

[Company Exhibit \_\_\_\_\_ ]

**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               | ) | Case No. 10-388-EL-SSO |
| Establish a Standard Service Offer Pursuant   | ) |                        |
| To R.C. § 4928.143 in the Form of an Electric | ) |                        |
| Security Plan                                 | ) |                        |

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SUPPLEMENTAL TESTIMONY OF

WILLIAM R. RIDMANN

ON BEHALF OF

OHIO EDISON COMPANY  
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY  
THE TOLEDO EDISON COMPANY

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1 **Q. ARE YOU THE SAME WILLIAM R. RIDMANN WHO HAS TESTIFIED**  
2 **PREVIOUSLY IN THIS PROCEEDING?**

3 A. Yes. I previously provided prefiled Direct Testimony at hearings on April 20, 2010  
4 supporting the Stipulation filed on March 23, 2010, and testimony at hearings on June  
5 21, 2010 supporting the Supplemental Stipulation filed on May 12, 2010.

6 **Q. WHAT IS THE PURPOSE OF THIS PREFILED SUPPLEMENTAL**  
7 **TESTIMONY?**

8 A. My testimony herein supports the Second Supplemental Stipulation filed in this  
9 proceeding. In particular, my Supplemental Testimony provides an overview of the  
10 provisions contained in the Second Supplemental Stipulation and discusses why the  
11 Commission should approve the terms and conditions of the combined Stipulation,  
12 Supplemental Stipulation, and Second Supplemental Stipulation.

13 **Q. PLEASE SUMMARIZE THE PROVISIONS OF THE SECOND**  
14 **SUPPLEMENTAL STIPULATION.**

15 A. The Second Supplemental Stipulation adds several new provisions to the ESP and  
16 modifies or clarifies other existing provisions. In particular, the Second  
17 Supplemental Stipulation addresses governmental aggregation, the procurement of  
18 renewable energy, energy efficiency funding, low income customer assistance, and  
19 the recovery of Legacy RTEP Costs from the Companies' customers. The Second  
20 Supplemental Stipulation establishes several new commitments, such as: (i) a RFP  
21 process to purchase ten year REC contracts; (ii) \$300,000 of energy efficiency  
22 funding for Toledo Edison customers in Lucas County; (iii) \$4 million annual  
23 contributions to a fuel fund dedicated to provide assistance to low-income customers

1 in paying their electric bills; (iv) a Governmental Aggregation Generation Supplier  
2 (“GAGS”) Receivables program if the Commission elects to phase-in generation  
3 costs resulting from the competitive bidding process; and (v) the continuation of  
4 using best efforts to mitigate the allocation of Legacy RTEP Costs ultimately billed to  
5 the Companies. Certain existing components of the ESP are modified and/or clarified  
6 by the Second Supplemental Stipulation, including (i) adding certainty to the level of  
7 recovery of Legacy RTEP Costs from the Companies’ customers through a  
8 commitment to not seek recovery of Legacy RTEP Costs for the longer of the five  
9 year period from June 1, 2011 through May 31, 2016 or when a total of \$360 million  
10 of Legacy RTEP Costs have been paid for by the Companies but not recovered  
11 through retail rates, provided PJM’s cost allocation methodology is not substantially  
12 altered; (ii) changes to when Rider GCR can become non-avoidable; (iii) additional  
13 clarity in the Rider DCR review and audit process; and (iv) changes to the Master  
14 SSO Supply Agreement. The provisions contained in the Second Supplemental  
15 Stipulation provide additional benefits to customers and continue to make the  
16 comprehensive ESP more favorable in the aggregate than the expected results of a  
17 MRO. Furthermore, the commitments in the Second Supplemental Stipulation  
18 support state policy through energy efficiency funding, support for at risk  
19 populations, and support for governmental aggregation.

20 **Q. PLEASE IDENTIFY THE PARTIES THAT SIGNED THE SECOND**  
21 **SUPPLEMENTAL STIPULATION.**

22 A. All of the Parties that signed the Stipulation and Supplemental Stipulation as  
23 Signatory Parties or as Non-opposing Parties have also signed the Second

1 Supplemental Stipulation. NOPEC and NOAC signed the Second Supplemental  
2 Stipulation as new additional Signatory Parties to the ESP and the Consumer  
3 Protection Association, Cleveland Housing Network, Empowerment Center, and  
4 Consumers for Fair Utility Rates signed as new Non-opposing Parties. In addition,  
5 the Environmental Law and Policy Center also signed in support of section A.11 of  
6 this Second Supplemental Stipulation, and believes it makes the ESP more favorable  
7 than a MRO, and is non-opposing as to all other provisions of the ESP contemplated  
8 by the Stipulation and Recommendation (as amended and supplemented). The  
9 comprehensive group of Signatory Parties and Non-opposing Parties to the ESP  
10 represent the varied and diverse interests of nearly all of the Companies' customer  
11 groups, including residential customers, large industrial customers, small and medium  
12 sized manufacturers, small businesses, hospitals, schools, power marketers,  
13 municipalities, governmental aggregation groups and an environmental group.

14 **Q. PLEASE DESCRIBE THE PROCESS THAT LED TO THE SECOND**  
15 **SUPPLEMENTAL STIPULATION.**

16 A. The Companies have remained open to discussions with the remaining Parties to the  
17 ESP proceeding who have not signed as a Signatory Party or Non-opposing Party.  
18 Similar to the process that has been used throughout this entire proceeding, all Parties  
19 to the ESP case were notified that a Second Supplemental Stipulation was going to be  
20 discussed and were given the opportunity to participate in those discussions. The  
21 intent of the discussions was to bring resolution to any and all remaining issues of  
22 those Parties who have not signed as a Signatory Party or Non-opposing Party to the  
23 ESP. All Parties to the ESP proceeding were given the opportunity to review the

1 Second Supplemental Stipulation before it was signed and filed with the Commission.  
2 Ultimately, NOPEC and NOAC were added as new Signatory Parties to the ESP  
3 through the Second Supplemental Stipulation.

4 **Q. IS THE ESP STIPULATION AND SUPPLEMENTAL STIPULATION, AS**  
5 **MODIFIED BY THE ADDITION OF THE SECOND SUPPLEMENTAL**  
6 **STIPULATION, STILL MORE FAVORABLE IN THE AGGREGATE AS**  
7 **COMPARED TO THE EXPECTED RESULTS OF A MRO?**

8 A. Yes, even more so because the Second Supplemental Stipulation broadens the number  
9 of parties that agree that the recommended outcome of the combined stipulations  
10 yields a more favorable result than the expected results of a MRO. As stated earlier  
11 in this testimony, the Second Supplemental Stipulation provides benefits to customers  
12 over and above the benefits already provided by the Stipulation and Supplemental  
13 Stipulation. Moreover, the Second Supplemental Stipulation does not diminish the  
14 benefits as set forth in the Stipulation and Recommendation as originally filed and as  
15 amended by the Supplemental Stipulation. For example, customers receive greater  
16 certainty that they will not pay for at least the first \$360 million of Legacy RTEP  
17 costs billed to the Companies, provided PJM's cost allocation methodology is not  
18 substantially altered. In addition, low income customers benefit from the availability  
19 of a \$4 million annual fuel fund to be in place each year from 2012 through 2014.  
20 The substantial customer benefits provided by these commitments, and the other  
21 provisions of the Second Supplemental Stipulations discussed earlier in my  
22 testimony, strengthen my opinion that the comprehensive ESP in this proceeding is

1 more favorable in the aggregate than the expected results of an MRO. As such, the  
2 Commission should approve the ESP in this proceeding.

3 **Q. DOES THE ESP STIPULATION AND SUPPLEMENTAL STIPULATION, AS**  
4 **MODIFIED BY THE ADDITION OF THE SECOND SUPPLEMENTAL**  
5 **STIPULATION, STILL SATISFY THE COMMISSION’S THREE CRITERIA**  
6 **FOR APPROVING STIPULATED AGREEMENTS IN A PROCEEDING?**

7 A. Yes. Each of the stipulated agreements in this proceeding (i) are the product of  
8 serious bargaining among capable, knowledgeable parties; (ii) do not violate any  
9 important regulatory principles or practices; and (iii) as a package benefit ratepayers  
10 and the public interest. The negotiations that led to the Second Supplemental  
11 Stipulation were among Parties who have expertise with the topics being discussed  
12 through their extensive participation in this proceeding and other ESP and MRO  
13 proceedings. In this proceeding alone, the Parties began discussions and negotiations  
14 about ESP concepts in December 2009. Furthermore, the provisions contained in the  
15 Second Supplemental Stipulation are consistent with regulatory principles and  
16 practices that the Commission has adopted in the past. The Second Supplemental  
17 Stipulation supports competition for generation service, governmental aggregation,  
18 energy efficiency, and renewable energy. Nothing in the Second Supplemental  
19 Stipulation has changed my opinion with respect to the stipulated agreements in this  
20 proceeding meeting the Commission’s three criteria.

21 **Q. DOES THE SCHEDULE FOR THE COMPETITIVE BIDDING PROCESS SET**  
22 **FORTH IN ATTACHMENT A TO THE STIPULATION NEED MODIFIED**  
23 **AT THIS TIME?**

1 A. Yes. The schedule for the competitive bidding process in Attachment A is no longer  
2 possible due to the passage of time since the Stipulation was filed. In particular, the  
3 initial auction under this ESP in Attachment A was to occur in July 2010. If the ESP  
4 is approved, the July 2010 auction must be conducted at a later date. The July 2010  
5 auction must be rescheduled to occur at the time of the currently planned auction in  
6 October or alternately prior to the end of January 2011 in order to allow bidders the  
7 flexibility to engage in their individual hedging strategies through PJM's ARR/FTR  
8 process that starts in early March 2011. If the rescheduled July 2010 auction doesn't  
9 occur prior to the PJM ARR/FTR process, bidders would be obligated to utilize the  
10 results of the Companies' ARR/FTR hedging strategy which would increase  
11 uncertainty and could increase bid prices in the auction.

12 **Q. WILL THE COMPANIES SEEK A PHASE-IN OF THE GENERATION**  
13 **PRICES THAT RESULT FROM THE COMPETITIVE BIDDING PROCESS**  
14 **DURING THE TERM OF THIS ESP?**

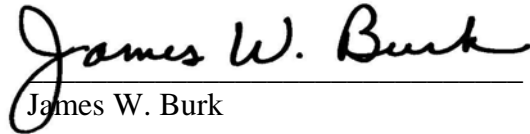
15 A. No. The Companies will not seek a Commission Order to phase-in the generation  
16 prices that result from the competitive bidding process during the term of this ESP.

17 **Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL TESTIMONY**  
18 **AT THIS TIME?**

19 A. Yes.

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Supplemental Testimony of William R. Ridmann was sent by e-mail to the following persons this 23rd day of July, 2010.

  
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