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Via E-File

January 31, 2013

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case No. 11-5201-EL-RDR

Dear Sir/Madam:

Please find attached the DIRECT TESTIMONY OF DENNIS W. GOINS, Ph.D. ON BEHALF OF THE OHIO ENERGY GROUP AND NUCOR STEEL MARION e-filed today in the above-referenced matter.

Copies have been served on all parties listed on the Certificate of Service. Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Encl.
Cc: Certificate of Service

STATE OF OHIO
BEFORE THE
PUBLIC UTILITIES COMMISSION

In the Matter of the Review of the Alternative	)	
Energy Rider Contained in the Tariffs of	)	
Ohio Edison Company, The Cleveland Electric	)	**Case No. 11-5201-EL-RDR**
Illuminating Company, and The Toledo	)	
Edison Company	)	

DIRECT TESTIMONY OF DENNIS W. GOINS, PH.D. ON BEHALF OF THE OHIO ENERGY GROUP AND NUCOR STEEL MARION

January 31, 2013

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STATE OF OHIO
BEFORE THE
PUBLIC UTILITIES COMMISSION

In the Matter of the Review of the Alternative Energy Rider Contained in the Tariffs of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company	)))))	**Case No. 11-5201-EL-RDR**

DIRECT TESTIMONY OF DENNIS W. GOINS, PH.D. ON BEHALF OF THE OHIO ENERGY GROUP AND NUCOR STEEL MARION

INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Dennis W. Goins. I operate Potomac Management Group, an economics and management consulting firm. My business address is 5801 Westchester Street, Alexandria, Virginia 22310.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I received a Ph.D. degree in economics and a Master of Economics degree from North Carolina State University. I also earned a B.A. degree with honors in economics from Wake Forest University. Following graduate school I worked as a staff economist at the North Carolina Utilities Commission (NCUC). During my tenure at the NCUC, I testified in numerous cases involving electric, gas, and telephone utilities on such issues as cost of service, rate design, intercorporate transactions, and load forecasting. While at the NCUC I also served as a member of the Ratemaking Task Force in the national Electric Utility Rate Design Study sponsored by the Electric Power Research Institute (EPRI) and the National Association of Regulatory Utility Commissioners (NARUC).

Since leaving the NCUC, I have worked as an economic and management consultant to firms and organizations in the private and public sectors. My assignments focus primarily on market structure, policy, planning, and pricing issues involving firms that operate in energy markets. For example, I have conducted detailed analyses of product pricing, cost of service, rate design, and interutility planning, operations, and pricing issues; prepared analyses related to utility mergers, transmission access and pricing, and the emergence of competitive markets; evaluated and developed regulatory incentive mechanisms applicable to utility operations; and assisted clients in analyzing and negotiating interchange agreements and power and fuel supply contracts. I have also assisted clients on electric power market restructuring issues in Arkansas, New Jersey, New York, South Carolina, Texas, and Virginia.

I have submitted testimony and affidavits and provided technical assistance in nearly 200 proceedings before state and federal agencies as an expert in competitive market issues, regulatory policy, utility planning and operating practices, cost of service, and rate design. These agencies include the Federal Energy Regulatory Commission (FERC), the Government Accountability Office, state courts in Iowa, Montana, and West Virginia, and regulatory agencies in Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Utah, Vermont, Virginia, West Virginia, Wyoming, and the District of Columbia. Additional details of my educational and professional background are presented in the Appendix.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of the Ohio Energy Group (OEG) and Nucor Steel Marion, Inc. (Nucor). OEG members and Nucor are large industrial consumers that purchase retail electric distribution service from one of the FirstEnergy operating companies—Ohio Edison Company, Cleveland Electric Illuminating Company (CEI), and Toledo Edison Company (collectively, FirstEnergy).

Q. WHAT ASSIGNMENT WERE YOU GIVEN WHEN YOU WERE RETAINED?

A. I was asked to undertake two primary tasks:

1. Review the audit reports, including findings and recommendations, submitted in this case by consultants retained by the Commission to examine efforts during 2009-2011 by FirstEnergy to meet its renewable energy resource obligations under Ohio's Alternative Energy Portfolio Standard (AEPS). The audits were conducted by Goldenberg Schneider, LPA (Goldenberg) and Exeter Associates, Inc. (Exeter). In particular, I was asked to focus on issues addressed in the reports (either directly or indirectly) dealing with FirstEnergy's recovery of AEPS-related costs through the Alternative Energy Resource Rider (Rider AER), and the reasonableness of selected conclusions and recommendations included in the Goldenberg and Exeter audit reports.
2. Identify steps the Commission should consider to provide FirstEnergy's customers with additional protection against potentially excessive renewable energy resource costs, and reduce

potential disputes between FirstEnergy and nonshopping standard service offer (SSO) customers regarding the reasonableness and prudence of such costs.

Q. WHAT INFORMATION DID YOU REVIEW IN CONDUCTING YOUR EVALUATION?

A. I reviewed the Goldenberg and Exeter audit reports, as well as FirstEnergy's direct testimony, exhibits, and selected responses to requests for information in this case. I also reviewed, as necessary, relevant statutes and Commission orders and rules—for example, Ohio Administrative Code (OAC) 4901:1-40 and Ohio Revised Code (ORC) 4928.64 and 4928.65. Finally, I reviewed publicly available information related to the issues in my testimony.

CONCLUSIONS

Q. WHAT CONCLUSIONS HAVE YOU REACHED?

A. On the basis of my review and evaluation, I have concluded the following:

1. ORC 4928.64(B)(2)-(3) specifies annual benchmarks that delineate both the percentage and composition of renewable energy resources that each electric distribution utility in Ohio must include in electricity supplied to SSO (non-shopping) customers.
2. During 2009-2011 FirstEnergy issued six requests for proposals for firms to provide up to four categories of renewable energy credits (RECs) to assist in meeting its AEPS requirements. These categories were In-State Solar RECs, All States Solar RECs, In-State All Renewables RECs, and All States All Renewables RECs.
3. As part of its ongoing review of FirstEnergy's Rider AER, the Commission retained Goldenberg and Exeter in February 2012 to review FirstEnergy's procurement of RECs to comply with

requirements under ORC 4928.64.[1] In August 2012, Goldenberg and Exeter filed their audit reports with the Commission.[2]

4. The Goldenberg and Exeter reports reached various conclusions about and provided multiple recommendations regarding FirstEnergy's procurement of RECs to meet the renewable energy resource component of its AEPS obligations.

RECOMMENDATIONS

Q. WHAT DO YOU RECOMMEND ON THE BASIS OF THESE CONCLUSIONS?

A. I recommend that the Commission:

1. Establish a mandatory, non-discretionary annual expenditure cap limiting FirstEnergy's prudent expenditures incurred in meeting its renewable resource obligations that can be recovered through Rider AER to no more than 3 percent of its cost of producing or acquiring substitute energy.
2. Establish a rate cap limiting the Rider AER charge for each rate class to 3 percent of the applicable Rider GEN energy charge for the class.
3. In setting Rider AER charges, FirstEnergy should continue to utilize loss adjustments consistent with current practice.
4. Refund any disallowed REC costs to rate classes using the current rate design of Rider AER—that is, through loss-adjusted energy charges by rate class.

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[1] Under OAC 4901:1-40-04(D), an electric utility or electric services company may use RECs to satisfy all or part of a renewable energy resource (including solar) benchmark.

[2] *See* Goldenberg's *Final Report: Financial Audit 1 of the Alternative Energy Resource Rider of the FirstEnergy Ohio Utility Companies*, June 15, 2012 (Goldenberg Report) and Exeter's confidential *Final Report: Management/Performance Audit of the Alternative Energy Resource Rider (Rider AER) of the FirstEnergy Ohio Utility Companies for October 2009 through December 31, 2011*, June 15, 2012 (Exeter Report).

MANDATORY 3-PERCENT CAP ON RENEWABLE ENERGY EXPENDITURES

Q. DOES ORC 4928.64 INCLUDE ANY SPECIFIC FINANCIAL PROVISION THAT PROTECTS CUSTOMERS AND UTILITIES FROM EXCESSIVE AEPS COMPLIANCE COSTS?

A. Yes. I am advised by counsel that the statute provides a compliance exemption for a distribution utility (or electric service company) under specific conditions that limits the utility's financial exposure in trying to meet the annual AEPS benchmarks. More specifically, ORC 4928.64(C)(3) says the following:

> An electric distribution utility or an electric services company ***need not comply*** with a benchmark under division (B)(1) or (2) of this section to the extent that its reasonably expected cost of that compliance exceeds its reasonably expected cost of otherwise producing or acquiring the requisite electricity by three per cent or more. The cost of compliance shall be calculated as though any exemption from taxes and assessments had not been granted under section 5727.75 of the Revised Code.[3] (Emphasis added.)

Q. COULD THE 3-PERCENT MECHANISM REFERENCED IN ORC 4928.64 BE INTERPRETED AS A REASONABLE CAP OR CEILING ON FIRSTENERGY'S ANNUAL AEPS COMPLIANCE COSTS?

A. Yes. Both the statute (ORC 4928.64(C)(2)) and the Commission's regulations (OAC 4901:1-40-07 and 4901:1-40-08) refer to the 3-percent mechanism as a *cost cap*. In its comments on the cap mechanism in the rulemaking proceeding to implement S.B. 221, FirstEnergy stated:

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[3] ORC 4928.64(B)(1) refers to advanced energy resources, while ORC 4928.64(B)(2) refers to renewable energy resources.

> Senate Bill 221 recognized the potentially adverse economic impact of the advanced and renewable energy benchmarks imposed by the statute and established a reasonable ceiling for the additional costs of those requirements. R.C. § 4928.64(C)(3) mandates that EDUs be excused from complying with the statute's alternative energy portfolio requirements if the costs of complying with those standards exceeds by 3% or more the costs that EDUs and their customers would otherwise incur to acquire the requisite energy.[4]

In my opinion, a *cost cap* implies a limit or ceiling on payments for a product or service in a specified time period. As a result, I recommend that the Commission interpret the 3-percent mechanism as a mandatory, non-discretionary cap on the level of annual AEPS compliance costs that FirstEnergy can incur and recover from customers through Rider AER.

Q. WOULD A MANDATORY 3-PERCENT CAP ON RENEWABLE EXPENDITURES BENEFIT CUSTOMERS AND FIRSTENERGY?

A. Yes. A mandatory 3-percent cap on FirstEnergy's annual renewable expenditures would protect customers from potentially excessive renewable energy costs—consistent with the Legislature's intent when it included the 3-percent cap mechanism in S.B. 221. Moreover, a mandatory cap would be consistent with the Commission's rules. For example, when the Commission approved regulations applicable to the 3-percent cap, it stated that "the function of the cost cap is to protect consumers from significant increases in their electric bills."[5]

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[4] Case No. 08-888-EL-ORD, In the Matter of the Adoption of Rules for Alternative and Renewable Energy Technology, Resources, and Climate Regulation, and Review of Chapter 4901:5-1, 4901:5-3, 4901:5-5, and 4901:5-7 of the Ohio Administrative Code, Pursuant to Chapter 4928.66, Revised Code, as Amended by Amended Substitute Senate Bill No. 221, Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Rehearing at 25-26 (May 15, 2009).

[5] Case No. 08-888-EL-ORD, Opinion and Order at 37 (April 15, 2009).

Q. WHAT ADDITIONAL BENEFITS WOULD A MANDATORY CAP PROVIDE?

A. A mandatory cost cap would give FirstEnergy greater pricing leverage in negotiating future REC procurements.[6] Also, the cost cap should reduce the potential for disputes between FirstEnergy and its customers regarding possible disallowances of any excessive, imprudent REC costs.

Q. WHY SHOULD THE 3-PERCENT EXPENDITURE CAP BE MANDATORY?

A. Protecting consumers from excessive AEPS costs would be severely undermined if the cap was discretionary—not mandatory. That is, if a utility could treat the cap simply as a benchmark or guideline and not as a firm expenditure ceiling, customers would continue to be exposed to potentially excessive renewable resource costs that are likely to rise as the renewable energy benchmarks under ORC 4928.64(B)(2) increase each year. Because the expenditure cap would be mandatory, FirstEnergy would be responsible for expenditures above the cap in a particular year. Under this provision, the expenditure cap effectively creates an annual maximum renewable energy budget for FirstEnergy.

Q. WOULD FIRSTENERGY BE SUBJECT TO A RENEWABLE ENERGY COMPLIANCE PAYMENT PENALTY IF THE MANDATORY 3-PERCENT COST CAP KEPT IT FROM MEETING THE RENEWABLE RESOURCE BENCHMARK?

A. No. If the 3-percent cost cap prevented FirstEnergy from meeting its renewable resource benchmarks, FirstEnergy would be exempt from meeting the renewable resource benchmark for that year for the amount of renewable energy in excess of the 3-percent capped amount.

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[6] This pricing leverage could help FirstEnergy negotiate lower prices with potential REC suppliers.

Q. SHOULD DEFERRED COSTS AND RELATED CARRYING CHARGES FROM PRIOR YEARS COUNT TOWARD THE ANNUAL 3-PERCENT CAP?

A. No. The cap should only apply to annual expenditures to meet the renewable resource benchmarks.

Q. HAVE YOU IDENTIFIED A RECOMMENDED METHOD FOR CALCULATING FIRSTENERGY'S ANNUAL 3-PERCENT CAP ON RENEWABLE ENERGY RESOURCE EXPENDITURES?

A. Yes. I recommend the following method.

- Set the 3-percent cost cap each January immediately following the SSO auction that establishes the SSO generation price for the following June-May period.
- Determine FirstEnergy's annual generation cost ($/MWh) using the weighted average of its January-May and June-December SSO generation prices.
- Calculate FirstEnergy's benchmark baseline non-shopping MWh sales by averaging non-shopping sales for the previous three years.
- Calculate FirstEnergy's *cost to acquire requisite electricity* by multiplying its benchmark baseline non-shopping MWh sales by its annual SSO generation cost adjusted for losses.
- Set FirstEnergy's annual cost cap equal to 3 percent of its annual cost to acquire requisite electricity.

In Exhibit DWG-1, I use this estimation method and actual and assumed data to show how the 3-percent mandatory cap on FirstEnergy's allowable renewable resource expenditures for 2013 might have been calculated.

Q. WOULD THIS MANDATORY EXPENDITURE CAP BE RETROACTIVE?

A. No. I recommend that the expenditure cap only be applied prospectively.

Q IN YOUR OPINION, SHOULD THE COMMISSION REQUIRE FIRSTENERGY TO MAKE UP IN A SUBSEQUENT YEAR ANY SHORTFALL OF REC PURCHASES BELOW THE ANNUAL BENCHMARK RESULTING FROM YOUR PROPOSED 3-PERCENT COST CAP?

A. No. I see no benefit to customers from such a requirement, which I expect would likely trigger the cost cap in subsequent years. The statute establishes a 3-percent cost cap and clearly indicates that a utility need not comply with a benchmark if doing so would cause the utility's renewable resource expenditures to exceed the cap. The statute does not require a utility to make up in future years any REC shortfall resulting from applying the cap. Having to make up REC shortfalls in future years would be inconsistent with the intent of the cap to place a reasonable limit on the cost of renewable energy.

CAP ON RIDER AER CHARGES

Q. IS YOUR RECOMMENDED MANDATORY 3-PERCENT ANNUAL CAP ON RENEWABLE ENERGY EXPENDITURES SUFFICIENT TO PROTECT CUSTOMERS FROM HIGH RENEWABLE COSTS AND RENEWABLE COST VOLATILITY?

A. No. Additional protection is necessary. I recommend that Rider AER charges by rate class be no greater than the cost of substitute energy for each class. To achieve this objective, the Rider AER charge for each rate class should be set equal to the lesser of an uncapped AER rate (which would simply reflect unit AEPS compliance costs for the recovery period) or a capped AER rate equal to specified percentage of the applicable Rider GEN energy charge for each class. I recommend an AER cap rate of 3 percent to be consistent with my recommended 3-percent cap on FirstEnergy's annual renewable resource expenditures.[7]

Q. WHY IS A CAP ON RIDER AER CHARGES BY RATE CLASS NECESSARY?

A. Capping annual renewable resource expenditures may be insufficient to protect consumers from significant increases in electric bills. For example, even with a 3-percent cap on renewable expenditures, customers could wind up paying renewable costs well in excess of the cost of generation under Rider GEN. This appears to have occurred during the 2009-2011 audit period. In her direct testimony, FirstEnergy witness Eileen Mikkelsen explains some of the factors underlying the high Rider AER charges in 2009-2011:

> The Companies experienced a high level migration from SSO service to shopping starting at the time the renewable requirement was put into place....This higher level of shopping led to the Companies having to: (a) retire a disproportionately high level of renewable energy credits based on the three year baseline when shopping was much lower; and (b) then recover those associated costs over the then current but much lower non-shopping kWh.[8]

Q. DID THESE FACTORS PRODUCE HIGH RIDER AER CHARGES FOR FIRSTENERGY'S CUSTOMERS?

A. Yes. The Goldenberg Report indicates that FirstEnergy's Rider AER charges in 2009-2011 were "significantly higher" than similar charges for

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[7] My understanding is that FirstEnergy is currently only recovering through Rider AER the cost of complying with the renewable energy resource benchmarks. That is, no advanced energy resource costs are currently recovered through Rider AER.

[8] Direct Testimony of Eileen M. Mikkelsen at 10.

other Ohio investor owned utilities,[9] and frequently exceeded 3 percent of the corresponding Rider GEN charge. For example, as shown in Table 1 below, FirstEnergy's Rider AER quarterly charges in 2011 were around 4.5-8.5 percent higher than Rider GEN rates.

Table 1. Rider AER vs Rider GEN (2011 cent/kWh)

CEI	Rider AER[1]	Rider GEN[2]	AER/GEN
Jan-Mar	0.4612	6.1290	7.52%
Apr-May	0.4699	6.1290	7.67%
Jun-Dec	0.4699	5.5600	8.45%
Ohio Edison			
Jan-Mar	0.2927	6.1290	4.78%
Apr-May	0.2776	6.1290	4.53%
Jun-Dec	0.2776	5.5600	4.99%
Toledo Edison			
Jan-Mar	0.4031	6.1290	6.58%
Apr-May	0.3695	6.1290	6.03%
Jun-Dec	0.3695	5.5600	6.65%

[1]Company AER rate; not loss-adjusted by rate class; see Goldenberg Report at 8.

[2]Blended competitive bid price; see FE response to EA Set 5-INT-4 Attachment 1.

Q. IN YOUR OPINION, DID HIGH LOAD FACTOR INDUSTRIAL CUSTOMERS BEAR A DISPROPORTIONATE SHARE OF THESE RIDER AER CHARGES IN 2011?

A. Yes. Because Rider AER is currently a volumetric energy charge, high load factor Rate GT industrial customers bear a disproportionate share of FirstEnergy's renewable resource costs. Moreover, FirstEnergy's AER charges are not insignificant for large GT customers. (See Table 2 below.) Capping AER charges at 3 percent of Rider GEN charges would mitigate the large Rider AER bill impacts, directly link the AEPS compliance costs with the cost of substitute energy, and help stabilize Rider AER charges.

[9] Goldenberg Report at 9.

Table 2. Rider AER Bill Impacts: Rate GT (Apr-Dec 2011 $/mo.)

	Rider AER Monthly Cost		
Usage (kWh/mo)	CEI	OE	TE
2,000,000	$8,986	$5,308	$7,152
6,000,000	$26,958	$15,924	$21,456
10,000,000	$44,930	$26,540	$35,760
14,000,000	$62,902	$37,156	$50,064
20,000,000	$89,860	$53,080	$71,520

Q. COULD THE 3-PERCENT CAP ON RIDER AER CHARGES CAUSE FIRSTENERGY TO UNDERRECOVER ITS RENEWABLE RESOURCE COSTS?

A. Yes. However, any underrecovered renewable resource costs that FirstEnergy incurs because of the 3-percent cap on Rider AER charges should be deferred for recovery in a future year. Under FirstEnergy's recently-approved ESP 3, FirstEnergy can spread recovery of Rider AER costs over the term of the rate plan.[10] As I noted earlier, any deferrals and associated carrying costs for a prior year's expenditures would not count against the mandatory 3-percent cap on annual renewable resource expenditures.

Q. IS THE 3-PERCENT CAP ON RIDER AER CHARGES LIKELY TO CAUSE CHRONIC UNDERRECOVERY OF FIRSTENERGY'S RENEWABLE RESOURCE COSTS?

A. In my opinion, no—especially in the longer term. For example, the likelihood of large and continuing underrecoveries should diminish as the 3-year non-shopping baseline load used in calculating the 3-percent expenditure cap becomes more reflective of the current level of non-

[10] Case No. 12-1230-EL-SSO, In the Matter of Ohio Edison Company, The Cleveland Electric Illuminating Company, and 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, Opinion and Order at 35 (July 18, 2012).

shopping load, and as REC markets (particularly those for Ohio in-state RECs) continue to mature. If chronic underrecoveries became a problem for FirstEnergy, the Commission could consider a temporary modification to the 3-percent cap on Rider AER charges to reduce them.

LOSS ADJUSTMENTS AND RIDER AER

Q. DO YOU AGREE WITH THE GOLDENBERG REPORT'S RECOMMENDATION TO SET RIDER AER AS A UNIFORM CHARGE TO RECOVER AEPS COSTS?

A. No. Rider AER for each FirstEnergy operating company currently incorporates class-specific voltage loss factors. The Goldenberg Report's recommendation to change Rider AER for each operating company (and all rate classes) to a uniform non-voltage-differentiated volumetric charge should be rejected.

Q. WHY SHOULD RIDER AER CHARGES CONTINUE TO BE LOSS-ADJUSTED?

A. Reflecting loss adjustments in Rider AER:

- Is consistent with loss-adjusted SSO charges (Rider GEN) for energy displaced by FirstEnergy's renewable energy resources.
- Reflects the rate design adopted by stipulated agreement among parties in FirstEnergy's most recent Energy Security Plans (ESPs).
- Eliminates interclass cost subsidies that would occur under uniform AER charges.[11]

The Goldenberg Report's proposed Rider AER rate design change should be rejected.

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[11] For example, the Goldenberg Report (at 10) indicates that nearly $1.2 million in Rider AER charges would be shifted to FirstEnergy's Rate GT transmission customers under the uniform AER rate proposal.

REFUNDING ANY DISALLOWED REC COSTS

Q. DID EXETER CONCLUDE THAT FIRSTENERGY PAID ABOVE-MARKET PRICES FOR RECS IN 2009-2011?

A. Yes. Exeter concluded that FirstEnergy paid unreasonably high, above-market prices for In-State All Renewable RECs even though, according to Exeter, FirstEnergy had available alternatives that were not considered.[12]

Q. DID EXETER RECOMMEND DISALLOWING SOME OR ALL OF WHAT IT TERMED *EXCESSIVE [REC] COSTS*?

A. Yes. Exeter recommended that the Commission examine disallowing "excessive costs associated with purchasing RECs to meet the FirstEnergy Ohio utilities' In-State All Renewables obligations."[13]

Q. DO YOU SUPPORT EXETER'S RECOMMENDATION?

A. In my opinion, the Commission should thoroughly examine the prudence of *all* REC purchases that FirstEnergy makes to comply with its AEPS obligations. I have not analyzed the prudence of FirstEnergy's REC purchases in this case. As a result, at this time I take no position regarding whether costs associated with the specific REC purchases cited by Exeter were imprudent and should be disallowed.

Q. IF THE COMMISSION CONCLUDES THAT SOME REC COSTS PREVIOUSLY RECOVERED BY FIRSTENERGY THROUGH RIDER AER WERE IMPRUDENT, HOW SHOULD THIS DETERMINATION BE REFLECTED IN RIDER AER?

A. Any previously recovered REC costs that the Commission determines were imprudent should be refunded to FirstEnergy's current SSO

[12] Exeter Report at 31-33.
[13] *Ibid.* at 33.

customers through Rider AER using the rider's current rate design—that is, loss-adjusted kWh charges by rate class. This requirement would ensure that all refunds would be passed back to customers in the same manner in which the disallowed REC costs were originally recovered from customers.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes.

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Illuminating Company, and The Toledo	**)**	
Edison Company	**)**	

EXHIBIT TO THE
DIRECT TESTIMONY OF
DENNIS W. GOINS, PH.D.
ON BEHALF OF THE OHIO ENERGY
GROUP AND NUCOR STEEL MARION

January 31, 2013

EXHIBIT DWG-1

RECOMMENDED 3-PERCENT EXPENDITURE CAP: CALCULATION METHOD

ent Expenditure Cap: Calculation Method

	Calculation
rice ($/MWh)	$53.37
Price ($/MWh)	$55.27
neration Cost	$54.48
ig MWh Sales	
010-2012)[1]	20,500,000
e Electricity	
Avg SSO Price (20,500,000 x $54.48)	$1,116,805,833
t[1]	1.05
	$1,172,646,125
AEPS Compliance	
ricity * Cap Percentage ($1,172,646,125 x 3%)	$35,179,384

strative purposes only.

APPENDIX

QUALIFICATIONS OF

DENNIS W. GOINS

DENNIS W. GOINS

PRESENT POSITION

Economic Consultant, Potomac Management Group, Alexandria, VA

PREVIOUS POSITIONS

- Vice President, Hagler, Bailly & Company, Washington, DC
- Principal, Resource Consulting Group, Inc., Cambridge, MA
- Senior Associate, Resource Planning Associates, Inc., Cambridge, MA
- Economist, North Carolina Utilities Commission, Raleigh, NC

EDUCATION

College	Major	Degree
Wake Forest University	Economics	BA
North Carolina State University	Economics	ME
North Carolina State University	Economics	PhD

RELEVANT EXPERIENCE

Dr. Goins specializes in pricing, planning, and market structure issues affecting firms that buy and sell products in electricity and natural gas markets. He has extensive experience in evaluating competitive market conditions, analyzing power and fuel requirements, prices, market operations, and transactions, developing product pricing strategies, setting rates for energy-related products and services, and negotiating power supply and natural gas contracts for private and public entities. He has participated in nearly 200 cases as an expert on competitive market issues, utility restructuring, power market planning and operations, utility mergers, rate design, cost of service, and management prudence before the Federal Energy Regulatory Commission, the General Accounting Office (now the Government Accountability Office), the First Judicial District Court of Montana, the Circuit Court of Kanawha County, West Virginia, the Linn County District Court of Iowa, and regulatory commissions in Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Utah, Vermont, Virginia, West Virginia, Wyoming, and the District of Columbia. He has also prepared an expert report on behalf of the United States regarding pricing and contract issues in a case before the United States Court of Federal Claims.

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 31st day of January, 2013 to those parties listed below:

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