

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 R.C. 4928.143 in the Form of an
Electric Security Plan.

Case No. 08-935-EL-SSO

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In the Matter of the Application of Ohio Edison
Company, The Cleveland electric Illuminating
Company, and The Toledo Edison Company for
Approval of Rider FUEL and Related Accounting
Authority.

Case Nos. 09-21-EL-ATA
09-22-EL-AEM
09-23-EL-AAM

**PREFILED TESTIMONY
OF
RICHARD C. CAHAAN
CAPITAL RECOVERY AND FINANCIAL ANALYSIS DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

February 23, 2009

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1 1. Q. Would you please state your name, position, and background?

2 A. My name is Richard C. Cahaan, and I am employed by the Public Utilities
3 Commission of Ohio, 180 E. Broad Street, Columbus, Ohio 43215 as the
4 Chief Economist in the Capital Recovery and Financial Analysis Division
5 of the Utilities Department. I have been employed by the Staff of the
6 Commission since 1983 and have testified in numerous rate cases and other
7 proceedings before this Commission. A large proportion of my testimony
8 before this Commission has been regarding the cost of capital and the rate
9 of return to be granted to regulated utilities, although I have also presented
10 economic analysis regarding other issues, including the rate stabilization
11 plans of First Energy, CG&E, and AEP. I also have testified in
12 FirstEnergy's original SSO proceeding, Case No. 08-935-EL-SSO.

13
14 I have received a B.A. degree from Hamilton College and an M.A. degree
15 in Economics from the University of Hawaii, and I have completed all
16 course work and passed the written and oral general and field examinations
17 at the Ph.D. level at Cornell University. I have been a faculty member,
18 either fulltime or part time, at the State University of New York --
19 Cortland, Eisenhower College, Ithaca College, Cornell University, the Ohio
20 State University, and the Graduate School of Business Administration of

1 Capital University. Prior to joining the Staff, I taught economics at the
2 Ohio State University.

3
4 2. Q. What is the purpose of your testimony in this proceeding?

5 A. The purpose of this testimony is to provide the Staff's support of the
6 Stipulation and Recommendation being presented to the Commission and,
7 in particular, to explain why this particular ESP, that is, the Interim Provi-
8 sions of the Stipulated ESP, is more favorable in aggregate to an MRO.

9
10 3. Q. Why does the Staff believe that this ESP is more favorable than an MRO?

11 A. The recommendations regarding this ESP are contained in the Stipulation
12 and Recommendation covering the proposed arrangements for the entire
13 period through 2011. On a procedural level, this ESP is being dealt with
14 separately from the remainder of the arrangements. However, on a sub-
15 stantive and logical basis, they cannot be separated. I have performed an
16 economic analysis which indicates that the remainder of the arrangements
17 proposed in the Stipulation and Recommendation provide a net benefit of
18 slightly less than one hundred million dollars, as compared to an MRO. (I
19 will be presenting this analysis when I file my testimony in case no. 08-
20 935-EL-SSO later this week.) Without acceptance of the provisions being
21 considered in this proceeding, the remainder of the arrangements for the

1 ESP will not occur, and the quantifiable benefits I mentioned (plus other
2 non-quantifiable benefits) will be foregone. When one considers the time
3 frame for organizing an MRO which would begin in April, together with
4 consideration of foregoing benefits of an ESP and even the possibility of
5 having an ESP, then I think that it is almost a logically necessary conclu-
6 sion that these interim provisions are more favorable in the aggregate to an
7 MRO.

8
9 4. Q. Does this conclude your testimony?

10 A. Yes, it does.
11

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Richard C. Cahaan, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 23rd day of February, 2009.



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