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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Edison Company, The Cleveland Electric)
Illuminating Company, and The Toledo) Case No. 10-176-EL-ATA
Edison Company for Approval of a New)
Rider and Revision of an Existing Rider.)

PREFILED TESTIMONY
of
Robert B. Fortney
Rates and Tariffs Division

Date: January 24, 2011

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PUCO

1 1. Q. Please state your name and business address.

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

4
5 2. Q. By whom are you employed and in what capacity?

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

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

11 A. I received a Bachelor of Science Degree in Business Administration from Ball
12 State University, Muncie, Indiana, in 1971. I received a Master of Business
13 Administration Degree from the University of Dayton, Dayton, Ohio, in 1979. I
14 have been with the Commission staff for 25 years, involved in all aspects of
15 electric utility rates, rules and regulations.

16
17 4. Q. What is the purpose of your testimony in this proceeding?

18 A. The purpose of my testimony is to sponsor Staff's Investigation and Report
19 docketed in this proceeding on September 24, 2010, and provide Staff's
20 recommendations regarding the appropriate long-term rates that should be
21 provided to all-electric residential customers of the FirstEnergy operating
22 companies.

1 5. Q. What rate-making principles did you rely upon to develop Staff's
2 recommendations?

3 A. We considered the following general rate-making principles: (a) gradually reduce
4 current discounts to avoid rate shock; (b) a reduction in discounts should result in
5 lower amounts that will need to be recovered from other customers in the future;
6 (c) provide a better signal as to the actual costs FirstEnergy experiences in
7 providing electricity; (d) better promote energy conservation; (e) provide for
8 competition by increasing the opportunities for alternative electric suppliers; and,
9 (f) maintain a portion of the current discounts currently being given to eligible all-
10 electric customers such that those rates remain below the rates paid by non-all-
11 electric customers.

12
13 6. Q. So, what is Staff's recommendation?

14 A. The recommendation is based upon the following definitions:

15 Year 1 = Sept 1, 2011 - May 31, 2012

16 Year 2 = Sept 1, 2012 - May 31, 2013

17 Year 3 = Sept 1, 2013 - May 31, 2014

18 Year 4 = Sept 1, 2014 - May 31, 2015

19 Going forward: Winter bills subsequent to May 31, 2015

20
21 The following structure makes up Staff's recommendation:

22 a. RDC and EDR credits remain in place for all-electric customers.

23
24 b. Year 1: All-electric customers frozen at current levels

25 Year 2: Customer receives 75% of the RGC discount

26 Year 3: Customer receives 50% of the RGC discount

27 Year 4: Customer receives 25% of the RGC discount

28 Going forward: No RGC discount

29
30 c. Beginning in Year 2, cap the RGC discount at 7500 kWh (i.e., kWhs >
31 7500 do not receive the RGC discount).

1 d. Beginning in Year 2, eliminate "water heating only" EDR discounts.

2
3 7. Q. Do you provide support for your recommendation?

4
5 A. Yes. See attachments to my testimony to see the long-term bill impacts for all-
6 electric residential customers of CEI, OE and TE resulting from Staff's
7 recommendations. The recommendations are supported by the rate making
8 principles described above.
9

10 8. Q. Do you have a Staff recommendation regarding the recovery of the deferrals
11 accrued for March 2010 through May 2011?
12

13 A. Yes. The deferrals accrued from March 2010 through May 2011 were created as
14 a result of the RGC discount approved in this docket. Staff recommends that the
15 allocation of the recovery of those deferrals should be attributed to the residential
16 class for future recovery consistent with current revenue allocations approved by
17 the Commission in the current ESP and the ESP that will take effect June 2011.
18

19 9. Q. What should happen to an all-electric premise where the property ownership
20 changes?
21

22 A. Whichever all-electric discounts are applicable to the grand-fathered all-electric
23 accounts should stay with the property.

24
25 10. Q. Is there anything else?
26

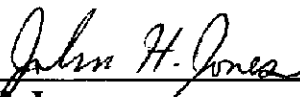
27 A. Yes. Staff recommends that the former load management customers who are not
28 all-electric customers (i.e., they do not heat with electricity) should be removed
29 from the "all-electric" categories for RGC purposes. That is, beginning
30 September 1, 2011, those customers should no longer receive RGC discounts, but
31 should continue to receive the RDC and EDR discounts, in order to avoid
32 significant bill impacts.
33

1 11. Q. Does this conclude your testimony?

2 A. Yes, it does. However, I reserve the right to supplement my testimony as new
3 information subsequently becomes available or in response to positions taken by
4 other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Robert B. Fortney, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following parties of record, this 24th day of January, 2011.


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All-Electric Bills / Match to Testimony / CEI

		1-Sep-10		1-Sep-11		1-Sep-12		1-Sep-13		1-Sep-14		1-Sep-15		Standard
		31-May-11		31-May-12		31-May-13		31-May-14		31-May-15		Year 5 and		Bill
kWh		Current		Year 1		Year 2		Year 3		Year 4		Going Forward		
250	\$	22.84	\$	22.84	\$	24.63	\$	27.25	\$	29.88	\$	32.50	\$	32.50
500	\$	42.67	\$	42.67	\$	45.25	\$	50.50	\$	55.75	\$	61.00	\$	61.00
750	\$	54.33	\$	54.33	\$	56.86	\$	64.73	\$	72.61	\$	80.48	\$	89.48
1000	\$	66.00	\$	66.00	\$	68.49	\$	78.99	\$	89.49	\$	99.99	\$	117.99
1500	\$	89.32	\$	89.32	\$	91.77	\$	107.52	\$	123.27	\$	139.02	\$	175.02
2000	\$	112.62	\$	112.62	\$	114.98	\$	135.98	\$	156.98	\$	177.98	\$	231.98
2500	\$	135.72	\$	135.72	\$	138.01	\$	164.26	\$	190.51	\$	216.76	\$	288.76
3000	\$	158.80	\$	158.80	\$	160.99	\$	192.49	\$	223.99	\$	255.49	\$	345.49
3500	\$	181.81	\$	181.81	\$	184.02	\$	220.77	\$	257.52	\$	294.27	\$	402.27
4000	\$	204.97	\$	204.97	\$	207.04	\$	249.04	\$	291.04	\$	333.04	\$	459.04
4500	\$	228.09	\$	228.09	\$	230.07	\$	277.32	\$	324.57	\$	371.82	\$	515.82
5000	\$	251.18	\$	251.18	\$	253.08	\$	305.58	\$	358.08	\$	410.58	\$	572.58
6000	\$	297.36	\$	297.36	\$	299.10	\$	362.10	\$	425.10	\$	488.10	\$	686.10
7000	\$	343.54	\$	343.54	\$	345.16	\$	418.66	\$	492.16	\$	565.66	\$	799.66
8000	\$	389.71	\$	389.71	\$	406.91	\$	485.66	\$	564.41	\$	643.16	\$	913.16
9000	\$	435.88	\$	435.88	\$	484.45	\$	563.20	\$	641.95	\$	720.70	\$	1,026.70
10000	\$	482.07	\$	482.07	\$	561.98	\$	640.73	\$	719.48	\$	798.23	\$	1,140.23

Years 2 - 5 assume that the new auction resulting from the approved ESP will result in the same cost/kWh as the current auction has provided

Year 1 All-electric customers frozen at current rates

Year 2 All-electric customers receive RDC, EDR and 75% of the current RGC credits up to 7500 kWh

Year 3 All-electric customers receive RDC, EDR and 50% of the current RGC credits up to 7500 kWh

Year 4 All-electric customers receive RDC, EDR and 25% of the current RGC credits up to 7500 kWh

Going Forward All-electric customers receive RDC and EDR credits, but no RGC credit

All-Electric Bills / Match to Testimony / TE

		1-Sep-10		1-Sep-11		1-Sep-12		1-Sep-13		1-Sep-14		1-Sep-15		Standard
		31-May-11		31-May-12		31-May-13		31-May-14		31-May-15		Year 5 and		Bill
kWh		Current		Year 1		Year 2		Year 3		Year 4		Going Forward		
250	\$	33.15	\$	33.15	\$	33.60	\$	33.60	\$	33.60	\$	33.60	\$	33.60
500	\$	62.34	\$	62.34	\$	63.22	\$	63.22	\$	63.22	\$	63.22	\$	63.22
750	\$	82.32	\$	82.32	\$	83.64	\$	83.64	\$	83.64	\$	83.64	\$	92.79
1000	\$	102.34	\$	102.34	\$	104.10	\$	104.10	\$	104.10	\$	104.10	\$	122.40
1500	\$	142.38	\$	142.38	\$	145.03	\$	145.03	\$	145.03	\$	145.03	\$	181.63
2000	\$	182.38	\$	182.38	\$	185.91	\$	185.91	\$	185.91	\$	185.91	\$	240.81
2500	\$	213.69	\$	213.69	\$	219.85	\$	222.10	\$	224.35	\$	226.60	\$	299.80
3000	\$	243.98	\$	243.98	\$	253.77	\$	258.27	\$	262.77	\$	267.27	\$	358.77
3500	\$	274.77	\$	274.77	\$	287.69	\$	294.44	\$	301.19	\$	307.94	\$	417.74
4000	\$	305.55	\$	305.55	\$	321.61	\$	330.61	\$	339.61	\$	348.61	\$	476.71
4500	\$	336.35	\$	336.35	\$	355.54	\$	366.79	\$	378.04	\$	389.29	\$	535.69
5000	\$	367.15	\$	367.15	\$	389.48	\$	402.98	\$	416.48	\$	429.98	\$	594.68
6000	\$	428.73	\$	428.73	\$	457.34	\$	475.34	\$	493.34	\$	511.34	\$	712.64
7000	\$	490.31	\$	490.31	\$	525.19	\$	547.69	\$	570.19	\$	592.69	\$	830.59
8000	\$	551.91	\$	551.91	\$	599.80	\$	624.55	\$	649.30	\$	674.05	\$	948.55
9000	\$	613.49	\$	613.49	\$	681.15	\$	705.90	\$	730.65	\$	755.40	\$	1,066.50
10000	\$	675.08	\$	675.08	\$	762.50	\$	787.25	\$	812.00	\$	836.75	\$	1,184.45

Years 2 - 5 assume that the new auction resulting from the approved ESP will result in the same cost/kWh as the current auction has provided

Year 1 All-electric customers frozen at current rates

Year 2 All-electric customers receive RDC, EDR and 75% of the current RGC credits up to 7500 kWh

Year 3 All-electric customers receive RDC, EDR and 50% of the current RGC credits up to 7500 kWh

Year 4 All-electric customers receive RDC, EDR and 25% of the current RGC credits up to 7500 kWh

Going Forward All-electric customers receive RDC and EDR credits, but no RGC credit

All-Electric Bills / Match to Testimony / OE

		1-Sep-10		1-Sep-11		1-Sep-12		1-Sep-13		1-Sep-14		1-Sep-15		Standard
		31-May-11		31-May-12		31-May-13		31-May-14		31-May-15		Year 5 and		Bill
kWh		Current		Year 1		Year 2		Year 3		Year 4		Going Forward		
250	\$	32.02	\$	32.02	\$	32.69	\$	32.69	\$	32.69	\$	32.69	\$	32.69
500	\$	61.07	\$	61.07	\$	61.40	\$	61.40	\$	61.40	\$	61.40	\$	61.40
750	\$	82.82	\$	82.82	\$	80.91	\$	80.91	\$	80.91	\$	80.91	\$	90.09
1000	\$	104.58	\$	104.58	\$	100.45	\$	100.45	\$	100.45	\$	100.45	\$	118.80
1500	\$	138.35	\$	138.35	\$	132.21	\$	134.64	\$	137.08	\$	139.52	\$	176.22
2000	\$	162.35	\$	162.35	\$	156.63	\$	163.95	\$	171.26	\$	178.57	\$	233.62
2500	\$	186.16	\$	186.16	\$	180.80	\$	193.04	\$	205.22	\$	217.41	\$	290.81
3000	\$	209.95	\$	209.95	\$	205.03	\$	222.10	\$	239.16	\$	256.22	\$	347.97
3500	\$	233.73	\$	233.73	\$	229.23	\$	251.17	\$	273.10	\$	295.04	\$	405.14
4000	\$	257.50	\$	257.50	\$	253.42	\$	280.24	\$	307.05	\$	333.86	\$	462.31
4500	\$	281.29	\$	281.29	\$	277.63	\$	309.32	\$	341.00	\$	372.69	\$	519.49
5000	\$	305.09	\$	305.09	\$	301.83	\$	338.40	\$	374.96	\$	411.52	\$	576.67
6000	\$	352.64	\$	352.64	\$	350.21	\$	396.53	\$	442.84	\$	489.15	\$	691.00
7000	\$	400.22	\$	400.22	\$	398.63	\$	454.70	\$	510.76	\$	565.82	\$	805.37
8000	\$	447.80	\$	447.80	\$	461.64	\$	522.58	\$	583.52	\$	644.45	\$	919.70
9000	\$	495.37	\$	495.37	\$	539.31	\$	600.25	\$	661.19	\$	722.12	\$	1,034.07
10000	\$	542.94	\$	542.94	\$	616.95	\$	677.89	\$	738.83	\$	799.76	\$	1,148.41

Years 2 - 5 assume that the new auction resulting from the approved ESP will result in the same cost/kWh as the current auction has provided

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Year 4 All-electric customers receive RDC, EDR and 25% of the current RGC credits up to 7500 kWh

Going Forward All-electric customers receive RDC and EDR credits, but no RGC credit