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BEFORE

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THE PUBLIC UTILITIES COMMISSION OF OHIO

2010 APR 15 PM 5:17

PUCO

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) Case. No. 10-388-EL-SSO
Standard Service Offer Pursuant to)
Section 4928.143, Revised Code, in)
the Form of an Electric Security Plan.)

**TESTIMONY
OF
ROBERT B. FORTNEY**

**RATES & TARIFFS DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

April 15, 2010

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TESTIMONY OF ROBERT FORTNEY

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3 1. A. My name is Robert B. Fortney. My business address is 180 E. Broad
4 Street, Columbus, Ohio, 43215.

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO) as a
7 Public Utilities Administrator 3 in the Rates and Tariffs Division of the
8 Utilities Department.

9 3. Q. Please outline your educational background and work experience.

10 A. I received a Bachelor of Science Degree in Business Administration from
11 Ball State University, Muncie, Indiana, in 1971. I received a Master of
12 Business Administration Degree from the University of Dayton, Dayton,
13 Ohio, in 1979. I have been with the Commission staff for 24 years,
14 involved in all aspects of electric utility rates, rules and regulations.

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

16 A. I am testifying to the reasonableness of certain provisions within the
17 Stipulation and Recommendation (the Stipulation) filed on March 23, 2010,
18 by FirstEnergy in Case No. 10-388-EL-SSO. Specifically, I will address
19 Provision (F) Economic Development and Job Retention (2) which, for
20 simplicity, I will call the Cleveland Clinic provision and Provision (F) (3)
21 which, for simplicity, I will call the domestic automaker provision.

22 5. Q. Would you please describe the mechanics of the Cleveland Clinic (the
23 Clinic) provision?

1 A. It is my understanding that the Clinic intends to implement a major
2 expansion at its Main Campus located at 9500 Euclid Avenue in Cleveland
3 to meet growing demand for its services. The expansion plan calls for an
4 investment of \$1.4 billion and is expected to create more than 1,000 new
5 jobs. The expansion will also create local construction jobs and jobs
6 indirectly associated with the expansion. In order to complete the
7 expansion, significant additions, alterations and modifications must be
8 made to the electric infrastructure to meet the growth in electric service and
9 to meet the reliability needs of the Clinic and its patients. Based on
10 estimates, the Clinic's otherwise applicable share of the costs for those
11 facilities, in the form of a contribution in aid of construction, would be
12 approximately \$70 million. Per the terms of the Stipulation, CEI will be
13 responsible for those costs. It will classify those costs as distribution plant
14 in service which will be fully depreciated and recovered (with no carrying
15 charges) from the other customers of FirstEnergy over a five year period
16 beginning June, 1, 2011 through Provision (g) of Rider EDR.

17 6. Q. So, why is this a reasonable provision to include in the Stipulation
18 regarding an Electric Security Plan?

19 A. Primarily, because the Stipulation must be judged as a comprehensive plan
20 which provides for stable pricing of energy services, assures supplies of
21 electricity, enhances distribution services, promotes energy efficiency,

1 promotes economic development and job retention, and supports low
2 income customers. The Clinic provision is but one of many parts which
3 make up the overall package which addresses a broad range of issues
4 contemplated within the scope of Am. S.B. 221.

5 According to the Stipulation, the expansion plan cannot be completed
6 without the provisions included in the Stipulation. I do not know whether
7 this means that none of the expansion would take place or that only part of
8 the expansion would take place. However, it is apparent that there would
9 not be a \$1.4 billion investment, there would not be 1,000 jobs added and
10 the number of construction and indirect jobs created would be less than
11 they would otherwise be if the Stipulation is approved.

12 Further, there will be no carrying charges applied to the \$70 million in cost
13 recovery.

14 7. Q. Is there information, or documentation, that the Commission should be
15 provided that is not detailed in the Stipulation?

16 A. Yes, I have some suggestions as to what information the Commission
17 should be provided, in general. (1) The Clinic should submit to the
18 Commission, prior to its ruling in this case, an affidavit from a company
19 official as to the veracity of the information provided in the Stipulation
20 (notably, the \$1.4 billion investment and the projected 1,000 new jobs, as
21 well as the potential repercussions if the provision is not approved).

1 (2) FirstEnergy should submit its cost estimates which justify the otherwise
2 applicable \$70 million Clinic share. (3) FirstEnergy should provide annual
3 information to the Commission which verify the actual costs (and, if
4 applicable, reconcile provision (g) Infrastructure Improvement, in its
5 Economic Development Rider to actual costs, if less than \$70 million). (4)
6 Finally, the Clinic should provide to FirstEnergy (to be made available to
7 the Commission) annual investment dollars for the expansion project and
8 the number of new jobs created.

9 8. Q. Would you please describe the mechanics of the domestic automaker
10 provision?

11 A. The domestic automaker provision applies to domestic automaker facilities
12 with more than 45 million kWhs of use for the 12 month billing periods
13 ending December 31, 2009. It consists of two parts. The first part,
14 provision (h) of the Economic Development Rider, is a 1 cent/kWh credit
15 to be applied to the first 20% of usage exceeding the baseline average usage
16 and a 1.2 cent credit to be applied to all kWhs exceeding 20% over the
17 baseline. The second part, provision (g) is the recovery mechanism which
18 is a kWh charge, to be reconciled quarterly, for all classes except GT, SL,
19 TL and POL.

20 9. Q. Why is this a reasonable provision to include in the Stipulation regarding an
21 Electric Security Plan?

1 A. It establishes an economic incentive for a core industry. Hopefully,
2 increased business in the auto industry will lead to increased business in the
3 economy in general.

4 10. Q. Why is the GT class exempted from the recovery mechanism?

5 A. Once again, this was one of many provisions which were negotiated by the
6 parties and agreed upon by the signatory parties. The theory is that it seems
7 contradictory to offer a discount for economic development and then
8 recover that discount from the same customers. Also, if the GT class was
9 included in the recovery mechanism, the result could be direct competitors
10 subsidizing each other.

11 11. Q. Does this conclude your testimony?

12 A. Yes, it does. However, I reserve the right to submit supplemental
13 testimony as described herein, as new information subsequently becomes
14 available or in response to positions taken by other parties.

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of Robert B. Fortney** has been served upon all of the parties of record in Case No. 10-388-EL-SSO by electronic mail and/or U.S. mail, postage pre-paid this 15th day of April, 2010.

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