COMMONWEALTH OF PENNSYLVANIA

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November 2, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17101

Re: Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for an Evidentiary Hearing on the Energy Efficiency Benchmarks For the Period June 1, 2013 through May 31, 2016
Docket Nos. P-2012-2320450; P-2012-2320468; P-2012-2320480; P-2012-2320484

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Main Brief in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Christy M. Appleby

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Assistant Consumer Advocate
PA. Attorney ID# 85824

Enclosures
cc: Hon. Elizabeth H. Barnes, ALJ
Certificate of Service
160185

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition of Metropolitan Edison Company,	:	
Pennsylvania Electric Company,	:	
Pennsylvania Power Company and	:	Docket Nos. P-2012-2320450
West Penn Power Company for an Evidentiary	:	P-2012-2320468
Hearing on the Energy Efficiency Benchmarks	:	P-2012-2320480
For the Period June 1, 2013 through May 31, 2016	:	P-2012-2320484

MAIN BRIEF
OF THE OFFICE OF CONSUMER ADVOCATE

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Dated: November 2, 2012

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I. Introduction and Procedural History

Pursuant to Act 129 of 2008 (Act 129), the seven largest Electric Distribution Companies (EDCs) in the Commonwealth were required to file Energy Efficiency and Conservation (EE&C) plans with the Pennsylvania Public Utility Commission (Commission). Act 129 set out a series of mandates required for each Plan and charged the Commission with the implementation and review of each EDC's Plan. 66 Pa.C.S. § 2806.1. On January 16, 2009, the Commission adopted an Implementation Order at Docket No. M-2008-2069887 establishing the standards each plan must meet and providing guidance on the procedures to be followed for submittal, review and approval of all aspects of the EDC EE&C Plans. Energy Efficiency and Conservation Program, Docket No. M-2008-2069887 (Order entered January 16, 2009) (Implementation Order). The Commission was also charged with the responsibility to evaluate the costs and benefits of the EE&C Program by November 30, 2012, and every five years thereafter. 66 Pa.C.S. § 2806.1.(c)(3). The Commission must adopt additional incremental reductions in consumption if the benefits of the EE&C Program exceed its costs. Id.

The passage of Act 129 presented Pennsylvania with the opportunity to further expand the Commonwealth's work on energy efficiency and demand response for the benefit of all customers. The Office of Consumer Advocate (OCA) actively participated in the development of the Phase I EE&C Plans under Act 129 and has actively participated in the on-going EDC stakeholder groups that have continued to work on the implementation of these programs. The OCA has supported the development of energy efficiency and demand response programs by Pennsylvania utilities for more than two decades. The OCA's work in these areas has reaffirmed its support for these programs, and the OCA looks forward to continuing to work on the Phase II Plans.

In a March 1, 2012 Secretarial Letter, the Commission requested Comments on a number of topics to aid in designing and implementing Phase II of the Act 129 EE&C programs applicable to the Commonwealth's seven largest EDCs. The OCA and other stakeholders provided Comments on April 17, 2012, and on May 11, 2012, the Commission entered its Tentative Order regarding Phase II of the EE&C Plans. Energy Efficiency and Conservation Program Tentative Order, Docket Nos. M-2012-2289411 and M-2008-2069887 (Tentative Order entered May 11, 2012) (Tentative Order). The Commission also released a Baseline Energy Efficiency Study and a Market Potential Study conducted by the Statewide Evaluator (SWE) to assess the further potential for energy efficiency in the service territories of Pennsylvania's EDCs. In accordance with the Tentative Order, the OCA and other stakeholders filed Comments on June 25, 2012 and Reply Comments on July 9, 2012.

On August 3, 2012, the Commission adopted its Final Order regarding Phase II EE&C plans. Energy Efficiency and Conservation Program Final Implementation Order, Docket Nos. M-2012-2289411 and M-2008-2069887 (Order entered August 3, 2012)(Final Order). The Final Order established the requirements for Phase II of the Act 129 Energy Efficiency plans, including the establishment of new consumption reduction targets for the period of June 1, 2013 through May 31, 2016. In its Final Order, the Commission established individual consumption reduction targets and acquisition costs per MWh for the Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (West Penn) (collectively referred to as FirstEnergy or the Companies). Met-Ed's consumption reduction target was set at 2.3%, with a three-year program acquisition cost of $220.87/MWh, to be achieved using a three-year total budget of $74.6 million. Penelec's consumption reduction target was set at 2.2%, with a three-year program acquisition cost of $216.19/MWh, to be achieved using a three-year total budget of $68.92 million. Penn Power's consumption reduction target was set at 2.0%, with a three-year program acquisition cost of $209.20/MWh, to be achieved using a three-year total budget of $19.98 million. West Penn Power's consumption reduction target was set at 1.6%, with a three-year program acquisition cost of $209.42/MWh, to be achieved using a three-year total budget of $70.69 million. Final Order at 24; SWE St. 1, Electric Energy Efficiency Potential for Pennsylvania, at 10; FE St. 1 at 5. The Final Order stated that an EDC could submit a Petition for Evidentiary Hearing no later than August 20, 2012 for the limited purpose of challenging the consumption reduction requirements. If no Petition was filed, the consumption reduction requirements would be deemed accepted. Final Order at 31.

On August 20, 2012, FirstEnergy filed a Petition for an Evidentiary Hearing. The OCA notes that on August 20, 2012, FirstEnergy also filed its Petition for Reconsideration of the Commission's Final Order. Two other EDCs, PECO Energy Company and PPL Electric Utilities Corporation, also filed Petitions for Reconsideration. Thereafter, the Commission issued a Reconsideration Order on September 27, 2012 which addressed the three Petitions. Energy Efficiency and Conservation Program, Docket Nos. M-2012-2289411 and M-2008-2069887 (Order entered September 27, 2012)(Reconsideration Order).

FirstEnergy raised two issues in its Petition for Reconsideration: (1) challenging the legality of the imposition of penalties under Chapter 33 of the Public Utility Code and (2) requesting that the evidentiary hearing to challenge the consumption reduction targets be consolidated with the Companies' Phase II EE&C Plan filing in November 2012. Reconsideration Order at 6. In its Reconsideration Order, the Commission: (1) affirmed its legal authority to impose penalties under Chapter 33 and Act 129 of the Public Utility Code and (2) denied FirstEnergy's request to consolidate the consumption reduction target evidentiary hearing with the Phase II EE&C Plan filing. Reconsideration Order at 8, 12; see also, 66 Pa.C.S. 3301(a); 66 Pa. C.S. § 2806.1(f)(2). As will be discussed, the OCA submits that the Commission's Final Order and the consumption reduction targets proposed by the Statewide Evaluator (SWE) should be affirmed. Final Order at 24. Nothing contained in this record compels a different result on these issues than that provided by the Commission in its Final Order. See, Final Order at 24.

The matter was assigned to the Office of Administrative Law Judge and was further assigned to ALJ Elizabeth H. Barnes. A prehearing conference was held on September 10, 2012 at which time a procedural was adopted. On September 28, 2012, the FirstEnergy Companies submitted the Direct Testimony of Edward Miller. On October 12, 2012, the OCA submitted the Direct Testimony of Geoffrey Crandall. PennFuture also submitted the Direct Testimony of Glenn Reed. On October 18, 2012, the FirstEnergy Companies submitted the written Rebuttal Testimony of Edward Miller. A hearing was held on October 19, 2012. In accordance with the ALJ's Scheduling Order, the OCA hereby submits its Main Brief in this matter.

II. Argument

A. Overview

The Commission's Final Order required that the EDCs file a Petition for Evidentiary Hearing if they wanted to challenge the consumption reduction requirements, otherwise the targets would be deemed accepted. Final Order at 31. On August 20, 2012, FirstEnergy filed a Petition for Evidentiary Hearing. In the Petition for Evidentiary Hearing, FirstEnergy requested to delay the establishment of its consumption reduction targets until the Companies reviewed the EE&C programs, analyzed potential participants and participation rates, and filed its plan of proposed EE&C programs and measures in Phase II. The Companies stated that the goal was to recommend a Phase II EE&C Plan no later than November 1, 2012.

On August 20, 2012, FirstEnergy also filed its Petition for Reconsideration of the Final Order. FirstEnergy raised two issues in its Petition for Reconsideration: (1) challenging the legality of the imposition of penalties under Chapter 33 of the Public Utility Code and (2) requesting that the evidentiary hearing to challenge the consumption reduction targets be consolidated with the Companies' Phase II EE&C Plan filing in November 2012. Reconsideration Order at 6. In its Reconsideration Order, the Commission: (1) affirmed its legal authority to impose penalties under Chapter 33 and Act 129 of the Public Utility Code and (2) denied FirstEnergy's request to consolidate the consumption reduction target evidentiary hearing with the Phase II EE&C Plan filing. Reconsideration Order at 8, 12; see also, 66 Pa.C.S. 3301(a); 66 Pa. C.S. § 2806.1(f)(2). The Commission stated that:

> [it] has established an appropriate adjudicatory procedure for establishing the Phase II consumption reduction requirements that provides adequate due process to all parties involved, including the EDCs. As such, the Commission did not *sua sponte* create a penalty, we simply noted our authority under the Code, which Act 129 has been consolidated with, to impose the penalties previously proscribed by the Pennsylvania Legislature in 66 Pa.C.S. § 3301(a).

Reconsideration Order at 8.

On September 28, 2012, the Companies submitted the Direct Testimony of Edward Miller which challenged the consumption reduction targets, arguing that the acquisition costs were too low thus resulting in overstated consumption reduction goals. Mr. Miller recommended alternative lower consumption reduction targets for each company. FE St. 1 at 2 (Corrected), Exh. ECM-3. The Commission's Final Order established that Met-Ed's consumption reduction target be set at 2.3% based on a three-year program acquisition cost of \$220.87/MWh while Mr. Miller proposed that Met-Ed's consumption reduction target be lowered to 2.2% based on a three-year program acquisition cost of \$234.33/MWh. Compare, Final Order at 24 and SWE St. 1, Electric Energy Efficiency Potential for Pennsylvania, at 10 to FE St. 1 at Exh. ECM-3. The Final Order established Penelec's consumption reduction target at 2.2% based on a three-year program acquisition cost of \$216.19/MWh while Mr. Miller recommended that Penelec's consumption reduction target be lowered to 1.9%, with a three-year program acquisition cost of \$247.62/MWh. Compare, Final Order at 24 and SWE St. 1, Electric Energy Efficiency Potential for Pennsylvania, at 10 to FE St. 1 at Exh. ECM-3. The Final Order set Penn Power's consumption reduction target at 2.0% based on a three-year program acquisition cost of \$209.20/MWh while Mr. Miller proposed that Penn Power's consumption reduction target be lowered to 1.5% based on a three-year program acquisition cost of \$278.28/MWh. Compare, Final Order at 24 and SWE St. 1, Electric Energy Efficiency Potential for Pennsylvania, at 10 to FE St. at Exh. ECM-3. The Final Order set West Penn Power's consumption reduction target at 1.6% based on a three-year program acquisition cost of \$209.42/MWh while Mr. Miller recommended that West Penn Power's consumption reduction target be lowered to 1.2% based on a three-year program acquisition cost of \$287.41/MWh.

Compare, Final Order at 24; SWE St. 1, Electric Energy Efficiency Potential for Pennsylvania, at 10 to FE St. 1 at Exh. ECM-3.

Mr. Miller based these revised acquisition costs and consumption reduction targets on "specific adjustments related to the annual TRM updates, current realization rates and impact of rates on customer participation and incentive levels." FE St. 1 at 23-24 (Corrected). Mr. Miller increased the SWE acquisition costs by 30% to account for the TRM updates; 4% to account for the realization rates impact; and -1% to account for the impact of EDC rates on customer participation and incentive levels. FE St. 1 at Exh. ECM-1. In Exhibit ECM-2, Mr. Miller applied these revised acquisition costs to the budget to develop revised MWh targets. Id. at Exh. ECM-2. He decreased Met-Ed's MWh target from 337, 375 MWh to 318,350 MWh; Penelec's from 318,801 MWh to 278,334 MWh; Penn Power's from 95,502 MWh to 71,799 MWh; and West Penn Power's from 337,553 MWh to 245,955 MWh. Id.

The OCA submits that the SWE's proposed consumption reduction targets based on the SWE acquisition costs should be maintained. OCA witness Crandall, after a review of the SWE study and Mr. Miller's testimony, testified that the energy consumption reduction targets for the FirstEnergy Companies were readily achievable. Mr. Crandall summarized his conclusions:

> 1. The 25% adder to the cost per MWh of energy savings as proposed by the Statewide Evaluator (SWE) and approved by the Commission provides implementing utilities ample flexibility and resources to plan and design programs to meet the Phase II requirements.
>
> 2. The Commission should not authorize the increased acquisition costs proposed by the applicant.
>
> 3. As part of their ongoing responsibilities, utilities implementing Act 129 programs should seek cooperative arrangements with trade allies, community partners and other program implementers to keep operating costs down as well as improve customer satisfaction, installation and realization rates.

OCA St. 1 at 2-3.

The OCA submits that the FirstEnergy consumption reduction targets should remain as set forth in the Final Order.

B. Consumption Reduction Targets and Acquisition Costs

The OCA submits that the proposed consumption reduction targets based upon the proposed acquisition costs contained in the SWE study (which includes a 25% adder) should be maintained. FirstEnergy proposes a decrease to the consumption reduction targets and an increase to the acquisition costs for Met-Ed, Penelec, Penn Power and West Penn Power. Mr. Miller proposed that Met-Ed's consumption reduction target be set at 2.2%, rather than the Commission-approved 2.3%; Penelec's consumption reduction target be set at 1.9%, rather than the Commission-approved 2.2%; Penn Power's consumption reduction target be set at 1.5%, rather than the Commission-approved 2.0%; and West Penn Power's consumption reduction target be set at 1.2%, rather than the Commission-approved 1.6%. FE St. 1 at Exh. ECM-3.

Mr. Miller argued that the SWE study did not account for all of the costs and economic factors necessary to meet the consumption reduction targets when it determined the acquisition costs for each Company. FE St. 1 at 3 (Corrected). Mr. Miller summarized the process that the Commission used to develop the acquisition costs:

> In the Phase II Implementation Order, the Commission utilized acquisition costs from Phase I as the basis in developing anticipated acquisition costs for Phase II. The Commission then increased Phase I acquisition costs by a standard 25% factor in an attempt to cover anticipated cost increases and certain uncertainties in Phase II. By this design, the Commission was attempting to eliminate a significant inequity that existed between EDCs in Phase I where each EDC had a different funding level to attain similar percentage energy and peak demand savings targets...Additionally, given uncertainties with Technical Reference Manual ("TRM") changes, participation and realization rates, other changes are also needed to Phase II acquisition costs.

FE St. 1 at 3-4.

One of the primary arguments that FirstEnergy makes in this proceeding in support of its request is that the 25% adder to the base acquisition costs included in the SWE study may not be sufficient to cover all uncertainties related to the TRM changes or future conditions. FE St. 1 at 8-9 (Corrected). Mr. Miller testified that the acquisition costs need to be high enough to provide the Companies with reasonable per MWh acquisition costs so the Companies can achieve the consumption reduction targets. Mr. Miller stated that the acquisition costs also must account for changes to the TRM updates and the Total Resource Cost (TRC), meet the necessary realization rates[1], and allow the Companies to pursue more comprehensive measures. FE St. 1 at 9-14 (Corrected).

One of the key uncertainties identified by Mr. Miller is for the changes to the TRM. The OCA submits, however, that the TRM "uncertainty" identified by FirstEnergy can also work in the Companies' favor in achieving its goals. OCA witness Crandall explained how the TRM changes can also increase the savings levels:

> The Companies raised the issue that the TRM changes make it difficult and challenging to meet energy saving goals. The Companies assert that the TRM is constantly moving the savings further away from the goal. However, it is possible that TRM changes could also go in the other direction resulting in savings that could increase and additional new measures could be added.

OCA St. 1 at 4. As Mr. Crandall noted in his Direct Testimony, the Commission also addressed the potential for an increase in the savings from TRM changes and noted the addition of measures to the TRM in its <u>Reconsideration Order</u>. The Commission stated:

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1 Mr. Miller described realization rates as:

> Realization rates are factors that are determined through measurement and evaluation activities that establish the verified savings of the programs for compliance with the energy reduction targets. The realization rates address factors including confirmed levels of participation and installation rates that may differ from program assumptions.

FE St. 1 at 13 (Corrected).

> We also note that the Commission has in the past added new measures at the request of the EDCs and revised TRM values, both of which have increased the amount of savings the TRM has attributed to measures and programs contained in one or more EDC EE&C plan. We anticipate doing the same in the future as more credible and reliable information becomes available. Thus, contrary to PPL's implied assertion, not all TRM changes will reduce the electric energy savings attributable to a measure or program being implemented by an EDC.

Reconsideration Order at 17-18; OCA St. 1 at 5. Further, while Mr. Miller argues that there is an overall 10% decrease in savings for the draft 2013 TRM, he does acknowledge these potential increases and testified that "[f]or certain measures the draft 2013 TRM update increased the savings potential relative to the values used in the potential study." FE St. 1 at 18 (Corrected).

The OCA submits that the SWE accounted for the types of uncertainties raised by FirstEnergy witness Miller with its 25% adder to the base acquisition costs. In the Direct Testimony of Richard F. Spellman and Patrick A. Burns, the SWE testified that "[t]hese initial Phase II acquisition costs were then increased by a standard 25% in an effort to account for future uncertainties and anticipated cost increase." SWE St. 4 at 3. As Mr. Crandall explained:

> The SWE's recommendation of adding 25% to the acquisition costs provides utilities with considerable additional implementation flexibility and resources to offer a broader and deeper mix of energy efficiency measures than would otherwise be the case. Since the impacts of the Energy Security and Independence Act of 2007, National Energy Conservation Policy Act and manufacturing standards will have unknown impacts on the Pennsylvania marketplace, the 25% acquisition cost adder may be a buffer form the new lighting and appliance market impacts. The 25% adder will enhance flexibility and mitigate program implementation difficulties.

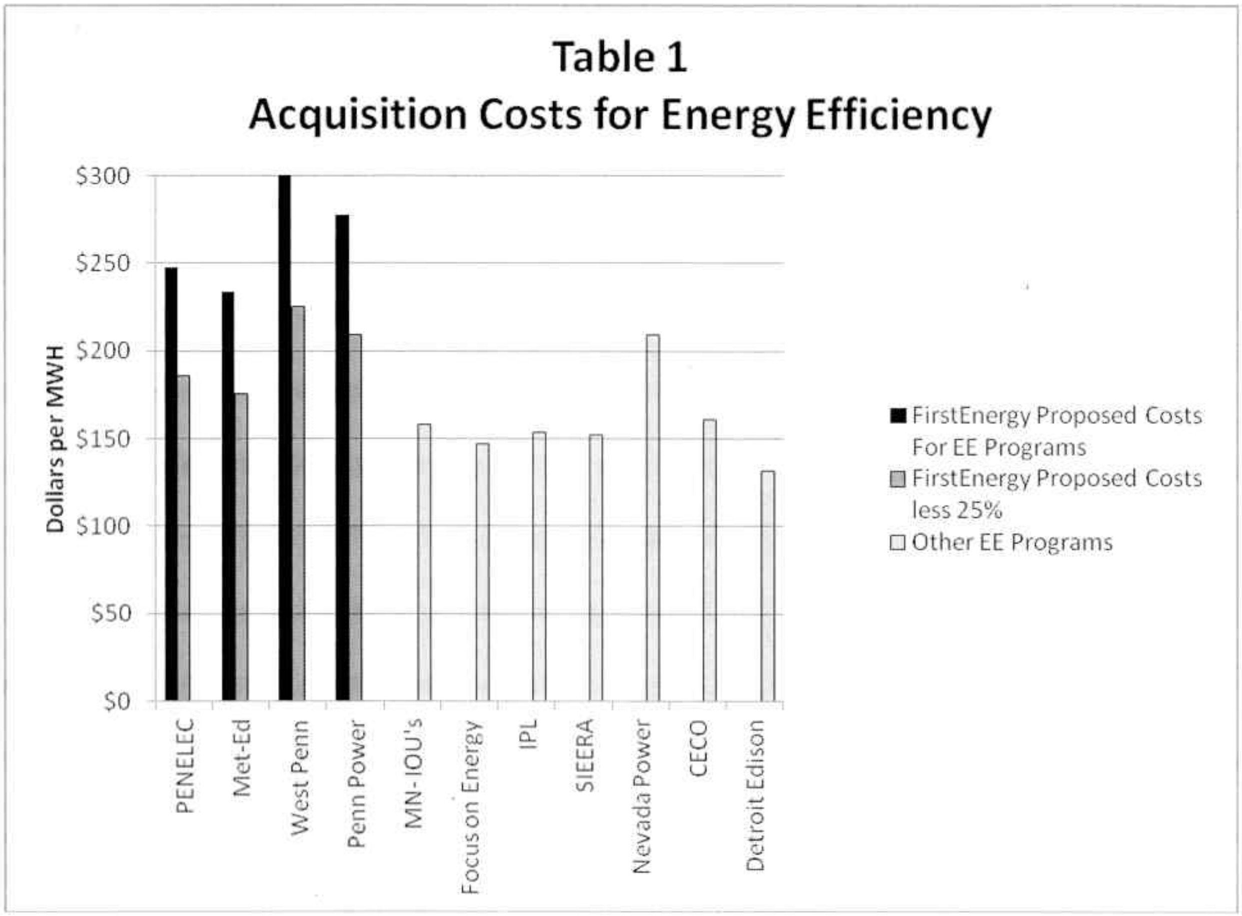
OCA St. 1 at 4-5.

PennFuture witness, Glenn Reed, also addressed the issue of the SWE's 25% adjustment to account for uncertainties. In comparison to the Phase I costs, Mr. Reed testified that the SWE has significantly increased the proposed acquisition costs for Phase II. PennFuture St. 1 at 8. Mr. Reed testified:

> No, I do not agree with Mr. Miller. When you examine what the Companies actual acquisition costs for the first three program years of Act 129 compared to the SWE's estimated Phase II acquisition costs, those costs have been significantly increased. For example, the SWE has increased Phase II acquisition costs by 54% for Met-Ed, 59% for Penelec, 94% for Penn Power and 82% for West Penn. These increases in acquisition costs should more than address any future changes to the TRM and market uncertainties.

PennFuture St. 1 at 8.

OCA witness Crandall also testified that the Companies' proposed increases to the acquisition costs are higher than necessary and would be excessive, particularly in relationship to the acquisition costs achieved by other utilities around the country for programs of similar maturity. OCA St. 1 at 6. In support of this assessment, Mr. Crandall created Table 1 in his testimony which compares the acquisition costs of other utility programs around the country that have been in operation for as long as the FirstEnergy programs and are designed to achieve savings at or above the consumption reduction targets established by the Commission in its Final Order. Id. Table 1 also compares the Companies' proposed acquisition costs with and without the 25% adder proposed by the SWE. Id. at 9. Table 1 shows:



OCA St. 1 at 7.

OCA witness Crandall described in Table 1 the lower acquisition costs for seven other similar utility energy efficiency programs including: (1) Minnesota Investor Owned Utilities (MN-IOU's); (2) the Wisconsin-based Focus on Energy program; (3) Interstate Power and Light Company in Iowa; (4) Sierra Power Company of Nevada; (5) Nevada Power; (6) Consumers Energy Company in Michigan; and (7) Detroit Edison in Michigan. Id. at 8-9. According to information from the Minnesota Department of Commerce, Division of Energy Resources, the MN-IOU's achieved program savings in 2009 of 439,449 MWh with an acquisition cost of $158 MWh. Id. at 7. The Public Service Commission of Wisconsin reported that the Focus on Energy Program produced savings of 590,640 MWh in 2010 at an acquisition cost per MWh savings of approximately $147/MWh. Id. at 7-8. In Iowa, IPL achieved 184,925

MWhs of energy savings at acquisition costs of approximately $154/MWh. In Nevada, SIERRA Power Company (SIERRA) sought authorization in 2013 for energy efficiency programs that would result in savings of 43,175 MWhs with projected acquisition costs of approximately $152/MWh. Id. at 8. Also in Nevada, Nevada Power sought authorization for its 2013 "preferred energy efficiency program" that would result in savings of 117,390 MWhs at projected acquisition costs of approximately $209/MWh. CECO in Michigan accomplished 145,118 MWhs of savings at a $161/MWh acquisition cost. Id. Finally, according to the Michigan Public Service Commission, Detroit Edison achieved approximately 203,000 MWhs of energy savings in 2009 with acquisition costs of approximately $132/MWh. Id. at 9.

Mr. Miller responded that Mr. Crandall used historic acquisition costs from non-Pennsylvania jurisdictions which are not comparable to those that the Companies will incur. FE St. 1-R at 3-4. The OCA submits that the seven examples of acquisition costs from other jurisdictions represent examples of what other similarly-situated utilities have achieved. The OCA notes that two of the examples, SIERRA and Nevada Power, are 2013 proposed acquisition costs and are not historic examples. The OCA also notes that the range of examples presented run from fairly small budgets of $6,560,000 for SIERRA to larger budgets of $86,877,000 for the Focus on Energy Program in Wisconsin. These are all within the range of the FirstEnergy Companies' budgets for the EE&C Plans.

PennFuture witness, Glenn Reed, also addressed these issues and testified that the SWE "overestimated the acquisition costs and underestimated the achievable savings goals." PennFuture St. 1 at 4. Mr. Reed stated:

> The SWE has already increased the Companies' Phase II acquisition costs significantly over actual Phase I acquisition costs in the first three programs years as indicated in my responses to questions 18-20. In addition, the acquisition costs used by the SWE to determine the Companies' Phase II energy saving reduction

> goals are already too high based on experience in other states. Pennsylvania's energy efficiency programs have only been in place for three years (4 years when Phase II begins). Therefore, there are still plenty of low cost energy savings to be captured. Looking at comparable states such as those in the Southwest where programs have only been in place for five years, it is clear that the Phase II acquisition costs are overestimated.

Id. at 10. As an example of the continued availability of additional low cost programs, Mr. Reed stated that information from residential and commercial baseline studies indicate that current residential Compact Fluorescent Light (CFL) saturation is only at 17%, which leaves room for additional low cost energy savings to be achieved. Id. at 11.

PennFuture witness Reed also cited to several examples of utilities' programs from 2009-2010 with lower acquisition costs than those proposed for the FirstEnergy Companies, including Xcel in Colorado with an acquisition cost of $180/MWh, Rocky Mountain Power in Utah with an acquisition cost of $190/MWh, and Arizona Public Service with a cost of $160/MWh. Id. at 10. Mr. Reed also described lower acquisition cost for programs operated by Columbus South Power in Ohio ($95.8/MWh), Ohio Power ($85.5/MWh), MidAmerican in Iowa ($182.8/MWh), and Interstate Power & Light in Iowa ($178.4/MWh). Id. at 11.

The examples discussed in Mr. Crandall's testimony and in Mr. Reed's testimony demonstrate that the SWE's proposed acquisition costs and consumption reduction targets are conservatively high to account for uncertainties and result in consumption reduction targets that are reasonably achievable. The OCA submits that FirstEnergy's proposals to increase the acquisition costs and correspondingly decrease the consumption reduction targets should be denied.

C. The Impact on Acquisition Costs Through The Use of Cooperative Arrangements

The OCA submits that uncertainties with program delivery will always exist. As explained above, the acquisition costs established in the SWE Study adequately capture these uncertainties. The OCA would also note that it is incumbent upon the EDC to design programs in a way that addresses costs and uncertainties. For example, the Companies should seek out cooperative arrangements with trade allies, community partners and other program implementers to help control costs. Such cooperative arrangements will help the Companies to keep operating costs down, to increase installation and realizations rates, and to improve customer satisfaction. OCA St. 1 at 11; see also, PennFuture St. 1 at 11-12. OCA witness Crandall recommended the following to assist in working within the specified budget to achieve the consumption reduction goals:

> As the Companies develop their plans to implement Phase II of Act 129, cost control and effective management will be crucial to include in the design of programs. In an effort to enhance its programs and explore options to keep costs down, FirstEnergy should emphasize efforts to gain the support and active participation of trade allies, e.g., builders, remodelers, retailer and wholesalers, insulation contractors, etc. Trade allies could have a powerful impact on the success of energy efficiency programs because they are in direct contact and are uniquely positioned to assist consumers with energy related decisions. Special seminars, webinars, participation at trade shows, surveys, focus panels, direct financial incentives, joint advertisements and other strategies should be explored to enhance participation and support from trade allies. Trade ally relationships should be given high priority in developing the Phase II plan to minimize acquisition costs and increase the program uptake by consumers. FirstEnergy should also place a high priority on exploring joint delivery of the energy efficiency programs with local organizations in communities they serve, as well as other energy providers who may also be offering energy efficiency services. There may be opportunities to economize and enhance the programs by joint delivery of services. Illinois gas and electric utilities are now coordinating efforts to better serve small commercial customers. They are striving to minimize disruption to its small business customers, enhance program effectiveness and reduce costs of delivering energy efficiency services.

OCA St. 1 at 9-10. The OCA submits that such joint initiatives can provide savings opportunities, and the Companies should explore all such potential savings opportunities. Such efforts can potentially reduce the acquisition costs as the costs can be shared with other trade allies, community partners and other program implementers. As Mr. Crandall testified, joint initiatives have proven to be beneficial for electric and gas utilities in Illinois. OCA St. 1 at 10.

The OCA submits that sound program design and partnerships will further assist FirstEnergy in meeting the consumption reduction targets within the established budget.

III. Conclusion

For the foregoing reasons and the reasons stated in the Commission's Final Order, the OCA submits that FirstEnergy's proposals to decrease the consumption reduction targets should be denied.

Respectfully submitted,

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DATE: November 2, 2012
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CERTIFICATE OF SERVICE

Re: Joint Petition of Metropolitan Edison Company, Pennsylvania electric Company, Pennsylvania Power Company and West Penn Power Company for an Evidentiary Hearing on the Energy Efficiency Benchmarks For the Period June 1, 2013 through May 31, 2016
Docket Nos. P-2012-2320450; P-2012-2320468; P-2012-2320480; P-2012-2320484

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Main Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 2nd day of November 2012.

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