

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Edison Company, The Cleveland Electric)
Illuminating Company and The Toledo)
Edison Company for Authority to Provide) Case No. 14-1297-EL-SSO
for a Standard Service Offer Pursuant to R.C.)
4928.143 in the Form of an Electric Security)
Plan)

DIRECT TESTIMONY OF

STEVEN E. STRAH

ON BEHALF OF

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

AUGUST 4, 2014

1 **INTRODUCTION, PURPOSE, AND SUMMARY OF CONCLUSIONS**

2 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

3 A. My name is Steven E. Strah. I am employed by FirstEnergy Service Company, as Vice
4 President, Distribution Support. My business address is 76 S. Main Street, Akron, Ohio
5 44308.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND,**
7 **PROFESSIONAL QUALIFICATIONS, AND EMPLOYMENT EXPERIENCE.**

8 A. I earned my Bachelor of Science degree in business administration from Baldwin
9 Wallace College, in Berea, Ohio. In 1984, I began my career with Centerior Energy
10 Corp. which merged with Ohio Edison in 1997 to form FirstEnergy Corp. I subsequently
11 held a variety of positions including Operations Services Staff Support Manager, Director
12 of Business Services, President of Jersey Central Power & Light Company and, starting
13 in 2005, President of Ohio Edison Company. I was promoted to my current position in
14 February 2011.

15 In addition, I am Vice Chair, Economic Development and a Member of the Board of
16 Directors of the Greater Akron Chamber, serve on the Development Committee and
17 Board of Directors of Leadership Akron, and also serve on the boards of the All-
18 American/International Soap Box Derby and the Ohio & Erie Canal Association.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. My testimony explains the Economic Stability Program proposed by Ohio Edison
21 Company, The Cleveland Electric Illuminating Company, and The Toledo Edison
22 Company (collectively, the “Companies”) as part of their fourth electric security plan
23 entitled Powering Ohio’s Progress (also referred to as “ESP IV”). The Economic

1 Stability Program will use the Companies' purchase of the output of certain generating
2 plants as a retail rate stabilization mechanism that will help stabilize and provide greater
3 certainty to retail electric service. I will also explain the proposed Retail Rate Stability
4 Rider ("Rider RRS").

5 I will also show that the Economic Stability Program, including Rider RRS, will benefit
6 the Companies' customers and the local and State economies. Simply put, the Economic
7 Stability Program will provide at least three types of benefits. First, it will provide
8 stability for all of the Companies' customers by conveying over \$2 billion in potential
9 credits over the term of the Program. This will offset the market-based retail prices that
10 are projected to increase through this period and thus will stabilize retail electric rates for
11 all customers.

12 Second, the Economic Stability Program will provide stability by promoting reliable
13 retail electric service. By continuing the operation of the plants involved, the Economic
14 Stability Program will ensure diversity of generation fuel supply and plant type. Such
15 diversity is necessary to make sure there is sufficient power when the availability of
16 certain types of fuel (i.e., natural gas) is limited – thus possibly limiting the availability of
17 power from such limited fuel-fired facilities.

18 Third, the Economic Stability Program will significantly contribute to the economic
19 vitality of Ohio. As Company witness Murley shows, the plants involved in the
20 Economic Stability Program produce over \$1 billion in benefits to Ohio's economy
21 annually. These plants represent a key part of the economies in the areas in which they
22 operate. The Economic Stability Program thus represents a prudent and feasible measure

1 to promote stable, affordable and reliable retail electric service while powering Ohio's
2 progress towards a better economy.

3 **Q. PLEASE BRIEFLY SUMMARIZE YOUR CONCLUSIONS.**

4 A. The Economic Stability Program of the Powering Ohio's Progress plan is designed to
5 mitigate the impact on customers of long-term volatility in retail electric service prices as
6 well as forecasted increases in those prices. As Company witness Rose explains, power
7 prices have been, and are expected to be, significantly volatile. Power price increases
8 also are forecast over the long term. In addition, the stability and security of the
9 Companies' delivery system is threatened by the retirement of baseload generation plants
10 and a resulting mix of generation assets that is increasingly dominated by generation that
11 lacks the capability to run continuously, particularly when the grid is stressed. This is
12 detailed in the testimony of Company witnesses Moul and Harden.

13 The Companies request that the Commission approve Rider RRS as a nonbypassable
14 rider to implement the Economic Stability Program. This retail rate stabilization
15 mechanism will help provide price stability to all customers when market prices rise. As
16 I explain below, implementing the Economic Stability Program, including Rider RRS,
17 will: (1) promote certainty and stability regarding the long term pricing of retail electric
18 service; (2) save customers money over the long run; (3) have no impact on customer
19 choice; (4) enhance baseload generation stability and security and preserve the
20 Companies' delivery system, and (5) promote economic development and job retention in
21 Ohio.

1 **THE ECONOMIC STABILITY PROGRAM AND RIDER RRS**

2 **Q. WHY ARE THE COMPANIES PROPOSING THE ECONOMIC STABILITY**
3 **PROGRAM?**

4 A. The Economic Stability Program seeks to promote retail electric stability, certainty and
5 security for all their customers. As other Company witnesses explain in detail, forecasts
6 show increases and volatility in market prices over the long term. Also, the retirement of
7 nuclear and coal baseload generation plants has resulted in a mix of generation assets that
8 is increasingly dominated by natural gas generation. A mix of generation assets lacking
9 in essential nuclear and coal baseload generation threatens the stability and security of the
10 Companies' delivery system. The Companies' customers – from residential customers to
11 the large industrial customers on whom Ohio's economy depends – need a system that is
12 reliable. Retirements of baseload plants also inflict significant harm directly and
13 indirectly on the local, regional and State economies. The Economic Stability Program
14 would help protect retail customers and the State against these harms.

15 **Q. WHAT IS THE PROPOSED RIDER RRS?**

16 A. Rider RRS is the proposed rate mechanism that will flow through credits or charges to
17 retail customers arising from the implementation of the Economic Stability Program.
18 Rider RRS, as proposed, will provide a mitigation mechanism for price increases and
19 volatility that retail consumers are expected to experience over the next fifteen years.
20 The Economic Stability Program will operate as a retail rate stabilization mechanism to
21 provide price protection to customers from longer-term market trends. The retail rate
22 stabilization mechanism will be backed by the Companies' purchase of all energy,
23 capacity, and ancillaries from certain generating plants. The Companies will purchase

1 the plants' output at cost plus a return on capital, and will sell the plants' output into the
2 markets operated by PJM Interconnection LLC ("PJM"). The Companies will net the
3 revenues received from the PJM markets against the costs paid to the generator, and
4 credit or charge the difference to all customers on a nonbypassable basis under Rider
5 RRS. The operation of the Economic Stability Program is illustrated in Attachment SES-
6 1 to my testimony. Also, the design of Rider RRS is described in more detail in the
7 testimony of Company witness Savage.

8 **Q. HOW LONG WILL RIDER RRS BE IN EFFECT?**

9 A. The Companies propose that Rider RRS commence on June 1, 2016, and continue
10 through May 31, 2031, with final reconciliation thereafter.

11 **Q. HAVE THE COMPANIES IDENTIFIED THE POTENTIAL SOURCES OF**
12 **GENERATION TO SUPPORT THE RIDER?**

13 A. Yes. The Companies propose to purchase the output of two generating plants operated
14 by FirstEnergy Solutions Corp. ("FES") – Davis-Besse Nuclear Power Station ("Davis-
15 Besse") in Oak Harbor, Ohio and W.H. Sammis Plant ("Sammis") in Stratton, Ohio
16 (collectively, the "Plants") – as well as FES's entitlement to the output of two generating
17 units owned and operated by Ohio Valley Electric Corporation ("OVEC"). If the
18 Commission approves Rider RRS as proposed, the Companies would enter into an
19 agreement with FES to acquire the output of the Plants and the OVEC entitlement. These
20 are baseload generating plants, and their output would help ensure the preservation of
21 generation resource diversity in the Companies' service territories. These and other
22 benefits are discussed further in the testimony of Company witnesses Harden and Moul.

1 **Q. IS RIDER RRS NONBYPASSABLE?**

2 A. Yes. Because all customers will receive the benefits of the Economic Stability Program,
3 including Rider RRS, equally, it is appropriate as a matter of policy that all customers
4 bear the costs. The Economic Stability Program, including Rider RRS, will provide a
5 retail rate stabilization mechanism and support price stability and mitigation of market
6 price volatility for all customers. All customers – whether shopping or non-shopping –
7 benefit from the increased certainty and stability associated with stable retail electric
8 service and from the economic support provided to the State’s economy.

9 In addition, Rider RRS must be nonbypassable for it to work properly and to be
10 competitively neutral – thereby avoiding any impact on the competitive retail market – by
11 providing shopping customers with the same benefits and costs as non-shopping
12 customers. Also, as explained by Company witness Ruberto, the Economic Stability
13 Program will result in a significant net benefit to customers. Customers should not be
14 forced to choose between this benefit and the benefit of shopping with a Competitive
15 Retail Electric Service (“CRES”) provider.

16 **Q. WILL THE ECONOMIC STABILITY PROGRAM HAVE ANY IMPACT ON**
17 **CUSTOMER CHOICE?**

18 A. No. The Economic Stability Program, including Rider RRS, will have no adverse impact
19 on customer choice. As a nonbypassable charge, Rider RRS is competitively neutral, i.e.,
20 it benefits shopping and non-shopping customers equally, and will have no bearing on a
21 customer’s decision of whether to choose a third-party supplier. If shopping customers
22 decide to switch because they think they can save, that same savings is available to the
23 customers regardless of the existence of the Economic Stability Program. Customers will

benefit regardless of whether or not they choose to shop. Therefore, the Economic Stability Program will have no adverse impact on shopping.

Q. WHAT ARE THE COSTS TO BE INCLUDED IN THE RIDER RRS CALCULATION?

A. For the OVEC output, the Companies would pay the actual cost of the 4.85% entitlement in OVEC held by FirstEnergy Generation, LLC, an FES subsidiary. For the output of the Plants, the Companies would pay all the costs of operating the plants, including fuel costs, operations and maintenance (“O&M”) costs, depreciation and taxes, plus a reasonable return on capital. These costs are described in the testimony of Company witness Lisowski, and the appropriate level of return is discussed in the testimony of Company witness Staub.

THE ECONOMIC STABILITY PROGRAM WILL PROMOTE CERTAINTY REGARDING RETAIL ELECTRIC SERVICE.

Q. WILL THE ECONOMIC STABILITY PROGRAM PROMOTE STABILITY AND CERTAINTY?

A. Yes. The Economic Stability Program, which includes Rider RRS, will promote stability and certainty in several ways: (1) by providing a valuable retail rate stabilization mechanism against a market increasingly supplied by interruptible gas generation; (2) by keeping baseload generating plants open in the face of extensive planned retirements in the near future; (3) by promoting sufficient generation resource diversity; (4) by providing a cost-based retail rate stabilization mechanism against the larger fluctuations and forecasted increases in the retail market; and (5) by providing a retail rate stabilization mechanism for the benefit of customers.

1 **Q. HOW DOES THE ECONOMIC STABILITY PROGRAM PROMOTE**
2 **STABILITY AND CERTAINTY BY PROVIDING A VALUABLE RETAIL RATE**
3 **STABILIZATION MECHANISM AGAINST A MARKET INCREASINGLY**
4 **SUPPLIED BY INTERRUPTIBLE GAS GENERATION?**

5 A. The PJM market is increasingly dominated by generation that is fueled by interruptible
6 gas supplies. The current prevalence of relatively inexpensive natural gas and the
7 influence of the cost of interruptible gas generation on marginal energy prices in today's
8 markets have caused this imbalance in the generation supply asset mix. In this
9 increasingly gas-focused market, there is a definite value to baseload generation like the
10 Plants and OVEC. Interruptible gas generation is not intended or designed to replace
11 baseload coal and nuclear generation. Gas generation of this type is not adequate to
12 handle the total load or to provide continuous service for prolonged periods, as well as
13 services necessary to support the reliability of the grid. Accordingly, there are significant
14 benefits to keeping baseload plants operational.

15 The recent Polar Vortex provides one example of the benefits of baseload assets like the
16 Plants and OVEC. During this unprecedented cold spell, many interruptible gas
17 generation assets were unable to operate due to: (1) inconsistencies in scheduling
18 protocols between the natural gas and electricity industries; (2) a lack of pipeline
19 infrastructure to support increasing demand for gas; and (3) priority questions between
20 gas used for heating and gas used to create electricity. As shown during this dramatic
21 cold spell, there was and is a benefit to customers in keeping baseload generation
22 operating. Gas (and renewable) generation resources do not have the same operational
23 and reliability benefits as essential generation. Coal and nuclear plants have on-site fuel

1 capability to support continuous operation for extended periods and do not have the same
2 operational risk as gas plants, thus providing stability and certainty to customers.

3 **Q. HOW DOES THE ECONOMIC STABILITY PROGRAM PROMOTE**
4 **STABILITY AND CERTAINTY BY KEEPING THE PLANTS OPEN IN A TIME**
5 **OF MANY RETIREMENTS?**

6 A. As discussed in the testimony of Company witnesses Moul and Harden, during the Polar
7 Vortex the generation system was strained to the limit of its capacity as a result of
8 overreliance on underperforming supply. Without assets like the Plants and OVEC, there
9 is an even greater threat of not meeting this high demand, potentially leading to severe
10 service disruptions. By preserving these valuable baseload generation assets, the
11 Economic Stability Program will promote stability and security in retail electric service in
12 the Companies' service territories.

13 During the Polar Vortex, we were very concerned about the impact on our customers.
14 We were concerned we might find ourselves load shedding. Load shedding – commonly
15 called “rolling black outs” – removes from service whole circuits at a time, shutting down
16 electricity for all customers served off of that circuit. While service interruptions are
17 never desirable, causing interruptions to retail customers during the extreme cold
18 temperatures could have serious consequences. Moreover, when the “cold” load is
19 brought back up for an entire circuit, there is a higher likelihood of equipment and line
20 failures which can also result in damage to sensitive customer equipment. To avoid what
21 we anticipated could be load shedding on a circuit-by-circuit basis in 30-minute
22 increments for 142,000 customers, members of my team and I personally called industrial
23 customers requesting that they voluntarily reduce their load or shut down. In January,

1 our interruptible (ELR) customers experienced a mandatory curtailment and multiple
2 voluntary curtailments.

3 The Companies' delivery system is adversely affected by this type of situation. I remain
4 concerned about the strain on our distribution system caused by baseload plant
5 retirements, and believe that the Polar Vortex event in January will not be the last
6 instance in which overreliance on underperforming supply creates an emergency. The
7 events of January should be viewed as signaling a shift toward more instability and
8 uncertainty. In contrast, maintaining the Plants as baseload plants will promote certainty
9 and stability.

10 **Q. HOW DOES THE ECONOMIC STABILITY PROGRAM PROMOTE**
11 **STABILITY AND CERTAINTY BY PROVIDING A COST-BASED RETAIL**
12 **RATE STABILIZATION MECHANISM?**

13 A. The Companies have been using a competitive procurement process of SSO load for
14 years. In addition, customers have the ability to shop with the CRES provider of their
15 choice. While the availability of all of these sources of competition provides choices for
16 customers, they nevertheless expose retail customers to long-term risk if wholesale
17 market prices rise. The Economic Stability Program provides a valuable cost-based retail
18 rate stabilization mechanism to protect against that risk and provides a level of security to
19 retail customers without interfering with the current retail market design.

20 Rider RRS would have a smoothing effect of imposing a modest cost when customers are
21 enjoying low market prices and providing a credit when customers face higher market
22 prices. Because rate volatility and retail price increases are significant issues for
23 customers, this is a substantial benefit of Rider RRS.

1 By tempering future rate increases and volatility, Rider RRS will promote economic
2 development. Price stability is an important consideration in site location analysis. When
3 major companies consider locating or staying in Ohio, or existing companies consider
4 expansion, they are making long term, multi-million dollar investments, and require
5 pricing stability in their budget projections. The greater the degree of certainty about
6 energy costs that we can provide these companies, the greater our odds of landing new
7 capital investment and employment in the State of Ohio.

8 **Q. CAN RATE VOLATILITY BE MITIGATED THROUGH STAGGERED AND**
9 **LADDERED AUCTIONS?**

10 A. Only in part, because this mitigation applies only during the term of an electric security
11 plan. The staggering and laddering in the Companies' SSO competitive procurements is
12 designed to benefit SSO customers by smoothing the impact of short-term price volatility
13 over the period of an ESP. Staggering and laddering SSO competitive procurements,
14 however, does not and cannot mitigate fundamental changes in market prices over the
15 long term and should not be considered a means to address long-term volatility and price
16 increases. Moreover, SSO procurements provide supply only for SSO customers; they do
17 not necessarily address shopping customers' need for stability. These competitive
18 procurements also cover much shorter term periods than the period for which this
19 program is proposed.

1 **Q. DOES THE ECONOMIC STABILITY PROGRAM, INCLUDING RIDER RRS,**
2 **ALSO SERVE OTHER FUNCTIONS BEYOND THE SHORT-TERM**
3 **MITIGATION PROVIDED BY STAGGERED AND LADDERED AUCTIONS?**

4 A. Yes. The Economic Stability Program and Rider RRS serve a different, more effective
5 function than staggering and laddering, by moving counter to market prices. As market
6 prices increase and the revenues derived from the retail rate stabilization mechanism
7 exceed the associated costs to the Companies, customers will receive a credit against
8 those increasing market prices, thereby mitigating the impact of the increase in market
9 prices on both shopping and SSO customers. This type of market price mitigation cannot
10 be achieved by a staggered SSO auction schedule. To provide an example, Company
11 witness Ruberto projects that market revenues in 2029 will exceed the cost paid for the
12 output of the Plants and OVEC by \$351 million. A typical residential customer will get a
13 \$4.97 credit each month, or approximately \$60 for the year, to offset the increasing cost
14 of retail generation. This is equal to about a 6% reduction in wholesale prices for 2029.
15 This credit will help to stabilize retail prices in the bills of all customers. This mitigation
16 of long-term price increases would operate independently of the staggering and laddering
17 included in SSO auctions. The retail rate stabilization mechanism that the Economic
18 Stability Program provides benefits all customers and is independent of the procurement
19 for SSO customers. Thus, Rider RRS would provide an independent benefit to all
20 customers, both shopping and non-shopping, without affecting competitive outcomes.

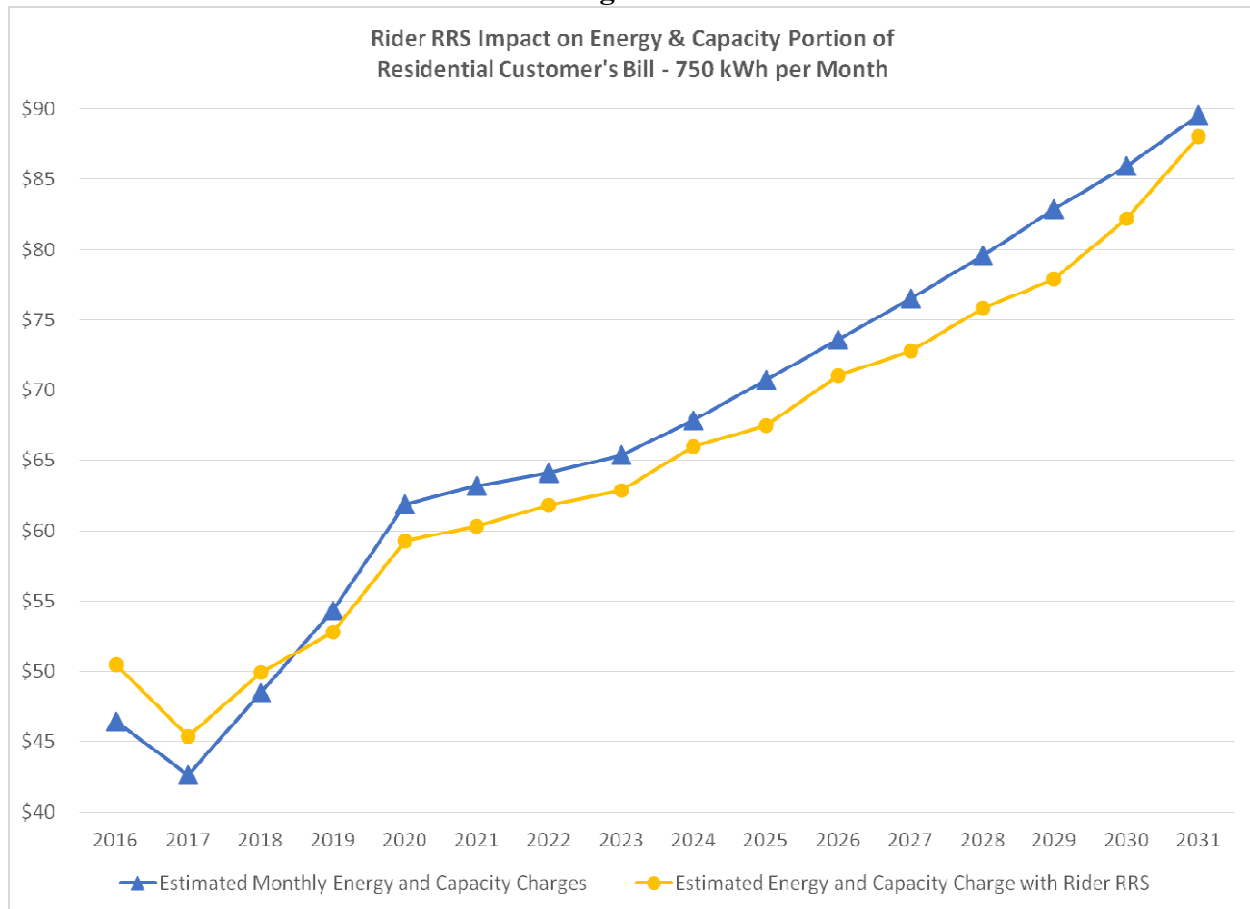
1 **Q. ARE CRES PROVIDERS OFFERING EQUIVALENT LONG-TERM RATE**
2 **MITIGATION MECHANISMS TO RESIDENTIAL CUSTOMERS?**

3 A. No. CRES providers are not currently offering long-term contracts to residential
4 customers in the Companies' service territories that would serve a mitigation function
5 equivalent to the Economic Stability Program. For example, the Commission's Apples-
6 to-Apples website shows thirty-eight offers in the Toledo Edison service area with terms
7 between zero and thirty-six months. A large majority of offers are for terms of twelve
8 months or less. No offers are for longer than thirty-six months. Residential customers
9 who are shopping for retail electric service must sign new service contracts on a regular
10 basis. Thus, even if customers sign fixed-price contracts, they face volatility each time
11 they move from one contract to another.

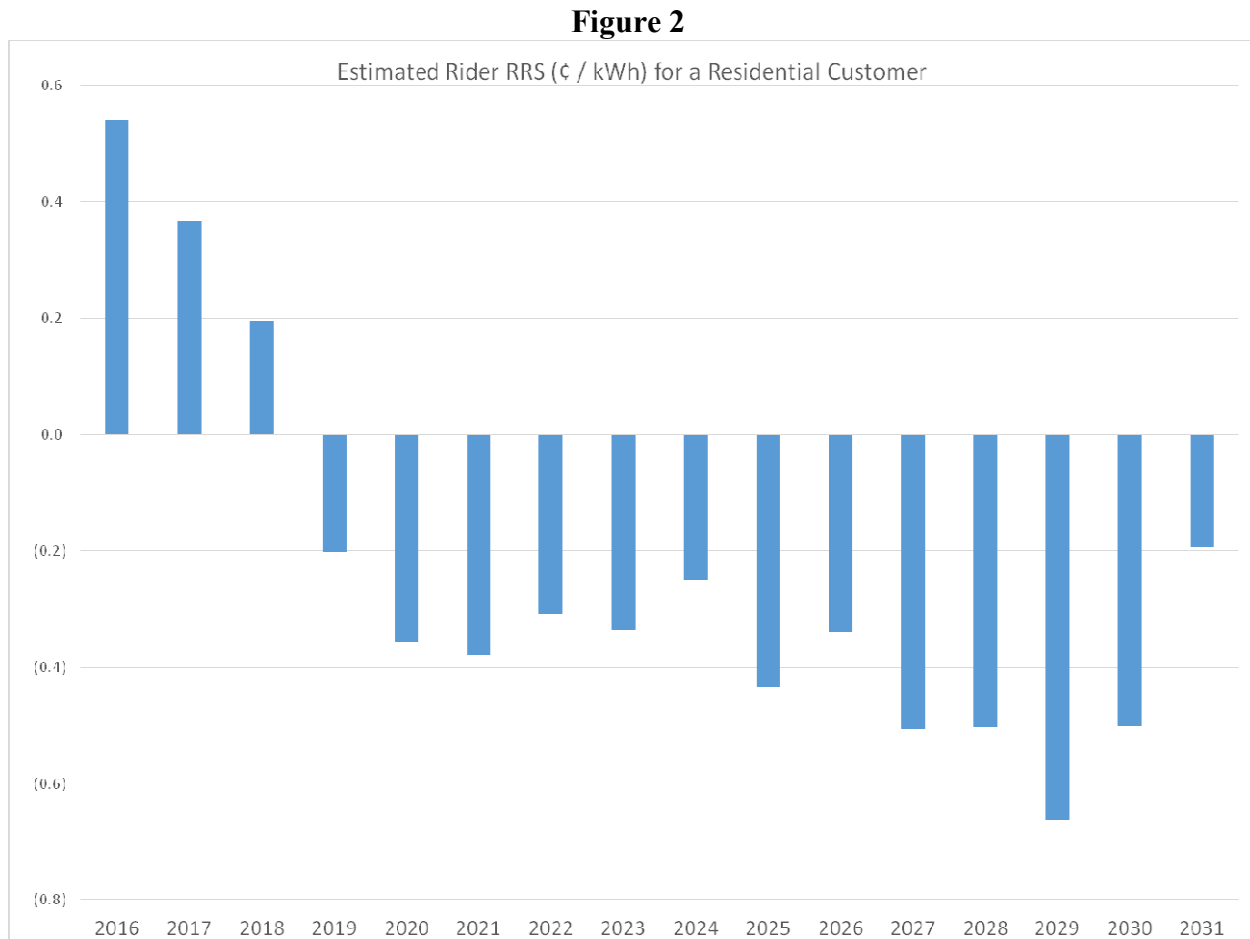
12 **Q. HOW IS THIS LONG-TERM RATE MITIGATION PROJECTED TO WORK**
13 **FOR THE TYPICAL RESIDENTIAL CUSTOMER?**

14 A. The two charts below show the projected impact of the retail rate stabilization mechanism
15 on a typical residential customer using 750 kWh per month. Figure 1 below shows the
16 impact on the energy and capacity portion of the residential customer's bill for the period
17 2016 through 2031. For most of this period, the credit received from Rider RRS will
18 reduce the customer's monthly bill.

Figure 1



1 Figure 2 below shows the equivalent impact on this typical residential customer in cents per
2 kilowatt hour.



3 **Q. ARE YOU FAMILIAR WITH OTHER STATES WITH RESTRUCTURED**
4 **MARKETS THAT HAVE APPROVED LONG-TERM CONTRACTS?**

5 A. Yes. Utilities in several states that have restructured their retail electricity markets have
6 entered into long-term contracts on behalf of all customers, independently from their SSO
7 process. Connecticut has used a long-term capacity contract to mitigate long-term price
8 risks for all customers.¹ The New York State Public Service Commission recently

¹ DPUC Investigation of Measures to Reduce Federally Mandated Congestion Charges (Long Term Measures), Docket No. 05-07-14PH02.

1 approved a contract to support repowering of NRG's Dunkirk generating station.²

2 Although not yet approved, Constellation currently is seeking approval from the New
3 York Public Service Commission for a reliability support services agreement for
4 Constellation's R.E. Ginna nuclear plant.³

5 **THE ECONOMIC STABILITY PROGRAM WILL BE A NET BENEFIT TO**
6 **CUSTOMERS AND TO OHIO'S ECONOMY.**

7 **Q. WHAT IS THE PROJECTED DIRECT FINANCIAL IMPACT OF THE**
8 **ECONOMIC STABILITY PROGRAM AND RIDER RRS ON CUSTOMERS?**

9 A. The direct financial impact of the Economic Stability Program and Rider RRS on
10 customers overall is shown by Company witness Ruberto, whose testimony explains that
11 over the term of the Economic Stability Program, its estimated revenues will exceed
12 estimated costs by more than \$2 billion on a nominal basis, with an expected net present
13 value to customers of \$800 million.

14 **Q. PLEASE DESCRIBE THE BENEFIT OF INCLUDING THESE SPECIFIC**
15 **PLANTS IN THE ECONOMIC STABILITY PROGRAM.**

16 A. There are tremendous economic benefits to ensuring that these specific Ohio plants stay
17 open and that the local communities in which these facilities operate continue to enjoy
18 the jobs and tax revenue associated with these plants, as explained by Company witness
19 Murley. Also, potentially significant costs are avoided by keeping these specific plants
20 open. For instance, the testimony of Company witness Cunningham details the additional

² Proceeding on Motion of the Commission to Examine Repowering Alternatives to Utility Transmission Reinforcements, NYPSC Case No. 12-E-0577, Order Addressing Repowering Issues And Cost Allocation And Recovery (June 13, 2014).

³ Petition for Initiation of Proceeding to Examine Proposal for Continued Operation of R.E. Ginna Nuclear Power Plant, NY PSC Case No. 14-E-0270 (filed July 11, 2014).

1 costs that would be charged to the Companies, and passed along to customers, in order to
2 build the additional transmission lines that would be needed to maintain reliability in the
3 event of closure of Davis-Besse and Sammis.

4 **Q. WOULD THE ECONOMIC STABILITY PROGRAM, INCLUDING RIDER RRS,**
5 **ASSIST IN ECONOMIC DEVELOPMENT AND JOB RETENTION?**

6 A. Yes. The Economic Stability Program, including Rider RRS, also will support economic
7 development and job retention in Ohio. The Companies have a strong interest in the
8 vitality of their service territories, and have a long history of supporting economic
9 development in Ohio. We work closely with JobsOhio, the Ohio Development Services
10 Agency, and our regional and local economic development agencies to help attract and
11 retain capital investment in the State. I serve as Vice Chair of the Greater Akron
12 Chamber's Economic Development Committee. We speak regularly with economic
13 development prospects looking to build new facilities, maintain existing operations, or
14 expand and grow current operations.

15 If the Plants close, the local, regional and State economies will suffer. Each plant is a
16 large employer, taxpayer and purchaser in the area in which it operates. The Plants
17 generate tremendous regional economic benefits. The significant economic development
18 and job retention impact tied to the Plants themselves is discussed by Company witness
19 Murley. In addition, as described by Company witness Murley, Davis-Besse annually
20 supports an additional 1,200 jobs and \$48.3 million in payroll at other businesses
21 throughout the state, and Sammis creates an annual economic impact of \$585.6 million
22 on the regional economy each year. If the Plants close, many jobs, tax benefits and
23 support for other local businesses will be lost.

1 Employees who lose their jobs and leave the territory following retirement of a plant will
2 no longer spend money in support of regional businesses. Thus, the Economic Stability
3 Program provides a unique and timely opportunity to support economic development and
4 job retention in Ohio. We should embrace this opportunity.

5 **CONCLUSION**

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes. I reserve the right to supplement my testimony.

POWERING OHIO'S PROGRESS

Economic Stability Program

1 Plants Serving Ohio Customers



Davis-Besse
908 MW
740 Employees



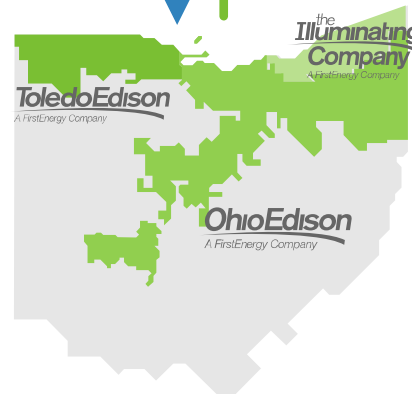
WH Sammis
2,220 MW
396 Employees



OVEC
116 MW
467 Ohio Employees

Capacity, Energy and
Ancillary Services

Cost-Based
Payments



2
Sell Capacity, Energy and
Ancillary Services into the
Wholesale Market



3
Wholesale
Market Revenues

- 1**
 - FE's Ohio utilities enter into a 15-year purchased power contract with FirstEnergy Solutions
 - Purchase power from Davis-Besse, Sammis and a portion of OVEC
 - Utilities pay FirstEnergy Solutions a cost-based rate for power
- 2**
 - Utilities sell power into wholesale market

- 3**
 - When wholesale market revenues exceed cost, customers receive a credit
 - When wholesale market revenues are less than cost, customers pay a charge
 - Cost-based arrangement protects all customers from retail price volatility and rising retail market prices

- Customers projected to save \$2 billion over 15 years

Note:

- Non-shopping customers continue to receive generation from competitive auction process
- All customers retain option to shop for a competitive retail electric supplier

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

8/4/2014 4:13:17 PM

in

Case No(s). 14-1297-EL-SSO

Summary: Testimony (Direct) of Steven E. Strah electronically filed by Ms. Tamera J Singleton on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company