

FILE

9

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of Ohio Edison Company, The :
Cleveland Electric Illuminating Company, and : Case No. 12-1230-EL-SSO
The Toledo Edison Company for Authority to :
Provide for a Standard Service Offer pursuant to :
Section 4928.143, Revised code, in the Form of an :
Electric Security Plan. :

PUCO

2012 MAY -7 PM 1:52

RECEIVED-BOOKETING DIV

PREFILED TESTIMONY
OF
ROBERT B. FORTNEY
RATES AND TARIFFS/ENERGY & WATER DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EX. _____

This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business.
technician AM Date Processed MAY 07 2012

May 7, 2012

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

2 A. My name is Robert B. Fortney. My business address is 180 E. Broad
3 Street, 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
7 Public Utilities Administrator 3 in the Rates and Tariffs Division of the
8 Utilities 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
12 Ball State University, Muncie, Indiana, in 1971. I received a Master of
13 Business Administration Degree from the University of Dayton, Dayton,
14 Ohio, in 1979. I have been with the Commission staff for 26 years,
15 involved in all aspects of electric utility rates, rules and regulations.
16

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

18 A. On April 13, 2012, Ohio Edison Company, The Cleveland Electric
19 Illuminating Company, and The Toledo Edison Company (the companies)
20 applied for what I will call an "extension" (ESP 3) to the Electric security
21 Plan currently in place as a result of the Commission's orders in Case No.
22 10-388-EL-SSO. The application included a Stipulation and Recom-

1 mendment (Stipulation) signed by various parties. Also included in the
2 application was the direct testimony of William R. Ridmann on behalf of
3 the companies which addresses the provisions contained in the Stipulation
4 and explains why the terms and conditions of ESP 3 are more favorable to
5 customers in the aggregate than the expected results that would otherwise
6 apply under a market rate offer (MRO). WRR Attachment 1 to Mr.
7 Ridmann's testimony is a present value analysis of the benefits of ESP 3 to
8 an MRO. The main purpose of my testimony today is for Staff to offer a
9 different perspective on Mr. Ridmann's analysis.

10
11 5. Q. What is that different perspective?

12 A. Mr. Ridmann's analysis includes a credit to the cost of ESP 3 to reflect the
13 estimated "RTEP" costs that will not be recovered from customers. Simply
14 put, Staff believes that the benefit of this credit was a result of the Commis-
15 sion's decisions in Case No. 10-388-EL-SSO (ESP 2) and is not a direct
16 benefit of ESP 3, thus should not be reflected in the ESP 3 vs. MRO analy-
17 sis.

18
19 6. Q. Did Staff perform its own analysis?

20 A. No. That was not necessary. A basic modification to Mr. Ridmann's
21 Attachment 1 can be made. If you simply remove line (12), RTEP Esti-
22 mate, from the analysis and only consider the proposed 2-year extension

1 (thus negating any reference to an RTEP credit and the need for a net pre-
2 sent value analysis) one can determine that the two-year “cost” of the ESP
3 is \$557.4 million ($\$238.2 - (\$33.7) + \$246.5 - (\$39.0)$). The two year
4 “cost” of an MRO is \$549.8 million ($\$264.9 + \284.9). In this simple anal-
5 ysis, the cost of ESP 3 exceeds the “cost” of an MRO by \$7.6 million.
6

7 7. Q. Was Staff a party to the Stipulation?

8 A. Yes, it was.
9

10 8. Q. So, are you now implying that the Commission should reject or modify the
11 Stipulation?

12 A. No, not at all. The remainder of Mr. Ridmann’s testimony outlines several
13 “qualitative” benefits to ESP 3 which the Commission should consider, in
14 addition to Staff’s simplistic “quantitative” modification to Attachment 1.
15 Included in those benefits are modifying the bid schedule previously
16 approved in Case No. 10-388-EL-SSO so that the bids to occur in October,
17 2012 and January, 2013 will be for a three year product rather than a one-
18 year product. Thus, the current lower market based generation prices will
19 be captured for a longer period of time that would be blended with poten-
20 tially higher market based generation prices, thus providing rate stability.
21 The additional two-year distribution rate increase “stay-out” will provide
22 additional rate certainty, predictability and stability for customers. ESP 3

1 continues a number of rate options and programs which preserve and
2 enhance the rate options for various customers provided in ESP 2. Finally,
3 Staff has indicated in previous proceedings (the most recent being its com-
4 ments in the Dayton Power and Light Case, No. 12- 0426-EL-SSO) that
5 “although either an electric security plan or a market rate option would ful-
6 fill the obligation under R.C. 4928.141, the electric security plan can offer
7 significant advantages for the Applicant, the ratepayers of the Applicant
8 and the public at large.” Staff, therefore, recommends that the Commission
9 conclude that in light of the “qualitative” benefits provided by ESP 3, the
10 application in the instant proceeding should be approved, and the Stipula-
11 tion should be adopted.

12
13 9. Q. Is there another perspective that you would like to submit?

14 A. Yes. I believe that it would not be inconsistent with previous Staff analyses
15 to consider that the costs to consumers of the Delivery Capital Recovery
16 (DCR) Rider, which are included in Mr. Ridmann’s ESP analysis and the
17 costs of a distribution rate case, which are included in Mr. Ridmann’s MRO
18 analysis would simply be a “wash.” The DCR gives the company recovery
19 of certain distribution-related costs that they actually incur. If the com-
20 panies do not recover those costs through the DCR, it is probable that they
21 would file distribution rate cases (in an AIR) to recover those same costs.
22 While there may be some variation in the amounts recovered due to the

1 timing of rate cases and the concept of “date certain,” in the long run, the
2 companies would recover the equivalent of the same costs. Plus, in the
3 Commission’s O&O of 12/14/11 in the AEP ESP cases (11-346 and 11-
4 348), regarding this same issue, the Commission found “Further, we note
5 that the Non-Signatory Parties concerns about the DIR not being present in
6 the price analysis are unwarranted, because AEP-Ohio would otherwise be
7 entitled to seek an increase in distribution rates pursuant to Section
8 4909.19, Revised Code.”

9
10 If those numbers are removed from Mr. Ridmann’s Attachment 1 (along
11 with the removal of the RTEP credits) ESP 3 is better in the aggregate than
12 an MRO by \$21.4 million. Under that perspective, the Commission would
13 not even need to take the “qualitative” benefits of ESP 3 into account.

14
15 10. Q. Does this conclude your testimony?

16 A. Yes, it does. However, I reserve the right to submit supplemental testi-
17 mony as described herein, as new information subsequently becomes avail-
18 able or in response to positions taken by 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, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 7th day of May, 2012.



Thomas W. McNamee
Assistant Attorney General

Parties of Record:

Larry S. Sauer
Terry Etter
Melissa R. Yost
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street
Suite 1800
Columbus, OH 43215
sauer@occ.state.oh.us
etter@occ.state.oh.us
yost@occ.state.oh.us

M. Howard Petricoff
Michael J. Settineri
Lija Kaleps-Clark
Vorys, Sater, Seymour & Pease
52 East Gay Street
Columbus, OH 43215
mhpetricoff@vorys.com
mjsettineri@vorys.com
lkalepsclark@vorys.com

Colleen L. Mooney
David C. Rinebolt
1431 Mulford Road
Columbus, OH 43212
cmooney2@columbus.rr.com
drinebolt@aol.com

Christopher L. Miller
Gregory H. Dunn
Asim Z. Haque
Ice Miller
250 West Street
Columbus, OH 43215
christopher.miller@icemiller.com
asim.haque@icemiller.com
gregory.dunn@icemiller.com

Stephen Bennett
Exelon Generation Company
300 Exelon Way
Kennett Square, PA 19348
stephen.bennett@exeloncorp.com

Cynthia Fonner Brady
David I. Fein
Constellation Energy
550 West Washington Street
Suite 300
Chicago, IL 60661
cynthia.a.fonner@constellation.com
david.fein@constellation.com

Christopher J. Allwein
Williams, Allwein & Moser
1373 Grandview Avenue
Suite 212
Columbus, OH 43212
callwein@wamenergylaw.com

Leslie A. Kovacik
City of Toledo
420 Madison Avenue
Suite 100
Toledo, OH 43604
leslie.kovacik@toledo.oh.gov

Glenn S. Krassen
Bricker & Eckler
1375 East Ninth Street
Suite 1500
Cleveland, OH 44114
gkrassen@bricker.com

Judi L. Sobecki
Randall V. Griffin
The Dayton Power & Light Company
1065 Woodman Drive
Dayton, OH 45432
judi.sobecki@dplinc.com
randall.griffin@dplinc.com

Matthew W. Warnock
Bricker & Eckler
100 South Third Street
Columbus, OH 43215
mwarnock@bricker.com

Vincent Parisi
Matthew White
Interstate Gas Supply, Inc.
6100 Emerald Parkway
Dublin, OH 4316
vparisi@igsenergy.com
mswhite@igsenergy.com

Joseph M. Clark
Vectren Energy Delivery
6651 North High Street, Suite 200
Worthington, OH 43805
jmclark@vectren.com

Sandy I-ru Grace
Exelon Business Services company
101 Constitution Avenue, N.W.
Suite 400 East
Washington, DC 20001
sandy.grace@exeloncorp.com

Amy B. Spiller
Dorothy K. Corbett
Duke Energy Retail Services
139 East Fourth Street
1303-Main
Cincinnati, OH 45202
amy.spiller@duke-energy.com
dorothy.corbett@duke-energy.com

Thomas R. Hays
Lucas County Prosecutor's Office
700 Adams Street
Suite 251
Toledo, OH 43604
trhayslaw@gmail.com

Jeanne W. Kingery
Duke Energy Commercial Asset Mgmt.
139 East Fourth Street
1303-Main
Cincinnati, OH 45202
Jeanne.kingery@duke-energy.com

Lisa J. McAlister

J. Thomas Siwo

Bricker & Eckler

100 South Third Street

Columbus, OH 43215

lmcalister@bricker.com

tsiwo@bricker.com