

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**METROPOLITAN EDISON COMPANY  
Docket No. M-2009-209222**

**PENNSYLVANIA ELECTRIC COMPANY  
Docket No. M-2009-2112952**

**PENNSYLVANIA POWER COMPANY  
Docket No. M-2009-2112956**

**ENERGY EFFICIENCY AND CONSERVATION PLANS**

**Testimony  
of  
John E. Paganie**

**List of Topics Addressed**

Overview of the Companies and their EE&C Plans  
Selection of Consultant  
Tracking and Reporting System  
Customer Education and Awareness

1 **I. Introduction and Background**

2 **Q. Please state your name and business address.**

3 A. My name is John E. Paganie and my business address is FirstEnergy Corp., 76  
4 South Main Street, Akron, Ohio 44308.

5  
6 **Q. Mr. Paganie, by whom are you employed and in what capacity?**

7 A. I am employed by FirstEnergy Service Company as Vice President, Customer  
8 Service and Energy Efficiency. The Customer Service and Energy Efficiency  
9 Department provides development and implementation of all customer programs  
10 as well as energy efficiency and conservation programs for Metropolitan Edison  
11 Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec") and  
12 Pennsylvania Power Company ("Penn Power") (collectively "Companies"). I  
13 report to the Executive Vice President and President of FirstEnergy Utilities and,  
14 in addition to the oversight of the administration and performance of customer  
15 service functions, I am responsible for the development, coordination, preparation  
16 and implementation of customer programs that promote energy efficiency,  
17 conservation, demand-side management and emerging technologies.

18  
19 **Q. What is your educational and professional background?**

20 A. I graduated from Gannon University with a Bachelor of Science degree in  
21 electrical engineering. I graduated from Case Western Reserve University with a  
22 Masters in Business Administration degree in Economics. I began my career with  
23 the Cleveland Electric Illuminating Company in 1969 and have served in a variety

1 of engineering and management positions, including Vice President of the  
2 Western Region – Ohio, and regional President of Penelec. My work experience  
3 is more fully described in Appendix A which is attached to my testimony.  
4

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

6 A. I am testifying on behalf of Met-Ed, Penelec and Penn Power.  
7

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to provide an overview of (i) the Companies; (ii)  
10 their Energy Efficiency and Conservation (“EE&C”) Plans; (iii) the selection  
11 process utilized to obtain the Companies’ lead consultant for plan development;  
12 (iv) the status of the Companies’ tracking system; and (v) the Companies’  
13 customer education and awareness plan.  
14

15 **Q. Please identify other FirstEnergy witnesses who will be providing testimony  
16 in this proceeding.**

17 A. Mr. George L. Fitzpatrick, a managing director at Black & Veatch, (Met-  
18 Ed/Penelec/Penn Power Statement No. 2) will discuss the details of each of the  
19 Companies’ EE&C Plans, explaining how it complies with the requirements set  
20 forth in Act 129 and the Commission’s Implementation Order, and why this  
21 Commission should approve the Plans.  
22

1 Mr. Raymond I. Parrish, a Senior Business Analyst within the FirstEnergy  
2 Pennsylvania Rate Department (Met-Ed/Penelec/Penn Power Statement No. 3),  
3 will discuss the Companies' proposed cost recovery mechanism being submitted  
4 to the Commission for approval in this proceeding.

5  
6 **II. The Companies**

7 **Q. Please generally describe the FirstEnergy corporate structure and how the**  
8 **Companies fit within this structure.**

9 **A.** FirstEnergy Corp. ("FirstEnergy") is a diversified energy company headquartered  
10 in Akron, Ohio. Among its many subsidiaries, are seven electric utility  
11 subsidiaries – three regulated electric utilities in Pennsylvania (Metropolitan  
12 Edison Company, Pennsylvania Electric Company and Pennsylvania Power  
13 Company), three regulated utilities in Ohio (Ohio Edison Company, The  
14 Cleveland Electric Illuminating Company and The Toledo Edison Company) and  
15 Jersey Central Power and Light Company in New Jersey. These seven electric  
16 utility operating companies comprise the nation's fifth largest investor-owned  
17 electric system, based on 4.5 million customers served within a 36,100 square-  
18 mile area of Ohio, Pennsylvania and New Jersey. Each of these seven utilities is  
19 subject to certain energy efficiency and/or demand response requirements as  
20 promulgated in their respective states. As a result, the Companies' goal is to  
21 develop cost effective energy efficiency and demand response solutions that can,  
22 when practical, be consistently applied not only in Pennsylvania but also in Ohio  
23 and New Jersey.

1 **Q. Please generally describe Met-Ed.**

2 A. Met-Ed is a wholly owned subsidiary of FirstEnergy Corp. It provides service to  
3 about 547,000 electric utility customers in eastern Pennsylvania and has a summer  
4 peak load of about 2,889 MW (2008) with about two-thirds of that load being  
5 from residential and small commercial customers. Met-Ed owns the transmission  
6 facilities within its service territory, which are under the operational control of the  
7 PJM Interconnection, LLC ("PJM") as the regional transmission organization  
8 ("RTO").

9  
10 **Q. Please generally describe Penelec.**

11 A. Penelec is a wholly owned subsidiary of FirstEnergy Corp. It provides service to  
12 about 588,000 electric utility customers in western Pennsylvania and has a  
13 summer peak load of about 2,508 MW (2008) with over two-thirds of that load  
14 being from residential and small commercial customers. Penelec owns the  
15 transmission facilities within its service territory, which are under the operational  
16 control of PJM, as the RTO.

17  
18 **Q. Please generally describe Penn Power.**

19 A. Penn Power is a wholly owned subsidiary of Ohio Edison Company which is a  
20 wholly owned subsidiary of FirstEnergy Corp. Penn Power provides service to  
21 about 159,000 electric utility customers in western Pennsylvania and has a  
22 summer peak load of about 1,026 MW (2008). Several years ago, Penn Power  
23 sold its transmission facilities to American Transmission System, Inc., a wholly

1 owned subsidiary of FirstEnergy Corp., who is under the operational control of  
2 the Midwest Independent Transmission System Operator, Inc. (“MISO”), as the  
3 RTO.

4  
5 **Q. Does FirstEnergy or the Companies have EE&C goals?**

6 A. Yes, they do. The Companies’ goals, which are aligned with those of  
7 FirstEnergy, include the following:

- 8 a. Ensure compliance with statutory and regulatory mandates;
- 9 b. Develop cost effective energy efficiency and demand response  
10 solutions that can, when practical, be consistently applied throughout  
11 FirstEnergy’s three state service territory;
- 12 c. Provide all customers with opportunities to better manage their electric  
13 costs through cost effective energy efficiency and peak demand  
14 reduction programs;
- 15 d. Leverage public/private partnerships in order to gain maximum  
16 benefits at minimum costs;
- 17 e. Be open to investigating and implementing other cost effective  
18 programs over time;
- 19 f. Position the Companies so as to allow them to respond to new  
20 opportunities and adjust to any potential risks they may encounter; and
- 21 g. Lower the operating expenses of Federal, State and local governments.

22 The Companies attempted to incorporate each of these goals into their respective  
23 EE&C Plans.

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**III. Energy Efficiency and Conservation Plans**

**Q. How are each of the Companies' EE&C Plans organized?**

A. Each of the Companies' plans are organized consistent with the filing format and template outlined by the Commission in the May 7, 2009 Secretarial Letter. The organization of each plan is set forth in its Table of Contents.

**Q. What areas are addressed in each of the EE&C Plans?**

A. Each of the Plans address all issues identified in the Commission's template, including discussions on market assessment, total resource cost tests, and specific programs selected to achieve the Companies' respective statutory energy efficiency and demand reduction benchmarks. These and other issues are addressed by Witness Fitzpatrick in his pre-filed testimony (Met-Ed/Penelec/Penn Power Statement No. 2).

**Q. Are the Companies' EE&C plans consistent with Act 129 and the Commission's January 15, 2009 Implementation Order?**

A. Yes, I believe that they are. The EE&C Plans:

- Include a variety of EE&C measures and will provide the measures equitably to all customer classes pursuant to 66 Pa. C.S. §2806.1(a)(5).
- Include a well-reasoned and balanced test of measures that are tailored to usage and to the potential for savings and reductions for each customer class.

- 1           • Are cost effective, in accordance with the Total Resource Cost test, and will  
2           provide a diverse cross-section of alternatives and reasonable mix of programs  
3           that will benefit consumers of all rate classes as required by 66 Pa. C.S.  
4           §2806.1(b)(1)(i)(I).
- 5           • Will enable the Companies to meet or exceed the required consumption and  
6           peak demand reductions required by Act 129. These consumption and  
7           demand reduction goals will be achieved based on the Technical Reference  
8           Manual and other metric resources to measure the effect of various EE&C  
9           measures.
- 10          • Reflect estimated costs of the proposed EE&C measures that are within the  
11          2% limit imposed by Act 129, and are being reasonably allocated and  
12          recovered from the customer class receiving the direct benefit of such  
13          measures.

14

15   **Q.    Are the programs included in each of the Companies' EE&C Plans set for**  
16   **the entire period during which the Plans will be in effect?**

17   A.    No. The portfolio of programs should be viewed as the Companies' starting  
18   point. It is anticipated that timely adjustments will be made based on feedback  
19   from customers, trade allies and program managers. For example, program  
20   managers/vendors are likely to have strong, experience-based recommendations  
21   on particular programs. In addition, adjustments are likely to be made based on  
22   the performance of individual programs as measured by the companies' tracking  
23   system and information gleaned from independent program evaluations.



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**Q. How do the Companies EE&C Plans minimize risks and costs?**

A. The Companies took a variety of steps to ensure that their portfolio costs are minimized. For example, in many instances, program costs reflect the economies of scale and scope that the use of third-party implementation contractors will provide. Such contractors offer similar services to other utilities and have in many instances already established some of the key capabilities, relationships, and infrastructure necessary to deliver the programs more cost effectively than could be done by FirstEnergy through the use of internal resources. The Companies intend to use a vigorous competitive bidding process to select highly qualified implementation vendors that should result in lower costs. The Companies plan to outsource program implementation and management to Conservation Service Providers, to the extent practical, to ensure that resources are effectively used with the vendor having the ability to shift resources flexibly from one client to another to handle shifting work loads. The Companies' EE&C organization, including program managers, marketing, technical and analytical personnel will provide guidance and oversight to help ensure quality and cost effective management of the vendors. Moreover, because FirstEnergy owns seven utilities in three different states, the Companies are afforded the opportunity to leverage best practices and potential economies of scale.

Met-Ed, Penelec and Penn Power incorporated the following key features in an effort to minimize costs and risks and maximize energy impacts:

- 1 • Begin with proven program designs while tailoring approaches for  
2 targeted market Segments;
- 3 • Start with tested technologies with well-documented energy savings  
4 performance, and enhance them for market segments as appropriate;
- 5 • Launch with straightforward programs and develop the design and  
6 delivery channels over time;
- 7 • Exercise caution with respect to the number of program offerings to  
8 reduce administrative costs and the market confusion that can arise  
9 from too many program requirements;
- 10 • Use building codes and equipment standards as foundations for  
11 assumptions;
- 12 • Design technical review, proof of project installation, project file  
13 documentation, and quality assurance techniques into program designs  
14 to ensure plausible and reliable program impacts;
- 15 • Utilize design flexibility to enable the Companies to adjust specific  
16 designs as may be determined by customer response and evaluation  
17 results; and
- 18 • Rebalance the portfolio based on individual program performance and  
19 emerging opportunities.

20

21 **Q. Please describe the time schedule necessary to implement the EE& C Plans.**

22 A. Act 129 of 2008 provides a four month period for review and approval of the  
23 EE&C Plans. The Companies have not requested expedited treatment of their

1 filing. The following schedule, which is set forth in more detail in the  
2 Companies' Joint Petition being filed concurrent with this testimony, should  
3 allow for an appropriate review period consistent with Act 129:

- 4 • Met-Ed, Penelec and Penn Power will file their Joint Petition for  
5 approval of their EE&C Plans (July 1, 2009)
- 6 • Met-Ed, Penelec and Penn Power will file direct testimony in support  
7 of their EE&C plans (July 1, 2009) In order to minimize costs and  
8 maintain certain synergies, the Companies may seek approval of  
9 certain RFPs/contracts related to tracking and reporting systems,  
10 program management, and other tasks that must be done in parallel  
11 with the approval process. (July - October 2009)
- 12 • EE&C Plans published in the PA Bulletin and on Commission website  
13 (July 18, 2009)
- 14 • Answers of Interested Parties (by August 7, 2009)
- 15 • Public Input Hearings and Evidentiary Hearings conducted by  
16 Administrative Law Judge (by September 3, 2009)
- 17 • Briefs (by September 14, 2009)
- 18 • Reply Briefs (by September 24, 2009)
- 19 • Commission approval of EE&C Plans (on or before October 29, 2009)
- 20 • Commission approves cost recovery tariff filing (on or before October  
21 29, 2009)
- 22 • Met-Ed, Penelec and Penn Power launch portfolio of EE&C programs  
23 (on or after October 29, 2009)

- 1                   • Met-Ed, Penelec and Penn Power begin billing EE&C rates (effective  
2                   November 1, 2009)

3  
4 **IV. The Consultant Selection Process**

5 **Q. Did the Companies hire a lead consultant to assist them with the**  
6 **development of their EE&C Plans?**

7 A. Yes. As required by Act 129 and the Commission’s Implementation Order, the  
8 Companies hired a lead consultant to assist in the development of the Plans and  
9 related programs. Through an RFP process Black & Veatch, a Conservation  
10 Service Provider (“CSP”) registered with the Commission, was selected.

11  
12 **Q. Please describe the selection process.**

13 A. The Companies used the RFP process to seek a consultant who would assist in  
14 designing a portfolio of programs and provide original ideas. The Companies  
15 issued RFPs to 34 potential CSPs, receiving seven responses to their request. A  
16 FirstEnergy team comprised of representatives from the Energy Efficiency, Rates,  
17 Customer Service, Supply Chain and Legal departments ranked the 7 respondents  
18 using a bidder’s evaluation matrix based on both the quantitative and qualitative  
19 aspects of the bidder’s proposal. Of the 7 respondents, the internal team selected  
20 the top 4 respondents for face-to-face interviews. Upon completion of these  
21 interviews, the team again ranked the finalists, selecting Black & Veatch as the  
22 consultant that FirstEnergy believed would best meet the Companies’ needs.

23

1 **Q. Did the Commission approve the RFP and standard consultant agreement**  
2 **used in the selection process?**

3 A. Yes, they did. The Commission's Implementation Order requires all EDCs  
4 subject to Act 129 to submit, for Commission approval, their proposed RFPs for  
5 contracting with CSP(s) for consultation, design, administration, management or  
6 advisory services as they pertain to the EDC's EE&C plan. On February 3, 2009,  
7 the Companies filed its proposed RFP process and related documents:

- 8 • Overview of the CSP competitive bidding process;
- 9 • RFP process for EE&C consulting services along with exhibits;
- 10 • Sample bidder evaluation matrix; and
- 11 • Standard form CSP contract.

12 The Commission issued two Secretarial Letters. The first letter, issued on March  
13 18, 2009, approved the RFP process as filed by the Companies. The second letter,  
14 issued on April 27, 2009, acknowledged that the Commission staff reviewed and  
15 approved the revised standard form CSP contract filed by the Companies.

16  
17 **Q. Will the Companies follow this process when entering into future contracts?**

18 A. The Companies will seek Commission staff review of any future CSP contracts  
19 that are materially different from the approved standard contract.

20  
21 **V. Tracking and Reporting System**

22 **Q. Do you know the status of the Companies tracking and reporting system?**

1 A. Yes, I do. Several months ago, FirstEnergy created a cross functional selection  
2 team who is charged with developing the Companies' functional specifications  
3 and making a recommendation to management for the purchase of an energy  
4 efficiency and demand response tracking and reporting tool. The team issued a  
5 Request for Information (RFI) on May 15, 2009 to ten potential bidders, seven of  
6 whom responded. The purpose of the RFI was to identify "packaged"  
7 applications that already exist in the marketplace and to validate the list of  
8 potential suppliers. Upon completion of an evaluation of the RFI responses and  
9 other industry information gathered by the team, they will develop a RFP with  
10 more defined requirements. The RFP should be released by mid-July. The team  
11 will then review the proposals received in response to their request, ranking them  
12 based on both qualitative and quantitative information included in the proposals.  
13 The number of responses will determine the number of finalists selected to  
14 participate in on-sight interviews. Because the Company anticipates selecting a  
15 packaged application already in the marketplace, it anticipates that the selected  
16 tracking and reporting tool will be operational by November 1, 2009, provided  
17 that timely cost recovery can be achieved.

18

19 **VI. Education and Awareness Program**

20 **Q. How will customers learn about the Companies EE&C Plans and related**  
21 **programs?**

22 **A.** The Companies recognize that consumer education is vital to the success of the  
23 Companies' EE&C Plans. Accordingly, the Companies consumer education

1 materials will address energy efficiency and conservation measures explaining  
2 how customers can use energy more efficiently, thus reducing the impact of rising  
3 generation costs. A detailed explanation targeted to qualifying market segments  
4 and customers will be the foundation for the consumer education and awareness  
5 programs, with such information being disseminated through a variety of  
6 channels.

7  
8 **VII. Conclusions**

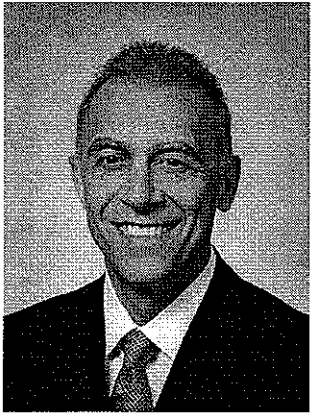
9 **Q. Please summarize your testimony and recommendations.**

10 A. The Companies are rapidly moving toward the implementation of a portfolio of  
11 programs envisioned by the Pennsylvania legislature in Act 129. The timing of  
12 implementation is significant since Penn Power's capped retail generation rates  
13 ended on December 31, 2007 and Met-Ed and Penelec's capped retail generation  
14 rates will end on December 31, 2010. FirstEnergy sees the EE&C Plans as a solid  
15 foundation upon which customers can build a strategy to better manage their  
16 energy costs through energy efficiency and demand reduction programs.

17  
18 The Commission should grant the Joint Petition, including all of the elements of  
19 the EE&C plans set forth therein, and approve the Companies' proposed cost  
20 recovery mechanism and the rates included therein.

21  
22 **Q. Mr. Paganie, does this complete your direct testimony?**

23 A. Yes, it does.



Met-Ed/Penelec/Penn Power Statement No. 1  
Witness: J. E. Paganie  
Appendix A  
Page 1 of 2

John E. Paganie – Biography  
Vice President - Customer Service & Energy Efficiency

John E. Paganie is vice president of Customer Service & Energy Efficiency for FirstEnergy. He is responsible for all customer service functions for the company's Ohio, Pennsylvania and New Jersey service areas, and the development and implementation of customer programs that promote energy efficiency, conservation, demand-side management, and emerging technologies.

Mr. Paganie was previously regional president of Pennsylvania Electric Company (Penelec), a FirstEnergy electric utility operating company serving approximately 581,000 customers within a 17,600-square-mile area of western and central Pennsylvania. He was active in a variety of community activities, including the Erie Regional Chamber and Growth Partnership, United Way of Erie County, WQLN, the Hamot Board of Corporators, the Foundation for Free Enterprise Education, the Board of Directors of TEAM – Pennsylvania, and Gannon University Board of Trustees.

He began his career with The Cleveland Electric Illuminating Company (CEI) in 1969 and served in a variety of engineering and personnel positions until 1986, when he was named director of Union Relations. That same year, CEI merged with Toledo Edison to form the former Centerior Energy Corporation. In 1987, Mr. Paganie was named director of Personnel and Union Relations for CEI, followed by a promotion to general manager, Cleveland West operations, in 1991. In 1993, he was named director, Human Resources and Labor Relations for Centerior, and in 1995 was named Centerior regional vice president for its Western Region. After Ohio Edison merged with Centerior to form FirstEnergy in 1997, Mr. Paganie was named vice president for the company's Western Region – Ohio, based in Toledo. While in Toledo, he was active in a variety of community activities, including serving on the boards of trustees of the Toledo Regional Growth Partnership, WGTE Public Broadcasting, and the Toledo Northwest Foodbank. Mr. Paganie also served for five years as unit chair for the Greater Toledo United Way Campaign.

A native of Ellwood City, Pennsylvania, Mr. Paganie earned a Bachelor of Science degree in electrical engineering in 1969 from Gannon University in Erie, Pennsylvania, and a master's degree in economics in 1973 from Case Western Reserve University in Cleveland, Ohio.



Education and Experience of John E. Paganie

Education:

1969 Bachelor of Science Degree in Electrical Engineering - Gannon University  
1973 Master of Business Administration Degree in Economics – Case Western Reserve University

Experience:

9/69 - 1/87 Engineering and Personnel Positions at CEI  
1/87 - 1/91 Director of Personnel and Union Relations at CEI  
1/91 - 2/93 General Manager Cleveland West Operations at CEI  
2/93 - 1/95 Director Human Resources and Labor Relations at Centerior  
1/95 - 1/97 Regional Vice President Western Region at Centerior  
1/97 - 11/01 Regional Vice President Western Region at FirstEnergy  
11/01 - 2/09 Regional President at Penelec  
2/09 – Present Vice President – Customer Service & Energy Efficiency