nor opposes that
3 settlement. And for that independent reason with
4 respect to the parenthetical about OCC supporting the
5 stipulation, I believe this portion of the testimony
6 should be stricken.

7 MS. WILLIAMS: Your Honor, this is not
8 being cited for precedential purposes. The lines and
9 the pages that Mr. Healey just mentioned, they're
10 being cited for comparison with the cost cap that is
11 being proposed in this case and what was agreed to in
12 the AEP case to form Mr. Neme's expert testimony.
13 And -- and also there was language in the Commission
14 order in that very AEP case that references
15 FirstEnergy's case before the Commission, although
16 it's subject to an application for rehearing, and we
17 do believe it's relevant in Mr. Neme's testimony.

18 MR. GLADMAN: Your Honor, if I could just
19 add very briefly.

20 EXAMINER BULGRIN: Sure.

21 MR. GLADMAN: You permitted me to inquire
22 of Dr. Donlon as a comparison between these very
23 metrics with respect to the FirstEnergy companies and
24 AEP.

25 MR. HEALEY: Can I respond, your Honor?

1 EXAMINER BULGRIN: Sure.

2 MR. HEALEY: I would just note with
3 respect to Mr. Gladman's comment, the companies are
4 not a signatory party to this stipulation, so that
5 restriction would not apply to them; whereas, the
6 environmental parties that Mr. Neme represents now
7 are, in fact, a signatory party, so that's a
8 distinction there.

9 And with respect to Ms. Williams'
10 comments, with respect to Ms. Williams' comments,
11 it's clearly being cited as precedential value. He's
12 comparing that stipulation and suggesting that
13 because of the terms of the stipulation and the
14 calculation he's done, that this stipulation is
15 somehow unreasonable.

16 MS. WILLIAMS: Your Honor, may I respond?

17 EXAMINER BULGRIN: Let me just ask this.
18 These -- the testimony that he's included here, the
19 numbers are all public record available in the other
20 case?

21 MR. HEALEY: That's my understanding --
22 well, I shouldn't say that, your Honor. I don't
23 think the calculations he's performed are public
24 record. They're based on numbers that are in the
25 public record.

1 EXAMINER BULGRIN: So if, for example,
2 you wanted to include it in your brief, you could
3 simply note that this is what happened in the other
4 case. We don't really need a witness testifying as
5 to what the Commission did in the other case.

6 MS. WILLIAMS: May I respond to that,
7 your Honor?

8 EXAMINER BULGRIN: Sure.

9 MS. WILLIAMS: So, first of all,
10 responding to what Mr. Healey just said a few seconds
11 ago, we are not citing to the stipulation for the
12 stipulation itself. We're citing to the calculation
13 itself on the cap. And if you look at footnote
14 27, you know, this is being used for comparison sake.
15 There's -- there's a calculation in here that is
16 relevant to, first of all, Mr. Spellman's testimony
17 and what he was calculating as the reasonable cost
18 for per kilowatt-hour for first year saved. If that
19 comparison is not made in this record, it will not be
20 able to be cited in our briefs.

21 EXAMINER BULGRIN: Okay.

22 MS. WILLIAMS: And that is also not in
23 the record.

24 EXAMINER BULGRIN: I'll overrule the
25 motion to strike.

1 MS. WILLIAMS: Thank you.

2 MR. HEALEY: Thank you, your Honor.

3 EXAMINER BULGRIN: Sure. Anything
4 further?

5 Okay.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Healey:

9 Q. Mr. Neme, you are testifying on behalf of
10 National -- Natural Resources Defense Council, the
11 Environmental Law & Policy Center, the Ohio
12 Environmental Council, and Environmental Defense
13 Fund, correct?

14 A. Correct.

15 Q. And if I refer to those parties as the
16 "environmental parties" or the "environmental
17 intervenors" or something else with the word
18 "environmental," you'll understand I'm referring to
19 those four parties collectively, correct?

20 A. Correct.

21 Q. Now, these four parties all signed the
22 settlement in this case, correct?

23 A. Yes.

24 Q. Mr. Neme, would you agree with the basic
25 statement that one of the primary benefits of

1 utility-administered energy efficiency programs is
2 reduced customer energy usage?

3 A. It's one of many benefits.

4 Q. And you, in fact, reviewed the settlement
5 in this case, correct?

6 A. I have.

7 Q. And did you review Exhibit A to the
8 settlement, for example? Exhibit A being the summary
9 of the program costs and the energy savings on a
10 subprogram-by-subprogram basis.

11 A. Yes.

12 Q. Do you have a copy of the settlement in
13 front of you?

14 A. I do not.

15 MS. WILLIAMS: May I approach?

16 EXAMINER BULGRIN: Sure.

17 A. Would you like me to turn to Exhibit A?

18 Q. Yes, please.

19 A. Okay.

20 Q. Now, Exhibit A contains a budget for the
21 portfolio as it is in the settlement on a
22 subprogram-by-subprogram basis, correct?

23 A. Yes.

24 Q. And looking at this list of subprograms,
25 would you agree that the portfolio offers energy

1 efficiency to a wide range of customer classes?

2 A. Yes.

3 Q. And are there any customer classes that
4 would not have an adequate opportunity to participate
5 in energy efficiency programs under the settlement?

6 A. I don't think so.

7 Q. And are there any major programming --
8 program offerings in your opinion that are absent
9 from the portfolio in Exhibit A and the settlement?

10 A. There are some program offerings that
11 some other utilities include in their portfolios that
12 are not here but this is a pretty wide-ranging group
13 of programs.

14 Q. And so it's fair to say given that the
15 four parties you're testifying on behalf of today
16 signed this settlement, that you agree that this is a
17 reasonable mix of programs for an energy efficiency
18 portfolio of this size and for FirstEnergy and its
19 customers?

20 A. I do.

21 Q. Mr. Neme, I would like you now to turn to
22 page 9 of your rebuttal testimony. I assume you have
23 a copy of that in front of you, correct?

24 A. I do.

25 Q. And we'll start at line 129. Rather,

1 we'll start on line 127. Now, starting at line 127
2 you're doing a comparison of the Residential
3 Behavioral program and the small business LED linear
4 light fixture; is that right, generally speaking?

5 A. Yes.

6 Q. And let's look at your -- your analysis
7 of the LED linear light fixture. You note that the
8 "LED linear light fixture has a rebate cost that is
9 nearly twice as great (10 cents) per first year
10 kilowatt-hour saved." Do you see that?

11 A. I do.

12 Q. And can you turn to -- I guess actually
13 let's look at footnote 6 on page 10. You cite
14 "FirstEnergy Revised Plan, Appendix C-3." By
15 "Revised Plan," you're referring to the Exhibit B to
16 the settlement, correct?

17 A. Yes, that's correct.

18 Q. And there are actually three Appendix
19 C-3s but they're all the same as it pertains to this
20 rebate amount, correct?

21 A. I believe that's correct, yes.

22 Q. Can you turn to -- can you turn to one of
23 them? I guess let's turn to the first one for Ohio
24 Edison Appendix C-3 and let's find where you're
25 referring to.

1 A. Sorry. The type is very small, so I'm
2 trying to acclimate my eyes.

3 Q. Sure. Yeah. It's page 6 of 15 on any of
4 the Appendix C-3s.

5 A. Okay. I have it.

6 Q. And just to be clear, you're looking at
7 the page that does not have the big word "Superseded"
8 over it, correct?

9 A. Oh, my mistake.

10 EXAMINER BULGRIN: So the correct one
11 follows after that?

12 MR. HEALEY: Yeah, the next C-3 is after
13 that, and it would be page 6 of 15.

14 Q. So I'm looking at Ohio Edison. Is that
15 the one you're on?

16 A. Yes, it is.

17 Q. Great. Now, you refer in your testimony
18 to "small business LED linear light fixture." Does
19 that correspond on page 6 to the measure called "LED
20 linear - SCI"?

21 A. Yes.

22 Q. And under "Rebate Strategy," it says
23 "\$.10 per kilowatt-hour saved."

24 A. That's correct.

25 Q. That's this 10-cent rebate you're

1 referring to on the top of page 10 on your testimony?

2 A. That's correct.

3 Q. And then is it fair to say that you --
4 let's go back to the top of page 10. You say it's
5 "only one-eighth the cost per lifetime kWh," and you
6 calculate that at .7 cents, correct?

7 A. Correct.

8 Q. You arrive at that number because this
9 measure has a 15-year measure life?

10 A. Yes.

11 Q. So you took the 10 cents, divided it by
12 15, which gets two-thirds of a cent, and then rounded
13 up to .7?

14 A. Correct.

15 Q. Now, the 10 cents number you're using is
16 the rebate amount, correct?

17 A. That's correct.

18 Q. And the rebate amount is the amount
19 that's paid to customers for installing this LED
20 linear light fixture measure, correct?

21 A. That's correct.

22 Q. That rebate does not include any of the
23 administrative costs of running the subprogram or
24 program that this LED linear SCI measure is included
25 in, correct?

1 A. That's correct.

2 Q. And so to actually figure out the
3 lifetime per kilowatt cost of this measure, you would
4 need to account for those administrative costs,
5 wouldn't you?

6 A. In aggregate at the program level, that's
7 true. But for every marginal additional LED light
8 fixture that's promoted, the program costs are
9 typically fixed; so the marginal costs per additional
10 LED fixture would be very close, if not identical, to
11 the rebate cost.

12 Q. But you have not actually done an
13 analysis of what portion of the administrative costs
14 for this program or subprogram might be attributable
15 to the LED linear SCI measure, correct?

16 A. I don't think it's possible to do that
17 kind of analysis because program costs are not
18 allocable on a measure-by-measure basis, typically.

19 Q. Now, going back to page 9, you refer to
20 the Residential Behavioral program, and as we just
21 discussed, you were comparing that program here to
22 this LED linear light fixture. Now, the Residential
23 Behavioral program doesn't have any subprograms, does
24 it?

25 A. I believe it, itself, is a subprogram.

1 Q. Fair enough. And the Residential
2 Behavioral program doesn't have any individual
3 measures that are installed for a customer, does it?

4 A. Well, that's a complicated question. The
5 reality is that the way those behavior programs work,
6 they typically involve multiple different measures or
7 actions by the consumers who participate.

8 Q. And so the way it works is the customer
9 receives some kind of report, either e-mail or mail,
10 and then that kind of psychologically or
11 sociologically encourages them to perform energy
12 efficiency measures, correct?

13 A. That's correct.

14 Q. And so when they install those measures
15 as a result of receiving the report, they're spending
16 their own money to do that, correct?

17 A. Yes, although in many cases the
18 significant portion of the savings from those kinds
19 of programs don't involve expenditure of resources by
20 the consumers. They're actions that the consumers
21 take that don't cost anything to conserve.

22 Q. So, for example, somebody gets a home
23 energy report, sees that their usage is high and
24 might turn the thermostat down, you know, one tick?

25 A. Or be more cognizant of leaving lights on

1 when they leave the room or a whole host of other
2 things that would be associated with waste that they
3 are now more aware of and pay more attention to.

4 Q. Now, under this Residential Behavioral
5 program, all the costs of that program are
6 administrative, correct?

7 A. Depending on your definition of
8 administrative, yes. They're not rebate costs, if
9 that's what you mean.

10 Q. Right. So on page 9 where you're
11 calculating the per kilowatt-hour cost of the
12 Residential Behavioral program, that does, in fact,
13 include all the administrative costs?

14 A. Yes. But the difference -- the magnitude
15 of the difference between 5-1/2 and 7 cents couldn't
16 come close to being addressed by any reasonable
17 allocation of fixed program overhead costs.

18 MR. HEALEY: Your Honor, I'd move to
19 strike the last sentence of Mr. Neme's testimony as
20 not responsive to my question.

21 EXAMINER BULGRIN: Overruled.

22 Q. Mr. Neme, let's turn to page 106 of the
23 amended plans in Exhibit B to the settlement.

24 MS. WILLIAMS: Can I get that page number
25 one more time, Counsel?

1 MR. HEALEY: 106.

2 A. Okay. I'm there.

3 Q. Great. Now, page 106 is a portion of the
4 portfolio plans that describes the shared savings
5 mechanism, correct?

6 A. That's correct.

7 Q. And at the top of page 106 you see a
8 table that has three headings, "Incentive Tier,"
9 "Compliance Percentage," and "Incentive Percentage"?

10 A. I do.

11 Q. And you understand that this "Compliance
12 Percentage" in column 2 refers to the annual
13 compliance percentage, correct, under Ohio Revised
14 Code 4928.66?

15 A. That's my understanding.

16 Q. And just so I'm clear, I used the phrase
17 "annual." That's the same as first year energy
18 savings, correct?

19 A. Yes, that's my understanding.

20 Q. So it's fair to say under this incentive
21 table that the companies in running their energy
22 efficiency programs have an incentive to maximize
23 their first year energy savings, correct?

24 MR. GLADMAN: Objection. Calls for
25 speculation on the company's part.

1 EXAMINER BULGRIN: Let me have that
2 reread.

3 (Record read.)

4 MR. HEALEY: Can I respond, your Honor?

5 EXAMINER BULGRIN: Yes.

6 MR. HEALEY: Just Mr. Neme's testimony is
7 full of statements about what may or may not incent
8 the company to run energy efficiency programs in a
9 certain way.

10 EXAMINER BULGRIN: Yeah, I'll overrule.

11 A. I'm sorry. Can you repeat the question?

12 Q. (By Mr. Healey) Is it fair to say that
13 under this incentive table in the shared savings
14 mechanism that the companies have an incentive to
15 maximize their first year energy savings under the
16 programs?

17 A. They certainly have an incentive to get
18 to at least 115 percent of their annual energy
19 savings target.

20 Q. But they wouldn't necessarily have an
21 incentive to go above 115 percent because at that
22 point they've already maximized the tier that they're
23 in, correct?

24 A. Yes, except to the extent that -- that
25 going higher would increase the utility cost test net

1 benefits and there's always going to be some
2 correlation between the magnitude of the savings, all
3 other things being equal, and the magnitude of the
4 net benefits.

5 Q. And all else being equal, to maximize
6 your first year savings, you'd want programs that
7 have the lowest first year cost per kilowatt-hour,
8 correct, all else equal?

9 A. Yes.

10 Q. And you understand that under
11 FirstEnergy's shared savings mechanism, the companies
12 also have an incentive to maximize the amount of net
13 benefits under the utility cost tests that the
14 programs produce, correct?

15 A. Yes.

16 Q. And that's because the shared savings
17 that they receive are a percentage of those net
18 benefits, correct?

19 A. That's correct.

20 Q. And that's reflected in the column 3 on
21 the table on page 106 which says "Incentive," that
22 percentage there is multiplied by the net benefits
23 and that's the shared savings, correct?

24 A. That's correct.

25 Q. And just so the record is clear, the

1 incentive percentages in the last column are the
2 aftertax percentages, correct?

3 A. No. I -- well, let's see. I don't think
4 that the percentages there are pretax or post-tax.
5 They're simply a percentage number that's multiplied
6 by the utility cost test net benefits.

7 Q. Okay. Mr. Neme, you agreed with me that
8 the companies have an incentive to maximize the
9 amount of net benefits under the utility cost test.
10 So would you say that, all else equal, a measure with
11 longer life -- longer measure life will produce more
12 net benefits than a measure with a shorter measure
13 life?

14 A. All else equal, but all else is not
15 always equal.

16 Q. But all else equal, that's a true
17 statement, correct?

18 A. That's a true statement.

19 Q. And given that the utility has an
20 incentive to produce at least 115 percent first year
21 savings and they also have an incentive to maximize
22 their net benefits under the UCT, there's a bit of a
23 conflict in those two goals, correct?

24 MR. GLADMAN: Objection. It's
25 argumentative.

1 EXAMINER BULGRIN: Overruled. You can
2 answer.

3 A. I think it's more complicated than that.
4 I think you have to look at the question measure by
5 measure and program by program. There are some
6 programs that have relatively short lives but that
7 produce a lot of net benefits because they are just
8 very inexpensive; residential lighting being one
9 example.

10 There are other measures that have
11 relatively short lives that don't produce so many net
12 benefits per program dollar. The Residential
13 Behavioral program is an example -- might be an
14 example of that.

15 And then there are other programs that
16 have substantial net benefits because they have -- in
17 significant part because they have longer lived
18 savings. I think that was part of the point I was
19 trying to convey in my testimony is that we're
20 dealing with a complex mix of efficiency measures and
21 efficiency programs that have different attributes.
22 And when you're trying to maximize your shareholder
23 incentive, it's a balancing act to try to weigh all
24 of those things.

25 Q. Let's move back to your testimony on page

1 13 and starting on line 189. Here you're discussing
2 the UCT, which is the utility cost test, correct?

3 A. Correct.

4 Q. And you state starting on line 189 "as
5 applied in Ohio, the UCT does not distinguish between
6 measures or programs for which much of the savings
7 would have occurred without the utility's programs
8 and those for which such programs were essential for
9 generating the vast majority or all the savings."
10 Are you referring in this sentence to the fact that
11 Ohio counts savings on a gross basis as opposed to
12 net?

13 A. In part.

14 Q. And are you also referring to, for
15 example, the Customer Action program in this
16 sentence?

17 A. Yes.

18 Q. Is there anything else other than those
19 two things that you are stating through this
20 sentence? Let me rephrase that.

21 Other than the gross-to-net issue and the
22 Customer Action program, is there anything else that
23 this sentence applies to?

24 A. I'm sorry. Rephrase your question. What
25 are you asking me?

1 Q. Sure, sure. That was a bad question.
2 You agreed that by -- let's focus on the phrase
3 "measures or programs for which much of the savings
4 would have occurred without the utility's programs."
5 Now, you agreed that that refers, in part, to the
6 fact that we count gross savings in Ohio, correct?

7 A. That's correct.

8 Q. So what you're saying is there are some
9 savings that would have occurred even if there were
10 no programs but are still being counted as program
11 savings, correct?

12 A. Yes.

13 Q. And the Customer Action program is a good
14 example of that; is that right?

15 A. It's one.

16 Q. Because under the Customer Action
17 program, the companies don't do anything other than
18 count the savings that customers achieve on their
19 own, correct?

20 A. Correct.

21 Q. Now, you understand under the settlement
22 that the savings from the Customer Action program
23 don't count toward shared savings, correct?

24 A. That's correct.

25 Q. And coming back to your sentence in 189

1 that "the UCT does not distinguish between measures
2 or programs for which much of the savings would have
3 occurred without the utility's programs and those for
4 which such programs were essential for generating the
5 vast majority of all the savings." That's true under
6 the UCT whether there's a cost cap or not, correct?

7 A. Yes. And it's true under the TRC as
8 well.

9 Q. And the next sentence you state,
10 "Moreover, several electric system benefits - such as
11 energy and capacity price suppression effects, the
12 risk-mitigating benefits of efficiency (particularly
13 longer-lived savings) and the marginal impacts of
14 efficiency on line losses (FirstEnergy uses lower
15 average line loss rates in its analyses) - are not
16 captured in FirstEnergy's current application of the
17 UCT." Now, that sentence is true whether there is a
18 cost cap or not, correct?

19 A. Yes. It's true both under the UCT and
20 the TRC whether there is a cost cap or not.

21 Q. And then the sentence after that which
22 starts at the end, "Finally, by design the UCT does
23 not capture several important benefits of efficiency
24 programs beyond electric system benefits." That too
25 is true whether there is a cost cap or not, correct?

1 A. It's true with respect to how the UCT is
2 calculated, but the point that I'm making here is
3 that when you impose a cost cap and the focus becomes
4 purely on maximizing UCT within the context of the
5 cap, these other things can get pushed -- these other
6 considerations, these other types of benefits can get
7 pushed aside and not considered.

8 MR. HEALEY: Your Honor, I'd move to
9 strike everything starting with "The point I'm making
10 here." I didn't ask him about his point. I just
11 asked him about the UCT.

12 EXAMINER BULGRIN: Overruled.

13 MR. HEALEY: Thank you, your Honor.

14 Q. Let's move on to page 16 of your
15 testimony. I'd like to spend some time talking about
16 Table 1. And I hope you'll bear with me as we walk
17 through how some of these calculations are done.
18 Just given the short time frame of your filing your
19 testimony, we didn't have a chance to get workpapers
20 and things like that.

21 A. Sure.

22 Q. Let's start with Scenario 1. The last
23 column there "Total" shows "Statutory 1st Year MWh
24 Savings Goal," and then "Staff Proposed Spending
25 Cap," and then calculates "Spending per 1st year

1 kilowatt-hours." Do you see those three numbers?

2 A. I do.

3 Q. That "Spending per 1st Year
4 kilowatt-hours" is just the \$80 million number
5 divided by the 531,000 number?

6 A. Yes. The 15.1 cents is the product of
7 that math.

8 Q. And that's essentially what Mr. Spellman
9 did in his testimony, correct?

10 A. It is.

11 Q. And then your Scenario 1 breaks down
12 Mr. Spellman's calculation on a company-by-company
13 basis --

14 A. Correct.

15 Q. -- is that a fair assessment?

16 A. For Scenario 1, yes.

17 Q. Great. Now, the row marked "Staff
18 Proposed Spending Cap," that's the 3 percent cap
19 proposed in Mr. Donlon's testimony, correct?

20 A. That's correct.

21 Q. And your Table 1, "Staff Proposed
22 Spending Cap," that assumes that there will be no PJM
23 revenues coming back to the customers, correct?

24 A. It does, although I wouldn't expect PJM
25 revenues to be -- likely to be very substantial and

1 have a significant impact on the bottom line here.

2 Q. Sure. But you understand that to the
3 extent there are PJM revenues, they would effectively
4 increase the cap, the staff proposed spending cap,
5 correct?

6 A. That's correct.

7 Q. And if the cap is effectively increased
8 as a result of those PJM revenues, then the "Spending
9 per 1st Year kilowatt-hour" number in Scenario 1
10 would also go up, at least slightly, correct?

11 A. Yes. Again, I wouldn't expect it to go
12 up significantly, but it would go up to the extent
13 there are revenues.

14 Q. Let's move down to Scenario 2 now. In
15 this scenario, you assumed that each of the three
16 companies will maximize its pretax shared savings,
17 correct?

18 A. Correct.

19 Q. And you assume that they will try to
20 maximize their pretax shared savings because that's a
21 rational business decision, correct?

22 A. Yes.

23 Q. Now, the first row in Scenario 2, and by
24 "first row" I'm not referring to the title row, the
25 first row "Statutory 1st Year MWh Savings Goal,"

1 those are just -- those are the first year energy
2 savings goals under the statute for each of the three
3 companies, correct?

4 A. Yes. It's the same as the first row in
5 Scenario 1.

6 Q. That reflects 1 of the baseline and I
7 won't --

8 A. Yes.

9 Q. -- define "baseline" here, but you
10 understand what I mean, correct?

11 A. I do.

12 Q. And the second row marked "1st Year
13 Savings Required for Max Shared Savings Tier," you
14 took the numbers in the first row and multiplied
15 those by 115 percent to get that second row, correct?

16 A. I did.

17 Q. And that's because the highest tier in
18 the incentive table which we discussed earlier
19 requires the companies to reach 115 percent
20 compliance percentage to get their maximum incentive
21 percentage, correct?

22 A. Correct.

23 Q. And as we discussed, as rational
24 businesses, they would like to maximize the amount of
25 shared savings they receive, and so you assume that

1 that's what they would try to do?

2 A. Yes.

3 Q. And the next row after that is "Max
4 Pre-Tax Shared Savings," correct?

5 A. That's correct.

6 Q. And the last column "Total" is
7 15.6 million, you arrived at that number by taking
8 the \$10 million cap and applying an assumed tax rate
9 of 36 percent to get to the 15.6 million, correct?

10 A. Not exactly. I -- well, indirectly.
11 What I did was basically look at an interrogatory
12 response from the company back in the
13 summer regard -- when they had asked for a \$25
14 million cap. And the question was asked what -- what
15 would that -- the aftertax cap, what would that
16 translate to in pretax, and I took the ratio of those
17 two numbers and applied it to the 10 million here.

18 Q. Okay. So I skipped a few steps but
19 understood. And then you took that \$15.6 million cap
20 and you allocated a portion of it to each of the
21 three companies, the 7 million, 5-1/2 million, and 3
22 million per OE, CEI, and TE, respectively, correct?

23 A. Yes.

24 Q. And those three numbers add up to the
25 15.6 million?

1 A. Yes.

2 Q. And then the next row in Scenario 2 is
3 "Budget available if max shared savings earned."
4 What you did to calculate that row is subtract the
5 previous row, "Max Pre-Tax Shared Savings" from the
6 "Staff Proposed Spending Cap" from Scenario 1,
7 correct?

8 A. Correct.

9 Q. And then the last row in Scenario 2, "Max
10 Cost per 1st year kWh," you divided the previous row,
11 "Budget available if max shared savings earned" by
12 the second row, "1st Year Savings Required for Max
13 Shared Savings Tier," correct?

14 A. That's correct.

15 Q. Now, because the last row in Scenario 2
16 is reliant on the second and fourth rows, if the
17 budget number in the fourth row, "Budget available if
18 max shared savings earned" were higher, then the "Max
19 Cost per 1st Year kWh" would also be higher, correct,
20 just as a mathematical --

21 A. By definition.

22 Q. And then, by the same token, if the "1st
23 Year Savings Required for Max Shared Savings Tier"
24 were lower, then the "Max Cost per 1st year kWh"
25 would also be higher, correct?

1 A. By definition.

2 Q. Coming back to the first row briefly.

3 The "Statutory 1st Year MWh Savings Goals," those are
4 the 2017 numbers?

5 A. That's correct.

6 Q. For 2018 and '19, you would have to do a
7 similar calculation; you would just plug in the '18
8 and '19 numbers, correct?

9 A. That's correct.

10 Q. And the "Statutory 1st Year MWh Savings
11 Goals" assume no non-residential customer opt-outs?

12 A. That's correct.

13 Q. And if there are any opt-outs, the
14 numbers in the "Statutory 1st Year MWh Savings Goal"
15 row would be lower, correct?

16 A. Yes.

17 Q. Let's go back to the row marked "1st Year
18 Savings Required for Max Shared Savings Tier." Now,
19 we discussed before that you got this number by
20 multiplying the first row of "MWh savings goal" by
21 115 percent, because that's the highest percentage in
22 the table on page 106 of the plans, correct?

23 A. Yes.

24 Q. Now, Mr. Neme, it's possible for the
25 companies to achieve their maximum shared savings

1 amount without being in that top tier on the table on
2 page 106; isn't that right?

3 A. It is mathematically possible. I think
4 it's more probable that they could get there by
5 reaching the highest kWh tier.

6 Q. But, for example, if they were in tier 4,
7 if they achieved, say, 111 percent, and got
8 10 percent of the net benefits, that could
9 conceivably, for OE, produce the 7 million in max
10 pretax shared savings, correct?

11 A. Again it's possible.

12 Q. Now, I'd like to get into a little more
13 detail on the "Max Pre-Tax Shared Savings" row. We
14 discussed that you calculated the \$15.6 million
15 number and then allocated that across the three
16 companies, correct?

17 A. Yes.

18 Q. And the way you did that was, for
19 example, for Ohio Edison, you took the statutory
20 first year MWh savings goal of 238,980, you divided
21 it by the total goal, and then multiplied that by
22 15.6 million, correct?

23 A. Yes.

24 Q. Now, are you aware that's not how
25 FirstEnergy allocates shared savings payments to each

1 of the three companies?

2 A. I am aware. My understanding is that
3 FirstEnergy, if they were to reach the spend -- the
4 shared savings cap, would allocate the -- the maximum
5 in proportion to the magnitude of the UCT net
6 benefits that were produced.

7 However, I think the way I've done it is
8 a pretty reasonable, close enough proxy. I did take
9 a -- a look at the ratio of total resource cost test
10 net benefits, which is not the same thing as the UCT,
11 but it's another form of cost-effectiveness
12 assessment, and it didn't exactly match the kWh
13 allocations but it was pretty close, so I would
14 presume -- and they're running the same programs
15 across the different territories. I would assume
16 that the kWh -- it would be a fairly close alignment
17 between kWh savings by company and UCT net benefits
18 by company.

19 Q. It's fair to say, though, that to
20 properly allocate, you would need to know what the
21 projected net benefits are on a company-by-company
22 basis, correct?

23 A. Sure.

24 Q. And you haven't done any analysis to
25 determine what those projected net benefits would be

1 under your Scenario 2, correct?

2 A. Well, again, I did do some analysis to
3 determine whether the TRC net benefits are forecast
4 to be allocated in a -- in proportions that are
5 similar to the kWh goals, and they were, which is an
6 indicator to me that that's likely to be true for UCT
7 as well since the utilities are running the same
8 programs across all three companies.

9 Q. Mr. Neme, have you performed any
10 statistical studies showing the correlation between
11 net benefits produced under the TRC or the UCT --
12 versus the UCT?

13 A. Have I performed any statistical studies?
14 What do you mean by that?

15 Q. A comparison of whether the net benefits
16 produced under the TRC is, in fact, correlated to the
17 net benefits produced under the UCT?

18 A. I haven't done a kind of mathematical
19 calculation to definitively determine that. That's
20 just -- and to be sure that from program to program
21 there can be differences. I'm just relying on my
22 general experience that those things tend to go
23 fairly hand and hand, across broad portfolios of
24 programs.

25 Q. Understood. Thank you.

1 Let's go back to Scenario 2 and let's
2 stick with Ohio Edison for the time being. You
3 conclude, under your Scenario 2, that Ohio Edison
4 would be required to achieve energy savings at a cost
5 of 11.3 cents per first year kilowatt-hours to meet
6 its statutory benchmark and to maximize shared
7 savings, correct?

8 A. Correct.

9 Q. And it's your opinion that achieving
10 savings at 11.3 cents for Ohio Edison for 2017 is not
11 reasonable, correct?

12 A. It's not reasonable if you want a
13 balanced portfolio of programs that address the
14 multiple objectives I articulated in my testimony.

15 Q. Do you think it's possible for Ohio
16 Edison to achieve savings at 11.3 cents per
17 kilowatt-hour first year?

18 MS. WILLIAMS: Asked and answered, your
19 Honor.

20 EXAMINER BULGRIN: You can answer. I'll
21 overrule it.

22 A. Without regard to the mix of programs
23 being promoted, is that your question?

24 Q. Possible is my question. So that would
25 be included in possible, yes.

1 A. Is it possible if that's that only thing
2 that they were trying to do? Maybe.

3 Q. Looking at Cleveland Electric, you --
4 under your Scenario 2, you conclude it would cost
5 10.7 cents per kilowatt-hour for Cleveland Electric
6 to achieve first year savings. Sorry, let me start
7 that over.

8 Do you believe it's reasonable to expect
9 Cleveland Electric to achieve first year savings at a
10 cost of 10.7 cents per kilowatt-hour?

11 A. Again, not if they're going to have a
12 balanced portfolio of programs that attempt to fully
13 serve the full range of customers, and their
14 opportunities include considerations for long-term
15 market transformation and address concerns about
16 promoting the best technology for consumers, I do
17 not.

18 Q. And same question for Toledo Edison. Do
19 you think it's reasonable to expect Toledo Edison to
20 achieve first year savings at a cost of 8.6 cents per
21 kilowatt-hour?

22 A. Again, if we're talking about a -- an
23 attempt to do so -- well, even -- even if you put
24 aside all of the other -- in Toledo Edison's case,
25 even if you put -- when we're talking about a cost as

1 low as 8.6 cents, even if you put aside concerns
2 about having a balanced portfolio that addresses the
3 range of concerns and policy objectives that I
4 articulated about, I'm not sure that that's possible.

5 Q. And to speed things up, in Scenario 3,
6 you calculate the numbers of OE, CEI, and TE at 10.4
7 cents, 9.7 cents, and 7.4 cents. Your responses to
8 those questions about the reasonableness for the
9 three companies would be the same for Scenario 3,
10 correct?

11 A. They get even more challenging if you're
12 going to serve low-income customers at the level the
13 utility had planned to do.

14 Q. Mr. Neme, I'd like to turn back to
15 Exhibit A of the settlement.

16 A. Okay.

17 Q. Now, at the -- near the bottom there's
18 a -- of the column -- let's start again.

19 You see a column near the top that's
20 called "Budget," correct?

21 A. I'm sorry. My copy is a little blurry.

22 MS. FLEISHER: I'm sorry. I just missed
23 what page we're on.

24 MR. HEALEY: We're on Exhibit A to the
25 settlement.

1 A. Yes. A series of columns called
2 "Budget."

3 Q. Yes. So there's one called "As Filed"
4 and your understanding is that that's the application
5 that was filed in this case --

6 A. Yes.

7 Q. -- initially?

8 A. Yes.

9 Q. And then "Reprojection" is the
10 settlement?

11 A. Yes.

12 Q. And then at the very bottom of the
13 "Reprojection" column I see a number of 268,449,192.

14 A. Yes.

15 Q. Do you see that?

16 A. Yes, I do.

17 Q. Your understanding is that this does not
18 include an additional \$18 million for the Community
19 Connections program, correct?

20 A. That's correct.

21 Q. And so if you add the 18 million to that
22 number, you get about 286.5 million?

23 A. I believe that's right.

24 Q. And you don't have to turn to it, but on
25 line 210 of your testimony you mention that the

1 programs cost about 95.5 million per year. That's
2 just the 286.5 million divided by 3, correct?

3 A. That's correct.

4 Q. Let's turn to page 32 of your testimony.
5 Starting at line 503, you state, "The Commission
6 should approve both a portfolio of efficiency
7 programs and a not-to-exceed budget for spending on
8 those programs." Now, when you say "a not-to-exceed
9 budget for spending on those programs" in the context
10 of the settlement, that would be the \$95.5 million
11 annual budget, correct?

12 A. Yes, if they were to approve the
13 settlement, that would -- that would be the
14 constraint they would be endorsing.

15 Q. And that would satisfy your
16 recommendation that the Commission should approve
17 both a portfolio of efficiency programs and a
18 not-to-exceed budget for spending on those programs?

19 A. Yes, if they were to find the stipulation
20 reasonable.

21 Q. And you understand, as we discussed
22 before, that the settlement includes an annual
23 \$10 million aftertax shared savings cap, correct?

24 A. I do.

25 Q. And you calculated that this would be

1 about \$15.6 million pretax?

2 A. I have.

3 Q. And so if we combine the \$95.5 million
4 program budget and the \$15.6 million shared savings
5 cap, then customers could conceivably pay up to
6 \$111.1 million per year under this settlement,
7 correct?

8 A. Yes. And receive enormous benefits in
9 return.

10 Q. So it's fair to say, then, that you
11 would, in fact, support a cap of \$111.1 million per
12 year for the three FirstEnergy companies combined,
13 correct?

14 MR. GLADMAN: Objection. Meaning of the
15 word "cap" in this context is unclear to me.

16 MR. HEALEY: "Cap" is a standard English
17 word, your Honor.

18 EXAMINER BULGRIN: Yeah. You can answer
19 if you know.

20 A. I was actually scratching my head about
21 the term "cap" as well. Because the way the term
22 "cap" has been used in Mr. Donlon's and
23 Mr. Spellman's testimony is not the same as a budget
24 limitation. It's -- it's been used as a kind of
25 fixed percentage of some value that applies equally

1 across all utilities. And if that's what we mean by
2 "cap," then, no, I don't -- I'm not suggesting that
3 this would be a cap.

4 Q. Okay. Let -- let's talk about
5 Mr. Donlon's proposal briefly then. Mr. Donlon is
6 proposing what has been referred to in this case
7 frequently as the "cost cap," correct?

8 A. Yes, yes.

9 Q. And his cost cap proposal is about \$80.1
10 million. Does that sound about right?

11 A. Yes.

12 Q. And you understand --

13 A. Across all three utilities.

14 Q. I'm sorry?

15 A. Across all three companies.

16 Q. Yes, yes. For purposes of right now,
17 we're talking about across all three companies;
18 understanding that there will be some nuances as you
19 deal with the companies individually.

20 A. Sure.

21 Q. So under Mr. Donlon's proposal, the
22 maximum that could be spent on program costs, plus
23 shared savings, per year, for all three companies
24 combined is \$80.1 million, correct?

25 A. Yes.

1 Q. And under the settlement, as you
2 understand it, the maximum that could be spent per
3 year on programs, plus shared savings, is
4 \$111.1 million across the three FirstEnergy companies
5 combined, correct?

6 A. Yes, that's the maximum that customers --
7 consumers could be asked to pay, yes.

8 Q. And you support the settlement including
9 that maximum amount that customers could be asked to
10 pay of \$111.1 million per year, correct?

11 A. I do.

12 Q. And just a clarifying point again, the
13 \$95.5 million budget that you reference in your
14 testimony would not include any of the PJM revenues
15 that might come back to customers, correct?

16 A. That's correct.

17 MR. HEALEY: Your Honor, I just need 2
18 minutes just to make sure I've covered --

19 EXAMINER BULGRIN: Sure.

20 MR. HEALEY: Thank you.

21 EXAMINER BULGRIN: Actually, why don't we
22 take about a 5-minute break?

23 MR. HEALEY: Sure.

24 (Recess taken.)

25 MR. HEALEY: Your Honor, I have no

1 further questions for Mr. Neme.

2 I do have one quick request. I'd like to
3 ask for administrative notice of the December 12th,
4 2016, letter that OCC filed in Case 16-574. It's a
5 letter regarding an AEP settlement wherein OCC
6 stated, among other things, "In this letter the
7 Consumers' Counsel advises -- "in this letter filed
8 in AEP's energy efficiency Case No. 16-574,
9 Consumers' Counsel noted, with respect to AEP's
10 settlement, in this letter the Consumers' Counsel
11 advises with some explanations that we neither
12 support nor oppose the settlement."

13 I'm just asking for administrative notice
14 to rebut Mr. Neme's statement that OCC supported the
15 stipulation, which I asked to be stricken and was not
16 granted that request.

17 EXAMINER BULGRIN: Yes. Granted.

18 MR. HEALEY: Thank you. That's all I
19 have.

20 MS. WILLIAMS: Your Honor, can we take a
21 quick 10 minute-break?

22 MR. KELTER: 5 minutes.

23 EXAMINER BULGRIN: 5 minutes.

24 MS. WILLIAMS: 5 minutes.

25 MR. HEALEY: Well, staff's crossing.

1 MS. WILLIAMS: Oh, I apologize.

2 - - -

3 CROSS-EXAMINATION

4 By Ms. Messenger:

5 Q. Good morning, Mr. Neme. My name is
6 Natalia Messenger. I represent the PUCO staff.

7 A. Good morning.

8 Q. Have you ever spoken with staff about the
9 analysis it did in reaching the conclusions it has
10 about the cost cap?

11 A. I was -- I recall being on one
12 conversation with staff about the concept of the cap.

13 Q. But the -- I'm sorry. I didn't mean to
14 cut you off.

15 A. No. Go ahead.

16 MS. WILLIAMS: Objection, your Honor.
17 This -- this line of questioning may start getting
18 into settlement discussions, confidential. So I just
19 wanted to make that note that the witness should not
20 provide information that was discussed during those
21 settlement communications.

22 MS. MESSENGER: I'm just asking him
23 generally.

24 EXAMINER BULGRIN: Okay. I'll allow it.
25 You can answer.

1 Q. Specifically about the analysis that
2 staff has done.

3 A. My recollection of that conversation is
4 that it did not get into -- that staff did not
5 describe the analysis that they did to reach the
6 conclusion regarding the specific proposal they were
7 making.

8 Q. So you're uncertain then about what
9 considerations staff took into account, whether it
10 balanced benefits to customers and costs when setting
11 the cost cap?

12 A. All I have to go by is what's on the
13 record, and my presumption was that the rationale
14 that the staff had for its proposal would have been
15 expressed and was expressed in Mr. Donlon's
16 testimony.

17 Q. Can you please turn to page 9 of your
18 rebuttal testimony.

19 A. I'm there.

20 Q. In footnote 3 you state that the
21 "references to the 'acquisition costs'...are the same
22 concept as 'first year kWh saved.'" Can you just
23 clarify what you mean by that?

24 A. Just give me a second to see where --
25 what it was footnoting.

1 Q. Sure.

2 A. To be honest, I don't recall if I've used
3 the word -- the term "acquisition costs" myself in
4 other parts of my testimony. So I'm not sure -- I'm
5 not -- I'm not recalling what the purpose of the
6 footnote is at the moment.

7 Q. Okay. Can you turn to page 14, please,
8 of your rebuttal testimony.

9 A. I'm there.

10 Q. In that first paragraph you reference
11 Ohio Administrative Code -- I'm sorry -- this is
12 footnote 10 where you make this reference,
13 4901:1-39-03. Do you see that?

14 A. I do.

15 Q. And this code section provides the design
16 criteria that the Commission has identified that
17 utilities should consider; is that correct?

18 A. It is.

19 MS. MESSENGER: Your Honor, may we
20 approach with the code section?

21 EXAMINER BULGRIN: Sure.

22 THE WITNESS: Thank you.

23 MR. JONES: You're welcome.

24 Q. (By Ms. Messenger) And your reference is
25 to Section (B) of the -- of this code section; is

1 that right?

2 A. It is.

3 Q. And can you read what the first criteria
4 is that Commission has listed that a utility should
5 consider?

6 A. "Relative cost-effectiveness."

7 Q. And how many criteria are listed there?

8 A. 13.

9 Q. And can we skip ahead to page 19 of your
10 testimony.

11 A. I'm there.

12 Q. In lines 287 to the bottom of the page
13 there, you list -- you talk about measures that have
14 become more expensive since the time period of 2012
15 to 2014; do you see that?

16 A. Yes. Just to -- to be slightly more
17 precise, I made reference to measures for which the
18 per-unit savings has dropped considerably since 2014.

19 Q. Would you agree that while some measures
20 are more expensive, other measures are less expensive
21 since that time period?

22 A. I haven't done an exhaustive analysis,
23 but just from my experience from the different
24 jurisdictions in which I work and the different
25 efficiencies programs with which I interact or have

1 analyzed, the only category of measures whose costs
2 I'm familiar with having significantly decreased in
3 recent years are LED lighting measures. And back in
4 2014, it might have even been possible that some of
5 them were not cost effective, at least not on the
6 commercial side at all, and have now become cost
7 effective because those costs have come down.

8 However, with -- there's a difference
9 between whether costs have come down and whether the
10 savings values that you can claim have gone up. I
11 suppose those are both interactive effects when
12 determining what it would cost you to get something.

13 But again, to come back to the example of
14 LEDs, on the residential side this time, these
15 savings, even though the cost per LED have come down,
16 they're still more expensive than the cost of the
17 CFL, at least in some lumen output categories.

18 And the savings relative to the
19 appropriate baseline for residential LEDs has also
20 come down significantly since the 2012 to 2014 period
21 as a result of federal lighting standards.

22 So in that -- that all taken together, I
23 can't think of any significant new opportunity for
24 getting savings less expensively than were achieved
25 in 2012 to 2014 that is possible in the 2017 to 2019

1 time horizon.

2 Q. Are you familiar with Senate Bill 310?

3 A. I believe so. I may not be remembering
4 the exact numbers, but.

5 Q. Are you -- are you aware that Senate Bill
6 310 has allowed utilities to count more savings
7 towards their benchmark?

8 A. More savings relative to what?

9 Q. Than to what was allowed previously to
10 Senate Bill 310.

11 MS. WILLIAMS: Your Honor, vague.
12 There's hasn't been an establishment of what was
13 allowed previously.

14 Do you have a copy of Senate Bill 310 to
15 share?

16 MS. MESSENGER: I don't.

17 EXAMINER BULGRIN: Let's go off the
18 record for a minute.

19 (Off the record.)

20 EXAMINER BULGRIN: Back on the record.

21 MS. MESSENGER: I withdraw the question,
22 and that's all I have.

23 EXAMINER BULGRIN: Thank you.

24 Any redirect?

25 MS. WILLIAMS: Can we request a quick

1 break?

2 EXAMINER BULGRIN: Sure. Yeah. Let's
3 take 5 minutes.

4 MS. WILLIAMS: Five? Okay.

5 EXAMINER BULGRIN: We're off the record.
6 (Recess taken.)

7 EXAMINER BULGRIN: Let's go back on the
8 record.

9 Ms. Williams.

10 MS. WILLIAMS: Thank you, your Honor.

11 - - -

12 REDIRECT EXAMINATION

13 By Ms. Williams:

14 Q. I just have a few questions following up.
15 Mr. Neme, can you please turn to page 32 of your
16 rebuttal testimony, lines 504 to 506. Let me know
17 when you're there.

18 EXAMINER BULGRIN: I'm sorry, what page
19 was that?

20 MS. WILLIAMS: That's page 32, lines 504
21 to 506.

22 EXAMINER BULGRIN: Thank you.

23 A. I'm there.

24 Q. Okay. Thank you.

25 Do you recall a conversation with counsel

1 for OCC, a few minutes ago, referencing this page and
2 these lines about a -- a budget versus a cap?

3 A. I do.

4 Q. Do you recall saying that you would
5 support a budget but not a cap?

6 A. That I would support a budget limitation,
7 yes.

8 Q. So using the -- in the parlance of the
9 words you used on these lines, a "not-to-exceed
10 budget," why do you support a "not-to-exceed budget"
11 but not a cost cap as I believe it's been defined
12 throughout the cross today?

13 A. I think it's eminently reasonable for the
14 Commission to look at a proposed mix of efficiency
15 programs to assess the value that those programs
16 provide individually and in aggregate, to assess
17 whether they are reasonably priced in terms of the
18 cost of the delivering them, and then to art --
19 essentially articulate, then, an expectation that
20 those programs and the benefits that they are
21 forecast to produce would be delivered within that
22 kind of budget.

23 I think that's very different than a
24 spending cap, as it's been discussed in this
25 proceeding, which is essentially a predetermined

1 number that's some fixed percentage of something that
2 applies equally to all utilities without regard to
3 whether it equitably treats the ability of each
4 utility to meet its targets without regard to any
5 analysis about whether the merits of a different
6 program mix that might result or the demerits of a
7 different program mix that might result outweigh any
8 benefits of cost reductions.

9 In other words, I think that a budget
10 limitation or a not-to-exceed budget allows the
11 utility -- allows the Commission, excuse me, to take
12 a more comprehensive and even nuanced look at the
13 value to consumers; an across-the-board fixed
14 spending cap, as proposed by Mr. Donlon, does not.

15 Q. Thank you, Mr. Neme. I have just one
16 more follow-up. If you could turn to page 16 of your
17 rebuttal and refer again to Table 1.

18 A. Okay. I'm there.

19 Q. Do you recall having a conversation with
20 counsel for OCC a little while ago about the
21 calculations in this table?

22 A. I do.

23 Q. Can you look on Scenario 2 and go down to
24 the final line there, "Maximum cost per 1st year
25 kilowatt-hour." Please look under the Ohio Edison

1 column.

2 A. Yes.

3 Q. The calculation there is 11.3 cents per
4 first year kilowatt-hour saved; is that correct?

5 A. That's correct.

6 Q. Mr. Neme, are you aware of any analysis
7 in the record done by staff or by witnesses for OCC
8 showing that it would be possible for the companies,
9 under the revised plans, to meet this cost per
10 kilowatt-hour saved?

11 A. I am not.

12 Q. Would your answer also be the same for
13 the lines under Cleveland Electric Illuminating which
14 is 10.7 cents?

15 A. They would be the same for all three
16 companies, as well as for FirstEnergy in aggregate.

17 MS. WILLIAMS: Thank you. Nothing
18 further, your Honor.

19 EXAMINER BULGRIN: Okay. If there's
20 nothing further, then, thank you, Mr. Neme.

21 THE WITNESS: Thank you, sir.

22 EXAMINER BULGRIN: And I believe there's
23 a motion pending for the admission of Environmental
24 Intervenors Exhibit No. 1. Any objections?

25 MR. HEALEY: Your Honor, I just renew my

1 objection with respect to lines 445 through 450 just
2 for the record.

3 EXAMINER BULGRIN: Okay. Those
4 objections will be overruled and this will be
5 admitted.

6 (EXHIBIT ADMITTED INTO EVIDENCE.)

7 EXAMINER BULGRIN: Okay. Anything
8 further that we need to do on the record?

9 MS. WILLIAMS: Your Honor, I'd like to
10 formally request to move into evidence the
11 Environmental Intervenors Exhibit 1, Mr. Neme's
12 rebuttal testimony.

13 EXAMINER BULGRIN: Yeah. We just --

14 MS. WILLIAMS: Thank you.

15 EXAMINER BULGRIN: We just admitted that.

16 MS. WILLIAMS: Okay. Just making sure.

17 EXAMINER BULGRIN: Okay. Let's go off
18 the record then.

19 (Thereupon, at 11:18 a.m., the hearing
20 was adjourned.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the proceedings taken
4 by me in this matter on Friday, January 27, 2017, and
5 carefully compared with my original stenographic
6 notes.

7
8

Karen Sue Gibson, Registered
9 Merit Reporter.

10
11

Carolyn M. Burke, Registered
12 Professional Reporter.

13 (CMB-82938)

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Case No(s). 16-0743-EL-POR

Summary: Transcript in the matter of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company hearing held on 01/27/17 - Volume IV electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.