

THE PUBLIC UTILITIES COMMISSION OF OHIO

PUBLIC HEARING

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IN RE: CASE NO. 10-176-EL-ATA

Tuesday, November 23, 2010

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PUCO Local Public Hearing in the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company for Approval of a New Rider and Revision of an Existing Rider, taken before me, the undersigned, Kimberly Perhacs, a Notary Public in and for the State of Ohio, at Sandusky, Ohio, commencing at 6:00 p.m. the day and date above set forth.

1 APPEARANCES:
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3 On Behalf of the PUCO:

4 Henry Phillips-Gary, Esq.

5 Paul Centolella, Commissioner

6 On Behalf of the FirstEnergy Companies:

7 James W. Burk, Esq.

8 On Behalf of the Ohio Consumers'
9 Counsel:

10 Maureen Grady, Esq.

11 On Behalf of Bob Schmidt Homes, Sue
12 Steigerwald, CKAP and Joan Higgenbotham:13 Kevin Corcoran, Esq.
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1 MR. PHILLIPS-GARY: The Public
2 Utilities Commission of Ohio is set for
3 hearing at this time and place, Case No.
4 10-176-EL-ATA, being captioned in the
5 Matter of the Application of Ohio Edison
6 Company, The Cleveland Electric
7 Illuminating Company, and The Toledo
8 Edison Company for approval of a new
9 rider and revision of the existing
10 rider.

11 My name is Henry H. Phillips-
12 Gary. I am the attorney examiner that
13 has been assigned to preside over
14 tonight's hearing. With me is
15 Commissioner Paul Centolella.

16 At this point in time I will
17 begin taking appearances on behalf of
18 the parties in the case. On behalf of
19 the Companies.

20 MR. BURK: On behalf of The
21 Cleveland Electric Illuminating, Ohio
22 Edison Company, Toledo Edison Company,
23 James W. Burk, 76 South Main Street,
24 Akron, Ohio, 44308.

25 MR. PHILLIPS-GARY: Thank you. On

1 behalf of OCC.

2 MS. GRADY: Thank you, Your Honor.
3 On behalf of the residential rate payers
4 of FirstEnergy, the office of the
5 Consumers' Counsel, 10 West Broad
6 Street, Columbus, Ohio, 43215, Janine L.
7 Migden-Ostrander, Consumers' Counsel.

8 MR. PHILLIPS-GARY: Thank you.

9 MR. CORCORAN: On behalf of Bob
10 Schmitt Homes, Sue Steigerwald, CKAP and
11 Joan Higgenbotham, I'm Kevin Corcoran.
12 Address is 8501 Woodbridge Court, North
13 Ridgeville, Ohio, 44039.

14 MR. PHILLIPS-GARY: Thank you.

15 The six local public hearing
16 scheduled in this case are only one
17 aspect of Commission consideration of
18 the Company's Applications to provide
19 rate relief to certain all-electric
20 residential customers. In addition to
21 local public hearings, the evidentiary
22 hearing in this matter will begin on
23 November 29, 2010 at the Commissioners'
24 Offices in Columbus.

25 The purpose of documenting is

1 to allow the companies, the staff and
2 the interveners to allow witnesses to
3 give evidence in support of their
4 position in the case. The purpose of
5 tonight's public hearing is to receive
6 comments from the public regarding
7 FirstEnergy's proposed application to
8 provide rate relief to certain
9 all-electric residential customers.

10 We will not be hearing from the
11 companies, the staff or the interveners
12 tonight. This is your opportunity to
13 testify the company's application
14 regarding rates for certain all-electric
15 customers. In particular, the
16 Commission has requested additional
17 information during the public hearings
18 scheduled in this case about the
19 following three issues:

20 Commitment. If you are in an
21 all-electric home, what contracts or
22 written documentation do you have
23 regarding your electric rates now and
24 in the future.

25 Was there a commitment that the

1 rate would remain with the home in the
2 future?

3 Electric verses natural gas. If
4 you're in an all-electric home, do you
5 think the Commission should take into
6 account, in the setting rates, any
7 difference in costs in heating a home
8 with natural gas or with electricity.

9 The third issue is rate shock.
10 All-electric homes have had discounted
11 rates for many years; however, future
12 events and policy changes, such as
13 federal or market regulations and
14 wholesale market changes could make it
15 necessary to offer the discount that may
16 be approved in this case.

17 What is a fair way to move or phase
18 in all-electric home bills to
19 accommodate these changes without
20 causing rate shock and without burdening
21 other customers.

22 When you arrived, you had the
23 opportunity to sign up to testify. If
24 you missed that opportunity, it is still
25 available at the back of the room. I am

1 going to take witnesses in the order
2 that they signed up. We have two
3 microphones, so whichever one is more
4 convenient for you when you're called up
5 to testify. There is also a music
6 stand, so if you need -- you have a
7 written statement and you want something
8 to put it on, you have do that.

9 Before you begin your statement, I
10 will ask for your name and address.
11 Your testimony will be considered part
12 of the official record of the case and
13 will be viewed by the Commissioners
14 before they make their final decision.

15 All testimony will be under oath
16 and attorneys for the company and other
17 parties will be allowed to ask you
18 questions about your statement while you
19 are under oath.

20 The fact that a party chooses not
21 to cross-examine a witness or another
22 party in this case that we're hearing
23 tonight will not constitute a waiver of
24 that party's right to cross-examine that
25 witness during subsequent proceedings.

1 As Commissioner Centolella
2 said, we have many people signed up to
3 testify. If when your turn to testify
4 comes and you decide, after listening to
5 the previous testimony, that you don't
6 want to testify, you can let me know and
7 we'll pass on to the next witness.

8 Tonight's hearing is being
9 transcribed by a court reporter. Please
10 speak clearly so that the court reporter
11 can accurately reflect your comments on
12 the record. And if you've prepared a
13 written statement, it will be helpful
14 for you to provide a copy to the court
15 reporter.

16 I ask those in the audience to
17 please be respectful of the other people
18 testifying, in large part, because the
19 court reporter is trying to get down the
20 words of what the person is saying. So
21 please make sure that you give them the
22 opportunity to speak.

23 Again, as Commissioner
24 Centolella indicated, we want to make
25 sure that everybody who wants to make a

1 public statement is able to do so. We
2 ask that you please keep your comments
3 briefly to the point and try to limit
4 your testimony as much as possible.

5 At this point in time -- one
6 other procedural -- I'm presiding over
7 this procedure so I'm unable to answer
8 any questions about the case.

9 At this point in time I will
10 begin calling the witnesses forward.
11 When you are called, please state and
12 spell your first and last name and
13 provide your address for the record.
14 And the first witness we are calling
15 tonight is Representative Fende. If you
16 can please approach the microphone.

17 - - - - -

18 LORRAINE M. FENDE,

19 After having been first duly sworn, as
20 hereinafter certified, was examined and testified
21 as follows:

22 MS. FENDE: Lorraine Fende, State
23 Representative. My address is 372 East
24 328th Street, Norwalk, Ohio.

25 I'd like to first thank you for

1 the opportunity to testify in this case
2 today. Public engagement on important
3 issues like this is essential to good
4 and transparent government and utility
5 services.

6 Today, I am providing testimony
7 in regards to PUCO Case No. 10-0176-EL-
8 ATA, requesting the permanent
9 reinstatement of FirstEnergy's
10 all-electric discount rate. Since last
11 year, my office has received innumerable
12 calls, e-mails and letters from
13 constituents in not only Lake County,
14 but all over Northeastern Ohio about
15 FirstEnergy's decision to end this rate.

16 In town hall meetings across the
17 region, including one right here at
18 Lakeland, homeowners affected by
19 FirstEnergy's decision have come out to
20 protest and tell their story.
21 Universally, their request is the same,
22 the rate must be reinstated.

23 I understand the necessity of a
24 company to generate profits and how
25 business policies must evolve to

1 guarantee continued success and
2 stability. Corporations, however, must
3 not ignore the human impact of their
4 decisions. But I believe that this is
5 what happened with FirstEnergy in this
6 situation.

7 For decades FirstEnergy and its
8 subsidiaries marketed the all-electric
9 rate as a financially savvy decision for
10 homeowners looking to save money. I
11 have spoken with numerous constituents
12 that described to me how FirstEnergy
13 and subordinate company employees
14 encouraged them to build or convert
15 their homes to all-electric because of
16 the rate offer and were lead to believe
17 the rate was permanent.

18 Time and again, I hear the same
19 sentiments of shock, betrayal and
20 outright manipulation from those
21 affected by the end of the rate, now
22 told the rate was never guaranteed.

23 The discontinuation of the
24 all-electric rate did result in small
25 increases to some homeowners' bills, as

1 FirstEnergy suggested might happen. But
2 many constituents saw a 400 percent
3 increase in their bill, a cost of
4 hundreds of dollars more each month
5 that, in some cases, left constituents
6 paying more for their electric bill than
7 they were on the mortgage on their
8 houses. That is not a small increase.
9 That is a devastating rate hike on a
10 necessary utility, making it prohibitive
11 for many to meet the basic needs of
12 their families.

13 In Ashtabula County, I was
14 shocked to hear the story of one man who
15 stated he could no longer afford to turn
16 his heat on and had begun burning wood
17 to stay warm. This is appalling.

18 As I bring my testimony to a
19 close to allow the maximum amount of
20 time for those affected by FirstEnergy's
21 decision to tell their story, I will,
22 once again, state my support and staunch
23 belief the all-electric rate must be
24 reinstated on a permanent basis and done
25 in a manner that will not be at the

1 expense of those who never had the rate.

2 In these challenging, economic
3 times, all-electric homeowners cannot
4 afford another winter of exorbitant
5 electric bills that devastate not only
6 their checkbooks but their home values
7 and their ability to sell their homes as
8 well. Thank you for your time today.

9 And I just want to say a few
10 more things. Last night I was working
11 on my New Year's resolution, and
12 somebody might say well, I'm 10 months
13 too late or I'm two months too early.
14 But my resolution is to de clutter my
15 house. We have a tendency to save a lot
16 of things. But one of the things I was
17 looking through last night was a box of
18 old newspapers. And I came across one
19 from the summer when I first ran for
20 public office in the City of Willowick
21 as a councilwoman. And I saved that
22 newspaper because in it there was an
23 article on Willowick. But that's not
24 what really peaked my interest last
25 night. What peaked my interest was an

1 article that was above that one that I
2 saved the newspaper for. And I'm sure
3 most of you in this audience are
4 familiar with another viewpoint from the
5 News Herald. But this was another
6 viewpoint article. This was 1987,
7 folks. Twenty-three years later, the
8 title of this article was, "Take time to
9 oppose CEI rate increases."

10 Twenty-three years later we're
11 still doing the same thing. I think
12 enough is enough.

13 Back then they were trying to
14 recoup their costs for the Perry Power
15 Plant and who knows what they've been
16 trying to recoup in years following.
17 And I'm sure most of you have probably
18 experienced, several months ago, the
19 issue with the light bulbs. They wanted
20 to force you to buy light bulbs. But
21 when they were told no, they can't do
22 that, then the next thing, they filed
23 their request with the PUCO to recoup
24 their cost of the light bulbs.

25 Who are they trying to recoup the

1 costs from but from you and I? So
2 you're going to be paying for something
3 and you're not going to get that
4 product. I say enough is enough.

5 CEI, FirstEnergy, Toledo
6 Edison, whatever you want to call it,
7 has to be held accountable for the
8 actions that they make. If they make
9 mistakes, they need to pay for it out of
10 their own profits. And I'm going to say
11 to the PUCO, you have the ability to say
12 no to CEI. You need to listen to these
13 people here in the audience, listen to
14 how it's going to affect them and just
15 say no.

16 MR. CENTOLELLA: Thank you
17 Representative Fende for those remarks.
18 And you remind me that 23 years ago I
19 was the lead counsel for OCC on the
20 review of those costs in those cases
21 that you were just mentioning.

22 MR. PHILLIPS-GARY: The second
23 witness is Representative Schneider.

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25 MARK SCHNEIDER,

1 After having been first duly sworn, as
2 hereinafter certified, was examined and testified
3 as follows:

4 MR. SCHNEIDER: My name is Mark
5 Schneider, S-C-H-N-E-I-D-E-R. I reside
6 at 8914 Rotter Lane, Unit D, Mentor
7 44060.

8 For those of you that I have
9 not met personally, my name is Mark and
10 I have the privilege of representing all
11 of Mentor and eastern Lake County in the
12 Ohio House of Representatives. I would
13 like to begin my testimony by thanking
14 you the Public Utilities Commission for
15 holding this public hearing.

16 There are over three thousand
17 households in my district that are
18 recipients of the all-electric
19 discount. This is a matter of grave
20 importance for these households, many of
21 which are represented here tonight.

22 And more importantly, this is a
23 matter of great interest for all
24 Ohioans, and as whether we realize it or
25 not, in our past, in our present, and in

1 our near and distant future, we will all
2 be affected by the decisions made by
3 this body. That is why I have fought
4 for, landed and am very happy to greet
5 the PUCO with this public hearing
6 tonight.

7 In connection, I would like to
8 thank representatives from the Ohio
9 Consumers' Counsel, a valued watchdog
10 group in our government to watch out for
11 the people in this community that in
12 fact purchased this electricity and are
13 here to look out for our good. I would
14 like to thank them for their efforts so
15 far and the efforts they are going to
16 take in the future.

17 I would also like to thank the
18 representatives from FirstEnergy and
19 their associates who are here tonight as
20 well. FirstEnergy is one of the largest
21 employers in my district. That is a
22 fact that is not overlooked by myself.
23 They provide a valuable service to our
24 community, something that we all rely
25 upon. Not only jobs that they present

1 to us, but also the very utilities that
2 we are here to talk about today. We
3 must not forgot that they do so at a
4 profit. We must not forgot that with
5 that valued service to operate a utility
6 comes responsibility, responsibility not
7 only to conduct themselves in an ethical
8 and straightforward manner, but also a
9 responsibility to honor commitments that
10 they or businesses that they have
11 accumulated over the years have made to
12 the people that are gathered in this
13 hall tonight. I would like to thank
14 them for coming to the table and
15 agreeing to be part of a solution for
16 this issue.

17 I would also like to thank,
18 personally, Sue Steigerwald and her
19 group for being here tonight, for being
20 able to rally the support it has taken
21 to bring this issue to the forefront so
22 we can have public forums like this to
23 participate in.

24 Whether we realize it or not, those
25 that are receiving the all-electric

1 discount and those that maintain
2 traditional sources of heating in their
3 homes are affected by this issue. And
4 not only in Northeast Ohio, but
5 throughout all of Ohio.

6 First, let me address those that
7 receive an all-electric discount. Many
8 of these recipients of this discount
9 have come forward to me from the time
10 this came into affect that the rate
11 changes were proposed and instituted,
12 giving me anecdotal testimony on how
13 this rate change has affected them, how
14 the elimination of this discount has
15 affected them. I heard tales, like
16 Representative Fende, from folks that be
17 have been affected by minor increases to
18 electric homes, the people who are
19 seeing three-fold increases in their
20 electric costs; 300 percent increases in
21 the cost of electricity at their homes.
22 These folks came to me -- these
23 residents came to me and indicated to
24 me, not only does this represent a cost
25 that is unsustainable by them; not only

1 does this render their property
2 uninhabitable, but this renders their
3 property unsalable. Obviously, that is
4 something that leads us to how this is
5 going to affect those of us who are not
6 recipients of the all-electric discount
7 as well. Whether those of us who are
8 not recipients of the all-electric
9 discount realize it or not, we've been,
10 to some degree, subsidizing these deep
11 discounts throughout the years. Any
12 rate changes by the Commission are going
13 affect each and every one of us as
14 well. In addition to that, when your
15 neighbors are receiving 300 percent
16 increases in their cost of electricity,
17 when they are forced to abandon their
18 homes, when they are forced to not be
19 able to sell their homes, when the
20 property value of their homes plummets
21 to nothing, it will affect the property
22 values of our communities in this region
23 and in this state. In addition to that,
24 the Ohio Education System is based on a
25 combination of taxes which includes

1 property taxes.

2 When the all-electric homeowners
3 cannot pay their property taxes because
4 they can't afford to live in their
5 homes, where do you think the local
6 education systems are going to turn to
7 make up for those revenues?

8 Folks, this is a matter that not
9 only affects our utilities. This is a
10 matter that affects our property values,
11 our local property taxes, and it's going
12 to affect our entire way of life. And
13 that's why it is so important that we
14 have forums such as this.

15 I would like to stress to the
16 members of this community that not only
17 do I commend them for coming out and
18 participating here in Lake County where
19 this forum ought to be held, but I
20 wanted like to remind each of you to be
21 mindful of your neighboring counties.
22 There have been hearings in Strongsville
23 and other locations with 500 or more
24 people coming forward to testify, I ask
25 each of you, regard against redundancy

1 and be considerate of each other's time.
2 I suspect that many of you will be
3 presenting similar issues, if not the
4 same issue when you come forward.

5 Also, be mindful of the fact that
6 we mean this to be a constructive
7 process. We hope this a forum where we
8 can not only point out how this will
9 affect us and what precisely the
10 problems are, but also a means of
11 finding a solution to this issue.

12 Now more than ever, as this issue
13 affects us, we must look at the fact
14 that we need sharp minds coming
15 forward. We need positive solutions to
16 this issue. We need real answers. And
17 real answers are going to come from this
18 community and others. We need serious
19 people working on this issue.

20 I was not around when deregulation
21 first took place. I was not around when
22 inducements were made to builders and
23 individuals were made by companies, but
24 I have been around to see the fallout
25 from those decisions and from those

1 actions.

2 My time in this position will draw
3 to an end at the conclusion of this
4 year, but my role in working towards a
5 solution will not end. My dedication to
6 the people in this room and the people
7 of this community will not end.

8 While I was not here for the
9 creation of this issue, I promise to be
10 here for its solution.

11 I want to thank you, the Public
12 Utilities Commission, thank the parties
13 that are present, and most of all to
14 thank you each and every one of you for
15 coming forward tonight to participate in
16 your state government. Thank you.

17 MR. PHILLIPS-GARY: The next
18 witness to testify is Thomas A. Garvey.

19 MR. GARVEY: Mr. Chairman, members
20 --

21 MR. PHILLIPS-GARY: Before you
22 begin, I'm going to have you state your
23 name and address.

24 MR. GARVEY: Tom Garvey, 1401
25 Erieview, Madison Township, Ohio 44057.

THOMAS A. GARVEY,

After having been first duly sworn, as hereinafter certified, was examined and testified as follows:

MR. GARVEY: My name is Tom Garvey. I reside on Erieview -- you know that. I bought -- we bought our all-electric home in the year 2000. Being recently retired before that, we took into consideration our fixed income, and an all-electric rate from CEI was one of the keys to our purchasing a house. Now we are at the mercy of CEI, or FirstEnergy, or FirstEnergy Solutions, whatever, since our street has about 50 homes on it and there's no gas lines on our street. It's impossible to get gas. Now there's no duct work in the homes. If we had a central heat furnace and gas, there's no duct work to carry the heat from room to room. We've got electric heaters, electric baseboard. To top that off, in the recent recession, like all of you,

1 our home values have gone down. Now,
2 that is nothing compared to what they
3 are going to go down to. They are going
4 to go down big time if FirstEnergy
5 doesn't give us back the electric
6 break.

7 Remember, it was CEI or FirstEnergy
8 Solutions that made this promise,
9 reneged on this promise and now they are
10 trying to gain sympathy from the other
11 consumers. It's all greed is what it
12 is. Let CEI and FirstEnergy Solutions,
13 if they really want to stop this, quit
14 enticing builders to build these
15 all-electric homes. We're requesting
16 your help and we are very concerned.

17 Both PUCO and the OCC have made
18 statements and they did not realize the
19 mistake that you all made.

20 Now is the time to repair the
21 mistake and make it right. Right now.

22 MR. PHILLIPS-GARY: Mr. Garvey, did
23 you have a written statement?

24 The next witness we have -- and
25 I apologize if I pronounce this person's

1 name wrong, and I apologize in advance
2 to everyone else that I may just
3 pronounce their last name wrong.
4 Anthony Klosinski?

5 MR. KLOSINSKI: You'll have to
6 excuse me if I stagger. I'm diabetic
7 and I've got almost no feeling in my
8 feet.

9 I don't have much factual that I
10 want to say tonight because I've been to
11 three of these meetings -- actually --

12 MR. PHILLIPS-GARY: Sir, before you
13 begin testifying, I need to have you
14 state your name and address?

15 MR. KLOSINSKI: My name is Anthony
16 Klosinski. I live at 8601 Columbia
17 Road, Orwell, Ohio, 44076.

18 - - - - -

19 ANTHONY KLOSINSKI,

20 After having been first duly sworn, as
21 hereinafter certified, was examined and testified
22 as follows:

23 MR. KLOSINSKI: As I was saying,
24 I'm not going to have too much in
25 factual presentation tonight because

1 I've attended three of these meetings
2 now, and there's a lot of factual
3 evidence that has been presented. What
4 I want to do is state my feelings.

5 A couple of things were said
6 tonight that I didn't agree with. The
7 example is the PUCO says that
8 FirstEnergy gave up control of their
9 generating component.

10 I don't know how that can be true
11 unless Bill Clinton works for them,
12 because they still own all the
13 generators. And these representatives
14 stating that the other customers have
15 subsidized the all-electric discount, I
16 think that is absolutely untrue.

17 I don't think that they would have
18 offered the all-electric discount if
19 they were going to have to take money
20 from other people to pay for it.

21 In my own case, we moved into our
22 new home in 1997. When FirstEnergy, the
23 former Cleveland Electric Illuminating,
24 found out that I was installing
25 electrically-based heating system, they

1 sent out a representative. He wanted to
2 verify that we were putting in the
3 system we said we were. He saw it. He
4 was happy. He thanked us.

5 Then they gave us two electric
6 poles for our driveway and three free
7 thermostatically controlled, fan-driven
8 wall heater units just for us to use,
9 just for the heck of it, because we gave
10 them the opportunity to lose money.

11 Now it's quite obvious, with
12 management and marketing this foolish,
13 it should come as no surprise that
14 FirstEnergy quickly bankrupted them self
15 and went out of business. It didn't
16 happen, did it? They must have received
17 a massive amount of cash from E.F. --
18 that's the energy fairy -- and fell on
19 hard times like the rest of us and told
20 F.E., FirstEnergy, that the energy fairy
21 can no longer subsidize the freeloaders
22 and they would have to start paying
23 their own way.

24 The new bills started coming out
25 last year and the people started

1 complaining. The initial response from
2 both state government and PUCO was:
3 Sorry folks, that's the way it is.
4 You've got to live with it.

5 They didn't mention the fact the
6 deregulation bill brought this all down
7 on us.

8 Many people could not pay their
9 electric bills and property taxes. No
10 surprise that they decided to pay their
11 electric bill. If you don't pay your
12 property taxes, your pipes don't freeze,
13 people stated.

14 This would have quickly lead to
15 large numbers of homes with little or no
16 resale value and the loss to the tax
17 base.

18 Governor Strickland realized there
19 was an election coming and also did a
20 quick about face and told the PUCO to
21 order FirstEnergy to reinstate the
22 FirstEnergy discount.

23 Let's look at FirstEnergy's
24 situation: Profits are down because of
25 the economic recession and

1 conservation. Their solution was to
2 come up with a scheme which would
3 squeeze more blood out of their turnip.
4 Namely us.

5 Have their costs gone up? Their
6 energy costs are coal, gas and uranium.
7 Coal has not gone past the inflation.
8 The cost of natural gas has fallen 75
9 percent in the last few years due to the
10 Marcellus Shale formation and it's
11 likely to stay there in the future.

12 As far as the uranium part of
13 it, the PUCO made it plain over the
14 years that the cost burden from the
15 nuclear generating plants will always
16 end up with us, the consumers.

17 There is no reason or proof
18 that FirstEnergy needs to gouge other
19 customers to make up for losses incurred
20 by the all-electric discounted
21 customers. Their motivation is greed.
22 When we signed up for electric heating,
23 electricity was the most expensive
24 option. They had to market it with a
25 discount to get market share. The oil

1 crisis came and went and the prices went
2 through the roof. In a short period of
3 time, electric heating became the low
4 cost option. FirstEnergy looked over
5 the situation and saw that the oil was
6 raping the public while the electric
7 companies were only making a profit.
8 Their approach was to claim that they
9 could no longer be our sugar daddy.
10 They have made an acceptable profit for
11 many decades and now wanted more. Their
12 heavy-handed attempt was for
13 under deserved gains is best
14 demonstrated by their attempt to sell us
15 florescent light bulbs at four or five
16 times the market cost.

17 There was much whining on their
18 part that they had to make up for their
19 lost profits. I have seen nothing
20 factual that supports their alleged
21 losses. I am sure they can generate
22 something.

23 Mark Twain said, "Figures don't
24 lie, but liars sure can figure."

25 FirstEnergy's strategy was to

1 entice us to use electric heat and then
2 say "gotcha." Yeah, and they did. When
3 you put in you have no other options,
4 like the gentleman said, you have no
5 duct work, you have nothing you can do
6 without spending an enormous amount of
7 money. If this was a criminal case, the
8 judge would call it entrapment and send
9 FirstEnergy on their way with a
10 reprimand.

11 What I'm asking for is justice and
12 fair play. Send the scoundrels from
13 FirstEnergy into the streets to rob
14 citizens on an individual basis; they
15 will quickly see the error of their
16 ways.

17 It is time for the PUCO and the
18 State of Ohio to protect us from
19 FirstEnergy's behavior.

20 MR. PHILLIPS-GARY: The next
21 witness this evening is Kim Kossick.

22 MS. KOSSICK: Good evening.

23 MR. PHILLIPS-GARY: Go ahead and
24 state your name and address.

25 MS. KOSSICK: My name is Kim

1 Kossick, 5531 Phillips Rice Road,
2 Cortland, Ohio 44410.

3 - - - - -

4 KIM KOSSICK,

5 After having been first duly sworn, as
6 hereinafter certified, was examined and testified
7 as follows:

8 MS. KOSSICK: My name is Kim
9 Kossick. My husband and I own an
10 all-electric home in Trumbull County.
11 Not long after we bought the home in
12 1988, the electric company called us and
13 asked if they could do an energy audit.
14 They couldn't understand our usage. We
15 were happy to oblige since this was our
16 first experience of being totally in the
17 hands of one public utility. Everything
18 in our house is dependant on electric
19 energy. All our water comes from a well
20 that is energized by electricity. Our
21 cooking, heating, washing and lighting
22 require electricity.

23 They gave us the results and stated
24 that our home was energy efficient.

25 They also informed us that we qualified

1 for a rate reduction program that would
2 require us to switch from our current
3 demand meter and to maintain an
4 80-gallon electric water heater. They
5 would install a remote cutoff so that
6 they could shut down the water heater
7 during high demand periods. The program
8 would provide us a discount during eight
9 months of the year, provided we continue
10 to remain all-electric and keep the
11 80-gallon tank.

12 We were told that for as long as we
13 complied, this program would remain in
14 effect. We have kept our part of the
15 agreement and have twice replaced the
16 old hot water tank with a new 80-gallon
17 one. We also passed, in the 1990s, on
18 the gas company's offer to hook us up to
19 their new gas line at a minimal hookup
20 fee as long as we installed one gas
21 appliance. We were reminded by the
22 electric company that our discount
23 program depended on our remaining all
24 electric.

25 Now, FirstEnergy has decided to

1 drop this plan without notifying us.
2 FirstEnergy went back on its promise to
3 its all-electric homeowners. By
4 eliminating this discount program, our
5 rates have skyrocketed, causing added
6 economic difficulty in this trouble
7 time. Heat is not something we can do
8 without. Our monthly winter kilowatt
9 hour usage is often in the 6,000s.

10 My husband and I are deeply
11 concerned that without the all-electric
12 program we would have difficulty heating
13 and maintaining our home. We are also
14 concerned about the value of the home
15 for resale. Home buyers are very
16 reluctant to purchase all-electric homes
17 due to FirstEnergy's recent actions.
18 Our alternatives are limited due to our
19 type of heating, electric baseboard
20 heat -- we have no duct work -- and
21 limited funds. In an environment where
22 our 401(k)s have been diminished, our
23 savings giving us nothing back in
24 interest, our jobs lost and health care
25 costs rising, we need your help.

1 FirstEnergy made large profits in this
2 environment and adds insult to injury by
3 raising our energy costs.

4 My husband and I are asking that
5 you, our PUCO, look out for our
6 interests in continuing an agreement
7 that we have adhered to. We ask that
8 you also act to protect all Ohioans who
9 are dependant on your regulating the
10 utilities and keeping those public
11 utilities faithful to their agreements.
12 Thank you for your time.

13 MR. PHILLIPS-GARY: Thank you.

14 MR. CENTOLELLA: While we are
15 waiting for the witnesses, let me just
16 remark again, if there are specific
17 representations that have been made to
18 you by the company that you can offer
19 factual testimony on and give us the
20 dates approximately of when that
21 occurred, that would be very helpful in
22 this record. So thank you for telling
23 us about your comments.

24 MR. PHILLIPS-GARY: The next
25 witness is Chester Karchefsky.

1 MR. KARCHEFSKY: My name is Chester
2 Karchefsky. That's K-A-R-C-H-E, F as in
3 Frank, K-Y. My address is 8220 Morley
4 Road, Concord Township, Ohio 44060.

5 - - - - -

6 CHESTER KARCHEFSKY,

7 After having been first duly sworn, as
8 hereinafter certified, was examined and testified
9 as follows:

10 MR. KARCHEFSKY: Good evening. I'd
11 like to thank you, the PUCO, for holding
12 these public hearings on this very
13 important issue. My testimony will be
14 different from what you've heard at
15 other hearings because, not only am I an
16 all-electric homeowner, I am a former
17 Illuminating Company employee who
18 actively sold and promoted all-electric
19 homes. As an all-electric geothermal
20 homeowner, I was assured that if I got
21 the electric hookup before the 2007
22 deadline, I would be safely in with the
23 all-electric rate. I was told by
24 FirstEnergy that I, along with all the
25 others before me, would be grandfathered

1 or saved from whatever rate structure
2 would come after that date.

3 As a former Illuminating Company
4 Employee, I had really no reason to
5 believe -- I had no reason not to
6 believe what I was told.

7 I was an employee full time by the
8 Illuminating Company from 1994 to 2002.
9 During this time, I had various job
10 titles due to company organizations and
11 merges. The most common title I held
12 for the company was sales and account
13 representative for residential,
14 commercial or national accounts. As a
15 residents sales account representative,
16 my primary job responsibilities included
17 selling the concept of the all-electric
18 home lifestyle.

19 My customer focus was promoting and
20 selling the electric technologies to
21 builders and developers while developing
22 key subcontractors and OEM manufacturer
23 relationships. These relationships
24 helped me promote and execute the
25 interpretation of electric technology

1 sales to the consumer market.

2 The market not only included my
3 residential primary target market, but
4 it also included commercial and
5 industrial customers. Throughout my
6 tenure at FirstEnergy, I marketed and
7 sold energy-related products and
8 services that included electricity,
9 natural gas, energy consulting and
10 facility maintenance contracts to
11 residential, commercial and industrial
12 customers.

13 The more I think about what's going
14 on with this all-electric rate
15 situation, I can recall times when I was
16 a sales employee with the company, the
17 Illuminating Company managing and
18 marketing personal telling its sales
19 force to keep on pushing all-electric
20 building until we did not have it
21 anymore.

22 If someone asked the question as to
23 whether the rate would ever go away, our
24 reply would be not to commit one way or
25 the other, just let the customer know

1 that there are so many all-electric
2 customers already and that we're
3 committed to selling the all-electric
4 lifestyle going forward.

5 The rate is still here, as they
6 say, and we are committed to selling the
7 all-electric lifestyle going forward.
8 And the quote was -- that I wanted to
9 mention is, the rate is still here and
10 that's what we have to tell our
11 customers.

12 With those marching orders, we
13 would sway the customer into what was
14 then a false sense of security, that
15 FirstEnergy couldn't ever abandon so
16 many all-electric customers. But
17 obviously, the point of the phrase, it
18 was another version of, "don't ask,
19 don't tell. Just keep selling it until
20 we can't."

21 Unfortunately FirstEnergy has
22 abandoned its 320,000 all-electric
23 heating customers. And I strongly
24 support permanent reinstatement of the
25 all-electric rate, especially knowing

1 firsthand how it was heavily promoted.

2 The PUCO has asked for written
3 documentation that illustrate the
4 promotion of the all-electric
5 technologies. So tonight I will be
6 turning in several documents that fit
7 this description that I'm presenting to
8 you.

9 The first set of the documents
10 details the specifics of the lead
11 generate sales LGS program. This
12 program was an internal incentive
13 program moved by all Illuminating
14 Company and Toledo Edison employees, not
15 just the sales staff. The program paid
16 incentives to all the employees who
17 generated -- to any employee who
18 generated a lead that turned into a
19 sale. For example, an employee could
20 earn \$125 for an all-electric heating
21 unit or \$170 for a geothermal heating.
22 Included in the documents on this
23 program is the letter introducing the
24 program to all employees, telling them
25 that, "we are embarking on one of the

1 most significant marketing programs in
2 our company's history and we're calling
3 on each Centerior employee to ensure its
4 success."

5 This letter continues to describe
6 the program by saying, "this program
7 also support the corporate strategic
8 objectives, increased sales means
9 increased revenues."

10 The second page of the letter
11 continues to stress the product by
12 stating, "The purpose of the LGS program
13 is obviously to increase kilowatt hour
14 sales through the sales and use of
15 electro technology, such as heat pumps,
16 electric heating, post lamps, rock
17 heaters, et cetera, while helping
18 customers save money by becoming more
19 energy efficient."

20 It is important to note that
21 selling all-electric technologies
22 clearly benefited the Toledo Edison by
23 its own admission, and it is a fallacy
24 that gas customers ever subsidized the
25 all-electric customers.

1 The next set of documents I am
2 submitting fall into the category of
3 builder incentive contracts on request
4 for incentive payment documents. There
5 are proposals and contracts from four
6 different builders, offering incentive
7 money to build housing developments with
8 all-electric technologies. One example
9 includes geothermal equipment allowances
10 of \$38,500, along with advertising
11 allowances of \$23,200. I've also
12 included a sample of a builder sample
13 request summary sheet that builders
14 would need to fill out and sign in order
15 to receive an incentive form.

16 It is interesting to note that
17 these sheets state that, by signing this
18 request for incentives, the builder
19 certifies that the equipment purchase
20 has been permanently installed in the
21 residence at the specific address. If
22 all-electric equipment had to be
23 permanently installed, wouldn't it make
24 sense that the builders and homeowners
25 that trust the all-electric discount

1 rate was being offered in exchange for
2 installing such permanent equipment
3 would also be permanent?

4 A third set of documents I'm
5 submitting include the customer
6 testimonials that were included in
7 geothermal savers kit used to market the
8 highest end, all-electric systems. Each
9 testimonial includes a back side with
10 specifics on each home size, system type
11 and average monthly bill. Each
12 testimonial also emphasizes on
13 efficiencies of geothermal combined with
14 the all-electric rate, provides the most
15 cost effective home energy source with
16 most stating, it even beats the cost of
17 gas.

18 The final set of documents I'm
19 submitting is a set of fast fact
20 marketing sheets used for direct sales
21 to customers. All sheets promise the
22 special all-electric rate for installing
23 specific equipment. This certainly
24 seems like a contract to me. The fast
25 facts sheet on discount electric rates

1 also contains interesting language from
2 the Illuminating Company itself on why
3 it offered discount electric rates in
4 the first place. The fast facts sheet
5 states, "Basically, customers who use
6 electricity in a hire than average
7 volume can get electricity at a less
8 expensive kilowatt hour rate. Unlike
9 many commercial products, electricity
10 can't be stored for later use. It is
11 produced on demand. The excess power
12 that we generate can be sold at a lower
13 price. So the more electricity you use,
14 the less your cost will be it for each
15 kilowatt."

16 Again, this statement clearly
17 states that promoting all-electric homes
18 was beneficial to the Illuminating
19 Company by creating a market for
20 excessive electricity.

21 I respectfully submit all of these
22 documents, along with my written
23 testimony, as evidence to be considered
24 in the all-electric case. I believe you
25 will see how many testimony -- how my

1 testimony and these documents fully
2 support what all-electric customers have
3 been stating, that they were indeed
4 enticed by employees of the companies
5 now owned by FirstEnergy to believe that
6 the all-electric discount program would
7 be permanent.

8 Please do the right thing and make
9 FirstEnergy keep their part of the
10 contract by making the all-electric
11 discount rate program permanent. Thank
12 you for your time and most of all, thank
13 you in advance for your action to
14 reinstate the all-electric rate.

15 MR. CENTOLELLA: Sir, I have just a
16 clarifying question, if I could. I
17 appreciate you providing us this
18 information. Can you tell me
19 approximately the time period when the
20 lead generating sales information is
21 from?

22 MR. KARCHEFSKY: The lead
23 generating sales -- I'm going to --
24 off the cuff -- I could get back with
25 the PUCO, specifically, regarding that,

1 but I'm going to say it was probably --
2 it was when we were on Miller Road, so
3 I'm going to say that was probably '98
4 -- late '90s. '98, '99.

5 MR. CENTOLELLA: Secondly, you
6 mentioned in your testimony a set of
7 fast facts documents. Looking through
8 the pack, I see one sheet, geothermal
9 fast facts. Is that what you're
10 referencing here?

11 MR. KARCHEFSKY: Yes. It's noted
12 right at the top of the documents.

13 MR. CENTOLELLA: The one I'm
14 looking says, "every testimonial has a
15 back side like this." It's a geothermal
16 fast facts. Is that what we're looking
17 at?

18 MR. KARCHEFSKY: It's this document
19 (indicating.)

20 MR. CENTOLELLA: I don't see that.

21 MR. KARCHEFSKY: Okay. Let me then
22 submit -- and also all of these
23 documents.

24 MR. CENTOLELLA: Is this it?

25 MR. KARCHEFSKY: Yes.

1 MR. CENTOLELLA: I was looking for
2 it at the end.

3 Finally, just to clarify, you
4 indicated that you were -- that you had
5 a conversation with someone from
6 FirstEnergy referencing getting an
7 electric hookup prior to the 2007 date.

8 MR. KARCHEFSKY: Yes.

9 MR. CENTOLELLA: Can you tell when
10 that conversation took place and if you
11 recall who it was with or the position
12 of the person it was with?

13 MR. KARCHEFSKY: It was the Concord
14 Service Center. I was standing out in
15 front of the home that I was building.
16 I was -- I remember it distinctly
17 because I was trying so hard to get my
18 contract in order to get it staked up so
19 we could make the date and be guaranteed
20 for the all-electric rate.

21 MR. CENTOLELLA: This was a
22 Cleveland Electric Company employee who
23 told you this?

24 MR. KARCHEFSKY: Yes.

25 MR. CENTOLELLA: Do you remember,

1 was it a sales representative? A
2 manager?

3 MR. KARCHEFSKY: No. It was on the
4 regulated side. The FirstEnergy
5 regulated side at the Concord Service
6 Center.

7 MR. BURK: Your Honor, I just have
8 one question to, maybe, further clarify
9 the timing of the leads generate sales
10 program.

11 Do you recall, was that before
12 the merger with Ohio Edison?

13 MR. KARCHEFSKY: No. I believe
14 that may have been after the merger.

15 MR. BURK: Is there a date on those
16 documents, do you know?

17 MR. KARCHEFSKY: Of the leads
18 generated sales?

19 MR. BURK: Yeah.

20 MR. KARCHEFSKY: Well, let's see.
21 it was signed by the President Bob
22 Farling and Al Temple, Vice President,
23 so we could go back to that, their
24 tenure and those positions, I would
25 imagine.

1 MR. BURK: Is it your recollection
2 that Bob Farling was the President of
3 FirstEnergy?

4 MR. KARCHEFSKY: It's the letter
5 right here.

6 MR. BURK: What's his title?

7 MR. KARCHEFSKY: President.

8 MR. BURK: That's what I'm asking
9 you: Is it your recollect that he was
10 President after the merger?

11 MR. KARCHEFSKY: I thought the
12 question was in relation to lead
13 generated sales.

14 MR. BURK: Yeah, that's what I'm
15 saying.

16 MR. KARCHEFSKY: At this point I do
17 know that Bob Farling the President and
18 Al Temple was the Vice President of
19 marketing when leads generated sales --
20 so we could try to pinpoint this
21 document came out in their tenure. That
22 might help us determine the actual date.

23 MR. BURK: I thought maybe that
24 would spur your memory. But apparently
25 it doesn't.

1 MR. KARCHEFSKY: I'm sorry, but the
2 letter wasn't dated. I could probably
3 dive back into the documentation to see
4 if there was any date whatsoever.

5 AUDIENCE MEMBER: You guys must
6 have it on file.

7 MR. PHILLIPS-GARY: Hold on. Hold
8 on. If you're not testifying, you need
9 to be sworn in. So those in the
10 audience will need to wait until it's
11 their opportunity to testify. He's
12 talking to the witness that's in front
13 of us right now.

14 MR. KARCHEFSKY: To go one step
15 further, the letterhead does have
16 Centerior Energy on it, so that would --
17 it could have been during the transition
18 or it could have been before the merger
19 because of the Centerior logo on the
20 letterhead.

21 Because once the merger occurred,
22 that's when we went to FirstEnergy,
23 wasn't it? I believe.

24 MR. BURK: Thank you.

25 MS. GRADY: Yes, Your Honor. We

1 would move for the admission. We'll
2 have marked first, Kirtland Exhibit No.
3 1, the Leads Generate Sales documents.
4 Kirtland 2, the Builders Incentive
5 contracts. Kirtland 3, the customer
6 testimonials. And Kirtland 4, the fast
7 facts marketing sheets. We would have
8 them marked for identification purposes
9 and moved into evidence.

10 - - - - -

11 (Kirtland Exhibits Nos. 1-4
12 were marked for identification.)

13 - - - - -

14 (Discussion had off the record.)

15 - - - - -

16 MR. PHILLIPS-GARY: At this point
17 in time we are going to go back on the
18 record. Mr. Burk has some questions.

19 MR. BURK: In the documents that
20 you've submitted, as we were flipping
21 through them as we were off the record,
22 I noted in a number of areas that
23 certain phrases or sentences had either
24 been highlighted or underlined or
25 starred. And then on some of the

1 documents there are handwritten notes.
2 And I just wondered, if I look through
3 here on all these pages and all these
4 underlined and starred and notes, are
5 those all yours?

6 MR. KARCHEFSKY: Yes. I would say
7 I was having a conversation with Sue,
8 learning what was important regarding
9 this issue situation. When I was having
10 that conversation, I was underlining
11 things that I thought would be
12 interesting, to point out those facts.
13 Now, if there are some others -- I don't
14 think Sue made any -- oh, on the fast
15 facts here, the FAQ on LGS right at the
16 very top.

17 MR. BURK: How far in is it?

18 MR. KARCHEFSKY: I'm sorry. Yes,
19 it's right after this page here
20 (indicating).

21 MR. BURK: Do you have an idea how
22 many pages into this --

23 MR. KARCHEFSKY: Actually, why
24 can't we -- let me show you.

25 MR. BURK: Right at the top she

1 wrote that to label it. Could you
2 identify for the record who Sue is.

3 MR. KARCHEFSKY: Yes. I just know
4 Sue as the administrator and lead for
5 CKAP, the Citizens to Keep the
6 All-Electric Promise.

7 MR. BURK: Is that Sue Steigerwald?

8 MR. KARCHEFSKY: Yes.

9 MR. PHILLIPS-GARY: To clarify for
10 the record, the witness is referring to
11 a document that is part of what he has
12 marked and moved for admission as
13 Kirtland Exhibit 1, which is a page
14 dealing with the leads generate sales
15 program. And the top of the page has
16 written on it "FAG on LGS" and a couple
17 of statements starting with question No.
18 27 through 31.

19 MR. BURK: The witness has just
20 identified another page where Sue
21 Steigerwald has a handwritten note.
22 It's on the geothermal home fast facts
23 page.

24 MR. KARCHEFSKY: The geothermal
25 fast facts page. It's about five from

1 the back.

2 MR. BURK: Okay. It says every
3 testimonial has a back side; is that
4 correct?

5 MR. KARCHEFSKY: Yes.

6 MR. BURK: And that is part of what
7 OCC has marked and moved for admission
8 as Exhibit 4.

9 So we have identified two hand
10 written notes that were written in by
11 Sue Steigerwald. Are the other
12 underlined and stars and marks the ones
13 that you made?

14 MR. KARCHEFSKY: I would say a lot
15 of them are, just due to the fact that I
16 was, again, researching the limits of
17 what was important to the LGS situation.

18 MR. BURK: Who else may have made
19 stars or notes?

20 MR. KARCHEFSKY: I would say it
21 would just be between Sue and I on these
22 documents.

23 MR. BURK: But you're not sure
24 which ones you made and which ones she
25 made?

1 MR. KARCHEFSKY: I could probably
2 take some time and see if I -- I might
3 be able to identify what are the pages
4 that I may have written on. But for the
5 most part --

6 MR. PHILLIPS-GARY: I ask the
7 audience to please allow the witness to
8 answer. Again, we have a court reporter
9 trying to record all this and the
10 background distractions make it
11 difficult for the court reporter to
12 accurately reflect the witness's
13 testimony. Thank you.

14 MR. BURK: Even if you're not sure
15 exactly who made all the remarks, were
16 they all made tonight?

17 MR. KARCHEFSKY: No.

18 MR. BURK: When were they made?

19 MR. KARCHEFSKY: It could have been
20 -- well, let's see -- sometime in the
21 last three months.

22 MR. BURK: Can you be anymore
23 precise?

24 MR. KARCHEFSKY: I don't think so
25 at this time.

1 MR. BURK: Thank you.

2 MR. PHILLIPS-GARY: Questions from
3 the other counsel? The witness is
4 excused.

5 At this point I just want to
6 clarify for the record, the OCC has the
7 exhibits that OCC has marked and moved,
8 currently Exhibit 1, which are the leads
9 to generate sales information.

10 Currently Exhibit 2, which is
11 the builder incentives.

12 Currently Exhibit 3 is the
13 customer testimonials.

14 And Exhibit 4, the fast facts
15 documents.

16 At this point in time we will
17 call the next witness. The next witness
18 is Tim Grendell.

19 - - - - -

20 TIM GRENDALL,

21 After having been first duly sworn, as
22 hereinafter certified, was examined and testified
23 as follows:

24 MR. GRENDALL: Good evening, I'm
25 State Sentor Grendell, G-R-E-N-D-E-L-L,

1 7413 Tattersall, T-A-T-T-E-R-S-A-L-L,
2 Drive, Chesterland, Ohio 44026.

3 Thank you, Commissioner and
4 counsel, thank you for coming to the
5 18th district, Lake County, on what is a
6 very, very important topic, as you can
7 see, when you can get 300 people two
8 days before Thanksgiving. And this is a
9 small representation of the thousands of
10 people that we've talked who have
11 all-electric homes that are concerned
12 about this issue.

13 Before I get in to my formal
14 comments, I want to make it clear on the
15 record that I'm here this evening as a
16 State Senator Timothy Grendell and not
17 as counsel in a Class Action suit that
18 is still going forward, but I cannot
19 take off that hat completely. And for
20 that reason, I do want to say that my
21 appearance here tonight on behalf of my
22 constituents does in no way wave any
23 position taken in the Class Action suit,
24 that the correct place to resolve this
25 matter, because it's a breach of

1 contract and fraudulent representation
2 case involving FirstEnergy, is in the
3 courts of the State of Ohio. And I
4 reference the -- the order of the PUCO
5 dated November 10th, Paragraph 13 in
6 which it discusses its April 15th entry
7 dealing with the lack of jurisdiction in
8 this matter. And there's a
9 clarification of the scope of the
10 Commission exercises jurisdiction over
11 FirstEnergy's rates and marketing
12 practices pursuant to Section 4928.02 of
13 the Revised Code; that the Commission
14 will reiterate that we lack jurisdiction
15 to hear pure contract claims, including
16 claims based on reliance and promissory
17 estoppel or claims seeking equitable
18 remedies.

19 I agree and reserve all the rights
20 to continue the litigation that's on
21 appeal now in the 11th District of
22 Appeals.

23 Having gotten to that
24 disclaimer, I want to thank these folks
25 who came out this evening. I want to

1 thank you, Sue Steigerwald, for
2 continuing to do more work here to try
3 to stand up for the rights of the people
4 in this matter. I thank the PUCO for
5 being here this evening.

6 I think we have to put this into a
7 little bit of a historical perspective.
8 I'll be submitting to the PUCO a
9 complete copy of my testimony, along
10 with a lot of exhibits. I brought a few
11 with me today because I got a few from
12 the folks here tonight. That's why I
13 wanted to be the third person, so they
14 didn't have to hear politician after
15 politician. But I will present all the
16 evidence. There's just a little bit I
17 brought tonight. I will represent the
18 full documents to the PUCO.

19 The first issue, from a
20 historical perspective, occurred from
21 the builders. This all-electric rate
22 was not created by FirstEnergy. It was
23 the all truistic feeling that the people
24 of Northeast Ohio deserved a break in
25 their electric rates. It was done, as

1 the PUCO turned it out, in a letter
2 dated August 11, 2009 to Mr. Gary Davies
3 of Homeworth, Ohio. This is signed by
4 Jim Ripke, R-I-P-K-E, Service Monitoring
5 and Enforcement Department of the Public
6 Utilities Commission of Ohio. It's an
7 inquiry about the Public Utilities
8 Commission concerning Ohio Edison and
9 the recent rate case. And it starts out
10 by saying, "The all-electric rate ways a
11 concept created in the 1980s and 1990s.
12 At that time, electric utilities were
13 mostly interested in promoting the use
14 and sales of electricity."

15 When Mr. Ripke said this, he was
16 right, and I hope you will be finding
17 this in the PUCO. The rates were
18 designed such the more kilowatts used,
19 the cheaper the cost per kilowatt
20 became.

21 We believe that representation was
22 made. He said one other thing in this
23 letter. He refers to this issue about
24 the subsidies. I agree with the
25 gentleman that spoke before, the

1 all-electric home hasn't subsidized the
2 all-electric users -- the gas home
3 users. It has helped subsidize the
4 profit of FirstEnergy. In this
5 particular letter, the gentleman from
6 the PUCO says, "Ohio Edison had
7 approximately 65,000 customers on his
8 residential space heating rate and the
9 transferring of the all-electric rate
10 customers to the standard residential
11 rate does not impact on the Company's
12 total revenue."

13 This was August 11, 2009. So the
14 idea that somehow there's been some
15 drastic Earth change because of the
16 all-electric rates subsidizing gas homes
17 was just not correct. Why is that?
18 Because, as I'm sure you have heard
19 other testimony, FirstEnergy has the
20 capacity to create electricity, to
21 generate -- used to, until they sold it
22 off to what they're now calling their
23 subsidiary with the same president of
24 the board. We'll just put that aside
25 for a second. We'll keep the facade for

1 the evening.

2 But they used generate their own
3 electricity. And we have an electric
4 plant that generates electricity. It
5 has to be there all year round. But in
6 August it generates more electricity for
7 the air conditioning use than they have
8 to in January. So it needed a place to
9 still get the maximum value. That's
10 capital infrastructure. And since
11 global warming hadn't happened yet, so
12 they didn't have to produce in January
13 in Northeast Ohio. There wasn't enough
14 customer use. And they said,
15 all-electric homeowners, get them to
16 heat with electricity and we've got a
17 place to use the excess electricity that
18 we do in August in January. Therefore,
19 as you folks pointed out in the August
20 letter, in promoting the use and sales
21 of electricity, the all-electric rate
22 was born.

23 Interestingly enough, nothing in
24 the early documentation from FirstEnergy
25 ever claims that if you go all-electric

1 and you get this discount rate you're
2 being subsidized by the gas homeowner.
3 In fact, I would suggest that you go
4 through and review the records of the
5 rates that were back in those days,
6 going back to the '80s and '90s. I
7 would suspect -- I would bet my senate
8 seat you would not find one thing, as
9 the witness from FirstEnergy testified,
10 you know, we're going to have the
11 gas/electric homeowners subsidize this
12 all-electric rate. That just didn't
13 exist. That is a facade that has been
14 created in modern time.

15 The question is: How does this get
16 before you this evening? Well, I
17 believe the question is, because you
18 have power over marketing and sales.
19 But the question is, will the PUCO allow
20 the FirstEnergy to use the rate that
21 they promised as a shield against
22 FirstEnergy's liability for inducing
23 300,000 plus homes into going
24 all-electric with the promises of a
25 discount and the subsequent breaching of

1 those promises. Are you going to bless
2 it or aren't you? Are you going to
3 allow them to get away with this
4 marketing scheme or aren't you? If you
5 focus on their marketing for one month
6 or one year, they're going to be a happy
7 company. But if you focus on their
8 marketing conduct for 30 years, then
9 justice will be served and they will be
10 held accountable for their marketing
11 practices that promised all these
12 people, the hundreds of thousands of
13 homeowners, that they were going to get
14 a discount with all their electric use
15 and didn't go gas or other means.

16 The next document that I will be
17 presenting to the board is information I
18 received from Teryl Bishop. Mr. Bishop
19 is a retiree from FirstEnergy who worked
20 there for 16 years. He was in the
21 marketing of electric heat to Ohio
22 Edison residential customers in
23 Northeast Ohio. As he writes, "One of
24 the major obstacles to our success was
25 the skepticism by the dealers and

1 customers that the special electric
2 rates being offered would be eliminated,
3 leaving them with unhappy customers and
4 high bills. To counter this, we, the
5 marketing people for Ohio Edison,
6 assured them that if the special rate
7 was ever eliminated or replaced by a
8 different rate, that they could remain
9 on that rate until they decided to
10 change to a different rate or when there
11 was a change in account.

12 Now, Mr. Bishop goes on to comment
13 that allowing FirstEnergy to drop their
14 discount rate essentially impacts the
15 decision, resulting in hundreds of
16 thousands of dollars in increased
17 heating costs monthly going directly to
18 FirstEnergy without any additional
19 expense to them or benefit to the
20 customers. And he remarks that he is
21 disappointed because it makes him and
22 the representatives that worked for
23 FirstEnergy guilty of lying to our past
24 customers, abandoning the trust and
25 confidence they placed in us.

1 There is a brochure from the
2 Illuminating Company called Most Folks
3 brochure. Unfortunately it is not dated
4 but you will receive a copy. In it,
5 FirstEnergy says, using this separate
6 meter and taking advantage of the
7 discount rate, you will realize savings
8 of 30 to 70 percent for winter heating.
9 It goes on to say, with electric rates
10 now available, you can buy electricity
11 at a very attractive rate. No where in
12 that sales documentation does it say,
13 this rate is only for a limited time.
14 None of that small print that small
15 print you see on TV that you can't read
16 appears anywhere on the sales brochure
17 saying, hey, folks, you are simpleton
18 consumers. When we promised you these
19 rates, what we're not telling you is
20 that we're hiding behind the regulated
21 fees of our industry, which means
22 anything we promised you, we can take
23 away later with the help and protection
24 of the PUCO. Nothing in the sales
25 literature gives the consumer the

1 information that the promise that you're
2 going to get the 30 to 70 percent
3 discount or you're going to get a very
4 attractive rate and it's is going to
5 disappear the next time the rate boys
6 get together in Columbus and decide to
7 pull the switch. That's the key to part
8 of the deception here.

9 FirstEnergy has good lawyers.
10 FirstEnergy has smart people. They
11 understand the Columbus game. God
12 knows. I've seen the Columbus games.
13 These folks have lives to live and they
14 have families. And they believe that
15 you and the PUCO have their best
16 interest at stake and that we will
17 protect them. That's what they
18 believe. They failed. And we failed
19 because of the complicity with
20 FirstEnergy and the very slick marketing
21 program that forgot to tell you the very
22 basic thing: Look out for the fine
23 print, folks. And the fine print is,
24 we're promising you an all-electric
25 discount, we're promising you

1 all-electric rates, but we can change
2 them when we want to or all we can do is
3 get the PUCO's blessing. I don't
4 believe they can do that. I still think
5 that's a misrepresentation and fraud.
6 And I think to the extent that anybody
7 who joined in that is complicit in that
8 fraud. I believe it's a breach of
9 contract. And I believe that's why it
10 should still be in the courtroom. Until
11 then, the PUCO controls marketing
12 practices.

13 Where they were deceptive is in
14 their language -- and you'll see the
15 pieces I'll be giving you -- through
16 those disclaimers. In some pieces
17 there's a little disclaimer in fine
18 print at the bottom, for further
19 information, see PUCO or such and such.
20 Who the heck is going to look at PUCO or
21 such and such? I believe their lawyers
22 will say that's an adequate disclaimer.

23 I believe it's not.

24 Important information I received --
25 it's from the Cleveland Electric

1 Illuminating -- it says, "Dear
2 Customer:" It's talking about the rate
3 case change and that the residential
4 schedules were changed and if there is a
5 change in our customer of record at any
6 residence served under these discount
7 provisions after July 14, 1980, electric
8 service will be provided on the
9 residential schedule without the
10 discount provision. Then in huge bold
11 print it says, "Under the new rate
12 schedule there will be no change in the
13 discount provisions until there is a
14 change of a customer."

15 This doesn't say if you live in
16 that house for 40 years, in 2006
17 FirstEnergy is going file a rate case
18 and in 2008 they're going to take that
19 away from you. This says, as long as
20 you live in the house, you are not going
21 to lose the discount.

22 By the way, there's no disclaimer
23 on this little ditty. There's also no
24 date, but I suspect it's got to be
25 somewhere around 1980. It's from the

1 Cleveland Electric Illuminating Company,
2 and it talks about that July 14, 1980
3 situation.

4 Then there's this little number
5 from Ohio Edison to Mr. Thomas Logan in
6 Canfield, Ohio. What he has attached
7 to it is something called, "residential
8 service experimental optional heating
9 rate." This particular document is
10 dated June 18, 1988. And the rate is
11 March 18, 1988. If you look at the
12 schedule, it looks to me like the
13 all-electric rate, with a high capacity
14 use, 95 percent of the consumption being
15 a resident. When I look at the letter
16 from Elio Andreatta, senior residential
17 rep of Ohio Edison Company, he writes,
18 "Dear Tom, as you requested, I have
19 enclosed a detailed copy of the new rate
20 which you have been put on. You may
21 notice that the rate is titled
22 'experimental.' What this means is, if
23 Ohio Edison ever removes this rate from
24 our files, you would not be in jeopardy
25 of forfeiting this rate. This rate will

1 be guaranteed for you as long as you
2 wish to utilize it."

3 What's great is Mr. Andreatta
4 goes on to tell Mr. Logan, hey, I got
5 you the power of commander. I got you
6 on the new heat pump and now you're on
7 the new electric rate, which is
8 guaranteed as long as you wish to
9 utilize it.

10 Apparently, Mr. Andreatta didn't
11 know FirstEnergy was going to change his
12 business for him in 2008.

13 Then we have the letter from Judy
14 and Ron Neuger, owners of Apple
15 Heating. They were told, the Apple
16 Heating folks, who turned out to be
17 quite active in working with FirstEnergy
18 in getting people into electric heat
19 pumps, that Apple Heating was advised by
20 FirstEnergy to believe that people with
21 all-electric rates would be
22 grandfathered in if there was ever a
23 change in the all-electric rates.

24 Then there's this little ditty from
25 FirstEnergy. It seems to have a date of

1 April 1996. This is a residential water
2 heating and space heating rate
3 advertisement. It says on the top:
4 "For Services Rendered on or After April
5 18, 1996." The lawyers missed this
6 one, because it doesn't have a little
7 star or disclaimer, subject to rate
8 change or PUCO approval. But this is a
9 good one because it goes on to show them
10 how they are going to get a residential
11 rate discount during the winter. And
12 also it has this optional non-time-of-
13 day load management rate. "All use in
14 excess of 125 kilowatts will be billed
15 at \$.01786 per kilowatt. Again, no
16 disclaimer on here, and this is subject
17 to change any time FirstEnergy needs
18 more profit or to give bigger bonuses to
19 their higher ups. None of that is on
20 this piece of paper. It's just more and
21 more misleading.

22 And then we have information from
23 Paul Fisher and his family. And
24 Mr. Fisher has some wonderful pieces
25 attached to it. These are Illuminating

1 Company brochures. Unfortunately, they
2 are not dated. But they're Hot Tips on
3 Electric Heating, an all-electric
4 discount that helps you save money
5 during the heating season. No star. No
6 asterick. No disclaimer. No that this
7 is a temporary offer and that we are
8 going to change the rules in the middle
9 of the game.

10 Oh, there's another one on here.
11 Wait now. There's a second one is these
12 is the Cold Facts. We had the hot facts
13 on electricity use. Again, electric
14 discount rate that helps you save money
15 during the heating season. And then we
16 got a special discount electric rate
17 each time you use the heat pump and save
18 up to 20 percent on summer cooling and
19 30 to 70 percent on winter heating;
20 again, missing some of those magic
21 disclaimers letting the consumers know
22 that this is all subject to the
23 regulatory gymnastics that happen in
24 Columbus.

25 Last, but not least, I want to put

1 out there, this has a significant affect
2 on people who live in Northeast Ohio.
3 This affect is on seniors. There is
4 Eleanor Smith from Chesterland, Ohio.
5 Mrs. Smith is a senior. A little over a
6 quarter of her income has to go to pay
7 for her electric bill in January of
8 2010. She's trying to figure out how is
9 she supposed to eat or get her
10 medicine? She is happy to know that
11 FirstEnergy will be well rewarded for
12 that month.

13 Then we have Bill Arcuri from
14 Chagrin Falls. He has an interesting
15 situation. His electric bill for
16 December, January of '08 and '09 was
17 \$600. His electric bill for December,
18 January of '09, '10 was \$1,115.26 for
19 one month of electricity.

20 Then we have Dr. and Mrs. Richard
21 Gift. They live in Waite Hill, which is
22 just down the street from here. Their
23 electric bill from January in 2007 was
24 \$800. For 2008, \$914. And for 2010 was
25 \$1,758 for one month of electricity.

1 The last piece of the documentation
2 I brought tonight -- but I'm going to
3 give you about a thousand pieces in the
4 file. This is a letter from the
5 Schipper Group in Akron, Ohio. Their
6 concern is that the commercial customer
7 is also being punished by changes in
8 their electric rates. And they have
9 attached some filings for FirstEnergy
10 dealing with the 2008 rate case. They
11 make a pretty strong case, that
12 FirstEnergy was saying it's going to be
13 about a 5.2 percent annual increase to
14 the typical commercial customer, and
15 they were concerned because their rate
16 was 300 percent. This was March 9,
17 2010. You'll be getting a copy of this
18 information.

19 I also have -- and I know the
20 Commission has received this before -- a
21 Concord Township Trustees sent on
22 February 3, 2010, a resolution standing
23 up for the all-electric customers. I
24 just want to make sure the people knew
25 that your trustees in Concord were

1 standing up for you.

2 My last piece of information is
3 this wonderful ditty where sort of --
4 this is sort of -- where Chesterland
5 started the committee before 2007. This
6 is talking about how this discount rate
7 stuff was suddenly going to get slowed
8 down, if not ended. It talks about --
9 there's some great questions.

10 "I'm thinking about selling my
11 house. Will the buyer be able to
12 continue receiving the discount
13 all-electric rates?"

14 "Unless the transaction is completed
15 before April 1, 2006, the discounted
16 rates will not be applied to the buyer's
17 account. The new customer will be
18 billed on one of our standard
19 residential rates." Well, there's
20 certainly an implication that if you
21 don't sell the house you still get the
22 rate.

23 It goes on to say, what does
24 grandfathered mean. What is
25 grandfathered?

1 "The term 'grandfathered' does not
2 mean forever. However, as long as the
3 rate remains in effect and you remain in
4 the home using the qualifying equipment,
5 you will receive the rate."

6 Well, at the end of the day,
7 300,000 people went all-electric because
8 they were given all sorts of fancy
9 brochures and promises. Builders were
10 given money. And we'll hear from some
11 tonight. Builders were given money,
12 just to mention that, to build the
13 all-electric program. As long as
14 FirstEnergy had excess electricity to
15 sell, they were more than glad to put as
16 many all-electric people in the scenario
17 as they could. Then the State of Ohio
18 made the mistake of allowing the House
19 Bill 3, FirstEnergy to sell off their
20 generating company. So they could be
21 the only electric company in Ohio -- I
22 believe they still are -- to have a
23 generating company over here and
24 distribution companies over here so that
25 they can say to you that they are going

1 to go to market and get their
2 electricity to distribute to you and
3 me.

4 Of course one of the birds out
5 there is FirstEnergy wholely-owned sister
6 company. When they had one, these folks
7 had total control over them. And the
8 rates were done sort of based on profit
9 for generating and distribution. When
10 FirstEnergy -- and I've got to hand it
11 to them. They have some very good
12 lawyers. They figured out that if you
13 separated the generating company from
14 the distribution company, you can have
15 all sorts of mischief and the PUCO can't
16 control that. They took advantage of
17 it.

18 And that's the real reason we're in
19 this pickle. Well, I still say the
20 representatives should have made them
21 combine them. I think my last two years
22 in public office it started getting them
23 back combined. I don't care how many
24 hotels they paid for bring some law firm
25 to tell us the geniuses they are. It

1 was a bad idea then. They're a
2 regulated industry. They shouldn't be
3 allowed to rape the people in this room
4 or anywhere else in Ohio because they
5 were slick enough to figure out how to
6 do this for two instead of one. And we
7 should fix that. The impact is
8 enormous. The marketing was slick and
9 misrepresentative.

10 By the way, this is a fact that the
11 FirstEnergy made money on this
12 all-electric rate because they had to
13 sell capacity. Somebody said it was
14 right. This isn't about the
15 all-electric customers, but it is about
16 all of the customers, because if
17 all-electric rate homes lose their value
18 because nobody wants to pay \$1,718 for
19 electricity in the month of January, so
20 that value dropped. Well, if you're a
21 gas home on the next block, your value
22 dropped too. If the all-electric
23 customers values drop, they're going to
24 take everybody with them because
25 property values are connected. And if

1 the all-electric home drops in value
2 because nobody wants to pay \$600, \$800,
3 \$1,500, \$1,700 a month for electricity.
4 And so they have to reduce the value for
5 the all-electric home, all those gas
6 folks who are supposedly subsidizing you
7 you are going to go with that, down in
8 the sinkhole, and so are the taxes for
9 schools, libraries, fire departments,
10 police departments, local government
11 will also drop. So we're all in this
12 boat together. And what we want is
13 equality. We want fairness. We want
14 FirstEnergy to be held to their
15 marketing promises. And those promises
16 were, if you went all-electric you were
17 going to get an all-electric discounted
18 rate. Those rates should be permanent.
19 It should go with the home so you can
20 sell the home.

21 The truth is that the FirstEnergy
22 promised the all-electric rate until
23 they separated the companies and didn't
24 need that hook any longer. House Bill
25 221 states that electric companies must

1 ensure the retail consumers against
2 unreasonable sales practices. The code
3 would require each authority to look at
4 those marketing practices. We believe
5 that the PUCO may not have been aware of
6 the impact of these marketing practices
7 on these consumers when the rate was
8 passed. But you are aware now, and you
9 must do something to hold them to their
10 marketing practices so that there is an
11 all-electric discount. Not a specific
12 dollar amount, but an all-electric
13 discount that assures that if you bought
14 the promises and the marketing brochures
15 from FirstEnergy that all-electric was
16 going to get that 30 to 70 percent
17 discount -- was going to get a bargain
18 price -- was going to get some sort of
19 deal for putting in that all-electric
20 home, putting in that heat pump, putting
21 in that geothermal, putting in that
22 electric utility facilities, that
23 equipment, that these people get the
24 benefit of those promises, that they get
25 a discount and the discount remains with

1 the home or else FirstEnergy pays to
2 re-equip those houses with gas heating.

3 MS. GRADY: Your Honor, we would
4 move on the record to have everything
5 identified. We could do that at a break
6 if you were going to take a break. But
7 we would move for the admission of
8 Kirtland 5 through 17.

9 MR. CENTOLELLA: Let's go another
10 ten minutes then take a break.

11 MR. PHILLIPS-GARY: Senator, you
12 may be questioned again.

13 MR. BURK: May I just ask him a
14 question right now?

15 You referred to a House Bill. When
16 was that House Bill?

17 MR. GRENDALL: 1999. I thought it
18 was a House Bill. It before my time in
19 the legislature, but I thought it was --
20 whatever the bill passed, the dereg bill
21 in 1999. So if it was a House Bill, a
22 Senate Bill, whatever bill was passed --

23 MR. BURK: The Senate Bill was
24 three years ago.

25 MR. GRENDALL: Was the Senate Bill

1 three years ago? It was the dereg bill
2 in 1999. So if it's the Senate Bill, I
3 stand corrected. It was before my time
4 in office.

5 MR. PHILLIPS-GARY: Thank you.
6 We'll proceed to take a couple more
7 witnesses, and then we'll take a break
8 so the court reporter can get a little
9 bit of rest.

10 Our next witness is Mike Payne.

11 MR. PAYNE: My name is Frances
12 Michael Payne, P-A-Y-N-E, 11423 Twin
13 Mills Lane, Chardon, Ohio, 44024.

14 - - - - -

15 MICHAEL PAYNE,

16 After having been first duly sworn, as
17 hereinafter certified, was examined and testified
18 as follows:

19 MR. PAYNE: I'm here to talk to you
20 as a home builder. I'm guessing that in
21 my career I built around a thousand --
22 maybe over a thousand all-electric
23 homes. In that time in my career we had
24 very close relations with the various
25 energy providers; the gas company, the

1 electric company.

2 And the electric company,
3 specifically, would provide us with very
4 detailed information so that our
5 customers could see what the projected
6 cost was for heating their house with
7 gas, electric, propane, oil, et cetera.

8 Obviously, a lot of homes aren't
9 built that well. Electric was good in
10 areas where they only had a choice
11 between oil, propane or electric. Many
12 were also built where people chose an
13 all-electric home over gas for all the
14 benefits that were promoted by the
15 electric company.

16 During this time, to the best of my
17 recollection, if we advertised and put
18 all-electric home or some things like
19 that in the ad we got some payment to
20 offset some of the cost of our marketing
21 expense.

22 I also believe that there was a
23 time -- what I don't remember is whether
24 it was the customer or whether we
25 received it. We received a cost

1 reduction. If you put in a heat pump,
2 you got a certain amount of money; a
3 water heater, you got a certain amount
4 of money. Again, it's been years, so --
5 but either way, the customer benefited,
6 because if our costs went down, our
7 price went down to the customer, or
8 perhaps the customer got it directly. I
9 don't remember how it went.

10 The big thing that really gets
11 me -- even myself. I have been an
12 all-electric homeowner in the home I
13 built 29 years ago -- is we had a
14 trust. Maybe I'm a simple, old school
15 fellow. But when you have a handshake
16 or a verbal agreement, that's as good as
17 any contract. A contract is only good
18 when it's so complicated you have to
19 look back to see what it was about. You
20 know, that really wasn't.

21 And I and every customer
22 trusted the representation that they
23 made. We invested in all-electric
24 homes. If you do this, you get that,
25 get the all-electric rate. And, as

1 always, there wasn't any condition. You
2 built an all-electric home, you would
3 get an all-electric rate.

4 What really surprises me, this rate
5 was discontinued. I was stunned because
6 that was, again -- you're talking 35
7 years of history here. And more so
8 specifics, like the demand load. And
9 obviously electricity can't be stored,
10 so for a period, if you can reduce their
11 peak demand, which then obviously cuts
12 the utility's costs, you were rewarded
13 with a discounted rate. Many of us
14 would buy this little computer -- I
15 don't remember the name of it anymore.
16 I've got it on my own house. And you
17 could adjust or set the demand to your
18 house so that it sees the hot water, the
19 furnace heating element, you know, the
20 range, the dryer; everything is not
21 coming on at the same time. You can
22 hold -- take down your peak demand. And
23 we're really, at this point -- myself as
24 a customer and many of our customers,
25 partnered with the utility company to

1 keep their costs down and keep their
2 energies up and everyone benefited from
3 the all-electric rate. They didn't have
4 to invest in more plant equipment.

5 So I was absolutely stunned to hear
6 of this, all of these things just
7 disappearing. All of these oral
8 contracts over all these years by many
9 numerous marketing people, people from
10 all different branches of the utility
11 companies just abandoned us. It isn't
12 right. Simple what's right and wrong,
13 that isn't right. And every customer
14 who partnered with me has now been
15 betrayed.

16 I'm going to turn in a binder
17 with much information and things that
18 you can see on some of the promotions
19 that encouraged all of us to go this
20 way.

21 Also, there's a letter that I had
22 in there dated back to 1976 from the
23 President of the CEI. And it states on
24 Page 2:

25 "Ultimately, our nation will

1 most effectively resolve the energy
2 crisis by moving towards a more nearly
3 total electric economy."

4 I don't think many of you today
5 might not disagree with that because it
6 gets us off fossil fuels.

7 Continued in the next
8 paragraph:

9 "In one sense, this is an
10 enviable position for our industry to be
11 in."

12 Acknowledging this is good for
13 the industry. The last page of the
14 letter, the second to last paragraph
15 states:

16 "Our industry, it has both the
17 opportunity and the ability to become
18 the supplier of the most important
19 energy form of the future."

20 Well, you're looking at a bunch
21 of people who partly with them and
22 pursued -- our generation has pursued
23 clean technology, and we've been stabbed
24 in the back.

25 MS. GRADY: If we could mark those

1 as exhibits and move to admit those into
2 the record.

3 MR. PHILLIPS-GARY: What I'm going
4 to suggest is give counsel a chance to
5 look at them when we take a break and
6 we can mark them after the break. Let's
7 go ahead and take a ten-minute break.

8 Mr. Payne, will you stay around
9 just in case counsel has any questions?

10 - - - - -

11 (Recess taken.)

12 - - - - -

13 MR. PHILLIPS-GARY: At this point
14 in time we will go back on the record.
15 I apologize for the delay. We were
16 trying to move through this as quickly
17 as possible, but we have a lot of
18 exhibits the parties have to examine.
19 One thing the evidentiary hearing is
20 going to commence on November 29, 2010,
21 but then it is going to be continued
22 until January 27, 2011. So I just
23 wanted to let people know that the real
24 work in that hearing will not begin
25 until January 2, 2011. That's when

1 testimony is going to be presented.

2 At this point in time we
3 have -- OCC has marked to moved for
4 admission Kirtland Exhibits 5 through
5 16. So the record is clear, I need to
6 state what those are.

7 Kirtland Exhibit 5 is the
8 August 11, 2009 letter from the PUCO.

9 Kirtland Exhibit 6 is
10 correspondence from Teryl Bishop.

11 Kirtland Exhibit 7 is dated
12 August 7, 1980, a customer letter.

13 Kirtland Exhibit 8 an is letter
14 from Thomas Logan.

15 Kirtland Exhibit 9 is an
16 advertisement from April 1996.

17 Kirtland Exhibit 10 is a packet
18 of documents from Paul Fisher.

19 Kirtland Exhibit 11 is a letter
20 from The Schipper Group.

21 Kirtland Exhibit 12 is a
22 resolution from Concord Township.

23 Kirtland Exhibit 13 is a packet
24 of information from Mr. Arcuri.

25 Kirtland Exhibit 14 is a letter

1 from Mr. Gift.

2 Kirtland Exhibit 15 is a letter
3 from Mr. Neuger.

4 Kirland Exhibit 16 is a bill
5 insert from The Illuminating Company.

6 For those eight exhibits, those
7 are from Senator Grendell's testimony.
8 And they've been marked and moved.

9 MR. BURK: Your Honor, at this time
10 I would object on the grounds on failure
11 to properly authenticate Exhibits 5, 6,
12 8, 12 and 14.

13 MR. PHILLIPS-GARY: And we will
14 defer ruling on the motion to admit as
15 we would the motion to admit further,
16 Exhibits 1 through 4 and also on the
17 Company's objection.

18 MS. GRADY: Your Honor, at this
19 time we would move for the admission of
20 the Kirtland Exhibit No. 17 and Mike
21 Payne Builder documents.

22 MR. PHILLIPS-GARY: OCC has moved
23 for admission, currently, Exhibit 17,
24 the Mike Payne documents.

25 MR. BURK: Your Honor, we would

1 move to exclude the documents contained
2 in those notebooks, commencing with the
3 page entitle: "R.F. Bob Schmitt"
4 through the end of those documents, as
5 the witness has indicated that those
6 documents were provided to him. They
7 were not his information and he just
8 stuck them in the note back.

9 MR. PHILLIPS-GARY: The bench will
10 defer on the motion to admit and on the
11 motion to exclude that evidence until
12 further.

13 - - - - -

14 (Kirtland Exhibits 5 through 17
15 were marked for identification.)

16 - - - - -

17 MR. PHILLIPS-GARY: The next
18 witness is Rich Jordan.

19 Mr. Jordan, would please state
20 your full name and address for the
21 record.

22 MR. JORDAN: Richard Jordan, 11430
23 Twin Mills Lane, Munson Township, Ohio
24 44024.

25 - - - - -

1 RICHARD JORDAN,

2 After having been first duly sworn, as
3 hereinafter certified, was examined and testified
4 as follows:

5 MR. JORDAN: First, I want to say
6 good evening and thank you to the PUCO
7 for holding this hearing.

8 You've already heard from
9 numerous customers about the extreme
10 financial hardship that the loss of the
11 all-electric rate has caused. Many of
12 these customers have testified about how
13 they were enticed to either buy or build
14 all-electric homes based on both verbal
15 and written promises. You have also
16 heard testimony from former FirstEnergy
17 employees who stated that they sold
18 all-electric heating equipment to
19 customers in exchange for a discounted
20 electric rate.

21 The question becomes: If
22 consumers purchased specific electric
23 heating equipment in exchange for
24 receiving discounted electric rates,
25 does this constitute a contract?

1 In its order for this hearing,
2 the PUCO asked for consumers to bring
3 written documents that illustrate the
4 promises of FirstEnergy. Tonight, I
5 will submit to you, with my testimony,
6 about 75 of these documents, in this
7 book. These documents span 50 years
8 worth of mass marketing of all-electric
9 homes. All newspaper articles and ads
10 that are be submitting were printed in
11 the Cleveland Plain Dealer and found
12 using its online historical archive
13 search database.

14 Many people think the
15 all-electric home industry didn't come
16 about until the energy crisis of the
17 '70s. However, the Illuminating Company
18 began publicity in the Cleveland Plain
19 Dealer in the 1950s, promoting the
20 "innovative" heat pump. In 1954, the
21 Plain Dealer reported on the first full
22 year's cost of a heat pump installed in
23 the Illuminating Company engineer's
24 home, and reported that it earned the
25 bulk rate for power, a discounted

1 electric rate.

2 Then in 1956, the Illuminating
3 Company began running ad campaigns
4 advertising the "Amazing New Heat Pump."

5 By 1960, the Plain Dealer was
6 reporting on the "Live Better
7 Electrically Medallion Home Program,"
8 noting that a home earned the highest
9 Gold Medallion if they had all-electric
10 heating. In 1965, the Illuminating
11 Company began running large ads in the
12 Plain Dealer with the headline of
13 "Doesn't anything ever go down in price?
14 Sure. Electricity!"

15 In these ads, the company began
16 further promoting the idea of the
17 quantity discount by stating, "Best of
18 all, the more electricity you buy, the
19 lower the unit price goes."

20 The 1970s ushered in the energy
21 crisis, and the subsequent moratorium on
22 home gas installations. In 1975, the
23 Plain Dealer reported that the
24 "Illuminating Company is going out of
25 its way to provide a series of meetings

1 on how to heat a house economically with
2 electricity."

3 A 1976 Illuminating Company
4 ad's headline said, "The Amazing Story
5 of the Heat Pump," and told how it was
6 "amazingly easy on energy for both
7 heating and cooling."

8 The late '70s continued with
9 those ads, stating, "Your all-electric
10 home may be the smartest and most
11 important investment you ever made."

12 The 1980s was the decade with
13 the heaviest mass marketing of the
14 all-electric home and also the decade
15 the Illuminating Company began
16 partnering with numerous builders. They
17 ran multiple ads with the same tag line,
18 stating that, "the builder is building
19 for today and the future with
20 all-electric, easy-on-energy
21 construction."

22 These ads also began to detail
23 the increasingly specific equipment,
24 building and insulation requirements
25 these homes that were required to

1 implement in exchange for the "favorable
2 Energy Conservation Rate."

3 In 1983, the Illuminating
4 Company ran ads, stating as fact that
5 "Nearly 70 percent of homes built during
6 the last five years in Northeastern Ohio
7 are all-electric."

8 In 1985, the Illuminating
9 Company ran a half-page ad with the bold
10 headline of "Home Sweet Electric Home."
11 The ad was publicized in the Multi-
12 Builder All-Electric Variety Show and
13 also included the statistic that the
14 "1985 study shows that total energy
15 costs are often less for all-electric
16 homes than for homes with gas-fired
17 furnaces and central air conditioning."

18 Another half-page ad appeared
19 in 1985 with the headline: "Another
20 Myth Just Went Up in Flames."

21 The ad stated: "A brand-new
22 study has analyzed 157 practically
23 identical homes. The study has
24 demonstrated that the annual energy
25 costs for electrically-heated homes are

1 quite often less than for gas-heated
2 homes. The Illuminating Company's new
3 special discounts and rate options can
4 save on total annual energy costs and
5 it's worth looking into. We can prove
6 that electricity is the power of the
7 future. And it's here today."

8 The Illuminating Company
9 heavily promoted the Amazing Heat and
10 Cool Pump Offer with half-page ads
11 stating: "You'll not only enjoy year-
12 round comfort in your home, you'll get
13 special discount electric rates that can
14 save you hundreds of dollars on heating
15 and air conditioning each year. At
16 these rates, the money you save on
17 heating will actually pay for your air
18 conditioning all summer."

19 Even Bernie Kosar became a
20 spokesperson for Ohio Edison in a 1989
21 half-page ad with the headline reading:
22 "Electricity, it's the Power of the
23 Future."

24 In 1991, Ohio Edison heavily
25 marketed its Good Cents program in the

1 Plain Dealer, stating that a Good Cents
2 home will save you about 35 percent on
3 energy costs month after month after
4 month.

5 During the '90s, the
6 Illuminating Company also printed mass
7 marketing messages on the electric bills
8 themselves, such as, "If you're planning
9 to replace your worn-out heating system,
10 look into the many energy-efficient
11 choices you have with electric heating
12 systems. By converting to electric, you
13 qualify for a cash rebate and a discount
14 electric rate."

15 The mass marketing that the
16 companies now owned by FirstEnergy did
17 for the last 50 years clearly indicate
18 their goal was to sell as much
19 electricity as possible by promising
20 discounted rates in exchange for
21 building homes with specific equipment
22 and structural requirements. This
23 certainly meets the definition of a
24 contract. These ads contain that
25 promise in writing, and none of them

1 have an expiration date.

2 I respectfully submit these
3 documents and request that the PUCO
4 order FirstEnergy to permanently
5 reinstate the all-electric rate program.
6 A contract is a contract. And
7 FirstEnergy should not be allowed to
8 break their side of the contract while
9 we, as customers, are still fulfilling
10 our side by maintaining all-electric
11 homes.

12 While testifying at the Ohio
13 House Committee Hearing in February of
14 2010, PUCO Chief of Staff, Steven
15 Lessor, stated that the rate shock was,
16 a "unintended consequence" of
17 FirstEnergy's rate plan. He continued
18 to testify that the PUCO "did not see it
19 coming."

20 The Plain Dealer's John Funk
21 first reported on the end of the
22 all-electric discount back in January of
23 2006. He interviewed PUCO Chairman,
24 Alan Schriber, for the article. When
25 asked what he felt about the end of the

1 all-electric discounts in 2006,
2 Mr. Schriber was quoted as saying, "it's
3 discomfoting....it's not what I would
4 have done."

5 To Mr. Schriber and the rest of
6 the PUCO Commissioners, I respectfully
7 say that you now have a chance to do it
8 differently and correct this mistake,
9 and that is all we are asking you to do.
10 Please do the right thing and
11 permanently reinstate the all-electric
12 rate program. Thank you.

13 MS. GRADY: Your Honor, we would
14 like to mark this Kirtland Exhibit 18,
15 the binder with materials from the
16 witness.

17 MR. PHILLIPS-GARY: Marked and
18 moved Kirtland Exhibit 18?

19 MS. GRADY: I'm sorry, yes. I
20 marked and moved.

21 MR. PHILLIPS-GARY: Okay. Kirtland
22 Exhibit 18 is the binder. And just for
23 clarification, does that include the
24 written testimony and the documents
25 attached to it?

1 MS. GRADY: Yes.

2 MR. PHILLIPS-GARY: The binder and
3 the testimony.

4 - - - - -

5 (Kirtland Exhibit 18
6 was marked for identification.)

7 - - - - -

8 MR. PHILLIPS-GARY: The next
9 witness is Cliff Shandle.

10 MR. SHANDLE: After being in a home
11 for 42 years --

12 MR. PHILLIPS-GARY: Excuse me, sir,
13 I need to have you state your name and
14 address.

15 MR. SHANDLE: Clifford Shandle,
16 5773 Canyon Ridge Drive. I don't know
17 if it's Painesville Township or Perry
18 Township, 44077.

19 - - - - -

20 CLIFF SHANDLE,

21 After having been first duly sworn, as
22 hereinafter certified, was examined and testified
23 as follows:

24 MR. SHANDLE: Being in the home
25 building business for 42 years, when the

1 gas prices came along we had no other
2 choice but to go with all electric. And
3 everybody, including The Illuminating
4 Company, were pushing it; whining and
5 dining us, trying to make us use
6 electricity the best way we know how.

7 Through those efforts, the
8 building industry was able to make the
9 housing more affordable, more efficient
10 and also the industry that created
11 refrigerators, dishwashers, et cetera,
12 they did the same. And it was all
13 because of this so-called outage of no
14 more gas.

15 So I really don't have a lot to
16 say, except it was because of the
17 home building industry, I believe, that
18 we were able to keep the cost of the
19 electricity the way it has been since
20 probably late '60s or early '60s, in
21 there. And I don't think they're
22 warranted today. There ought to be a
23 way to keep these energy rates.

24 I have some advertising here
25 that the Illuminating Company created.

1 There's no indication that the electric
2 rates would change at any time or that
3 there was a period of time when they
4 would disappear. With that, I thank you
5 very much.

6 I'm sorry. I have a copy of my
7 personal electric bill in January which
8 was 100 percent more than it was a year
9 ago in January.

10 MS. GRADY: Your Honor, we would
11 move -- we would like to mark them. If
12 we could treat them all as one, Kirtland
13 Exhibit Number 19. It's multiple pages
14 from the witness. We would ask them to
15 be marked and moved into evidence.

16 MR. PHILLIPS-GARY: Kirtland
17 Exhibit 19 are the documents submitted
18 by Cliff Shandle.

19 - - - - -

20 (Kirtland Exhibit 19
21 was marked for identification.)

22 - - - - -

23 MR. PHILLIPS-GARY: The next
24 witness is James McMeechan.

25 MR. MCMEECHAN: My name is James

1 McMeechan, M-C-M-E-E-C-H-A-N. I live at
2 6099 State Route 45, Rome Township, and
3 it's 44085.

4 - - - - -

5 JAMES MCMEECHAN,

6 After having been first duly sworn, as
7 hereinafter certified, was examined and testified
8 as follows:

9 MR. MCMEECHAN: Around 2002 I
10 needed to replace a wood and coal
11 burning furnace. So I sat down and I
12 did some calculations on a geothermal
13 heat pump. I called the electric
14 company and asked them about the rates
15 and how long those rates would be in
16 effect. I was told at the time that I
17 didn't need to worry about if the rates
18 ever went out because I would be
19 grandfathered in and I would have my
20 rate. And the Public Utilities
21 Commission seems to agree with that
22 statement.

23 And this on the red page, this
24 says, "at the time customers who
25 received service under those discounted

1 rates were grandfathered," meaning they
2 would still receive the discounts as
3 long as they remained at the same
4 address.

5 The calculations I did on the cost
6 of the geothermal and the installation,
7 the upgrade of my electrical service was
8 in the neighborhood of \$20,000. But
9 that only made sense if the rate would
10 stay in effect.

11 Prior to my rate being raised, I
12 used between -- from June -- I'm
13 sorry -- from December to March of '09,
14 I used 12,372 kilowatts and I paid \$748
15 for it.

16 The next year, after the rate was
17 removed, I used 11,103 kilowatts and I
18 paid \$1,264.

19 I guess my main question is: I'm
20 still paying these rates. My rate was
21 never reduced to the rollback in March.
22 Somehow I was a member of this group
23 when the rates were increased, but I
24 wasn't a member of this group when the
25 rates were rolled back.

1 I called and complained, and nobody
2 seems to know why my rates haven't been
3 reduced.

4 So I'd like that to be addressed
5 and figure out how I'm going to pay
6 these rates all winter long. It's close
7 to a 70 percent increase in my electric
8 bill. That's all I have.

9 MR. PHILLIPS-GARY: Thank you,
10 sir.

11 The next witness is Gale Larson.
12 Next witness.

13 Next witness is Candace Arcaro.

14 MS. ARCARO: My name is Candace,
15 C-A-N-D-A-C-E, Arcaro, A-R-C-A-R-O. I
16 reside at 796 Grove Street in Conneaut,
17 Ohio, 44030.

18 - - - - -

19 CANDACE ARCARO,

20 After having been first duly sworn, as
21 hereinafter certified, was examined and testified
22 as follows:

23 MS. ARCARO: My name is Candace
24 Arcaro. My husband James and I are
25 residents of Conneaut in Ashtabula

1 County. We have an old home which would
2 be a century home. There was little
3 insulation and a 70-year-old gas furnace
4 with the old-style radiator. We looked
5 for another home for a year and a half,
6 then we came to the conclusion to build
7 new. We wanted city water, sewer, gas
8 and electric. That was the spring of
9 1977.

10 We got a rude surprise. The gas
11 company said we cannot hook up now, and
12 they had no idea how long this
13 moratorium for the new hookups would
14 last. There was a shortage of natural
15 gas, according to the government, the
16 PUCO. The choice we were left with was
17 propane, oil or electric. I was afraid
18 of a propane tank, and my allergies had
19 had a bad experience with oil heat. But
20 not to worry, The Illuminating Company
21 had a special all-electric rate and we
22 could get the electric perks which would
23 be more efficient with the baseboard
24 heat. The new house could go forward.
25 Triple pane windows, R-22,

1 six-and-a-half-inch fiberglass
2 insulation in the walls, R-11, three-
3 and-a-half insulation in the walls,
4 white foam board insulation around the
5 basement walls before being backfilled.

6 If that wasn't enough, I went
7 around putting scrapes of insulation in
8 any space I could see around doors or
9 windows. We moved in after Labor Day of
10 1977, raised our children in this home,
11 and are continuing to live there to this
12 day.

13 Only once in over 30 years -- this
14 is maybe ten years ago -- did the
15 Illuminating Company contact us to
16 inquire if we have hooked up to gas,
17 which really meant were we still
18 eligible for the all-electric rate. I
19 let them know we were still
20 all-electric. We continued forward to
21 2002 when we were faced with replacing
22 the original electric furnace. We made
23 several calls to the Illuminating
24 Company, asking for any idea if the
25 all-electric rate was going to be

1 continued or should we go ahead and
2 convert to natural gas.

3 I spoke to several people and
4 continued to ask to speak to someone who
5 had this information available. No one
6 knew anything one way or another but
7 insisted that they hadn't heard anything
8 about discontinuing the special rate.
9 They were reassuring enough to me that
10 we made the choice to install a new
11 electric furnace, heat pump and central
12 air to the tune of \$4,900. Currently as
13 of today, converting to a gas furnace,
14 hybrid heat pump and central air would
15 cost \$8400 plus the cost of the outside
16 gas line from the street. This is money
17 we don't have.

18 Forward to last year when, with
19 little or no warning, the Illuminating
20 Company did away with the all-electric
21 rate. Not only did we pray that we
22 could meet the bills for the new higher
23 rate, we were afraid that we will have
24 trouble when we go to sell our house in
25 2011 to retire closer to our son in

1 Lebanon, Ohio.

2 We have done everything right. We
3 used the best installation available.
4 We put in a new efficient electric
5 furnace with heat pump. In winter we
6 set the thermostat at 67 degrees, use a
7 small electric space heater in an our
8 living room, wear sweaters, watch TV and
9 read under a blanket. And in summer we
10 set the air conditioning at 78 degrees.
11 I'm never warm in my own home except for
12 the summer.

13 If the Illuminating Company had
14 operated in a business-like ethical
15 manner, they might have told us that
16 they wanted to get rid of the
17 all-electric rate years ago and we would
18 have hooked to gas when we had a chance.

19 I have easily available what I was
20 paying on my budget for the last seven
21 years. In '03 and '04 it was \$141. And
22 the next year \$135. And the next year
23 \$144. '06 and '07 was \$138. And '07
24 and '08, \$145. '08 and '09 was \$152
25 and we started out last winter on the

1 Illuminating Company's budget at \$184.
2 I did that for three months until I got
3 an almost \$700 bill, and I decided on my
4 own I got to start paying more than \$180
5 some dollars. So I started paying
6 between \$200 and \$250, which I paid
7 clear through to August until they
8 recalculated this year's fee.

9 In previous years I had to catch up
10 on approximately \$200 for the heating
11 season. This year my increase was well
12 over a thousand dollars. I would have
13 been a thousand dollars in the hole if I
14 had depended on their numbers to pay the
15 budget. Now my budget is, starting this
16 year, \$221 a month, if only it would be
17 that much. But I'm sure my usage is
18 going to be more than that. And again,
19 I'll be paying more than the budget.

20 Right now we are at the mercy of
21 the PUCO, the State of Ohio and the
22 Illuminating Company. My husband and I
23 are both retired under Railroad
24 Retirement. We have a little more money
25 than some people on Social Security, but

1 still no increase for two years. Our
2 medical supplement cost goes up almost
3 every year. We try to be responsible
4 and plan ahead for things that we need.
5 I ask you, how can anyone make
6 responsible choices for themselves when
7 the government and the Illuminating
8 Company change the rules and change the
9 contract suddenly with no warning.

10 If the all-electric rate is done
11 away with, my husband and I hopefully
12 will find a way to pay the bill and
13 survive somehow. We can cut what we
14 give to our church, cut our food budget
15 and cut travel. But without travel, we
16 can't see our children and grandchildren
17 or have another vacation. There are
18 other all-electric customers who aren't
19 as lucky. They have no room cut back
20 expenses. They will lose homes, lose
21 everything they have worked their whole
22 lives for.

23 Does the PUCO, State of Ohio, its
24 politicians and the Illuminating Company
25 want that to be their legacy in the

1 decades going forward? Thank you.

2 MR. PHILLIPS-GARY: The next
3 witness Eileen Fisco.

4 MS. FISCO: Eileen Fisco, P.O. Box
5 445, Gates Mills, 44040.

6 - - - - -

7 EILEEN FISCO,

8 After having been first duly sworn, as
9 hereinafter certified, was examined and testified
10 as follows:

11 MS. FISCO: I'm giving you my bills
12 as proof of my hardship. I just want to
13 ask you please to consider three points
14 when making your decision: CEI sold and
15 installed non-time-of-day meters. They
16 did this to increase their profits
17 between 5:00 p.m. and 9:00 a.m. off peak
18 hours seven days a week. Now these
19 meters are still perfectly good to
20 calculate all-electric discounts. Now
21 CEI stopped using the meters, leaving
22 meters out in the cold. And my meter is
23 outside and it works really well.

24 You are asking for a long-term
25 solution? I say all-electric discount

1 is a long-term solution.

2 Point two: It is a sad thing to
3 lose a home, and this violation will
4 make it all the worse when the property
5 values go down. And seniors on fixed
6 incomes suffer even more. If citizens
7 can't turn to a government agency to
8 protect them and help them, where can
9 they turn? So what happens to society
10 if you fail to remedy the situation?
11 Please consider that CEI can turn a
12 profit. 300,000 homeowners cannot. So
13 you want a long-term solution? The
14 all-electric discount restored forever.

15 Point three: History is repeating.
16 The efforts in competition in
17 deregulation is leaving too much sway
18 that hurts citizens. Therefore, any
19 claim that discounted rates cause CEI to
20 operate at a loss, I think are false.

21 My third point is to remind you of
22 a quote that I found tonight that you
23 put out. This is what I picked up on
24 the table out there by Ohio Public
25 Utilities Commission. "Discounted rates

1 result in customers paying less than the
2 actual cost paid by FirstEnergy to
3 purchase electricity for their
4 customers."

5 How you can make an objective
6 statement like that, I don't know.

7 My final statement is: Give to the
8 needy and not the greedy. Thank you

9 MS. GRADY: We will ask that
10 Mr. Fisco's bills be marked as Kirtland
11 Exhibit Number 20 and moved into
12 evidence.

13 MR. PHILLIPS-GARY: OCC has marked
14 and moved into admission the bill
15 submitted by Ms. Fisco.

16 - - - - -

17 (Kirtland Exhibit 20
18 was marked for identification.)

19 - - - - -

20 MR. PHILLIPS-GARY: The next
21 witness is Jerry DeCicca, D-E-C-I-C-C-A.

22 MR. DECICCA: I was getting bored
23 hearing all these redundancies. My name
24 is Jerry DeCicca. I live at 8276
25 Deepwood Boulevard, Mentor, Ohio.

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MR. DECICCA: Yeah, I spent a lot of time on this testimony, but someone earlier mentioned not to be redundant. But I guess it's hard not to be redundant when we are talking about one issue and it affects all of us in the same way. You guys must be tired of hearing this. Because I've got to believe that everything you hear is about the same issues you heard tonight.

The more I thought about this testimony -- I'm going to cut mine short

1 to try not to be redundant.

2 The more I thought about this
3 testimony -- and I've only sat here and
4 listened to the testimonies -- you know,
5 you can't get help but get angrier and
6 angrier. This is why: I thought, out
7 of 6.2 million customers, only 360,000
8 is all-electric. And since the
9 all-electric rate is only available for
10 five months, the 360,000 becomes about
11 150,000. Now 150,000 out of a total of
12 6.2 million for the new acquisition for
13 that Pennsylvania utility, now, it's
14 only about 2.4 percent, which is a very
15 small number.

16 Now, some electric company
17 promoting the use of electricity sold
18 the idea to developers and builders,
19 like you heard tonight, that use
20 electric heat and promised the electric
21 rate. I'm sure it was a great idea back
22 then. But when you give the
23 all-electric rate, you don't give it to
24 a person. You give it to a residence.
25 It makes no sense to give it to a

1 person. And I can't believe anybody in
2 their right mind would think any
3 different.

4 The electric rate stays with the
5 residence until it is torn down or the
6 heating source is changed. Now maybe
7 the proper thing to do is for
8 FirstEnergy to do an audit to see if
9 electric heat was still being used.

10 Then maybe -- because many years
11 later a utility company comes up with a
12 new name and a new way to sell
13 electricity called, "deregulation."
14 They want to take away the all-electric
15 rate. It makes no sense. Because the
16 reason I had the all-electric rate still
17 exists. I still have electric heat.
18 there's no other way to have another
19 source.

20 If I were the CEO of
21 FirstEnergy, I would be embarrassed that
22 my company is pushing so hard to remove
23 the all-electric rate. It is such a
24 small problem to such a large company.
25 And such a big problem for the residents

1 that were promised the all-electric
2 rate.

3 And I'm somewhat disappointed
4 that the PUCO has not put a stop to this
5 nonsense of removing the all-electric
6 rate a long time ago. Our PUCO should
7 tell FirstEnergy: You gave your
8 commitment on all-electric heat. The
9 all-electric heat still exists. The
10 all-electric customers already give you
11 more money during the heating season.
12 The all-electric customers are
13 conserving electricity already. And
14 based on percentages, the all-electric
15 customers are not being subsidized from
16 other customers.

17 And finally, PUCO should tell
18 FirstEnergy that our decision is that
19 you keep your commitment and you keep
20 the all-electric rate until the
21 all-electric heat source is no longer
22 used.

23 Now, can we all stand up and
24 applaud the PUCO for making this
25 decision? Let's stand up and give them

1 an applause.

2 Do the right thing. Thank you.

3 MR. PHILLIPS-GARY: The next
4 witness is Dale Hayes.

5 MR. HAYES: Dale Hayes, 2766 Lillie
6 Road, Sheffield Township, Ashtabula
7 County, 44047.

8 - - - - -

9 DALE HAYES,

10 After having been first duly sworn, as
11 hereinafter certified, was examined and testified
12 as follows:

13 MR. HAYES: In 1993 we designed one
14 of Ashtabula County's first green earth
15 sheltered, energy efficient homes, which
16 is an attachment that I gave you.

17 This home was designed using
18 information from the U.S. Department of
19 Energy working with the architect.

20 Construction started in 1994.
21 It took me a little over two years in my
22 spare time to complete.

23 When I applied for the
24 underground electric service with the
25 CEI rep that I had worked with before,

1 that the PUCO had canceled it.

2 I have enclosed copies of the
3 January 2009 and 2010 Illuminating
4 Company bills and a copy of the heating
5 degree day report, comparing 2010 and
6 2009 HDD data. This report shows that
7 the weather report for the Ashtabula
8 County Airport weather station, which is
9 about a mile from our home, indicated
10 that in January 2010 that the area was
11 seven percent milder than 2009.

12 Being retired and with the
13 limited funds and the notice that the
14 all-electric rate was gone, we made the
15 decision to turn down the thermostat in
16 an attempt to reduce the electric bills.

17 You can see by the attached
18 electric bills, comparing 2009 to 2010,
19 we used 25.3 percent less kwh than in
20 2009, but the cost of the kwh went up 91
21 percent.

22 When you look at the facts that
23 we're in an area that was seven percent
24 milder and we used 25.3 percent less, we
25 did a great job of conserving, but paid

1 191 percent more.

2 We are a rural area without
3 natural gas. And I feel that the
4 contract with CEI for the reduced rate
5 for the excess, off peak power and the
6 CEI should continue to provide it to us.

7 Thank you.

8 MS. GRADY: We would ask that the
9 testimony, along with the documents
10 attached to it, be marked as Kirtland
11 Exhibit 21 and moved into evidence.

12 MR. PHILLIPS-GARY: Has marked and
13 moved Kirtland Exhibit 21, which is the
14 testimony of Mr. Hayes and the documents
15 attached to it.

16 - - - - -

17 (Kirtland Exhibit 21
18 was marked for identification.)

19 - - - - -

20

21 MR. PHILLIPS-GARY: Our next
22 witness is Tom Waltermire.

23 MR. WALTERMIRE: My name is Tom
24 Waltermire, spelled

25 W-A-L-T-E-R-M-I-R-E. My address is 1009

1 State Route 45, Austinburg, Ohio, 44010.

2 - - - - -

3 THOMAS WALTERMIRE,

4 After having been first duly sworn, as
5 hereinafter certified, was examined and testified
6 as follows:

7 MR. WALTERMIRE: My testimony is in
8 three parts. The first part is as a
9 trustee for eight years in Lenox
10 Township, Ashtabula County. Second is a
11 35-year employee of the Illuminating
12 Company in a non-union, management
13 position, and third, as an owner of
14 three different all-electric homes
15 spanning almost 40 years.

16 As a trustee, I was aware of
17 the representatives of the Illuminating
18 Company, a marketing representative out
19 of the Painesville office, visiting
20 individual couples who were going to
21 build new homes on a developing township
22 road, specifically, Webster Road, Lenox
23 Township. The road did not, nor does it
24 today, have natural gas available for
25 homeowners. The representative enticed

1 the couples to build their homes as
2 all-electric with the implication of
3 "forever" reduced rates, the then-called
4 J-rate, even if they would sell their
5 homes sometime in the future. Also, as
6 an area manager of the Illuminating
7 Company requested to be put on the
8 agenda for our trustee's meeting to ask
9 us as trustees to encourage developers
10 within the township to build their homes
11 all-electric.

12 As an employee of the
13 Illuminating Company, Centerior Energy
14 and then FirstEnergy, I dealt with both
15 the public and with builders. All of
16 us employees were persuaded to promote
17 building all-electric homes with the
18 promise of better rates with no
19 framework for cancellation.

20 As a customer I've lived in an
21 all-electric home since 1972 when I
22 built my first new home. The
23 Illuminating Company representative, Jay
24 Warner, joined with me in the design to
25 build an energy efficient home using

1 all-electric, rather than the
2 alternative of oil or propane to supply
3 heat energy. I was guaranteed a reduced
4 electric rate to do so.

5 In 1992, I acquired a home in
6 Chardon that had hot water heat. The
7 then named Centerior Energy offered free
8 baseboards, free necessary wiring and a
9 free update for a service panel if I
10 would convert the home to an
11 all-electric home. Along with those
12 free enticements came the all-electric
13 rate.

14 After retirement, I bought
15 property in Ashtabula County in 2003
16 where I built a new home and currently
17 live. My only choice for energy was
18 propane, oil or electric. In making
19 that energy decision, I was once again
20 assured by the now-named FirstEnergy of
21 the all-electric rate, which was always
22 assumed to be a permanent rate. To
23 convert to any other heating source
24 would mean putting ductwork throughout
25 the home, which would be extremely

1 costly. I've been told by my real
2 estate agent that if the discount was
3 discontinued, my home would be next to
4 impossible to sell.

5 In conclusion, The Illuminating
6 Company, Centerior Energy Company, and
7 the FirstEnergy Company have all given
8 verbal contracts to home builders,
9 homeowners, and myself of a permanent
10 rate break to build or convert to
11 all-electric homes. This rate break was
12 neither time constraints nor a threat of
13 the rate loss at the sale of the home.

14 Do not allow FirstEnergy to
15 break all those promises. Please do not
16 allow them to pass that cost onto other
17 customers because the company's profits
18 and their inability to keep their
19 promises without hurting other customers
20 are well known. If you think not, think
21 of what the CEO got paid last year in
22 benefits and stock options.

23 MR. PHILLIPS-GARY: The next
24 witness is Richard Gift.

25 MR. GIFT: My name is Richard Gift.

1 I live at 7621 Eagle Road, Waite Hill,
2 Ohio, 44094.

3 - - - - -

4 RICHARD GIFT,

5 After having been first duly sworn, as
6 hereinafter certified, was examined and testified
7 as follows:

8 MR. GIFT: I live in Waite Hill in
9 an all-electric home. My house was
10 all-electric when we bought it in 2003,
11 but it was an old house and we had to
12 replace all of the appliances and the
13 heating and cooling systems over the
14 last seven years, with an investment of
15 over \$40,000.

16 On numerous occasions over this
17 time period, especially before we bought
18 the house and before we replaced the two
19 furnaces, we contacted The Illuminating
20 Company to research the basis for either
21 retaining or replacing the all-electric
22 energy system. On each and every one of
23 these contacts, we were consistently
24 told the same thing in unequivocal
25 terms, which was: The Illuminating

1 Company no longer offers an all-electric
2 discount to new construction, but that
3 our house is grandfathered into the long
4 ago established discount policy and that
5 this status would continue so long as
6 our house remains all-electric without
7 interruption.

8 With this discount, our utility
9 bills were very comparable to gas-heated
10 homes of our same size and there was no
11 reason to suspect that our discount
12 would end. And so we made the
13 commitment to electric energy. And the
14 notion of commitment is key to this
15 issue before us now. Building or buying
16 a home with electric heating requires an
17 enormous commitment because it involves
18 a big investment and is not easily
19 changed without even greater investment
20 or loss of investment. And so, here
21 lies the fundamental issue: The only
22 condition that ever made any economic
23 sense at all for the consumer was to
24 receive a commitment from FirstEnergy
25 for a permanent discount. And that is

1 what a contract is all about: Mutual
2 commitment.

3 No consumer would have knowingly
4 made this kind of commitment without
5 believing that they had FirstEnergy's
6 commitment in return. It is just not
7 logical to think otherwise.

8 Our biggest investment involved
9 replacing our two electric furnace
10 boilers at a cost of \$17,000. As
11 already mentioned, we contacted The
12 Illuminating Company again beforehand to
13 confirm our discount status and did
14 receive this assurance but were also
15 told that you would be crazy to forfeit
16 these discounts for another system,
17 because nobody can beat these rates.

18 So, perhaps you can share our shock
19 and disappointment when the following
20 January we received an electric bill for
21 \$1,758.38. This was an actual cost for
22 usage bill and was more than double our
23 previous January bill for virtually the
24 same kilowatts.

25 These bills were devastating to

1 us. But even worse is the impact it has
2 on our largest, by far, investment: Our
3 home. Analysts have estimated that it
4 reduces our home value by 30 percent.
5 In fact, it makes our home virtually
6 impossible to sell. Now we find
7 ourselves in a home we cannot afford to
8 heat, we cannot afford to convert to
9 gas, and we cannot afford to sell it.
10 And all this because FirstEnergy is
11 breaking its contract with us.

12 Your beginning comment here was
13 something I found very disturbing, which
14 was among the issues before him asking
15 how to possibly phase this in so as to
16 not have a price shock.

17 There is no way to phase this in
18 that wouldn't devastate our home
19 values. What's the difference if you
20 did this 10 years from now? It is not
21 fair for other customers to subsidize
22 our energy costs. This assertion is an
23 unsound business logic and transparent
24 attempt to pit the majority of their
25 customers so as to divide and conquer.

1 Volume discounts are common and even
2 predominate business practice here and
3 around the world, regardless of whether
4 it's electricity, Corn Flakes or
5 bricks. In fact, people are expecting
6 and demanding companies to not lose
7 money, because they result in an
8 increase in sales and profit. This
9 contention by FirstEnergy is based on a
10 false premise that they have losses
11 which has to be paid by someone.

12 There are no losses. There are
13 only increased sales and profits
14 generated from all-electric customers
15 that would have never been there without
16 volume discount. Arguments over who
17 should pay is a red herring chasing
18 after fictional losses.

19 When one party has a really bad
20 argument that they are obviously going
21 to lose, it's imperative that they shift
22 the argument so they can win. That's
23 what FirstEnergy is trying to do. The
24 method is to get you to get some false
25 premise. They are only off a notch or

1 two. In fact, if it's once they get you
2 to accept that logic, they win their
3 arguments.

4 In this case there's three that I
5 can think of. First is, we have laws
6 that somebody has to pay for. They have
7 40 years of increased sales and profits
8 because we were their best customers.
9 And now they're going to drag us into
10 the argument of who is going to pay. It
11 kills me to hear that shareholders
12 should pay. The stockholders should pay
13 when there are no losses.

14 The other is, is it really a
15 contract? I mean, there's been
16 countless testimony here. It's obvious
17 to anybody, whether it was a handshake
18 or implied in written advertisements,
19 anybody could see that there was a
20 contract there. But now they're going
21 to drag you into an argument of what a
22 contract is. Was it really a contract?

23 And the last false premise is
24 reasonable people make reasonable
25 compromises. You need time to adjust to

1 this. We'll give you time. We're
2 reasonable people. We'll give you
3 time. That's not true, because we can
4 never sell the house as long as those
5 things expire. So I encourage PUCO, I
6 encourage our Senator, and I encourage
7 all of us here, the public at large, not
8 to buy into these false promises. Don't
9 let them shift our argument and don't
10 let them get away with this. Thank you.

11 - - - - -

12 (Discussion had off the record.)

13 - - - - -

14 MR. PHILLIPS-GARY: I thank you for
15 testifying today. The earlier document,
16 which is marked as Kirtland Exhibit No.
17 14, I'm going to hand that to you and
18 see if you can identify that for me.

19 MR. GIFT: Yes, I can. It's a
20 letter I wrote to Ms. Gilbert explaining
21 our situation and summarizing our
22 position.

23 MR. PHILLIPS-GARY: You are the
24 author of that?

25 MR. GIFT: Yes, I am.

1 MS. GRADY: Your Honor, we move for
2 the admission of Kirtland Exhibit No.
3 14. And we also move for the admission
4 and have marked for identification
5 purposes as Kirtland Exhibit No. 22,
6 Mr. Gift's testimony, along with the
7 exhibits attached to it.

8 - - - - -

9 (Kirtland Exhibit Nos. 14 & 22
10 were marked for identification.)

11 - - - - -

12 MR. PHILLIPS-GARY: We will proceed
13 and move currently Exhibit 14 and 22,
14 the testimony of Mr. Gift and the
15 exhibits attached to it.

16 The next witness is Dee Riley.

17 MS. RILEY: Dee Riley, 1161
18 Garrison Road, Ashtabula, Ohio.

19 - - - - -

20 DEE RILEY,

21 After having been first duly sworn, as
22 hereinafter certified, was examined and testified
23 as follows:

24 MS. RILEY: The first paragraph was
25 my background. I don't think

1 FirstEnergy is concerned with who I am.
2 They just want their bills paid. So I
3 will start with the second paragraph.

4 My main income is social
5 security. My home was built as an
6 all-electric home in 1974. I became the
7 second owner in 1982. The whole road
8 was all-electric. No gas was available.
9 I was told by the previous owner that
10 electric was reasonable; there was a
11 contract to provide a discount for
12 all-electric homes. I elected to stay
13 electric when gas was ran down our road
14 recently. According to my neighbors
15 that switched, there's no savings to do
16 this and the cost of running a line is
17 high.

18 Because of a four-foot crawl
19 space under my home, I do not go under
20 the house often. And for safety
21 reasons, I want to keep electric; no
22 explosion if the system fails.

23 When the bills became too high,
24 I waited for an adjustment or a new
25 meter. Bills were never over \$300 in

1 the worst winter months. Since this is
2 the only bill that I have any control
3 over, the heat has been shut down to 55
4 degrees. I wear a coat or fleece robe
5 at all times. This year there will be
6 no Christmas tree or outside
7 decorations, and there will be no
8 baking.

9 In December, January and
10 February when the bills get over \$300, I
11 plan to spend a lot of time using
12 someone else's heat whenever possible.

13 In 2009, my bill rose from \$234.38
14 in November, to \$455.98 in December,
15 \$488.87 in January and \$483.83 in
16 February.

17 I couldn't pay over \$300 per
18 month. I didn't have it. My bill
19 accumulated to a whopping \$1,172.51
20 balance in March, even though I paid
21 \$300 on the current amounts. In July, I
22 had the balance down to \$754.24 and had
23 sent a check for the current amount of
24 \$223.90.

25 FirstEnergy sent a man to my

1 home to disconnect our electric. He
2 presented a disconnection notice. I
3 told him that I had been making payments
4 and was catching up and that I had
5 written a note with my bills stating
6 that I would pay what I could. His
7 reply was that the billing is automated
8 and that they knew nothing about my
9 effort to pay.

10 I should have been on a payment
11 plan. I didn't want to be put on a
12 payment plan because I could not be sure
13 of what I would have left to pay them
14 from month to month. I have been told
15 that I paid more than a payment plan
16 would have asked for.

17 He insisted on a \$350 payment
18 or shutoff. This would be \$573.90 total
19 payment for the month of July. My
20 husband paid from money set aside for
21 our other bills, putting a severe strain
22 on our other obligations. August 29th I
23 paid them in full and am finally caught
24 up.

25 I have worked hard all my life

1 to maintain my home and don't ever want
2 to lose it. The Golden Years have
3 turned into the tarnished years. The
4 lifetime of savings invested in the
5 stock market is gone. Medicare is only
6 covering 80 percent and Social Security
7 isn't giving me a raise anytime soon.

8 FirstEnergy needs to become
9 human, instead of a computer generated
10 billing system of greed. Please keep
11 the promise and contract of all-electric
12 home discounts to the faithful
13 all-electric consumers.

14 Upon closing, FirstEnergy has a
15 monopoly. Either energy or gas, we have
16 no other alternative choices. So I sat
17 down and I thought and I thought and I
18 came up with a great idea. We can all
19 become Amish. We can get wood stoves
20 for heat, get rid of the big screen TVs
21 and the phone lines. Just think, no
22 phones poles in front of our houses. We
23 can read, play cards, pitch horseshoes
24 in summer. Wouldn't that be great? We
25 wouldn't be dependant on gasoline for

1 our cars. This will take care of the
2 energy crisis, and we wouldn't be
3 dependant on Saudi Arabia for gasoline.

4 The only thing I couldn't
5 figure out, since I live in a
6 residential area, where am I going to
7 put my horse, and where am I going to
8 feed it?

9 Thank you for hearing me.

10 MS. GRADY: Your Honor, we'd like
11 the testimony of Dee Riley marked as
12 Kirtland Exhibit 23 with the exhibits
13 attached.

14 - - - - -

15 (Kirtland Exhibit No. 23
16 was marked for identification.)

17 - - - - -

18 MR. PHILLIPS-GARY: Marked and
19 moved for admission, Kirtland Exhibit
20 23, which is the testimony of Dee Riley
21 and the exhibits attached to it.

22 The next witness is Brian Kurz.
23 State your name and address.

24 MR. KURZ: Brian, B-R-I-A-N, Kurz,
25 K-U-R-Z. I live at 32589 Spinnaker

1 Drive, Avon Lake, Ohio.

2 - - - - -

3 BRIAN KURZ,

4 After having been first duly sworn, as
5 hereinafter certified, was examined and testified
6 as follows:

7 MR. KURZ: I live in The Landings
8 subdivision, which was built in the
9 1970s as all-electric homes. There are
10 currently 108 homes and 100 condos and
11 townhouses.

12 The Landings homeowners can be
13 categorized in some of the following:
14 Young families with children and ones
15 with one wage earner. Retired
16 homeowners who are living on a fixed
17 income. And older families with college
18 aged children who are struggling to pay
19 tuition.

20 We experienced, last winter, a
21 neighborhood wide increase in heating
22 our all-electric homes. In some cases
23 electric bills doubled, or more, when
24 comparing December in 2009 bills to
25 December 2008. Economic hardships were

1 placed on our subdivision, not only with
2 increased electric bills, but by the
3 added negative impact on our home values
4 during a time when the real estate
5 market has experienced its downturn as
6 well.

7 Homeowners who have lost their
8 jobs are struggling to make ends meet as
9 well. I ask you: Who could possibly
10 have been ready to pay the incredibly
11 high electric bills?

12 Some homeowners have stated
13 that the notice given by FirstEnergy
14 about the change in the billing before
15 last winter would cause increases, on
16 average, of 2.7 percent annually for
17 residential customers. Homeowners in
18 THE Landings had received bills for
19 December 2009 in amounts ranging \$500,
20 \$800 or \$1,000 more per month. Imagine
21 having a utility bill that was as much
22 or more than a mortgage.

23 Other impacts of the removal of
24 the all-electric discount: Homes
25 started to buy bulk firewood to heat as

1 an alternative and keep families
2 comfortable. I basically froze in my
3 house last winter by keeping the
4 thermostat to a minimum. Many of us
5 were wearing our hats, coats and gloves
6 on the inside of our homes. Homeowners
7 were drying clothes on clothes lines and
8 inside the home by whatever baseboard
9 heater was on. Lights in our
10 development were turned off and we
11 bought lots of candles. When you have a
12 spike like this in one bill, there are
13 other things that get cut; like eating,
14 paying other bills, saving, paying for
15 school, not traveling far to save funds
16 for gasoline. All of this in these bad
17 economic times -- I am sure homeowners
18 have yet to recover from these trying
19 times.

20 We live in the fear of what is
21 going to happen next with the
22 all-electric discount. Some homes are
23 on the market for a long time, and I'm
24 certain the uncertainty due to the
25 all-electric discount played a part.

1 The Landings subdivision does
2 not have natural gas lines going down
3 those streets with the all-electric
4 homes. The Landings is supposedly
5 surrounded by natural gas lines that
6 could be brought into the subdivision,
7 but at a cost to the homeowners.

8 Other all-electric
9 neighborhoods and homes that are sitting
10 isolated in some areas may not be as
11 fortunate to have gas lines so close to
12 their homes. Running gas lines will
13 take months. Many of THE Landings homes
14 are baseboard heated homes that never
15 had ductwork installed. Homeowners with
16 baseboard heated homes will need to
17 retrofit their homes with ductwork and
18 other structural changes. The cost of
19 converting the subdivision to natural
20 gas will need to be budgeted to each
21 homeowner.

22 Our subdivision took action
23 last winter once the high electric bill
24 hit us hard. Our subdivision formed a
25 committee to address the crisis. We

1 surveyed our entire homeowners so we
2 could estimate the cost of other energy
3 sources.

4 I estimate the cost to convert
5 to natural gas would be in the range of
6 \$4,000,000. Attached to my testimony
7 are two attachments on the pricing from
8 the heating and cooling company.
9 Included in the estimate are gas lines,
10 gas furnace, other equipment, inside
11 home conversion plates, gas water
12 heaters, gas stove, gas dryer,
13 installing ductwork and other structural
14 changes.

15 You heard it tonight, no one
16 will want to buy an all-electric home if
17 the discount is removed. It is just not
18 affordable. I cannot stress this
19 enough. The negative affect on the
20 whole community of Avon Lake, for
21 example; lost revenues, passing levy for
22 schools, operating expenses. Do not
23 allow our subdivision to be devastated
24 economically. Thank you for your time.

25 MS. GRADY: We would ask that the

1 testimony of Mr. Kurz, along with the
2 exhibits attached, be mark for
3 identification purposes as Kirtland
4 Exhibit 24 and moved into evidence.

5 - - - - -

6 (Kirtland Exhibit No. 24
7 was marked for identification.)

8 - - - - -

9 MR. PHILLIPS-GARY: Marked and
10 moved for admission, Kirtland Exhibit
11 24, the testimony of Mr. Kurz and the
12 exhibits attached thereto. Thank you.

13 The next witness is H.G.
14 Wardlaw.

15 MR. WARDLAW: My name is H.G.
16 Wardlaw, Jr. I live at 21838
17 Middlebrook Way, Stongsville, 44139.

18 - - - - -

19 H.G. WARDLAW,

20 After having been first duly sworn, as
21 hereinafter certified, was examined and testified
22 as follows:

23 MR. WARDLAW: one of my teachers
24 said some years ago, you have a three-
25 hour examine but don't write for three

1 hours. Then he paused and he said, I
2 don't have to eat an egg to see if it's
3 rotten. I just crack it open and sniff
4 it.

5 I will tend to agree and get to the
6 point. I am here repeating testimony
7 which I have already sent in, but I am
8 putting it together with other things.

9 My wife Jan and I bought an
10 all-electric home at 18532 Butternut
11 Circle in 1989. And the all-electric
12 rate transferred to us. For almost 20
13 years we had that rate. Because of
14 health issues -- diagnosed and treated
15 in the Mayo Clinic and Cleveland
16 Clinic -- my wife and I received medical
17 advice that we had to get out of that
18 house, which was on three levels of
19 steep stairs. So we bought an
20 all-electric home, 2838 Middlebrook Way
21 in Strongsville in 2008. Previous
22 owners had the all-electric rate until
23 they sold it to us. The rate was not
24 transferrable to us, contrary to the
25 CEI/FirstEnergy properties all-electric

1 rate programs inevitable where we
2 lived.

3 We sold our old home at 18523
4 Butternut Circle in Strongsville. The
5 new owners did not receive the
6 all-electric rate transfer like we did
7 when we bought the house before, which
8 was promised to us in the event that we
9 resold the house.

10 We're grateful for all that has
11 happened with our state government in
12 listening to this issue so carefully to
13 our local government and to many people
14 like the ones who have gathered here
15 tonight. I've been to one meeting where
16 they had over 800 people. Most of
17 Strongsville is all-electric.
18 Interestingly enough, though, when we
19 got the all-electric rate restored this
20 year after months of our meter reader
21 being read every month, all of a sudden
22 it was estimated bills to be paid. I
23 called FirstEnergy about this and
24 reported it and they adjusted it. We
25 ended up being credited because we had

1 paid both bills. I'm not suggesting
2 that that was intentional. What I am
3 saying is that it has the unintentional
4 result of something that probably
5 happened to others. It didn't happen to
6 our neighbors, but it happened.

7 Oh, our development, roughly
8 840 homes in this development, every one
9 of them is all-electric. Another Bob
10 Schmitt Homes Development in
11 Strongsville. We have friends that live
12 there. We looked at houses there. I'm
13 sure to tell you about the same number
14 as in all-electric. We have been told
15 by our association that there is not a
16 gas line anywhere near our sprawling
17 development. I know there is none
18 across the street on Prospect because my
19 barber has a shop that's an all-electric
20 shop and it's a fair distance from
21 Meadowood. So it's probably -- I have
22 no idea how much it would cost to get
23 gas even near us.

24 We have home in the Rocky
25 Mountains that was given to us in a

1 will. It's all-electric. We've owned
2 it since 1981. We never had an issue
3 with the electric company. It is
4 particularly upsetting to us to hear
5 that the reports -- I can't assess these
6 but we hear them -- that FirstEnergy is
7 alleged to be playing their residential
8 and business customers and their
9 all-electric customers against their
10 partial electric customers about raising
11 rates and some offset will fill in their
12 promises to others. Jan and I have
13 taken the initiative on our end to
14 replace the two heat pump systems of our
15 home that were installed in 1984. I'm
16 told that they were rated somewhere
17 around four or five kilowatts. We
18 bought a state-of-the-art frame system,
19 and we were astounded when we got our
20 bill last winter. So I called Jim, the
21 current President of the Meadowood
22 Association, and reported our bill to
23 him. He said you're one of the lucky
24 ones. He said there are people in our
25 development with houses similar to

1 yours, their bills are \$1,500 to \$1,600
2 a month. In the end, a lot of the
3 people in our development bought those
4 homes as adults, since 1984. And it's
5 difficult -- very difficult on some --
6 and oh, a house on our street right
7 across from us went on sale back in
8 May. They had an open house and we went
9 over to see the house -- nosey
10 neighbors, I guess. The realtor was
11 there and the conversation was about,
12 will this house ever get the
13 all-electric rate back?

14 The people drifted out of there
15 never to be seen again and that house
16 has not yet sold.

17 One of my skills came from
18 experience and work that I did over the
19 last 20 years or so of my career; going
20 into organizations that were having
21 difficulty where people were in conflict
22 and helping people to sit down and come
23 to agreements that they can live with.
24 Again, I appreciate the fact that our
25 people in our state government and our

1 FirstEnergy Company are talking and
2 listening to each other. But from
3 looking at organizations -- and I will
4 say to you, some things kind of concern
5 me about what I would interrupt as
6 another manifestation to what has
7 brought us to this meeting on the 20th
8 of October, a Wednesday, the Plain
9 Dealer "Road Rant" column on Metro
10 Section Bage B1 by John Horton in an
11 article titled "Shining a Light on the
12 Dark Problem."

13 Issues noted in that article are,
14 No. 1, two years of failure to replace a
15 utility pole with a light at the
16 intersection Van Aken, I believe, and
17 Shaker Boulevard. The pole and light
18 were knocked down by a car two years
19 ago. Mark Buchanan who reported these
20 issues wrote: "This makes for a dark
21 intersection and a dangerous place for
22 pedestrians. John Horton notes that
23 Cleveland Public Power issued a work
24 order to plant a new pole on Van Aken
25 and evict the orange cone which has been

1 there for two years. Work should be
2 done this week or next. And the burned
3 out bulb has already been replaced.

4 Number two about no bulbs
5 burning between Miles and South Miles
6 Road and Aurora Road. Another driver
7 equated it to driving out in the country
8 where it had no lights for miles.

9 Road rant continued by noting that
10 in Mayfield Heights, FirstEnergy crews
11 repaired multiple out-of-order
12 streetlights along Marsol after Rant
13 Road passed along a complaint from a
14 resident. The dark spots disappeared
15 Monday night. The resident nearly
16 needed sunglasses when he drove down the
17 road. He said the whole street was as
18 bright as can be.

19 John Horton concluded his remarks
20 about FirstEnergy and streetlights by
21 writing, Power Dial: Call it a hunch,
22 but there probably are a few more
23 streetlights that aren't working in
24 Northeast Ohio. The fix-it process
25 typically starts when you light up phone

1 lines. Cleveland Public Power and
2 FirstEnergy both offer hot lines to
3 report streetlight problems. He gave
4 the numbers. If calling doesn't work --
5 well, that's why Road Rant publishes
6 twice a week. Public service, a lost
7 concept.

8 It seems to me that this is a
9 small sector that FirstEnergy is not
10 appropriately concerned about dangers to
11 the public when it fails to fix clear
12 dangers to public safety and welfare,
13 similar to their years of neglect that
14 has been reported regarding the Davis
15 Besse Nuclear Plant?

16 MR. PHILLIPS-GARY: Mr. Wardlaw, if
17 you can keep your comments addressed to
18 the point. I understand that we have
19 other issues with the company, but this
20 issue is focused on the --

21 THE WITNESS: I'm trying to raise
22 the question as to whether FirstEnergy
23 is on the issue of self-service or
24 public service. Those two are
25 consistent here.

1 Let me bring up something in
2 another word that I wouldn't have
3 brought up. This is an article June 7,
4 2010.

5 MR. PHILLIPS-GARY: We do have many
6 other people who have signed up to
7 testify.

8 THE WITNESS: Right. Okay. I am
9 trying to look for the brief version of
10 this. I think it needs to be said.
11 Here's an article online -- and I'm
12 looking for the -- I can get it in a
13 moment. But it talks about things that
14 might affect the financial health of
15 FirstEnergy that could affect its
16 subsidiaries all over. And there's a
17 statement to the effect that FirstEnergy
18 was asked about what to do with the
19 servicing of the obligation for the
20 reclamation and the liabilities left
21 from Three Mile Island, which was
22 acquired by a merger. And the answer
23 that I found in print is that it is
24 something that would be shared with all
25 of the customers.

1 MR. PHILLIPS-GARY: Okay.

2 Mr. Wardlaw, again, we need to move on
3 because we have so many people who have
4 to testify. If you wish to submit that
5 written testimony, you can certainly do
6 that. I just want to make sure
7 everybody has an opportunity to testify
8 today.

9 THE WITNESS: Again, the last thing
10 I would do, it remarks about the fact
11 that the part of the corporate guidance
12 that FirstEnergy has received in
13 structuring its rates has been guided by
14 a company called -- the company is one
15 of the largest consulting companies in
16 the world, former consultant of Enron
17 and other failed companies, which I will
18 put that in the record.

19 MR. PHILLIPS-GARY: Thank you, sir.

20 THE WITNESS: And I thank you for
21 your time. I appreciate you listening.

22 MR. PHILLIPS-GARY: The next
23 witness is John Triska, T-R-I-S-K-A.

24 MR. TRISKA: My name is John
25 Triska. I live at 13420 Rockhaven Road,

1 Chesterland, Ohio 44131.

2 - - - - -

3 JOHN TRISKA,

4 After having been first duly sworn, as
5 hereinafter certified, was examined and testified
6 as follows:

7 MR. TRISKA: In looking at the
8 handout that we were given today, the
9 first word that jumps off in my mind is
10 "competition," which there is no
11 competition in our area. FirstEnergy
12 has driven them all out. Every time we
13 get a letter when we call for rates,
14 they've already dropped out.

15 The second thing is, we built
16 our home in 1981. It was 35 to 20
17 percent more than a comparable home of
18 gas or oil. There had to be R-30
19 insulation in the ceiling. Six inches
20 in the walls. You needed steel
21 insulated doors with thermal pane
22 windows. In an unheated basement you
23 had to take it to frost line with
24 insulation. All these were requirements
25 before CEI would even give you the rate

1 or the discount.

2 As a last comment, this is
3 directed to our gentleman from the PUCO
4 that is not directly with FirstEnergy.
5 But all utilities as we are forced as
6 consumers to take and conserve more and
7 more, all utilities need to meet a
8 payroll. To meet that payroll, all they
9 can do is raise rates. Thank you.

10 MR. PHILLIPS-GARY: The next
11 witness is Sue Hurd, H-U-R-D.

12 MS. HURD: My name is Sue Hurd,
13 H-U-R-D. I live at 135 Middlefield,
14 Ohio, 44062.

15 - - - - -

16 SUE HURD,

17 After having been first duly sworn, as
18 hereinafter certified, was examined and testified
19 as follows:

20 MS. HURD: A lot of the things I
21 have to say have actually come out
22 several times, but I want to pose a
23 question. First of all, how many of us
24 would have gone to the additional
25 expense to build an all-electric home if

1 it had even been hinted that the
2 all-electric rate was going to be
3 temporary or that it could be removed?
4 Most of us would have been a lot smarter
5 than to fall for that. Okay?

6 The winter before last, from
7 November to March, my electric bill was
8 \$991. It doesn't seem like too much.
9 Last winter it jumped up to \$1,571.
10 That's a \$600 increase. My house is
11 1,232 square feet. I don't live in a
12 5,000 or 6,000 square foot home with
13 four bathrooms and bedrooms. It's a
14 ranch, three bedrooms, one bath. That
15 was a heck of an increase, especially
16 coming out of the blue.

17 We built the house in 1976. We
18 contacted the electric company too. If
19 you build an all-electric home, you can
20 have an all-electric rate for as long as
21 you keep the house all-electric.

22 We've had opportunities to
23 replace appliances and we could have
24 brought in a propane stove, and we could
25 have switched several times to oil.

1 I've got 25 acres of woods, but the idea
2 was as long as my house stayed
3 all-electric, we continue to get the
4 all-electric rate.

5 We had a Trane heat pump
6 compressor go out. We replaced it.
7 That way we kept our all-electric rate.
8 This time we had to replace the heat
9 exchanger in the indoor unit. We did
10 that to keep the all-electric rate. In
11 '05 it went out again. This time we
12 would have had to replace both indoor
13 and outdoor units. We bit the bullet on
14 this. We never considered anything that
15 wasn't electric. Why would we? We had
16 the all-electric rate.

17 Until the electric company
18 terminated the discount, they never
19 mentioned it being temporary. They
20 never mentioned the fact that it could
21 go away. We had a contract with the
22 electric company for the discount. In
23 this case, once again, it goes back to
24 the summer of '76. Over the years we
25 did many things to conserve energy. CEI

1 even came out to visit us with more
2 efficient windows. They were concerned
3 we were no longer all-electric.

4 When we lost the all-electric
5 rate and our electric rates went up,
6 everybody else had rates that went
7 down. They hinted at the idea of
8 subsidizing us when our rates went up.
9 If non electric homeowners subsidized
10 the all-electric homeowners for the last
11 45 years, there's no reason for them to
12 do so starting now.

13 MR. PHILLIPS-GARY: The next
14 witness is Barbara Snow.

15 MRS. SNOW: My name is Barbara
16 Snow. 7080 Elizabeth Court here in
17 Mentor, Ohio.

18 - - - - -

19 BARBARA SNOW,

20 After having been first duly sworn, as
21 hereinafter certified, was examined and testified
22 as follows:

23 MRS. SNOW: My husband and I built
24 our house here in Mentor in the mid
25 '70s. And at the time the Illuminating

1 Company and our builder promised us that
2 there was a national gas shortage and we
3 were not allowed to build unless it was
4 all-electric. And there was no gas line
5 for all the homes. So being children of
6 the '60s, especially with the promise of
7 lower rates for our life -- because we
8 honored this and we wanted the
9 conservation. We were just coming off
10 the bicentennial. We paid for the extra
11 insulation in the ceiling, in the walls
12 and the basement. And because of the
13 way they had to insulate the basement,
14 we also had to drywall our entire
15 basement. We also had to put up better
16 windows, which we still love. But we
17 also had to have fewer windows, because
18 we had to meet certain requirements.
19 And to this day we still see the dinky
20 second window in the bedroom.

21 We paid for all that. The
22 payoff: Reduced cost with no sunshine
23 in the day forever because we had met
24 their requirements in the ceiling,
25 walls, plus the drywall and all to pay

1 for upgrades in the windows. All of
2 this affected, somewhat, the design of
3 our home, but certainly increased the
4 cost of our home.

5 We met our requirement. What
6 we want them to do is be accountable to
7 us. Thank you.

8 MR. PHILLIPS-GARY: The next
9 witness is Steve Martony.

10 MR. MARTONY: Steve Martony,
11 M-A-R-T-O-N-Y. 5935 Dewey Road,
12 D-E-W-E-Y, Road, Madison, Ohio 44057.

13 - - - - -

14 STEVE MARTONY,

15 After having been first duly sworn, as
16 hereinafter certified, was examined and testified
17 as follows:

18 MR. MARTONY: I'm not going to be
19 very long. I've just got one little
20 comment to read here and a statement.
21 And I know there's a lot of people that
22 want to make a comment.

23 Our home was built December
24 1996 from scratch, a brand-new home,
25 colonial, full basement. At the time, I

1 took the liberty of contacting the
2 customer service phone line that's an
3 automated phone number, on February 12,
4 1997. And I, once again, asked if the
5 promise that was made by our builder
6 that our all-electric home was
7 grandfathered in by the Illuminating
8 Company, who I was talking to, this 1.9
9 cents per kilowatt hour was correct. I
10 made a note of this, just a scratch
11 note -- a fellow by the name of Prince,
12 P-R-I-N-C-E, with the Illuminating
13 Company said, with no ifs, ands or
14 buts -- and I quoted him on that -- as
15 long as we live in the house, 1.9 cents
16 kilowatt per hour. I didn't believe
17 that. I really didn't. So I called the
18 supervisor's office, the engineering
19 supervisor's office the very next day
20 because we had another issue involving
21 the house. It had nothing to do with
22 the kilowatts per hour. I figured I
23 would check this guy out. It was a
24 right away. I called him and I asked
25 the guy, Mr. Prince and our builder was

1 telling the truth? And the answer was
2 yes, certainly. The fellow's name was
3 Phil. He wouldn't give me his last
4 name. They give you an agent number or
5 something like that and they blow you
6 off.

7 The bottom line is, I'm like
8 thousands of electric homeowners. We
9 were pitched that. I didn't dream that
10 up. Neither did these people. There's
11 no way this will fit into a lot of
12 retired people's budget. There's
13 probably no wiggle room at this time
14 with the economy. I'm just wondering --
15 I'm not being facetious. I'm wondering
16 how many of the CEI people that
17 represent CEI -- I'm wondering if the
18 PUCO people have an all-electric home,
19 what would you do? We have an issue, a
20 big issue.

21 I've got a question to ask you
22 guys and I'm going to go. I wrote it
23 down five months ago. That's five
24 months, folks. You were asked to make a
25 decision on the OCC's question to

1 investigate FirstEnergy. That's five
2 months ago. And you were to interview
3 its employees, past and present, with
4 regards to what we are talking about
5 tonight. Why didn't it happen at that
6 particular time? All of a sudden now.
7 What happened in that five months? I'm
8 going to ask you guys, seriously, to do
9 your job. Do what's right. We know
10 what's right. We're all-electric
11 homeowners. You're not getting 'er
12 done. Thank you.

13 MR. PHILLIPS-GARY: Next witness is
14 Patricia Rickettson.

15 MS. RICKETTSON: Patricia
16 Rickettson, R-I-C-K-E-T-T-S-O-N. I live
17 at 13400 Hidden Oaks Drive, Novelty,
18 Ohio, 44072.

19 - - - - -

20 PATRICIA RICKETTSON,

21 After having been first duly sworn, as
22 hereinafter certified, was examined and testified
23 as follows:

24 MS. RICKETTSON: My name is Trish
25 Rickettson. In 1979 my husband Gregg

1 and I wanted to build a home on some
2 property we found on Hidden Oaks Drive
3 in Munson Township, Geauga County. We
4 were concerned that the street had no
5 gas line. But the electric company
6 assured us that they would give us a
7 discount if we built an all-electric
8 home on the property, to their
9 specifications. So, in 1980, we built
10 an all-electric home with energy
11 efficient double-paned windows and a
12 geothermal heat pump so that we could
13 keep our estimated BTUH consumption
14 under a number specified by the electric
15 company, in order to receive this
16 discount. I remember being disappointed
17 that I could not have more windows
18 because of the electric company's
19 requirements. However, I thought that
20 it was worth the sacrifice, since we
21 were promised the all-electric discount
22 for -- we thought -- as long as the
23 house stayed standing.

24 The electric company enticed us
25 to build an all-electric home with the

1 promise of a continuous all-electric
2 discount because they needed more
3 customers at that time, much the same
4 way that insurance companies promise
5 discounts to people who buy multiple
6 policies, or the way the cable company
7 promises discounts to customers who
8 bundle their internet, television, and
9 phone with one provider. This is
10 standard practice.

11 The arrangement benefited them.
12 Companies certainly wouldn't offer a
13 discount if they weren't going to
14 benefit in some way. However, the
15 comparisons with the insurance and cable
16 companies end here.

17 If a cable provider or
18 insurance company should drop their
19 discounts for any reason, most consumers
20 could easily switch to a different
21 provider or go without. People with
22 all-electric homes do not have that
23 option. We cannot switch to a gas
24 furnace, gas water heater or gas
25 appliances without considerable and

1 unreasonable expense, especially those
2 of us who do not have a gas line to
3 connect to. We need electricity, but
4 without the all-electric discount that
5 was promised to us, my husband and I,
6 and thousands of others, will face cold
7 homes in the winter, hot homes in the
8 summer and financial hardship. Our
9 property values will go down. And our
10 home will be difficult to sell. This is
11 a big deal.

12 An increase of just a few cents per
13 kilowatt hour adds up to a lot of money
14 for an owner of an all-electric home,
15 especially at a time when many people
16 have had cuts in their salary, are
17 without jobs, or are forced to work on a
18 part-time basis. We actually had to
19 borrow from our savings to pay for a
20 couple of outrageously high electric
21 bills last winter. One was over \$1,000.
22 I had friends in tears on the phone to
23 FirstEnergy because, for the first time
24 in years, they could not pay their
25 winter bills.

1 FirstEnergy benefited by giving
2 us an all-electric home discount for the
3 past 30 years. They need to keep their
4 contract with us and not raise our
5 rates. It is also important that they
6 should not raise the rates of other
7 electric customers in order to keep the
8 all-electric discount for us. The other
9 customers should not be punished for
10 FirstEnergy's promises. Our discount
11 should be written into their budget, and
12 the cost should be absorbed by the
13 company. If that means lower profits,
14 then so be it.

15 FirstEnergy needs to keep their
16 promises. To do otherwise would be
17 unconscionable. Thank you.

18 MR. PHILLIPS-GARY: The next
19 witness is Derrick Loy.

20 MR. LOY: Derrick Loy,
21 D-E-R-R-I-C-K, L-O-Y. My address is
22 2205 Hedgewood in Alliance, Ohio,
23 44601.

24 - - - - -

25 DERRICK LOY,

1 After having been first duly sworn, as
2 hereinafter certified, was examined and testified
3 as follows:

4 MR. LOY: I live in a neighborhood
5 subdivision that was built in the late
6 '70s. It was about 15 households in
7 that area. I was a young kid at the
8 time. I'm the third owner of the
9 house. I think that was during the
10 energy crisis and that's why things were
11 done as they were. I'm the third
12 owner. I purchased it in 2003 from the
13 second owners. When I purchased the
14 house, they had -- it was a special
15 electricity rate that went with the
16 house because it was electric. And in
17 2001 they had a new load management put
18 in to replace the old one and that the
19 -- there had been a fire in 2000. To
20 keep the rate, it had to have another
21 one of those to be installed to continue
22 the rate for those folks. It was in
23 there when I bought the home.

24 In 2008 I was having some problems
25 with my system so I had contacted

1 FirstEnergy/Ohio Edison, who my supplier
2 was, and talked with those folks and
3 asked them about the rate remaining the
4 same. And they had said that the rate
5 would remain the same on all the
6 accounts that they had. It would remain
7 the same.

8 I asked how long that was. And she
9 said, it's in effect now and it will
10 remain. That was in the spring of
11 2008. So the customer service
12 representative told me that on the
13 telephone. I made substantial
14 expenditures on my system based on that
15 there was no other service available in
16 that area. The whole neighborhood was
17 that way. Also, the fact that it was
18 based on the representative's statement
19 that the rates would remain in affect.
20 So that's the way I -- also, I didn't
21 have an option because there was no gas
22 in the neighborhood. I know in 2009 my
23 rates went up about nine percent. I
24 feel very lucky, after hearing some of
25 these stories. And I feel bad for some

1 of these folks.

2 I do ask for PUCO to hold
3 FirstEnergy and Ohio Edison to the
4 promises they made. It is not our fault
5 as customers that they either verbally
6 or in writing or through their actions
7 or behaviors -- it isn't our fault that
8 they got themselves in a situation that
9 maybe they second guessed themselves
10 on. And so I don't think we should be
11 penalized as consumers. I am living up
12 to my obligation to the power company.
13 I don't want anything for nothing. They
14 want what they paid for and what was
15 agreed upon, FirstEnergy or Ohio Edison
16 or their agents and representatives and
17 their employees.

18 I think the suggestion or phasing
19 out the rate, I think that's reneging on
20 a contract. I think either you live up
21 to a contract or you breach a contract.
22 Phasing out is reneging on a contract.
23 That's not a compromise, that's
24 breaching a contract. Phasing out I
25 don't agree with it. I think that the

1 PUCO should be reasonable about this.
2 Use common sense. And I think they
3 should put people's emotions aside. You
4 guys are obligated to do what's right
5 and hold them accountable for what they
6 got themselves into.

7 It is not our fault so we should
8 not have to pay the price. I think you
9 should enforce the obligation that they
10 have. Thank you for your time.

11 MR. PHILLIPS-GARY: Thank you. The
12 next witness is Ruth A.

13 A-M-S-T-E-R-D-A-M. My address 9851
14 Shadow Wood Circle. That's three words.
15 Chagrin Falls, Ohio 44023. I'm in
16 Auburn Township, Geauga County.

17 RUTH A. AMSTERDAM,

18 After having been first duly sworn, as
19 hereinafter certified, was examined and testified
20 as follows:

21 MS. AMSTERDAM: This will be sort
22 of short. I want to thank you for a
23 chance to express my opinion. I really
24 can't understand how you the PUCO
25 Commission could remove the ceiling from

1 a guaranteed all-electric rate that was
2 promised to us in 1977 when we built our
3 house and decided to go with the
4 all-electric house. I just can't
5 understand it. I especially don't like
6 living with the temperature set in the
7 middle 60s to save money after my
8 January/February bill. No air
9 conditioning in the summer either.

10 If I could, I would change the
11 method of heating because of this. But
12 I can't. Please do what you can to give
13 us back the all-electric rate. Thank
14 you.

15 MR. PHILLIPS-GARY: The next
16 witness is Felicia Matras.

17 MS. MATRAS: 1234 Forman Road,
18 Jefferson.

19 FELICIA MATRAS

20 After having been first duly sworn, as
21 hereinafter certified, was examined and testified
22 as follows:

23 MS. MATRAS: My husband and I
24 appear to be fairly newcomers to this
25 game of snooker because we purchased our

1 century home in early 2004 and we went
2 through that winter with an old clunky
3 rickety oil furnace and our oil tank in
4 our basement. And I didn't like the
5 idea of sitting on top of an oil tank.
6 And the summer of 2005 we began
7 researching a new heating system where
8 we live in on Eagleville Jefferson,
9 which is the crossroads. And there's
10 not too much around there. We don't
11 have access to natural gas so our
12 choices were to get an oil pump or get
13 propane.

14 I was raised with natural gas.
15 Ruffed it. It wasn't an option, so my
16 husband was pro electric. I always
17 heard electric was expensive. My
18 furnace man -- I never thought of it
19 before, but I heard someone else mention
20 Apple Heating. Our sales person was
21 from Apple Heating, and he said, you
22 should look at electric. The
23 Illuminating Company has the great rate
24 reduction program.

25 Having spoken with them and

1 discussed it that summer -- I believe it
2 was in June -- I contacted FirstEnergy.
3 It was just a customer service number
4 that was on our electric bill. I don't
5 really recall if I spoke to that person
6 or was transferred. But I spoke at
7 some length with them and they explained
8 the rate structure, how the reduction
9 would begin in the October and through
10 the winter the first standard and rate
11 and the more electricity we used the
12 lower our rate would go. The choices
13 were that or the propane. And so with
14 this rate reduction, we decided to go
15 with that.

16 This is really surprising to me.
17 This is already in the summer of 2005.
18 And what I got in an insert in my
19 statement, my first bill in 2006 was a
20 notification about the change in the
21 electric structure. It seems to me
22 remarkable that someone in the summer of
23 2005 had absolutely no knowledge that
24 this change was going to take place just
25 a few months later. It was never

1 mentioned to me. Trust me. If I had
2 any information whatever that my reduced
3 rated could ever possibly go away, I
4 would have never chosen electricity. I
5 was appalled.

6 I called and I said, you know, I
7 can't believe this. We invested in this
8 brand-new furnace. We are preparing for
9 retirement. I don't want to go out and
10 buy a new furnace.

11 "Oh, you don't have to worry about
12 it. As long as you stay in the home
13 your rate will be grandfathered," and
14 that's a term I heard over and over
15 again. By the end of that summer -- I
16 believed it was maybe in my September
17 bill of 2006 -- printed across the bill
18 was a little reminder statement -- I
19 thought I brought it with me -- that was
20 just a reminder. Oh, it was actually in
21 the October bill. Reminder: Starting
22 January 1st, 2007 special water heating
23 and management rates will no longer be
24 available to new customers or premises.
25 If you are currently on these rates you

1 will stay on these rates. New customers
2 must participate by January 1, 2007.
3 For more information, visit our website
4 yada, yada.

5 Again, I was told, you don't have
6 to worry. You qualify. Your furnace
7 was put in in 2006. You will be
8 grandfathered into the program. So my
9 shock when we got our electric bills
10 last winter. We keep our thermostat --
11 it never goes above 64 and that's only
12 when we're home in the evening. We have
13 there heat at 64. At 10:00 at night it
14 goes down to 54. So we do conserve. we
15 don't go crazy. Our house isn't warm
16 and toasty, as I remember our natural
17 gas home being. Despite all that, we
18 have over \$500-a-month electric bills.
19 Thank you.

20 MR. PHILLIPS-GARY: The next
21 witness is Kathleen Abraham.

22 MS. ABRAHAM: Kathleen Abraham,
23 A-B-R-A-H-A-M. 10930 Burlington Ridge
24 Drive, Chardon, Ohio. That's 44024.

25 - - - - -

1 KATHLEEN ABRAHAM,

2 After having been first duly sworn, as
3 hereinafter certified, was examined and testified
4 as follows:

5 MS. ABRAHAM: I've lived in my
6 current residence in Munson Township for
7 11 years. We bought the house from the
8 previous homeowner who also had the
9 discount and showed us a bill as proof.
10 The house was built in 1989, and added
11 to the 11 years, we lived there for 21
12 years of discounted billing.

13 I can't really say anything
14 more to add to what's already been said,
15 so I'm not going to read everything I
16 have down here. I do want -- first, I
17 do not want FirstEnergy to raise the
18 rates. FirstEnergy made and implied a
19 contract to owners and builders alike
20 and they must not be allowed and change
21 other's contract.

22 I also just want to state -- I
23 know we're talking about facts and
24 figures and so on, and that's what you
25 want to hear, but I do want to make

1 mention that these are stressful times
2 for people. When you add the stress of
3 not knowing whether your house has
4 retained its value, on top of the daily
5 grind of calling cell phone companies
6 and medical issues and medications, when
7 you add all these issues up to the time
8 you spend on the phone to talk to
9 somebody who is in India to get anything
10 else done, this is just one more thing
11 that you pile on to the daily grind
12 which is called living in this 21st
13 Century. And this is making it less
14 fun.

15 MR. PHILLIPS-GARY: The next
16 witness is William McLaughlin.

17 MR. MCLAUGHLIN: William
18 McLaughlin. 12723 Carter Road,
19 Painesville, Ohio 44077.

20 - - - - -

21 WILLIAM MCLAUGHLIN,

22 After having been first duly sworn, as
23 hereinafter certified, was examined and testified
24 as follows:

25 MR. MCLAUGHLIN: I'll make this

1 short and sweet. I'm one of those CEI
2 employees. I worked there for 36 years
3 and I've been retired for over 20.

4 Anyways, when I decided to
5 build a new house, I worked for the
6 Illuminating Company. The same one he
7 was talking about told me about the
8 electric heat, so I decided to put in
9 electric heat. He informed me that the
10 rate would be forever. That's the only
11 reason I came up here tonight, because I
12 was told by him it was.

13 I've never had a bill like what
14 all these people say. On the other
15 hand, I'm sick to death with it. I
16 honestly think the problem the CEI ran
17 into with this electric rate is the
18 attorneys told them they could make a
19 lot more money if they did away with the
20 rate. That's just my opinion. Thank
21 you.

22 MR. BURK: Just a question: If
23 Mr. McLaughlin could spell the name of
24 the person who assured you the rate
25 wouldn't change?

1 MR. MCLAUGHLIN: Jay Warner,
2 W-A-R-N-E-R. He was a salesman out of
3 the Painesville shopping center.

4 MR. BURK: Thank you.

5 MR. PHILLIPS-GARY: The next
6 witness is Michael Bertovich.

7 MR. BERTOVICH: Michael Bertovich,
8 36560 Port Drive, Eastlake.

9 MICHAEL BERTOVICH

10 After having been first duly sworn, as
11 hereinafter certified, was examined and testified
12 as follows:

13 MR. BERTOVICH: it's no doubt that
14 the electric company wasn't thinking of
15 us. What were they thinking of when
16 they introduced this, after all those
17 promises, after all the stuff they gave
18 us to read and advertisements and all
19 that kind of -- they just gave up. Now,
20 I went on the Internet and I read after
21 the fact -- I read the new rate
22 schedule.

23 And the second question is for the
24 PUCO. What were you thinking when you
25 okayed that? I mean, you've got a storm

1 of people around the state going, oh, my
2 God.

3 I had a big increase also. I paid
4 it and I'm going to wait for my refund
5 with that increase, which would be the
6 right thing to do. Thank you.

7 MR. PHILLIPS-GARY: The next
8 witness is John Manter.

9 MR. MANTER: John Manter, 9990
10 Wisner Road, Kirtland, 44194.

11 - - - - -

12 JOHN MANTER,

13 After having been first duly sworn, as
14 hereinafter certified, was examined and testified
15 as follows:

16 MR. MANTER: I came in maybe five
17 minutes late. You gentleman already had
18 introduced yourselves, and I'm not quite
19 clear what your position is. Just real
20 quickly -- PUCO is a big thing. So
21 what? Do you folks just relay all this
22 information we bestow upon you?

23 MR. CENTOLELLA: My name is Paul
24 Centolella and I'm one of the five
25 Commissioners on the PUCO. We have a

1 court reporter here present and all of
2 this is being recorded and a record is
3 available and will be viewed by my
4 colleagues.

5 And we also have an attorney
6 examiner here who is presiding. There
7 was additional testimony taken at five
8 prior local hearings. And there will be
9 expert hearings in January that the
10 testimony will be heard as well.

11 MR. MANTER: I'll make this really,
12 really quick. I have a letter. And
13 Chad Heyman who works for -- and I'm not
14 trying to cause any waves or anything.
15 But he -- at the time he had -- it's in
16 writing of what the discount rates will
17 be. I just want to leave this with
18 you.

19 But it clearly states that
20 there are some discounts that may not be
21 afforded to people anymore, such as 30
22 to 40 percent off heating savings.

23 I'm out of here. I've got to
24 go, but if you want this --

25 MS. GRADY: Your Honor, we'd like

to mark this as Kirtland Exhibit 25.
Mr. Manter's three documents. We'll
mark them as one exhibit. We would mark
them and move them into evidence.

MR. PHILLIPS-GARY: Move for
admission of Kirtland Exhibit 25.

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(Thereupon, Kirtland Exhibit 25
was marked for identification.)

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MR. PHILLIPS-GARY: The next
witness is Glenn Stoltz.

MR. STOLTZ: Glenn Stoltz,
S-T-O-L-T-Z. 7493 Middle Ridge Road,
44947.

- - - - -

GLENN STOLTZ,

After having been first duly sworn, as
hereinafter certified, was examined and testified
as follows:

MR. STOLTZ: I have a small home.
We have eight rooms in the house. After
we got our last winter bills we only
heat two rooms in the house now. We
don't even heat the bedrooms or the

bathroom. And still my rates have gone up 300 percent. And quite frankly, I cannot afford that. I ask that you please keep FirstEnergy -- and all their other names they go under -- keep them responsible and keep their promise. Thank you.

MR. PHILLIPS-GARY: Thank you, sir. Are there any other witnesses who wish to testify tonight?

THE WITNESS: Your Honor, earlier Mr. Wardlaw presented testimony in the meetings and I would like to put his testimony together. It's a series of exhibits, and I would like them marked as Kirtland Exhibit Number 26.

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(Discussion had off the record.)

- - - - -

(Thereupon, Kirtland Exhibit 26 was marked for identification.)

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MR. PHILLIPS-GARY: We'll go back on the record. And now that every witness has had an opportunity to

testify, this hearing is adjourned.

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(Deposition concluded at 11:03 p.m.)

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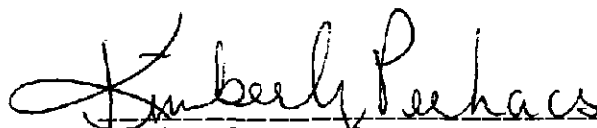
The State of Ohio,)
) SS: CERTIFICATE
County of Cuyahoga.)

I, Kimberly Perhacs, Notary Public within and for the State of Ohio, duly commissioned and qualified, do hereby certify that the within-named witnesses were first duly sworn to testify the truth, the whole truth, and nothing but the truth in the cause aforesaid; that the testimony then given by him/her was by me reduced to stenotypy in the presence of said witnesses, afterwards transcribed on a computer, and that the foregoing is a true and correct transcript of the testimony so given by him/her as aforesaid.

I do further certify that this hearing was taken at the time and place in the foregoing caption specified and was completed.

I do further certify that I am not a relative, employee of, or attorney for any of the parties in the above-captioned action; I am not a relative or employee of an attorney for any of the parties in the above-captioned action; I am not financially interested in the action; I am not, nor is the court reporting firm with which I am affiliated, under a contract as defined in Civil Rule 28(D); nor am I otherwise interested in the event of this action.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my seal of office at Cleveland, Ohio on this 4th day of December, 2010.



Kimberly Perhacs, Notary Public
In and for the State of Ohio.
My commission expires 11-30-11.