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Some customers allowed to opt out under FirstEnergy's amended energy efficiency plan

By Darren Sweeney

Some of FirstEnergy Corp.'s largest customers will be allowed to opt out of the company's energy efficiency programs under an amended plan submitted Sept. 24 with the Public Utilities Commission of Ohio.

FirstEnergy's Ohio utilities — Ohio Edison Co., Cleveland Electric Illuminating Co. and Toledo Edison Co. — submitted the application to amend their energy efficiency and peak demand reduction plans in response to legislation reforming the state's energy efficiency mandates. (12-2190-EL-POR, 12-2191-EL-POR and 12-2192-EL-POR)

Diane Francis, a spokesperson for FirstEnergy, said the amended application includes a provision that allows the Ohio utilities' large industrial customers to opt out of utility-sponsored programs and run their own programs.

"It's really about being able to reduce customers' costs," Francis said, noting the amendment was filed in alignment with the changes in Ohio legislation and in response to customer demand.

S.B. 310, signed into law by Ohio Gov. John Kasich in June, keeps renewable energy benchmarks at 2014 levels of 2.5% for 2015 and 2016, of which 0.12% of energy must be generated from solar resources. The benchmarks for renewable energy resources increase by 1 percentage point each year from 2017 through 2026, at which time 12.5% of the electricity sold must come from renewable resources such as wind, hydro and biomass, with 0.5% from solar.

The law, effective Sept. 12, keeps energy efficiency and peak demand requirements for 2014, but sets a new formula for determining the amounts for a utility to reach in 2015 and 2016. During that time, a committee will study the mandates, with a report due by the end of September 2015.

Under the law, utilities must meet a 1% energy efficiency benchmark in 2014 and achieve cumulative reductions in peak demand since 2009 of 4.75% by 2014. These benchmarks will be frozen for 2015 and 2016.

Utilities must achieve cumulative energy savings in excess of 22% by the end of 2027. Utilities also have to achieve an additional 0.75% peak demand reduction each year from 2017 to 2020.

The law allows certain customers to opt out of the energy efficiency mandates if they provide written notice to the utility and the secretary of the public utilities commission. The notice must outline plans to establish cost-effective energy efficiency savings and peak demand reductions.

"Beginning January 1, 2015, a customer of an electric distribution utility may opt out of the opportunity and ability to obtain direct benefits from the utility's portfolio plan that is amended. … The opt out shall apply only to the amended plan," the law states. "The opt out shall extend to all of the customer's accounts, irrespective of the size or service voltage level that are associated with the activities performed by the customer and that are located on or adjacent to the customer's premises."

The original standards were put in place in 2008. They called for Ohio's investor-owned utilities to put in place energy efficiency and peak demand reduction programs that lead to cumulative electricity savings of 22% by 2025.

Kevin Haley, director of communications for the American Council on Renewable Energy, said the organization is "disappointed" by FirstEnergy's proposal to allow certain customers to opt out of state-mandated energy efficiency programs.

"ACORE is disappointed, but not surprised, that the rollbacks in Ohio enabled by S.B. 310 are already being put in motion," Haley said in a written response to questions about the amendment and Ohio legislation. "Despite strong support for renewable energy and energy efficiency from the broader Ohio business community and general consumer satisfaction, special interest lobbying has been the only winner in this fight so far. In nearby Indiana, where every dollar spent on energy efficiency programs returned three dollars in benefits, we're seeing similar, illogical rollbacks. As the U.S. EPA finalizes their proposed carbon emissions rule, Ohio's resistance to business and consumer-friendly policies at the state level will hinder their ability to make smarter energy decisions in an economically viable manner."

Francis said since the U.S. EPA's proposed carbon dioxide reduction mandates are still in their infancy, FirstEnergy "[does] not foresee [its] amended plan having any effect on that."

Ohio must reduce its CO2 emissions by 28% from 2012 levels under the EPA's proposal, according to SNL Energy data. Adding renewable generation and improving demand-side efficiency are among the building blocks the EPA has proposed for reaching its goals.

Jack Shaner, deputy director at the Ohio Environmental Council, noted that FirstEnergy is the first of Ohio's electric utilities to file an amended energy efficiency portfolio plan, which would "suspend a vast majority of its residential and small business energy efficiency programs."

"These programs have saved customers in Northern Ohio millions of dollars in electricity costs, sparked economic development, and reduced pollution from power plants," Shaner said.

Trent Dougherty, legal affairs director for the Ohio Environmental Council, said in a written statement that "FirstEnergy is reaping what it sewed" after more than a year of lobbying the state's legislature.

"While FE will continue to harvest profits, it leaves the electric bill savings, air quality, and economic development rewards of energy efficiency to wither and die on the vine," Dougherty said.

Article amended at 9:11 a.m. ET on Sept. 25, 2014, to add comments from the Ohio Environmental Council.