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OPAE Exhibit No. 1

FILE

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 Section 4928.143, Revised Code, in the Form of an Electric Security Plan	)))))))	Case No. 08-935-EL-SSO

DIRECT TESTIMONY OF BARBARA R. ALEXANDER ON BEHALF OF OHIO PARTNERS FOR AFFORDABLE ENERGY

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I. INTRODUCTION

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

A. My name is Barbara R. Alexander. I use the title of Consumer Affairs Consultant. My address is 83 Wedgewood Dr., Winthrop, ME 04364. I appear in this case as a witness on behalf of Ohio Partners for Affordable Energy (OPAE).

Q. PLEASE DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS FOR YOUR TESTIMONY IN THIS PROCEEDING.

A. I opened my consulting practice in March 1996, after nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Commission. While there, I testified as an expert witness on consumer protection, customer service and low-income issues in rate cases and other investigations before the Commission. My consulting practice is directed to consumer protection, customer service and low-income programs and policies relating to the regulation of the electric, natural gas and telephone industries. In particular, I have focused on the changes in policies and procedures required by state regulation in the transition to retail competition. My recent clients include the Pennsylvania Office of Consumer Advocate, New Jersey Division of Ratepayer Advocate, Maine Office of Public Advocate, Illinois Citizens Utility Board, and AARP (in Montana, New Jersey, Maine, Illinois, Mississippi, Maryland, and the District of Columbia). Among my publications are: <u>Retail Electric Competition: A Blueprint for Consumer Protection</u>, (U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, October, 1998). Most recently, I have focused attention on Default Service issues relating to the transition to retail competition for both electric and natural gas industries. I have published several papers on Default Electric Service,[1] and have recently published a paper on state regulatory policies to dampen price volatility in the provision of natural gas supply service.[2] In addition to papers and publications, I have filed testimony and assisted in the preparation of comments on Default Service policies in Pennsylvania, Maine, New Jersey, Montana, Maryland, Texas, and the District of Columbia. I have also provided testimony on behalf of AARP concerning the need for Integrated Resource Planning policies applicable to Mississippi's electric utilities and testified on behalf of AARP before the Virginia Legislature on the need for Integrated Resource Planning policies in Virginia statutes.

I am also an attorney, and a graduate of the University of Michigan (1968) and the University of Maine School Of Law (1976).

I attach my resume listing my testimony and publications as BA-Exhibit 1.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE OHIO PUBLIC UTILITIES COMMISSION ("PUCO" or "Commission")?

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1 My April 2002 paper is available at http://www.ncat.org/liheap/pubs/barbadefault3.doc . An update on that paper, "Managing Default Service to Provide Consumer Benefits in Restructured States: Avoiding Short Term Price Volatility" (2003), is also available at http://www.neaap.ncat.org_experts_index .

2 "Natural Gas Price Volatility: Regulatory Policies to Assure Affordable and Stable Gas Supply Prices for Residential Customers," (2004), available at http://www.ncat.org/liheap/news/Feb04/gaspricevol.htm

A. Yes. I provided testimony on behalf of OPAE in Case No. 08-935-EL-SSO concerning FirstEnergy's proposed Market Rate Offer.

Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

A. The purpose of my testimony is to provide a recommendation to the Commission concerning the application of Ohio Edison Company (OE), the Cleveland Electric Illuminating Company (CEI), and the Toledo Edison Company (TE) (collectively "FirstEnergy" or "the Companies") to provide a Standard Service Offer (SSO) pursuant to an Electric Security Plan (ESP). Under the Ohio law, the SSO operates as a default service for customers who have not selected an alternative generation supply provider. My testimony is primarily directed to the operation of the proposed ESP and its impacts on residential customers. I have not addressed all the issues raised by FirstEnergy's proposal. Rather, I have focused on those aspects of the proposal that I have identified below. My testimony should not be interpreted as approving those aspects of the FirstEnergy ESP filing that are not specifically addressed in my testimony.

II. CONCLUSIONS AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A. I recommend that the Commission reject FirstEnergy's ESP proposal. Specifically, I offer the following conclusions:

- FirstEnergy's proposed generation supply price is not documented or presented in a transparent fashion so as to allow for public review and determination of whether this proposed price is reasonable and would provide SSO service to residential customers at the lowest cost.

- FirstEnergy has failed to undertake any comprehensive and integrated analysis of its SSO portfolio options. Nor has the Companies provided any evidence to support its allegation that this plan is a "good deal" for its customers.
- FirstEnergy's proposal to include the unknown cost associated with new investments for 1,000 MW of new capacity should be rejected because of the lack of any long term integrated resource plan.
- FirstEnergy should not be allowed to collect uncollectible costs associated with SSO prices in a separate rider.
- FirstEnergy's attempt to inject and seek resolution of its distribution revenue requirement and rate design proposals currently pending at the Commission in base rate cases should be rejected.
- FirstEnergy has failed to support its proposed Distribution Improvement Rider with evidence that its proposed level of expenditures will result in any improvement in reliability and distribution service performance. The Companies' proposed incentive program with respect to reliability performance is flawed and not in the interests of customers.
- The proposed AMI pilot should be rejected as wasteful. The proposed prices to be charged to customers participating in this pilot are not justified.

- The Companies' proposed energy efficiency spending of $25 million is not supported by any evidence, fails to reflect any analysis of cost effective programs, and does not address key concerns with respect to the design and implementation of current and future programs.

III. DESCRIPTION OF FIRSTENERGY'S ESP PROPOSAL

Q. PLEASE SUMMARIZE FIRSTENERGY'S PROPOSED ESP.

A. FE has proposed an average fixed rate generation supply service of 7.5 cents/kWh in 2009, 8 cents/kWh in 2010, and 8.5 cents/kWh in 2011. The Company proposes phase in these prices with a deferral of the difference between the proposed fixed rate and the actual rate charged and a means to recover the difference between the actual rate charged and the fixed price from customers with interest. FirstEnergy also proposes that this filing resolve a pending distribution base rate case so that the combined generation supply price and its proposed distribution rate increase would result in an increase in the average total bill by 5.32% in 2009, 4.01% in 2010, and 5.99% in 2011. The Company proposes a $75 million distribution rate increase for OE, $34.5 million for CEI, and $40.5 million for TE. The Companies also dangles a promised distribution rate freeze through 2013 (with some exceptions, of course) if their entire plan is accepted. As a result, this filing goes far beyond the intent of the Legislature in requiring that the distribution utility propose an SSO under the provisions governing an ESP. FE is proposing in effect a "total bill" rate case proposal which injects all the issues surrounding their pending distribution rate case.

Q. DOES FIRSTENERGY'S FILING ALSO INCLUDE PROPOSED RATE DESIGN CHANGES?

A. Yes. FirstEnergy proposes that its suggested changes in the pending distribution base rate case be adopted, resulting in a single block residential rate as modified by proposals by PUCO Staff in that pending rate case.

Q. ARE THE PRICES PROPOSED BY FIRSTENERGY ACTUALLY FIXED FOR THE THREE-YEAR ESP?

A. FirstEnergy has proposed a number of "riders" or means by which certain expenses and costs can be recovery dollar for dollar from its customers.[3] For example, the Company has proposed a Delivery Service Improvement Rider, a Non-Distribution Service Uncollectible Rider, a PIPP Uncollectible Rider, a Capacity Cost Adjustment Charge, a Deferred Distribution Cost Recovery Rider, a Deferred Transmission Costs Recovery Rider, Deferred fuel cost recovery Rider, a Storm Damage and Distribution Enhancement Rider, a Demand Side Management and Energy Efficiency Rider, a Economic Development Rider, a Reasonable Arrangements Rider, Delta Recovery Rider, and a Transmission

[3] The Companies' filing includes proposed tariffs for each distribution utility. The proposed tariff for CEI for effect in 2010 lists 28 separate riders or adjustments to customer bills in its Summary Rider, Volume 2b, page 193 of 463.

Cost Rider for ongoing or future costs. These Riders would of course result in higher costs to customers beyond the fixed prices proposed by FirstEnergy.

Q. DOES FIRST ENERGY ALSO PROPOSE OTHER "BENEFITS" ASSOCIATED WITH ITS PROPOSED SSO AND DISTRIBUTION RATE PRICES?

A. Yes. FirstEnergy has proposed a number of specific dollar investments which it claims are benefits to customers as a result of this proposal, including $5 million per year up to $25 million for energy efficiency and demand response programs, up to $1 million for the costs for an Advanced Metering Infrastructure (AMI) pilot program, and $5 million per year up to $25 million for economic development and job retention activities. These costs are no doubt reflected in the proposed distribution base rate increases, but that actual relationship is not explicitly stated.

Q. PLEASE DESCRIBE FIRSTENERGY'S PROPOSED ENERGY EFFICIENCY PROGRAMS.

A. FirstEnergy does not actually propose any specific energy efficiency programs in its filing, referring to programs approved by the Commission in Case No. 05-1125-EL-ATA, et al. Nor does FirstEnergy include any analysis of cost effective programs that it has conducted or that would govern the development of future programs. The proposed expenditure of $25 million is made without any details or specific analysis to support that level of spending. Nor is there any information in the filing that would suggest that this is the proper level of expenditure to obtain cost effective programs and reduce the need for more expensive generation supply resources.

Q. PLEASE DESCRIBE FIRSTENERGY'S PROPOSED AMI PILOT PROGRAM.

A. FirstEnergy proposes to conduct an AMI pilot program that would target 500 customer volunteers who will be offered "dynamic pricing," primarily targeting customers with central air conditioning systems to address the summer peak load. This pilot would be designed and implemented pursuant to a Collaborative. Furthermore, FirstEnergy proposes to conduct and submit a comprehensive Smart Grid study and recommendations by December 31, 2009. The Companies ESP proposal reflects up to $1 million in costs for this pilot, but FirstEnergy seeks to recover any additional costs through the Demand Side Management and Energy Efficiency Rider. The tariffs submitted as part of the ESP filing contain proposed prices for participating customers in this pilot program. For example, the proposed tariff for Toledo Edison in Rider DPP, Experimental Dynamic Peak Pricing Rider[4], would charge a residential customers participating in the pilot 12.4557 cents/kWh for on peak usage in the summer from 11 AM to 5 PM Monday through Friday, 6.1988 cents/kWh in off peak hours, and a charge of 23.3234 cents/kWh for on peak periods up to 12 days per summer at the day-ahead notification of the customer by the utility. The basis for these proposed prices is not provided in the filing.

[4] See, e.g., proposed tariff for 2010 for Toledo Edison, Volume 2b, page 393 of 426.

Q. PLEASE EXPLAIN FIRSTENERGY'S PROPOSED DELIVERY SERVICE IMPROVEMENT RIDER AND ASSOCIATED COMMITMENTS.

A. The Companies propose to spend up to $ 1 billion among the three distribution utilities to "provide adequate resource to maintain healthy sustainable distribution utilities" and ensure that the Companies are "placing sufficient emphasis on and dedicating sufficient resources to energy delivery and reliability improvement."[5] This proposal also includes a commitment to meet a specific SAIDI performance standard[6], as well as incentive scheme in which FirstEnergy could obtain even more additional revenues if it outperforms is proposed SAIDI standard.

Q. PLEASE EXPLAIN HOW FIRSTENERGY WILL OBTAIN THE GENERATION SUPPLY NECESSARY TO PROVIDE SSO UNDER THE ESP.

A. The Companies will sign a contract with its affiliate, FirstEnergy Solutions (FES). The actual terms of this arrangement are not known. FirstEnergy did not include a proposed contract with its filing. Nor has FirstEnergy provided any information to support its proposed prices for generation supply service. FirstEnergy states that the arrangement will include a requirement that FES would provide an additional 1,000 MW of new generation capacity additions and environmental remediation and reclamation costs up to $45 million. FirstEnergy also stated that the generation supply price that they offer includes a fee of 1 cent/kWh payable

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[5] See Attachment E, Distribution Service Provisions.

to FirstEnergy for generation and administrative "services," justifying this fee based on the risks assumed by the Companies due to customer migration and load shifting by SSO customers.

Q. DOES FIRSTENERGY PROPOSE AN OPTION TO ITS PROPOSED ESP?

A. The Companies propose a "severable short term" ESP price of 7.5 cents/kWh for 2009 (but would only charge the lower phased in amount of 6.75 cents/kWh) in order to allow the Commission to have a longer period of time to review and decide on the full ESP filing. This "offer" must be accepted by the Commission no later than November 14, 2008 and act on the full ESP filing by March 5, 2009.

Q. DID FIRSTENERGY PROVIDE ANY ANALYSIS OF ITS PROPOSED ESP WITH RESPECT TO THE STATE POLICIES REFLECTED IN SECTION 4928.02 OF THE REVISED CODE?

A. No. FirstEnergy's filing makes conclusory statements about the portions of its ESP that support these state policies.[7] FirstEnergy refers to these policies as "long term," but that phrase does not exist in the statute. Section 4928.02 (A) of the Revised Code states that that it is the State's policy to provide "adequate, reliable, safe, sufficient, nondiscriminatory and reasonably priced retail electric service." At no point has FirstEnergy provided any factual evidence that such policies, particularly that related to "reasonably priced" electric service will be met

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[6] SAIDI is System Average Interruption Duration Index, which reflects the average duration of outages during a calendar year.

by its ESP. Furthermore, the filing does not include any discussion of which policies its proposed ESP supports and which policies are not otherwise met by its proposal. Nor does the application specifically mention or address the state policy and the Commission's rule that requires utilities and their proposals to take into account the impact of its proposals on "at risk" populations.

Q. OVERALL, WHAT IS FIRSTENERGY'S POSITION WITH RESPECT TO ITS PROPOSED ESP PLAN?

A. FirstEnergy's proposed ESP plan appears to be a "take it or leave it" proposal.[8] If the Commission does not accept the proposed ESP plan in full, FirstEnergy states that the only option is to follow the path of its MRO filing in Case No. 08-936-EL-SSO, which is currently pending before the Commission and in which I filed testimony on behalf of OPAE which identifies the significant defects in that proposal.

IV. FIRSTENERGY'S PROPOSED GENERATION SUPPLY PRICES SHOULD BE REJECTED

Q. PLEASE DISCUSS YOUR OPINION OF FIRSTENERGY'S PROPOSED GENERATION SUPPLY PRICE FOR SSO.

[7] FirstEnergy's testimony of David M. Blank contains a half page Question and Answer concerning these state policies, pages 4-5.

[8] In its Application, FirstEnergy states that the plan must be viewed as an integrated whole and that "it will not work" if customer benefits are selected individually or if different portions of the plan are applied differently to the three distribution utilities, stating, "It is presented on behalf of all three Companies collectively and must be accepted with respect to all of them." Application at 6, fn. 7.

A. FirstEnergy has proposed prices for a three-year period for generation supply service to its customers without any justification or analysis of the basis for its proposed prices. The Companies failed to submit any contract or term sheet that would govern its arrangement with First Energy Solutions. Nor did FirstEnergy provide any analysis of comparable prices obtained from bilateral contracts or other "regulated" contracts used to provide service to customers in Ohio or nearby markets. Furthermore, FirstEnergy has proposed a price that it alleges appears favorable to its proposed MRO. However, as I testified in FirstEnergy's MRO proceeding, its proposed approach to providing SSO through a Market Rate Offer is also significantly flawed, designed to obtain the highest possible price for default service, and failed to include any factual analysis or potential alternative means of acquiring the necessary electricity and capacity to serve its default service customers through the wholesale market. In effect, FirstEnergy has proposed a "black box" approach in both its ESP and MRO proposals, each designed to leverage its position as the sole arbiter of how power is purchased and provided to its customers. The lack of transparency concerning its contractual terms with FES, as well as the lack of evidence that justifies its proposed prices, are fatal flaws in this proposal.

Q. WHAT SHOULD THE COMMISSION ORDER FIRSTENERGY TO EVALUATE AND SUBMIT AS A PROPERLY DESIGNED ESP?

A. The Commission should require FirstEnergy to evaluate a variety of options to assure generation supply service to its customer classes. This analysis may and should vary by customer class. The risk of customer migration for residential customers is very small except through governmental aggregations and should be reflected in the analysis and recommendations. Any analysis should start from an examination of its current and future load and load shapes for each customer class. FirstEnergy's filing should include a resource plan that identifies a range of demand forecasts and the assumptions for econometric and/or end use variables that would be considered in the range of outcomes that complement the long term forecasts of demand and consumption during the term of the plan. FirstEnergy should then evaluate how it can "manage" this load shape and meet its needs under a variety of potential scenarios that would evaluate how much cost effective energy efficiency and demand response products and services could be provided compared to purchasing traditional generation supply. Renewable energy requirements, which are also cost-competitive, must be included as well. If FirstEnergy had approached this needs analysis from the "bottom up," it would be able to identify the cheapest and most cost effective means to provide the needed energy and capacity to provide default service over a period of years to its customers. Such an approach would require FirstEnergy to manage its load shape as well as managing various traditional generation supply contracts with its affiliates or other entities.

Q. HOW CAN THE SSO PROVIDER EVALUATE AND DETERMINE THE MOST REASONABLE PRICE FOR RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS IN AN ESP?

A. The purpose of SSO, whether provided pursuant to an ESP or an MRO, should be to assure stable, reasonable, and affordable rates for residential and small commercial customers who are not served by a competitive electricity supplier. This can only occur with an explicit portfolio plan and a determination of the best mix of energy efficiency and generation supply resources to provide the lowest and most stable price over the term of the plan.

Q. WHAT APPROACH SHOULD THE COMMISSION ORDER WITH RESPECT TO ANY CONTRACTS BETWEEN FIRSTENERGY AND GENERATION SUPPLY PROVIDERS, INCLUDING ITS AFFILIATES?

A. The Commission should order FirstEnergy or any other utility that files an ESP to submit the proposed bilateral contract that the utility seeks to rely upon to provide all or a portion of its default service obligation during the term of the ESP. A bilateral contract is one between the utility and a specific generation facility or owner of a generating facility. The contract should be negotiated "at arms length" and reflect or document that the terms were reached free of undue influence, duress or favoritism. The resulting price(s) should be justified based on cost of service principles or prices for comparable contracts used by other utilities to supply their default service with affiliated entities in the nearby retail markets. Finally, the contract template should reflect the model Edison Electric Institute Master Agreement for financial energy purchases and sales[9] or an equivalent industry recognized contract template.

Q. WHAT IS YOUR OPINION OF FIRSTENERGY'S PROPOSAL THAT ITS CONTRACT WITH FES WOULD INCLUDE THE OBLIGATION FOR AN ADDITIONAL 1,000 MW OF NEW CAPACITY?

A. There is no basis in the Company's application for suggesting this benefit nor is there any information provided concerning the cost for this benefit reflected in the generation supply prices. Any suggestion that new capacity should be needed to meet the Companies' load should be documented in a long term resource adequacy plan and analysis of options that would provide the most cost effective solution for customers. R.C 4928.143 (b) requires this analysis:

> No such allowance for generating facility construction shall be authorized, however, unless the commission first determines in the proceeding that there is a need for the facility based on resource planning projections submitted by the electric distribution utility.

As pointed out in comments to the Commission by the Ohio Consumer and Environmental Advocates[10] in response to the proposed Long Term Forecast Reports and planning rules, utilities should rely on Integrated Resource Planning principles whether proposing an ESP or an MRO, particularly, where, as here,

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9 These materials are available from Edison Electric Institute at: http://www.eei.org/industry_issues/legal_and_business_practices/master_contract/index.htm

10 Comments of the Ohio Consumer and Environmental Advocates, Case No. 08-888-EL-ORD, at p. 71. (September 9, 2008).

the utility is proposing to require customers to pay for new capacity investments. An integrated resource plan should be linked to the state's energy policies, as the OCEA recommended in its comments with respect to the Commission's proposed rules governing integrated resource plans:

> (L) "Integrated resource plan" means the plan PROPOSED BY THE ELECTRIC UTILITY ~~or program, established by a person subject to the requirements of this chapter,~~ to furnish RETAIL electric energy services THAT WILL ASSURE ADEQUATE, RELIABLE, SAFE, SUFFICIENT, NONDISCRIMINATORY AND LEAST-COST, LEAST RISK SERVICE OVER THE TERM OF THE PLAN. THE PLAN SHALL REFLECT A FULL AND FAIR CONSIDERATION OF COST EFFECTIVE DEMAND SIDE AND SUPPLY SIDE OPTIONS, AND SHALL INCLUDE BUT NOT BE LIMITED TO CONSIDERATION OF RESOURCES, CONTRACTS, AND FACILITIES THAT, TAKEN TOGETHER, WILL MEET THE UTILITY'S PROJECTED DEMAND AND ENERGY REQUIREMENTS IN THE MOST COST-EFFECTIVE MANNER POSSIBLE OVER THE TERM OF THE INTEGRATED RESOURCE PLAN. THE UTILITY'S PLAN AND REPORT SHALL PROPOSE A PORTFOLIO OF DEMAND AND SUPPLY-SIDE RESOURCES THAT BEST MEET THE IDENTIFIED OBJECTIVES WHILE BALANCING THE OUTCOME OF EXPECTED IMPACTS AND RISKS FOR CUSTOMERS OVER THE TERM OF THE PLAN in a cost-effective and reasonable manner AND THAT ACCOUNTS FOR FUTURE RISKS AND PROJECTED COSTS.~~, consistent with the provision of adequate and reliable service, which gives appropriate consideration to supply- and demand-side resources and transmission or distribution investments for meeting the person's projected demand and energy requirements.~~

V. FIRSTENERGY'S PROPOSAL TO OBTAIN DISTRIBUTION RATE RELIEF IN THE CONTEXT OF THE ESP SHOULD BE REJECTED.

Q. SHOULD FIRSTENERGY'S PROPOSAL TO DECIDE ITS PENDING DISTRIBUTION RATE CASE IN THIS CONTEXT OF THE ESP BE APPROVED?

A. No. This case is complicated enough without FirstEnergy's attempt to inject its proposed distribution rate case revenue requirement and rate design issues into its ESP filing. Furthermore, it is impossible to make a reasoned determination of FirstEnergy's proposed rate relief for the three distribution utilities based on the record in this proceeding. I strongly urge the Commission to reject any attempt to resolve distribution rates and controversial rate design proposals in the context of the ESP. There is no statutory basis for FirstEnergy's attempt to inject these matters into the compressed time frame required for the ESP proceeding as reflected in S.B. 221.

VI. FIRSTENERGY'S PROPOSED ENERGY EFFICIENCY PROGRAMS AND SPENDING LEVELS FAIL TO PROVIDE ANY FOUNDATION FOR ITS PROPOSED LEVEL OF SPENDING AND FAILS TO PROPERLY ASSURE THAT THESE PROGRAMS WILL BE DEVELOPED OR IMPLEMENTED IN A COLLABORATIVE MANNER.

Q. Does the FirstEnergy filing identify the programs that will be funded as a result of this commitment?

A. No. In its response to OCC-Set 7-134 the Companies confirmed that they have not yet determined what programs or initiatives will be used for the customer energy efficiency/demand side management investment it proposed in the ESP filing. I attach this data response to my testimony as Exhibit BA-2.

Q. HAS THE COMPANY CONDUCTED AN ANALYSIS OF THE PROPER LEVEL OF SPENDING FOR ENERGY EFFICIENCY, HOW THOSE PROGRAMS WILL BE IMPLEMENTED, AND ANY COST BENEFIT ANALYSIS ASSOCIATED WITH ITS PROPOSAL TO SPEND $25 MILLION OVER FIVE YEARS?

A. No.

Q. DID THE COMPANIES' FILING ADDRESS THE NEEDS OF LOW INCOME CUSTOMERS AND OTHERS "AT RISK" AS A RESULT OF RISING PRICES AND INCREASED FUNDING FOR ALTERNATIVE ENERGY AND EFFICIENCY PROGRAMS?

A. No.

Q. WHAT DO YOU RECOMMEND WITH RESPECT TO THIS PROPOSAL?

A. I recommend that the Commission find that FirstEnergy's proposal with respect to energy efficiency and demand response spending be rejected as totally insufficient and without justification. In light of the statutory obligations of FirstEnergy under SB 221 with regard to achieving goals for reduction in energy consumption and reduction in peak load electricity usage, the ESP filing is seriously deficient and suggests a continued lack of corporate commitment to these initiatives as a means of assuring the long term least cost SSO.

Q. DO YOU HAVE RECOMMENDATIONS WITH RESPECT TO HOW THE COMMISSION SHOULD PROCEED IN LIGHT OF THIS FILING?

A. The Commission should order FirstEnergy to enter into a collaborative with key stakeholders to design and implement a comprehensive cost effective energy efficiency and demand side management portfolio. This collaborative should be provided with an integrated resource plan prepared by FirstEnergy that identifies its preferred cost effective programs and spending levels pursuant to the objectives of SB 221, as well as an analysis of the level of spending and programs that would contribute to a long-term, least-cost SSO, thus exploring the potential for additional targets and programs that exceed the SB 221 goals. This should be a multi-year effort that uses a long-term planning horizon because of the need to meet the benchmarks over time regardless of the nature of the generation supply. The collaborative should have the authority to hire an independent third party to evaluate FirstEnergy's integrated resource plan and advise the collaborative as it undertakes its review of the analysis prepared by FirstEnergy. Once the collaborative concludes its analysis and makes a recommendation to the Commission, a public process should occur to review and obtain Commission approval and input to the recommendations of the collaborative. Finally, I recommend that the collaborative, subject to the approval of the Commission, have the authority to hire a third party administrator the collaborative to implement most or all of the approved programs. This is necessary in part because the FirstEnergy operating companies proposed to purchase generation from an affiliate. Thus, the Company has a significant incentive to maximize the sale of generation. This should be balanced with a stakeholder process which ensures adequate investment in cost-effective demand side management and low-income energy efficiency programs.

Q. WHAT RECOMMENDATIONS DO YOU HAVE WITH RESPECT TO PROGRAMS TARGETED TO LOW INCOME AND OTHER "AT RISK" CUSTOMERS?

A. I recommend that the Commission direct FirstEnergy and the collaborative to explore and fund a substantial expansion of current programs aimed to low income, elderly, and other "at risk" residential customers as part of the overall energy efficiency and demand side management portfolio of programs. These customers cannot afford to participate in the typical loan and incentive programs that require the customer to invest in new energy efficiency appliances, home repairs, or extensive remodeling to assure a proper level of weatherization. It is unfair to require these customers to fund the energy efficiency programs through the rate structure without a fair opportunity to participate in the programs offered by the utilities or the third party administrator. Furthermore, it is a benefit to all customers to reduce consumption and shift peak load usage because a kilowatt that is not used is a kilowatt that does not have to be purchased in the expensive wholesale market. Finally, there are the potential for other savings to other customers if the energy efficiency measures result in more frequent payments by customers who would otherwise fail to pay their electric bill on time. Nonetheless, Ohio's strong low income weatherization and energy efficiency programs should be strengthened by additional investments. These programs are already implemented by a strong core of community-based organizations and I would expect that any additional funding for existing programs or new programs targeted to these customers would be implemented through that already existing network. The utilities should purchase the lowest cost resources. This is generally energy efficiency.

VII. FIRSTENERGY'S PROPOSED AMI PILOT PROGRAM SHOULD BE REJECTED.

Q. PLEASE DESCRIBE WHY FIRSTENERGY'S PROPOSED AMI PILOT PROGRAM AND ITS PROJECTED COSTS OF $1 MILLION OR MORE SHOULD BE REJECTED.

A. There is no reason to conduct yet another "smart meter" or "dynamic pricing" pilot. There have been many pilot programs conducted by utilities in the last several years and several very large pilot programs are underway in the District of Columbia (Pepco), Maryland (BG&E), and Indiana (Duke). The fundamental issues with regard to relying on new smart meter installations and new communication and meter data management systems that will cost hundreds of millions of ratepayer dollars in order to provide demand response cannot be resolved through another pilot program. Rather, FirstEnergy should undertake a fair and comprehensive analysis (in the context of an integrated resource plan) of all cost effective means to achieve the state's objectives for consumption reduction through energy efficiency programs and peak load reduction through demand response programs. Rather than starting from the premise that smart or advanced metering systems are required to achieve customer benefits through pricing changes, a more conservative approach would be to evaluate how to achieve peak load reduction from residential customers in the cheapest way possible. I am confident that such an analysis would show that direct load control programs that focus on those 20%-30% of the customers with central air conditioning[11] who volunteer to receive a modest monthly customer credit in return for allowing the utility to interrupt or cycle their central air conditioning system during summer critical peak periods would have both beneficial impacts on reducing peak load usage and achieve that objective less expensively than the expensive advanced metering proposals that I have evaluated elsewhere.

[11] The pilot programs in California and elsewhere generally demonstrate that only 20-30% of residential customers need to participate and take the desired actions to reduce peak load. However, all customers are typically required to pay for the new advanced metering investments, thus creating a mismatch between those who pay for the investment and those whose bills and usage profiles would allow for a benefit under time-based or hourly pricing schemes.

Residential customers, particularly those with lower than average usage, elderly, vulnerable, disabled, and medically challenged customers should not have to pay for new metering and communication systems that they cannot and do not want.

Q. MIGHT SOME CUSTOMERS BENEFIT IF THEY ARE ABLE TO SEE "REAL TIME PRICES" AS REFLECTED IN THE WHOLESALE MARKET AND REDUCE THEIR BILL BY SHIFTING USAGE TO CHEAPER HOURS?

A. In addition to the notion that peak load usage reduction might result in lower prices for all customers, some advocates promote smart meters and time-based pricing as a means to allow individual customers to reduce their own electricity bill by shifting usage to lower priced hours. In my experience, most residential customers do not care to monitor their electricity usage and electricity prices on an hourly or daily basis. Those customers who want to explore or participate in Time of Use Pricing can do so under the current metering system. In fact, FirstEnergy already offers Time of Use rates and meters to those residential customers who are interested in this rate option and I would certainly agree with a promotional program to advertise this option to customers whose usage profile would benefit from this rate option. Furthermore, proponents of advanced or smart metering have an additional agenda that should be of significant concern to Ohio policymakers. The "price signal" that is being delivered with the current "dynamic" or "real time" pricing proposals that accompany advanced metering relies on wholesale market spot prices and volatile day ahead markets to set prices for residential customers. This is the same wholesale market that has come under significant criticism by many policymakers in Ohio and elsewhere because of its structure and focus on volatile day ahead prices that can be subject to manipulation. I do not recommend such an approach. Rather, SSO should be based on stable and average prices of a diverse portfolio.

Q. HAS FIRSTENERGY DOCUMENTED ITS PROPOSED COST FOR THE AMI PILOT?

A. No. The cost of this proposed AMI pilot is very high and there is no basis provided in this proposal that would justify FirstEnergy's cost estimates for this program as set forth in Attachment F in its Application. While the Companies list its estimated costs for certain equipment, it does not provide the basis for these estimates or why the same pilot programs need to be implemented in each state in order to gather information about either the technology or customer behavior based on a very small sample of interested volunteers.

VIII. FIRSTENERGY'S PROPOSED DISTRIBUTION IMPROVEMENT RIDER SHOULD BE SIGNIFICANTLY REFORMED.

Q. PLEASE DESCRIBE YOUR CONCERNS WITH THE PROPOSED DISTRIBUTION IMPROVEMENT RIDER AS PROPOSED BY FIRSTENERGY.

A. FirstEnergy is correct that SB 221 authorizes a utility propose such a rider. However, the program as proposed by FirstEnergy should be rejected as filed or, at least, conditioned on significant improvements. In general, FirstEnergy has proposed a level of spending without any accompanying plan or description of what investments will occur or what improvements will result. In its response to OCC 6-129, FirstEnergy stated that the proposed Rider of 0.2 cents per kWh across all customers of all Companies "is the result of management judgement in view of the totality of the ESP." And, "Rider DSI is not intended to recover any specific cost, projected or otherwise." I attach this data response to my testimony as Exhibit BA-3. In other words, FirstEnergy wants customers to write a blank check for $1 billion that would be used for capital improvements among the three distribution companies. Again, this investment should be carefully coordinated with the pending distribution rate cases in which it would appear reasonable to suppose that the Companies have proposed or discussed distribution rate base investments that will result from its proposed revenue requirement increases. In other words, it is not clear what investments will occur as a result of this Rider in the ESP plan that would not otherwise occur or should be reflected in the distribution revenue requirement and base rate cases currently pending before the Commission. There is no evidence submitted by FirstEnergy in its filing that would assure customers that "the Companies are placing sufficient emphasis on and dedicating sufficient resources to energy delivery and reliability improvements." [Attachment E]

Q. WHAT ABOUT FIRSTENERGY'S PROPOSAL TO ESTABLISH SAIDI PERFORMANCE STANDARDS AND ITS PROPOSED INCENTIVE PAYMENTS?

A. FirstEnergy proposes that each utility be subject to a SAIDI performance standard of 120 minutes, calculated by excluding major storms that affect 6% of customers in a 12-hour period. This target is comparable to the current performance target for OE and TE, but would appear to constitute a deterioration compared to the current CEI target of 95 minutes.[12] At the very least, these proposed targets would not result in any improvement in customer reliability. Furthermore, FirstEnergy's proposal to focus on SAIDI and the method by which it is calculated conflict with the Commission's proposed revisions to the Electric Reliability Rules pending in Case No. 06-653-EL-ORD. Finally, even the lax target is not really enforceable as such, but would be subject to a "reliability performance band between 90minutes and 135 minutes from 2009 through 2013." [Attachment E] If the actual SAIDI performance is above 135 minutes, then the Rider for that Company will be adjusted downward. However, if the SAIDI performance is less than 90 minutes, then the Rider would be adjusted upward to provide additional revenues to the Company. The Companies filing

[12] See Testimony submitted by Donald R. Schneider on behalf of FirstEnergy.

does not discuss the basis for or even identify the actual adjustments to the Rider, but refer to the proposed tariffs. Rider DSI or Delivery Service Improvement Rider contains a Table that shows the additional revenues or revenue reductions that would operate under the proposed SAIDI performance band. The adjustments would result in higher charges to residential customers in the amount of 0.0339 cents/kWh if SAIDI performance improved to 78 minutes, but result in a revenue reduction in the Rider charge up to $0.0339/kWh if the SAIDI performance increased to 159 minutes or more. The Company fails to describe the impact this proposal would have on its revenues over the term of the plan under either scenario. Nor is there any basis provided for the financial adjustment targets that it proposes.

Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO RIDER DIS?

A. The Commission should reject this Rider as filed by FirstEnergy. While the concept of a DIS Rider may be appropriately explored, FirstEnergy's lack of specificity in how these funds would be used to ensure delivery reliability and its method of providing incentives to assure reliability are fatal flaws to this proposal. Any such Rider should only be approved based on specific plans that demonstrate that specific capital investments will result in measurable and reasonable results. This Rider should not be used to write a blank check to the utility. Rather, FirstEnergy should go back to the drawing board and propose specific capital improvement plans for each utility and demonstrate how current base rates and the results of the pending base rate case would be insufficient to achieve the purposes that would be served by any DIS Rider. Furthermore, any performance plan should require the utility to assure actual <u>improvement</u> in performance and not merely maintain the status quo, or, as proposed by FirstEnergy for CEI, allow for deterioration in performance. Finally, I do not recommend that any performance targets result in rewards for the Company. Such an approach is likely to send the wrong signal that "gold plating" the distribution system will result in increased revenues or profits. Customers who are paying for these investments should be promised that the rates and Riders they fund will result in specific improvements for specific performance standards. The important signal that the Commission should send to the utility is that failure to meet the targets (without any notion of a "band" that merely sets the performance target to a lower level) will result in predetermined and automatic penalties in an amount that creates a meaningful incentive to the Company about the nature of its performance and its failure to keep the promises associated with the approval of a Rider outside the normal context of a distribution rate case. It is the shareholders and not the ratepayers of FirstEnergy that should bear the risk that its investments will not achieve the promised level of improved reliability and customer service.

IX. THE COMMISSION SHOULD REJECT FIRSTENERGY'S PROPOSAL TO CREATE NON-DISTRIBUTION UNCOLLECTIBLE RIDERS.

Q. WHY DO YOU RECOMMEND THAT THE COMMISSION REJECT FIRSTENERGY'S PROPOSED RIDERS TO COLLECT UNCOLLECTIBLE GENERATION EXPENSE THROUGH A RIDER ATTACHED TO GENERATION SUPPLY SERVICE?

A. FirstEnergy already reflects its uncollectible expenses in base rates. Since FirstEnergy bills and collects SSO for all residential customers at this time (and is likely to continue doing so for almost all such customers in the near term), there is no reason to consider shifting some portion of these costs to the generation side of the bill. Additionally, the costs for the distribution utilities to bill and collect the entire electric bill are already reflected in base rates. Allowing FirstEnergy to identify some portion of that uncollectible expense and collect it with a new Rider would allow the utilities to double recover these expenses. Therefore, I recommend that the Commission reject this proposal.

Q. WHY DO YOU RECOMMEND THAT THE COMMISSION REJECT FIRSTENERGY'S PROPOSED RIDERS TO COLLECT UNCOLLECTIBLE PERCENTAGE INCOME PAYMENT PLAN (PIPP) EXPENSES THROUGH A RIDER ATTACHED TO GENERATION SUPPLY SERVICE?

A. There is no justification for an uncollectible PIPP Rider for the same reasons discussed above. I understand, based on the information provided by counsel, that the Ohio Department of Development has proposed that utilities be responsible for collection of the customer payment established under PIPP. FirstEnergy has proposed a separate rider to collect uncollectible amounts associated with these customers. There is no reason why this cannot be collected through base rates.

X. SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE THE APPROACH YOU RECOMMEND THAT PUCO PURSUE WITH RESPECT TO THE DEVELOPMENT OF THE MARKET RATE OPTION.

A. The Commission should reject FirstEnergy's proposed ESP for the reasons and specific defects that I have identified in my testimony.

Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of this testimony of Barbara R. Alexander was served electronically upon the parties of record identified below on this 29th day of September, 2008.

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Colorado Office of Consumer Counsel
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Areas of Expertise:

- Default Service, Consumer Protection, Service Quality, and Universal Service policies and programs associated with the move to competition in the electric, natural gas, and telecommunications industries;

- Consumer Protection and Service Quality policies and programs associated with the regulation of competitive energy and telecommunications providers;

- The regulatory policies associated with the regulation of Credit, Collection, Consumer Protection, Low Income, and Service Quality programs and policies for public utilities; and

- Code of Conduct and affiliated interest rules applicable to regulated utilities and their affiliates.

Prior Employment

DIRECTOR — 1986-96
Consumer Assistance Division
Maine Public Utilities Commission — *Augusta, Maine*

One of five division directors appointed by a three-member regulatory commission and part of commission management team. Direct supervision of 10 employees, oversight of public utility consumer complaint function, appearance as an expert witness on customer services, consumer protection, service quality and low income policy issues before the PUC. Chair, NARUC Staff Subcommittee on Consumer Affairs

SUPERINTENDENT — 1979-83
Bureau of Consumer Credit Protection
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Director of an independent regulatory agency charged with the implementation of Maine Consumer Credit Code and Truth in Lending Act. Investigations and audits of financial institutions and retail creditors, enforcement activities, testimony before Maine Legislature and U.S. Congress.

Education

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University of Maine School of Law — *Portland, Maine*

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Publications and Testimony

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Comments on behalf of AARP Maine before the Maine PUC on various dockets and notices concerning the implementation of Standard Offer Service for residential customers, Docket Nos. 2006-314, 2006-557, and 2006-411 (July-November 2006). [Default service policies]

Comments on behalf of AARP District of Columbia before the District of ColumbiaPSC, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia, Case No. 1017 (2006). [Default service policies]

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Direct and Rebuttal Testimony on behalf of the Pennsylvania Office of Consumer Advocate before the Pennsylvania PUC, Joint Application of Equitable Resources, Inc. and the People's Natural Gas Co., d/b/a Dominion Peoples, for Approval of the Transfer of All Stock Rights of the Latter to the Former and for the Approval of the Transfer of All Stock of Hope Gas, Inc., d/b/a/ Dominion Hope to Equitable Resources, Inc., Docket No. A-122250F5000 (September and October 2006). [Customer Service, Service Quality, and Universal Service issues)

Direct Testimony on behalf of Pennsylvania Office of Consumer Advocate before the Pennsylvania PUC, Pennsylvania PUC v. Natural Fuel Gas Distribution Corp., Docket No. R-00061493 (September 2006) [Supplier Purchase of Receivables Program]

Direct Testimony on behalf of AARP Montana before the Montana Public Service Commission, Joint Application of NorthWestern Energy and BBI to purchase NorthWestern Energy, Docket No. 2006.6.82 [December 2006] [Conditions for approval of merger; low income and customer service programs]

Rebuttal Testimony on behalf of the Pennsylvania Office of Consumer Advocate before the Pennsylvania PUC, Petition by PPL Electric Utilities Corp. for Approval of a Competitive Bridge Plan, Docket No. P-00062227 (December 2006) [Default Service policies]

Direct and Rebuttal Testimony on behalf of the Pennsylvania Office of Consumer Advocate before the Pennsylvania PUC, Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public

Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger, Docket A-110150F0035 (December 2006 and January 2007) [Conditions for approval of merger; low income and customer service programs]

Testimony before the House Least Cost Power Procurement Committee, Illinois General Assembly, on HB 1510, on behalf of AARP [March 22, 2007]

Rebuttal and Surrebuttal Testimony on behalf of Pennsylvania Office of Consumer Advocate before the Pennsylvania PUC, Petition of Duquesne Light Co. for Approval of Default Service Plan for January 1, 2008 to December 31, 2010, Docket No. P-00072247 [April 2007] [Default Service policies]

Comments and Reply Comments on behalf of AARP New Jersey before the Board of Public Utilities BGS Working Group concerning BGS procurement policies and proposed demand response program, (March-May 2007) [Default Service policies]

Comments on behalf of AARP New Jersey to the New Jersey BPU Staff on draft proposed USF regulations (May 2007) [Low income program design and implementation]

Alexander, Barbara, Smart Meters, Real Time Pricing, And Demand Response Programs: Implications For Low Income Electric Customers (May 2007)

Direct and Surrebuttal Testimony on behalf of Maine Office of Public Advocate before the Maine Public Utilities Commission, Re: Joint Application for Approvals Related to Verizon's Transfer of Property and Customer Relations to Company to be Merged with and into FairPoint Communications, Inc., Docket 2007-67 (July and September 2007) [Service Quality and Customer Service Conditions for Merger]

Testimony on behalf of AARP Montana before the Montana Public Service Commission, In the Matter of Montana Dakota Utilities Co., Public Service Commission Investigation and Direction on Electric and Natural Gas Universal System Benefits, Docket No. D2006.1.2 (July 30, 2007) [Design and funding for low income programs]

Direct and Surrebuttal Testimony on behalf of Maine Office of Public Advocate before the Maine Public Utilities Commission, Central Maine Power Co. Chapter 120 Information (Post ARP 2000) Transmission and Distribution Utility Revenue Requirement and Rate Design And Request for Alternative Rate Plan, Docket No. 2007-215 (August 30, 2007 and February 2008) [AMI deployment]

Direct and Reply Testimony on behalf of AARP Maryland before the Maryland Public Service Commission, In the Matter of the Commission's Investigation of Investor-Owned Electric Companies' Standard Offer Service for Residential and Small Commercial Customers in Maryland, Case No. 9117, Phase I and II (September 2007) [Default Service policies]

Testimony on behalf of AARP Maryland before the Maryland Public Service Commission, In the Matter of the Commission's Investigation of Advanced Metering Technical Standards, Demand Side Management Competitive Neutrality, and Recovery of Costs of Advanced Meters and Demand Side Management Programs, Case 9111 (November 2, 2007) [Default Service policies; AMI deployment]

Comments on behalf of AARP District of Columbia before the D.C. Public Service Commission, In the Matter of The Application Of Potomac Electric Power Co. For Authorization to Establish A Demand Side Management Surcharge and an Advanced Metering Infrastructure Surcharge And to Establish a DSM Collaborative and an AMI Advisory Group, Formal Case No. 1056 (August 10, September 10, November 13, 2007, April 2008) [Default Service policies; AMI deployment]

Comments on behalf of AARP District of Columbia before the D. C. Public Service Commission, Re: The Petition of the Office of the People's Counsel for the District of Columbia for an Investigation into the Structure of the Procurement Process for Standard Offer Service, Formal Case No. 1047 (November 2007) [Default Service policies]

Direct, Rebuttal and Surrebuttal testimony on behalf of the Pennsylvania Office of Consumer Advocate before the Pennsylvania PUC, Petition of the West Penn Power Co. d/b/a Allegheny Power for Approval of its Retail Electric Default Service Program and Competitive Procurement Plan for Service at the Conclusion of the Restructuring Transition Period, Docket No. P-00072342 (February-March 2008) {Default service procurement policies]

Testimony on behalf of AARP before the VirginiaCommission on Electric Utility Restructuring in the General Assembly on HB 1523 and SB 311 (January 2007) [Electric Utility Integrated Resource Planning]

Testimony on behalf of AARP before the Ohio House of Representatives on SB 221 (February 2008) [Default Service procurement policies for post-transition period]

Alexander, Barbara, The Federalization Of Energy Prices: How Policies Adopted By The Federal Energy Regulatory Commission Impact Electricity Prices For Residential Customers A Plain Language Primer (March 2008)

Comments on behalf of AARP before the New Jersey Board of Public Utilities, Inthe Matter of the Universal Service Fund, Docket Nos. EO07110888 and EX00020091 (April 2008) [low income program; automatic enrollment]

Direct and Surrebuttal testimony on behalf of the Pennsylvania Office of Consumer Advocate before the Pennsylvania Public Utility Commission, PUC v. Columbia Gas of Pennsylvania, Inc., Docket No.R-2008-2011621 (May and June 2008) [rate case: retail gas competition and Purchase of Receivables program]

Direct Testimony on behalf of Public Counsel and the Energy Project before the Washington Utilities and Transportation Commission, WUTC v. Puget Sound Energy, Inc., Docket Nos. UE-072300 and UG-072301 (May 2008) [revisions to Service Quality Index; storm cost recovery; fixed customer charge; low income program funding]

Direct Testimony on behalf of Public Counsel and the Energy Project before the Washington Utilities and Transportation Commission, In the matter of the Application of Puget Holdings LLC and Puget Sound Energy for an Order Authorizing Transaction, Docket No. U-072375 (June 2008) [Conditions for Sale: customer service; low income programs]

Direct Testimony on behalf of Local 223, UWUA before the Michigan Public Service Commission, In the Matter of the application of Detroit Edison Co. for authority to increase its rates, Case No. U-15244 (July 2008) [Customer Service standards; Advanced Metering proposal]

Reply Testimony on behalf of AARP before the Mississippi Public Service Commission, Proceeding to Review Statewide Energy Generation Needs, Docket No. 2008-AD-158 (August 2008) [Integrated Resource Planning]

Comments on behalf of Local 223, UWUA before the Michigan Public Service Commission, In the matter, on the Commission's own Motion, to investigate the development of minimum functionality standards and criteria for advanced metering infrastructure (AMI), Case No. U-15620 {August 2008) [Advanced Metering policies and standards]

Presentations and Training Programs:

- National Low Income Energy Consortium (NLIEC) Annual Conference
- NARUC
- NASUCA
- State Legislatures: New Jersey, Texas, Kentucky, Illinois, and Maine
- Commissions: Pennsylvania, Georgia, Kentucky, Illinois, New Jersey
- DOE-NARUC National Electricity Forum
- AIC Conference on Reliability of Electric Service
- Institute of Public Utilities, MSU (Camp NARUC) [Instructor since 1996]
- Training Programs on customer service and service quality regulation for international regulators (India and Brazil) on behalf of Regulatory Assistance Project
- Georgia Natural Gas Deregulation Task Force [December 2001]
- Mid Atlantic Assoc. of Regulatory Utility Commissioners [July 2003]
- Illinois Commerce Commission's Post 2006 Initiative [April 2004]
- Delaware Public Service Commission's Workshop on Standard Offer Service [August 2004]

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OCC Set 7
Witness: Blank

Case No. 08-935-EL-SSO
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.

RESPONSES TO REQUEST

OCC Set 7 – INT-134 Referring to page 25 of the ESP Application, Section A.4.g, where the Company states it would commit up to $5 million of investment each year from January 1, 2009 to December 31, 2013 for customer energy efficiency/demand side management programs, what are the components of the Company's proposed program, by individual EDU, and how does the Company intend to recover the cost to run these programs?

Response: The Companies have not yet determined what programs or initiatives will be used for the customer energy efficiency/demand side management investment in paragraph A.4.g. of the Companies' ESP Application. The Companies will provide up to $25 million of investment, in annual amounts of up to $5 million from 2009 through 2013, without recovery from customers. Any amount spent over $5 million per year from 2009 through 2013 will be recovered through the Companies' Demand Side Management and Energy Efficiency Rider.

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OCC Set 6
Witness: Blank

Case No. 08-935-EL-SSO
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.

RESPONSES TO REQUEST

OCC Set 6 – INT-129	Referring to the ESP Application at paragraph A.3.e, page 21, and the Delivery Service Improvement ("DSI") rider: a. How was the 0.2 cents figure calculated?; b. What are the projected costs to be recovered through the DSI rider?
Response:	a) The Delivery Service Improvement Rider (Rider DSI) average level of 0.2 cents per kWh across all Companies, which is prior to the application of any performance-based adjustments, is the result of management judgment in view of the totality of the ESP. b) Rider DSI is not intended to recover any specific cost, projected or otherwise. The rationale for the rider is discussed in the direct testimony of Donald R. Schneider and David M. Blank.