OCC EXHIBIT_______

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 Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan.	)))))))	Case No. 23-301-EL-SSO

DIRECT TESTIMONY OF COLLEEN SHUTRUMP

On Behalf of
Office of the Ohio Consumers' Counsel
65 East State Street, Suite 700
Columbus, Ohio 43215

October 23, 2023

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I. INTRODUCTION AND BACKGROUND

Q1. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A1. My name is Colleen Shutrump. I am employed as the Energy Resource Planning Advisor for the Office of the Ohio Consumers' Counsel ("OCC"). My business address is 65 East State Street, Suite 700, Columbus, Ohio 43215.

Q2. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A2. I have a Bachelor of Science in Business Administration from Youngstown State University with a major in Management and a Master of Business Administration from Baldwin Wallace College with emphasis in International Business. I have worked for over thirteen years in electric utility regulation with emphasis on customer-funded energy efficiency programs. I started as a Utility Analyst at the Indiana Utility Regulatory Commission in 2009. I was promoted to Senior Utility Analyst in 2015. While there, I attended the Institute of Public Utilities Michigan State University Advanced Regulatory Studies Program and Camp NARUC. I began work as an Energy Resource Planning Advisor with OCC in August 2015. In spring 2016, I completed a graduate-level course on Utility Regulation and Deregulation at the Ohio State University, John Glenn College of Public Affairs.

Q3. WHAT ARE YOUR DUTIES AT THE OHIO CONSUMERS' COUNSEL?

A3. I provide analytical support on energy resource planning issues impacting Ohio consumers' interests. I serve as the Analytical Department's lead analyst and policy advisor for the OCC on cases and issues relating to resource planning. That work includes such issues as customer-funded energy efficiency, and demand side management programs. I was extensively involved in each of the 2016 electric energy efficiency portfolio cases of the four major Ohio electric utilities before the Public Utilities Commission of Ohio ("PUCO"). My involvement included providing testimony in the Dayton Power & Light[1] (Case No. 16-649-EL-POR) and Duke Energy Ohio[2] (Case No. 16-576-EL-POR) portfolio cases affecting consumers. I testified in the review of FirstEnergy's 2014-2018 DSM rider, Case No. 17-2277-EL-RDR, affecting lost revenue charges to consumers.[3] I also testified in Case No. 19-1940-GA-RDR (Columbia's Demand Side Management rider adjustment) and in Vectren's rate case, Case No. 18-298-GE-AIR. I've also testified in Case No. 18-298-GA-AIR (Vectren's rate case).[4]

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[1] Direct Testimony of Colleen Shutrump (Jan. 30, 2017), *In re the Application of the Dayton Power and Light Company for Approval of Its Energy Efficiency and Peak Demand Reduction Program Portfolio Plan for 2017 Through 2019*, Case No. 16-649-EL-POR.

[2] Direct Testimony of Colleen Shutrump (Feb. 6, 2017), *In re the Application of Duke Energy Ohio, Inc. for Approval of Its Energy Efficiency and Peak Demand Reduction Portfolio of Programs*, Case No. 16-576-EL-POR.

[3] Direct Testimony of Colleen Shutrump (June 22, 2020), *In re the Matter of the 2018 Review of the Demand Side Management and Energy Efficiency Rider of Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company*, Case No. 17-2277-EL-RDR.

[4] Other testimony of Colleen Shutrump on energy efficiency matters includes Case Nos. 19-2084-GA-UNC, 21-637-GA-AIR, et al., and 21-1109-GA-ALT.

II. SUMMARY OF RECOMMENDATIONS

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A4. The purpose of my testimony is to address and support OCC's position protecting residential consumers as it relates to FirstEnergy's proposal for an Energy Efficiency/Peak Demand Reduction ("EE/PDR") program that includes energy efficiency and demand response programs for non-low-income and low-income consumers.

FirstEnergy has proposed a residential energy efficiency program that would cost residential consumers $ 134 million. [5] Approximately $100 million is for non-low income energy efficiency programs. The energy efficiency program is to continue for four years, with charges collected from consumers over eight years.

Q5. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A5. The PUCO rulings have increasingly relied on competitive markets for energy efficiency instead of utility programs. The most recent example is the PUCO's ruling that denied Dominion's non-low-income programs. The PUCO found that the market for energy efficiency services has developed to the extent that "consumers should be aware of and sufficiently knowledgeable to explore the availability and benefits" of energy efficiency through the competitive market.

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[5] Billing Direct, attachment ECM-2 WP 2, Total budgets by cost category.

Additionally, the PUCO noted that "the subsidization of the costs of these programs across Dominion's footprint acts as a burden of the Company's ratepayers."[6] And in Columbia, the PUCO upheld a settlement provision that withdrew $120 million of DSM related to non-low income customers, holding "[i]t is time to look to competitive markets to play a more significant role in the provision of energy efficiency services in this state."[7]

Consistent with its recent findings, the PUCO should reject FirstEnergy's proposal to charge consumers for non-low-income energy efficiency programs. And the PUCO should provide important consumer protections related to FirstEnergy's low-income program.

My specific findings and recommendations follow.

1) FirstEnergy's non-low-income energy efficiency proposal and associated charges of $ 34.4 million for June 1, 2024 through May 31, 20, are unreasonable and should be denied. Consumers have access to energy efficiency in the competitive market and in the market consumers do not pay for utility program costs that they do not participate in.

[6] *In the Matter of the Application of the East Ohio Gas Company dba Dominion Energy Ohio for approval of an alternative form of regulation to continue and to expand its demand-side management and energy efficiency program, Case No. 21-1109-GA-UNC,* Opinion & Order at ¶ 49 (October 4, 2023)
[7] *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters*, Case No. 21-637-GA-AIR, et al., Opinion & Order at ¶ 56 (Jan. 26, 2023) (modifying and adopting the stipulation resolving all issues related to applications for an increase in rates and for an alternative rate plan filed by Columbia Gas of Ohio).

2) FirstEnergy's proposed goodwill to contribute shareholder dollars lacks accountability and could cause charges to consumers to increase .

3) PUCO rulings warrant that competitive markets (and not utility programs) benefit consumers.

4) FirstEnergy's proposed low-income program[8] which consumers are being asked to fund? needs consumer protections. It should be subject to a competitive bidding process led by the PUCO. Consumer subsidies should be funded under a "least cost" philosophy. And the low-income program should be subject to a management and performance audit, like the audit approved for the Columbia Gas WarmChoice program.[9]

III. CONSUMERS BENEFIT FROM ENERGY EFFICIENCY IN THE MARKET, NOT THROUGH UTILITY PROGRAMS.

Q6. WHAT IS FIRSTENERGY ASKING CONSUMERS TO PAY FOR NON-LOW-INCOME ENERGY EFFICIENCY PROGRAMS?

A6. FirstEnergy is asking consumers to pay $99.6 million for non-low income energy efficiency programs (total residential program cost of $134 million minus low-income program cost of $34.4 million).[10] The energy efficiency program will be

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[8] Billing Direct, at 6.

[9] *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters*, Case No. 21-637-GA-AIR, et al., Opinion & Order (June 2, 2023) (modifying and adopting the stipulation filed by Columbia Gas).

[10] Direct Testimony of Edward C. Miller, Attachment ECM-2, Workpaper 2, Total budgets by Cost Category (April 8, 2023).

offered for four years. But Witness McMillen proposes to spread-out those charges over eight years (length of the ESP V term) to mitigate bill impacts.[11]

Q7. DO YOU AGREE WITH WITNESS MCMILLEN'S STATEMENT THAT BILL IMPACTS WOULD BE MITIGATED IF PROGRAM CHARGES ARE SPREAD-OUT OVER EIGHT YEARS?

A7. Yes, if consumers pay for the program over eight years instead of four, the bill impacts would be lessened for consumers. But that misses the point. These programs are not benefiting all consumers and should not be subsidized by utility consumers.

Q8. IS IT GOOD PUBLIC POLICY TO MITIGATE PROGRAM CHARGES THAT SHOULD NOT BE CHARGES TO CONSUMERS IN THE FIRST PLACE?

A8. No. Mr. McMillen's proposal is bad policy because consumers benefit from energy efficiency in the competitive market without paying charges to support utility energy efficiency programs in the first place.

[11] Direct Testimony of Brandon McMillen, page 18, lines 11-12 (April 8, 2023).

Q9. ***IS FIRST ENERGY'S EXPERIENCE IN OFFERING PROGRAMS A REASON TO CHARGE CONSUMERS SUBSIDIES FOR NON-LOW-INCOME ENERGY EFFICIENCY PROGRAMS?***

A9. No. Effective December 31, 2020, Ohio electric utilities have not provided energy efficiency services to non-low-income consumers.[12] Yet in a 2022 news release, Home Depot (national retailer for EnergyStar products) announced that it exceeded *its own* goal to help its consumers save $2.8 billion on utility bills through the sale of energy efficiency products and services.[13]

Home Depot and other retailers compete in the free market because consumers demand energy efficient products and services even when no rebates are available from their utility. Home Depot and other retailers offer non-subsidized energy efficient products and services where only the participant pays.

Q10. ***WOULDN'T ADDING UTILITY RUN ENERGY EFFICIENCY F PROGRAMS BENEFIT THE COMPETITIVE MARKET FOR ENERGY EFFICIENCY?***

A10. No. Should the PUCO approve FirstEnergy's energy efficiency programs, this would in fact stifle competition for energy efficiency. FirstEnergy's monopoly[14] status (and the subsidy they are asking for from utility consumers) means that

[12] *In the Matter of the Application of Ohio Power Company for Approval of Its Energy Efficiency and Peak Demand Reduction Programs*, Case No. 16-574-EL-POR, Opinion & Order (Feb. 24, 2021) (finding that the statewide collective benchmark of 17.5 percent has been met and AEP's energy efficiency rider must terminate).

[13] Home Depot Sustainability News, May 6, 2022, https://corporate.homedepot.com/news/sustainability/home-depot-wins-2022-energy-star-retail-partner-year-sustained-excellence.

[14] "Monopoly" comes from the Greek prefix *mono-* which means "one" and *pōlein* which means "to sell".

their energy efficiency programs would be funded through utility charges, and thus create an unfair advantage in the competitive market for energy efficiency. A market structure for a monopoly is a market structure absent competition. But for energy efficiency products and services, the market is competitive. A competitive market has enough buyers and sellers (Home Depot, Lowes, Menards, etc.) so that no one buyer or seller (FirstEnergy) can exert any significant influence that would harm the market dynamics for energy efficiency products.

Q11. WOULDN'T THE SUCCESS OF THE COMPETITIVE MARKET SUGGEST THAT CONSUMERS WOULD BENEFIT MORE FROM FIRSTENERGY'S PROPOSAL?

A11. No. Consumers would not benefit from FirstEnergy's additional programs because those programs are laden with costs that are not generally passed onto consumers in the competitive market. For instance, 58%[15] of FirstEnergy's program budget (*see* Table 1)[16] is for things that do not reduce usage for the participating customer. Participating consumers will not benefit because nearly half of the EEC charge on their bill does not help them reduce their usage. Second, non-participating consumers will not benefit because 100% of the EEC charge on their bill goes to support participants. Conversely all consumers benefit from energy efficiency in the marketplace because those that don't participate don't pay for those that do participate.

[15] Incentives are 42% of the total budget.

[16] Direct testimony of Edward Miller, ECM-2, Workpaper 2

Table 1: Consumer charges that do not reduce participating customer usage.

	Percent of Budget	Total over 4 years
Total Budget, Non-Low-Income Programs	100%	$ 100,314,306
FirstEnergy Administrative Costs	**6%**	**$ 5,933,204**
Program Administrative Costs	**42%**	**$ 42,581,622**
Marketing costs	**4%**	**$ 4,120,433**
Evaluation costs	**4%**	**$ 3,835,761**
Tracking and reporting costs	**2%**	**$ 1,910,374**
Incentive Costs	42%	$ 41,932,912

Source: ECM-2 Workpaper 2

Q12. ARE UTILITY PROGRAMS NEEDED FOR CONSUMERS TO BENEFIT FROM THE) INFLATION REDUCTION ACT OF 2022?

A12. No. Witness Miller states that FirstEnergy's energy efficiency plan will be used to inform consumers about funding from of the Inflation Reduction Act of 2022. .[17] But FirstEnergy has well-established media channels that inform consumers about safety, power outages, and energy savings tips. Those same channels can be used to implement that objective at no additional cost to consumers.

IV. FIRSTENERGY'S PROPOSED GOODWILL TO CONTRIBUTE SHAREHOLDER DOLLARS FOR ENERGY EFFICIENCY PROGRAMS LACKS ACCOUNTABILITY.

Q13. WHAT IS FIRSTENERGY'S PLAN TO COMMIT SHAREHOLDER DOLLARS FOR ENERGY EFFICIENCY INITIATIVES AND BATTERY STORAGE?

A13. FirstEnergy proposes to commit $52 million of shareholder dollars as follows:

[17] Miller at 10.

1) $36 million to support low-income programs (bill-payment assistance and senior citizen discounts). OCC Witness Tinkham discusses this in his testimony.

2) As discussed below, at least $12 million for consumer energy efficiency incentives and education.

3) As discussed below, up to $4 million for FirstEnergy's share of investment in energy storage.

Q14. WHAT ARE YOUR CONCERNS REGARDING FIRSTENERGY'S COMMITMENT OF SHAREHOLDER DOLLARS?

A14. FirstEnergy's commitment of shareholder dollars lacks a plan that would hold them accountable to follow through on what they promise in their application. Shareholder dollars are not regulated by the PUCO. This means that consumers are being asked to trust that FirstEnergy will keep its promise to contribute the total $52 million.. But trust is an ongoing concern for FirstEnergy consumers.

In addition, it is not clear how the proposed contribution of $12 million for energy efficiency incentives will benefit consumer funding. As discussed by Witness Miller, FirstEnergy is reserving its right to increase rebates as needed..[18] This could increase program budgets and consumer charges without PUCO approval. FirstEnergy should not be allowed to increase rates to consumers without express PUCO authorization.

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[18] Miller testimony at 12, lines 4-10.

Finally, the investment by FirstEnergy in an energy storage project would open the door for the utility to own distributed energy resources behind the meter. The PUCO should reject this proposal. Behind the meter investments should be made in the market, not by a regulated utility that earns a return on (and of) that investment in rates charged to utility consumers.

V. PUCO RULINGS HAVE INCREASINGLY RELIED ON COMPETITIVE MARKETS FOR ENERGY EFFICIENCY INSTEAD OF UTILITY OFFERED PROGRAMS

Q15. HAS THE PUCO RECENTLY MADE A RULING ABOUT ENERGY EFFICIENCY IN THE MARKET?

A15. Yes. The PUCO recently denied Dominion's non-low-income programs because consumers are aware of the availability and benefits of energy efficiency in the competitive market. Utility energy efficiency programs would burden consumer budgets in times of high electricity costs and other economic factors. In Columbia's recent rate case, the PUCO noted that the withdrawal of Columbia's DSM program for non-low-income consumers will save Small General Service (SGS) consumers approximately $120 million between 2023 and 2027.[19] In the order approving a contested settlement in Columbia's energy efficiency case, the

[19] *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters*, Case No. 21-637-GA-AIR, et al., Opinion & Order at ¶ 56 (Jan. 26, 2023) (modifying and adopting the stipulation resolving all issues related to applications for an increase in rates and for an alternative rate plan filed by Columbia Gas of Ohio).

PUCO said: "[i]t is time to look to competitive markets to play a more significant role in the provision of energy efficiency services in this state."[20]

VI. FIRSTENERGY'S LOW-INCOME PROGRAM SHOULD BE RESTRUCTURED TO INCLUDE CONSUMER PROTECTIONS

Q16. WHAT IS FIRSTENERGY PROPOSING FOR LOW-INCOME ENERGY EFFICIENCY PROGRAMS?

A16. FirstEnergy proposes to spend $34.5 million for low-income energy efficiency programs. The average annual total cost is $8.6 million over the four-year program term. Of the $34.4 million, 14% will pay FirstEnergy for administrative and other costs that do not directly help the low-income customer reduce their usage. That portion of consumer funds should be audited[21] because generally low-income programs are not reviewed for program administrative efficiency and effectiveness. The Evaluation, Measurement and Verification ("EMV") process focuses on program performance, not program administrator performance.

Q17. WHY ARE CONSUMER PROTECTIONS NECESSARY AS IT RELATES TO UTILITY LOW-INCOME PROGRAMS?

A17. For low-income programs, consumer protections are needed both for participating consumers that benefit from the program and for the consumers that fund the program.

[20] *Id.*

[21] These costs include utility administration, program administration, marketing, evaluation, tracking and reporting and incentives.

Utility programs for at-risk consumers should be operated under a well-known philosophy. That philosophy is doing the greatest good for the greatest number of consumers with funds that are limited and subsidized by other consumers. My recommendations for consumer protections follow.

1) The low-income program is a government program, paid for by consumers. The PUCO should provide much needed oversight to ensure that the competitive bidding process to select a program administrator is fair and transparent to meet the least cost philosophy of helping as many in need with limited funds. This includes a completely independent RFP conducted by PUCO staff, not FirstEnergy. This would assist in achieving neutrality on RFP selection requirements. And no potential bidder should influence the selection criteria to gain an advantage over other candidates for the job.

2) In addition to staff's review, low-income programs should be subject to an independent management audit that would determine whether the organization and operation of program administrators are prudent. Recommendations made by the auditor would help improve the administrative efficiency and effectiveness so that more dollars can help the participating customer reduce their usage and save money on their bill. The audit should provide an objective and transparent review for the public of the use of consumer money in the funding of the low-income energy efficiency programs. Audit scope could be similar to

recommendations made by OCC for the low-income programs in the Duke Gas rate case and Columbia Gas of Ohio.[22]

VII. CONCLUSION

Q18. WHAT DO YOU CONCLUDE?

A18. As the PUCO has recognized, "[i]t is time to look to competitive markets to play a more significant role in the provision of energy efficiency services in this state."[23] Non-low-income energy efficiency programs funded by utility consumers should end because the competitive market is already providing energy efficiency to consumers. Low-income energy efficiency programs should continue but with appropriate consumer protections including a transparent plan for holding FirstEnergy accountable to the proposed shareholder funding contributions.

Q19. DOES THIS CONCLUDE YOUR TESTIMONY?

A19. Yes. However, I reserve the right to supplement my testimony if additional testimony is filed, or if new information or data in connection with this proceeding becomes available.

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[22] *See* Case No. 21-637-GA-AIR, et al., Joint Stipulation at pages 13-14, (Oct. 31, 2022), modified and approved by Opinion & Order on Jan. 26, 2023.

[23] *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters*, Case No. 21-637-GA-AIR, et al., Opinion & Order at ¶ 56 (Jan. 26, 2023) (modifying and adopting the stipulation resolving all issues related to applications for an increase in rates and for an alternative rate plan filed by Columbia Gas of Ohio).

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Direct Testimony of Colleen Shutrump on Behalf of the Office of the Ohio Consumers' Counsel was served via electronic transmission to the persons listed below on this 23rd day of October 2023.

/s/ John Finnigan
John Finnigan
Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

SERVICE LIST

thomas.lindgren@ohioago.gov
amy.botschnerobrien@ohioago.gov
rhiannon.howard@ohioago.gov
mkurtz@BKLlawfirm.com
jkylercohn@BKLlawfirm.com
rdove@keglerbrown.com
nbobb@keglerbrown.com
Stacie.Cathcart@igs.com
Evan.Betterton@igs.com
Michael.Nugent@igs.com
cgrundmann@spilmanlaw.com
slee@spilmanlaw.com
todd.schafer@outlook.com
mjsettineri@vorys.com
glpetrucci@vorys.com
aasanyal@vorys.com
dparram@brickergraydon.com
rmains@brickergraydon.com
dromig@nationwideenergypartners.com
brian.gibbs@nationwideenergypartners.com
paul@carpenterlipps.com
mpritchard@mcneeslaw.com
awalke@mcneeslaw.com
tdougherty@theOEC.org
ctavenor@theOEC.org

megan.addison@puco.ohio.gov
greg.price@puco.ohio.gov
jacqueline.st.john@puco.ohio.gov

bknipe@firstenergycorp.com
cwatchorn@firstenergycorp.com
talexander@beneschlaw.com
mkeaney@beneschlaw.com
khehmeyer@beneschlaw.com
dproano@bakerlaw.com
ahaque@bakerlaw.com
eprouty@bakerlaw.com
pwillison@bakerlaw.com
dstinson@brickergraydon.com
gkrassen@nopec.org
josephmeissner@yahoo.com
trhayslaw@gmail.com
leslie.kovacik@toledo.oh.gov
bojko@carpenterlipps.com
easley@carpenterlipps.com
mkl@smxblaw.com
jrb@smxblaw.com
little@litohio.com
hogan@litohio.com
ktreadwav@oneenergyllc.com
jdunn@oneenergyllc.com
trent@hubaydougherty.com
emcconnell@elpc.org
cpirik@dickinsonwright.com
todonnell@dickinsonwright.com
kshimp@dickinsonwright.com
eowoyt@vorys.com
whitt@whitt-sturtevant.com
katherine.hollingsworth@lasclev.org

sjagers@ohiopovertylaw.org
mwalters@proseniors.org
knordstrom@theOEC.org
dmanor@ablelaw.org
jlang@calfee.com
mbarbara@calfee.com
jpetroff@lawforlabor.com
jmcinerney@lawforlabor.com
rnader@communitylegalaid.org