

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 for a Standard Service Offer )  
Pursuant to R.C. 4928.143 in the Form of )  
an Electric Security Plan. )

Case No. 14-1297-EL-SSO

---

**SUPPLEMENTAL TESTIMONY OF**

**KEVIN C. HIGGINS**

**On behalf of The Kroger Co.**

---

**FEBRUARY 5, 2015**

1                   **SUPPLEMENTAL TESTIMONY OF KEVIN C. HIGGINS**

2    **Introduction**

3    **Q.     Please state your name and business address.**

4    A.           Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,  
5               84111.

6    **Q.     By whom are you employed and in what capacity?**

7    A.           I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies  
8               is a private consulting firm specializing in economic and policy analysis  
9               applicable to energy production, transportation, and consumption.

10   **Q.     Are you the same Kevin C. Higgins who previously filed direct testimony in**  
11       **this proceeding on behalf of The Kroger Co. (“Kroger”)?**

12   A.           Yes, I am.

13   **Q.     What is the purpose of your supplemental testimony?**

14   A.           My supplemental testimony addresses the Stipulation and  
15               Recommendation filed December 22, 2014 (“Stipulation”). Kroger is not a  
16               signatory party to the Stipulation.

17   **Q.     Please summarize your supplemental testimony.**

18   A.           The Stipulation does not substantively change the fundamental features of  
19               the Companies’ direct filing, and does not cause me to modify my primary  
20               recommendation to reject Rider RRS and Rider GDR, as presented in my Direct  
21               Testimony. Nor does the Stipulation cause me to change my recommendation  
22               that, if a version of Rider RRS is adopted, it should be restructured to better  
23               compensate customers for the critical funding they would be providing to

1 FirstEnergy Solutions (“FES”) as well as for the risks customers would be  
2 assuming by stepping into FES’s shoes as the party exposed to the performance of  
3 the FES-owned plants relative to the market. The Stipulation does, however,  
4 propose to change the rate design of Rider RRS in a manner that is consistent with  
5 the recommendation in my Direct Testimony, if Rider RRS is adopted.

6 **Response to the Stipulation**

7 **Q. Have you reviewed the Stipulation, Supplemental Testimony of Eileen M.**  
8 **Mikkelsen, and the Companies’ Amendments to Testimony to Reflect the**  
9 **Stipulation?**

10 A. Yes, I have.

11 **Q. Does the Stipulation fundamentally alter the Companies’ direct ESP IV filing**  
12 **and Rider RRS proposal?**

13 A. No, it does not. With the exception of specific mechanisms to mitigate the  
14 impact on parties who have signed the Stipulation, such as continuation of the  
15 Economic Load Response Program Rider and the Economic Development Rider –  
16 Automaker Credit Provision, the fundamental features of the Companies’ direct  
17 filing remain largely unmodified.

18 **Q. Does the Stipulation cause you to modify your primary recommendation**  
19 **regarding Rider RRS?**

20 A. No. My primary recommendation is that Rider RRS be rejected by the  
21 Commission. The Stipulation adopts Rider RRS, with a rate design modification.  
22 I continue to recommend rejection of this provision in the Stipulation just as I  
23 have in my response to FirstEnergy’s initial filing.

1 **Q. Does the Stipulation address your secondary recommendations concerning**  
2 **Rider RRS?**

3 A. In part. In my Direct Testimony I offer two secondary recommendations  
4 in the event that a version of Rider RRS is approved by the Commission.

5 First, if the Commission approves some form of Rider RRS, I recommend  
6 that it should be restructured to better compensate customers for the critical  
7 funding they would be providing to FES as well as for the risks customers would  
8 be assuming by stepping into FES's shoes as the party exposed to the  
9 performance of the FES-owned plants relative to the market. The Stipulation  
10 does nothing to address this need for a more equitable balancing of interests if  
11 Rider RRS is adopted.

12 Second, if some form of Rider RRS is adopted, I recommend that it be  
13 designed as a demand charge (or credit) for demand-billed customers. The  
14 Stipulation does address this issue, as it specifies that Rider RRS be based on  
15 billing demand for the demand-billed rate schedules.<sup>1</sup> While this rate design  
16 approach is more appropriate than the kilowatt hour charge (or credit) originally  
17 proposed by the Company, my primary recommendation that Rider RRS be  
18 rejected remains unchanged, as does my secondary recommendation that if Rider  
19 RRS is adopted, the terms should be restructured to be more equitable to  
20 customers.

---

<sup>1</sup> Section V. Terms and Conditions A.1.(iv)., at p. 10.

1 **Q. Have you reviewed the Commission’s February 25, 2015 Opinion and Order**  
2 **in AEP-Ohio’s ESP 3 proceeding<sup>2</sup> on the subject of AEP Ohio’s proposed**  
3 **Power Purchase Agreement (“PPA”) Rider?**

4 A. Yes, I have.

5 **Q. Does the Commission’s order on AEP Ohio’s PPA Rider cause you to modify**  
6 **your position on FirstEnergy’s proposed Rider RRS?**

7 A. No, it does not. Based on the evidence of record in AEP Ohio’s ESP 3  
8 proceedings, the Commission was not persuaded “...that AEP Ohio's PPA rider  
9 proposal would provide customers with sufficient benefit from the rider's  
10 financial hedging mechanism or any other benefit that is commensurate with the  
11 rider's potential cost.”<sup>3</sup> While the Commission approved a \$0 placeholder PPA  
12 Rider for AEP Ohio, the Commission expressly did not approve the recovery of  
13 any costs, including OVEC costs, through the PPA Rider at this time.<sup>4</sup>

14 I continue to recommend that the Commission reject FirstEnergy’s Rider  
15 RRS proposal, noting that FirstEnergy’s proposal is projected to lose money for  
16 customers each year through 2018 – largely covering the entire span of the  
17 proposed ESP IV term. Furthermore, although the arrangement is projected by  
18 FirstEnergy to produce annual benefits to customers starting in 2019, the  
19 *cumulative* net benefit does not turn positive in nominal terms until 2021, after  
20 taking into account the cumulative costs to customers racked up during the initial  
21 years of the proposed arrangement. FE’s RRS proposal is simply not a good deal  
22 for customers.

---

<sup>2</sup> Case Nos. 13-2385-EL-SSO and 13-2386-EL-AAM.

<sup>3</sup> February 25, 2015 Opinion and Order at p. 25.

<sup>4</sup> Id., at pp. 25-26.

1                   Moreover, if some form of Rider RRS is approved by the Commission, I  
2                   continue to recommend that customers should be compensated for the cash  
3                   infusion and assumption of financial risk that customers would be providing for  
4                   FES, as detailed in my Direct Testimony.

5   **Q.     Does the Stipulation fundamentally alter the Companies' Rider GDR**  
6   **proposal as laid out in its ESP IV filing?**

7   A.           No, it does not.

8   **Q.     Does the Stipulation cause you to modify your recommendation to reject**  
9   **Rider GDR?**

10 A.           No.

11 **Q.     Does this conclude your supplemental testimony?**

12 A.           Yes, it does.

## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing *Supplemental Testimony of Kevin Higgins* was served this 2nd day of March, 2015 upon the following via electronic mail.

James W. Burk Carrie M. Dunn FirstEnergy Service Company 76 S. Main Street Akron, OH 44308 <a href="mailto:Burkj@firstenergycorp.com">Burkj@firstenergycorp.com</a> <a href="mailto:cdunn@firstenergycorp.com">cdunn@firstenergycorp.com</a>	James F. Lang N. Trevor Alexander Calfee, Halter & Griswold LLP 1405 E. Sixth Street Cleveland, OH 44114 <a href="mailto:jlang@calfee.com">jlang@calfee.com</a> <a href="mailto:talexander@calfee.com">talexander@calfee.com</a>
David A. Kutik Jones Day 901 Lakeside Avenue Cleveland, OH 44114 <a href="mailto:dakutik@jonesday.com">dakutik@jonesday.com</a>	Joseph M. Clark Direct Energy 21 E. State Street, 19 <sup>th</sup> Floor Columbus, OH 43215 <a href="mailto:joseph.clark@directenergy.com">joseph.clark@directenergy.com</a>
Samuel C. Randazzo Frank P. Darr Matthew R. Pritchard Scott Elisar McNees Wallace & Nurick LLC 21 E. State Street, 17 <sup>th</sup> Floor Columbus, OH 43215 <a href="mailto:sam@mwncmh.com">sam@mwncmh.com</a> <a href="mailto:fdarr@mwncmh.com">fdarr@mwncmh.com</a> <a href="mailto:mpritchard@mwncmh.com">mpritchard@mwncmh.com</a> <a href="mailto:selisar@mwncmh.com">selisar@mwncmh.com</a>	Kimberly W. Bojko Jonathon A. Allison Rebecca Hussey Joel E. Sechler Carpenter Lips & Leland 280 N. High Street, Suite 1300 Columbus, OH 43215 <a href="mailto:bojko@carpenterlipps.com">bojko@carpenterlipps.com</a> <a href="mailto:allison@carpenterlipps.com">allison@carpenterlipps.com</a> <a href="mailto:hussy@carpenterlipps.com">hussy@carpenterlipps.com</a> <a href="mailto:sechler@carpenterlipps.com">sechler@carpenterlipps.com</a>
Colleen L. Mooney David C. Rinebolt Ohio Partners for Affordable Energy 231 W. Lima Street Findlay, OH 45839 <a href="mailto:cmooney@ohiopartners.org">cmooney@ohiopartners.org</a> <a href="mailto:drinebolt@ohiopartners.org">drinebolt@ohiopartners.org</a>	Larry S. Sauer Kevin F. Moore Office of the Ohio Consumers' Counsel 10 W. Broad Street, Suite 1800 Columbus, OH 43215 <a href="mailto:larry.sauer@occ.ohio.gov">larry.sauer@occ.ohio.gov</a> <a href="mailto:kevin.moore@occ.ohio.gov">kevin.moore@occ.ohio.gov</a>

M. Howard Petricoff Michael J. Settineri Gretchen L. Petrucci Vorys, Sater, Seymour and Pease LLP 52 E. Gay Street Columbus, OH 43215 <a href="mailto:mhpetricoff@vorys.com">mhpetricoff@vorys.com</a> <a href="mailto:mjsettineri@vorys.com">mjsettineri@vorys.com</a> <a href="mailto:glpetrucci@vorys.com">glpetrucci@vorys.com</a>	Michael L. Kurtz Kurt J. Boehm Jody Kyler Cohn Boehm Kurtz & Lowry 36 E. Seventh Street, Suite 1510 Cincinnati OH 45202 <a href="mailto:mkurtz@bkllawfirm.com">mkurtz@bkllawfirm.com</a> <a href="mailto:kboehm@bkllawfirm.com">kboehm@bkllawfirm.com</a> <a href="mailto:jkylercohn@bkllawfirm.com">jkylercohn@bkllawfirm.com</a>
Barth E. Royer Bell & Royer Co., LPA 33 S. Grant Avenue Columbus, OH 43215 <a href="mailto:barthroyer@aol.com">barthroyer@aol.com</a>	Joseph Olikier IGS Energy 6100 Emerald Parkway Dublin, OH 43016 <a href="mailto:joliker@igsenergy.com">joliker@igsenergy.com</a>
Kevin R. Schmidt Energy Professionals of Ohio 88 E. Broad Street, Suite 1770 Columbus, OH 43215 <a href="mailto:schmidt@sppgrp.com">schmidt@sppgrp.com</a>	Richard L. Sites Ohio Hospital Association 155 E. Broad Street, 15 <sup>th</sup> Floor Columbus, OH 43215 <a href="mailto:ricks@ohanet.org">ricks@ohanet.org</a>
Thomas J. O'Brien Dane Stinson Dylan Borchers Bricker & Eckler LLP 100 S. Third Street Columbus, OH 43215 <a href="mailto:tobrien@bricker.com">tobrien@bricker.com</a> <a href="mailto:dstinson@bricker.com">dstinson@bricker.com</a> <a href="mailto:dborchers@bricker.com">dborchers@bricker.com</a>	Steven T. Nourse Matthew J. Satterwhite Yazen Alami American Electric Power Corporation 1 Riverside Plaza, 29 <sup>th</sup> Floor Columbus, OH 43215 <a href="mailto:stnourse@aep.com">stnourse@aep.com</a> <a href="mailto:mjsatterwhite@aep.com">mjsatterwhite@aep.com</a> <a href="mailto:yalami@aep.com">yalami@aep.com</a>
F. Mitchell Dutton 700 Universe Boulevard CTR/JB North Palm Beach, FL 33408 <a href="mailto:mitch.dutton@fpl.com">mitch.dutton@fpl.com</a>	Craig I. Smith 15700 Van Aken Boulevard, Suite 26 Shaker Heights, OH 44120 <a href="mailto:wttpmlc@aol.com">wttpmlc@aol.com</a>



<p>Adrian Thompson Taft Stettinius &amp; Hollister LLP 200 Public Square, Suite 3500 Cleveland, OH 44114 <a href="mailto:athompson@taftlaw.com">athompson@taftlaw.com</a></p>	<p>Gerit F. Hull Eckert Seamans Cherin &amp; Mellott, LLC 1717 Pennsylvania Ave, N.W. 12<sup>th</sup> Floor Washington, D.C. 20006 <a href="mailto:ghull@eckertseamans.com">ghull@eckertseamans.com</a></p>
<p>Christopher L. Miller Gregory H. Dunn Jeremy M. Grayem Ice Miller LLP 250 West Street #700 Columbus, OH 43215 <a href="mailto:christopher.miller@icemiller.com">christopher.miller@icemiller.com</a> <a href="mailto:gregory.dunn@icemiller.com">gregory.dunn@icemiller.com</a> <a href="mailto:jeremy.grayem@icemiller.com">jeremy.grayem@icemiller.com</a></p>	<p>Barbara A. Langhenry Harold A. Madorsky Kate E. Ryan City of Cleveland City Hall, 601 Lakeside Ave., Room 106 Cleveland, OH 44114 <a href="mailto:blanghenry@city.cleveland.oh.us">blanghenry@city.cleveland.oh.us</a> <a href="mailto:hmadorsky@city.cleveland.oh.us">hmadorsky@city.cleveland.oh.us</a> <a href="mailto:kryan@city.cleveland.oh.us">kryan@city.cleveland.oh.us</a></p>
<p>Lisa M. Hawrot Spilman Thomas &amp; Battle, PLLC 1233 Main Street, Suite 4000 Wheeling, WV 26003 <a href="mailto:lhawrot@spilmanlaw.com">lhawrot@spilmanlaw.com</a></p>	<p>Derrick Price Williamson Spilman Thomas &amp; Battle, PLLC 1100 Bent Creek Boulevard, Suite 101 Mechanicsburg, PA 17050 <a href="mailto:dwilliamson@spilmanlaw.com">dwilliamson@spilmanlaw.com</a></p>
<p>Joseph P. Meissner Attorney Joseph Patrick Meissner &amp; Assoc. 5400 Detroit Avenue Cleveland, OH 44102 <a href="mailto:meissnerjoseph@yahoo.com">meissnerjoseph@yahoo.com</a></p>	<p>O. Judson Scheaf, III McDonald Hopkins LLC 240 N. Fifth Street, Suite 300 Columbus, OH 43215 <a href="mailto:jscheaf@mcdonaldhopkins.com">jscheaf@mcdonaldhopkins.com</a></p>
<p>Trent Dougherty 1207 Grandview Avenue, Suite 201 Columbus, OH 43212 <a href="mailto:tdougherty@theoec.org">tdougherty@theoec.org</a></p>	<p>John Finnigan 128 Winding Brook Lane Terrace Park, OH 45174 <a href="mailto:jfinnigan@edf.org">jfinnigan@edf.org</a></p>
<p>Thomas R. Hays 8355 Island Lane Maineville, OH 45039 <a href="mailto:trhayslaw@gmail.com">trhayslaw@gmail.com</a></p>	<p>Leslie Kovacik 420 Madison Avenue Toledo, OH 43604 <a href="mailto:lesliekovacik@toledo.oh.gov">lesliekovacik@toledo.oh.gov</a></p>

Marilyn L. Widman Widman & Franklin, LLC 405 Madison Avenue, Suite 1550 Toledo, OH 43604 <a href="mailto:marilyn@wflawfirm.com">marilyn@wflawfirm.com</a>	Matthew R. Cox Matthew Cox Law, Ltd. 88 E. Broad Street, Suite 1560 Columbus, OH 43215 <a href="mailto:matt@matthewcox.law.com">matt@matthewcox.law.com</a>
Madeline Fleisher Environmental Law & Policy Center 1207 Grandview Avenue, Suite 201 Columbus, OH 43212 <a href="mailto:mfleisher@elpc.org">mfleisher@elpc.org</a>	Gregory J. Poulos EnerNOC, Inc. 471 E. Broad Street, Suite 1520 Columbus, OH 43054 <a href="mailto:gpoulos@enernoc.com">gpoulos@enernoc.com</a>
David J. Folk Assistant Director of Law 161 S. High Street, Suite 202 Akron, OH 44308 <a href="mailto:dfolk@akronohio.gov">dfolk@akronohio.gov</a>	Tony G. Mendoza Sierra Club 85 Second Street, Second Floor San Francisco, CA 94105 <a href="mailto:tony.mendoza@sierraclub.org">tony.mendoza@sierraclub.org</a>
Michael K. Lavanga Garrett A. Stone Owen J. Kopon Brickfield, Burchette, Ritts & Stone, P.C. 1025 Thomas Jefferson Street, N.W. 8 <sup>th</sup> Floor, West Tower Washington, D.C. 20007 <a href="mailto:mkl@bbrslaw.com">mkl@bbrslaw.com</a> <a href="mailto:gas@bbrslaw.com">gas@bbrslaw.com</a> <a href="mailto:ojk@bbrslaw.com">ojk@bbrslaw.com</a>	Christopher J. Allwein Nolan M. Moser Williams Allwien and Moser LLC 1500 W. Third Avenue, Suite 330 Columbus, OH 43212 <a href="mailto:callwein@wamenergylaw.com">callwein@wamenergylaw.com</a> <a href="mailto:nmoser@wamenergylaw.com">nmoser@wamenergylaw.com</a>
Jeffrey W. Mayes Monitoring Analytics, LLC 2621 Van Buren Avenue, Suite 160 Valley Forge Corporate Center Eagleville, PA 19403 <a href="mailto:jeffrey.mayes@monitoringanalytics.com">jeffrey.mayes@monitoringanalytics.com</a>	Margeaux Kimbrough Kegler Brown Hill & Ritter LPA 65 S. State Street, Suite 1800 Columbus, OH 43215 <a href="mailto:mkimbrough@keglerbrown.com">mkimbrough@keglerbrown.com</a>
Shannon Fisk Earthjustice 1617 John F. Kennedy Blvd., Suite 1675 Philadelphia, PA 19103 <a href="mailto:sfisk@earthjustice.org">sfisk@earthjustice.org</a>	Michael Soules Earthjustice 1625 Massachusetts Ave. NW, Suite 702 Washington, DC 20036 <a href="mailto:msoules@earthjustice.org">msoules@earthjustice.org</a>
Glenn S. Krassen Bricker & Eckler LLP 1001 Lakeside Avenue, Suite 1350 Cleveland, OH 44114 <a href="mailto:gkrassen@bricker.com">gkrassen@bricker.com</a>	Carrie M. Harris Spilman Thomas & Battle, PLLC 310 First Street, Suite 1100 P.O. Box 90 Roanoke, VA 24002-0090 <a href="mailto:charris@spilmanlaw.com">charris@spilmanlaw.com</a>

Daniel W. Wolff Richard Lehfeltdt Crowell & Moring LLP 1001 Pennsylvania Avenue, N.W. Washington, DC 20004 <a href="mailto:dwolff@crowell.com">dwolff@crowell.com</a> <a href="mailto:rlehfeltdt@crowell.com">rlehfeltdt@crowell.com</a>  <b>(MOTION TO INTERVENE PENDING)</b>	
--	--

/s/ Devin D. Parram

Devin D. Parram

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**3/2/2015 4:46:15 PM**

**in**

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

Summary: Testimony Supplemental Testimony of Kevin C. Higgins electronically filed by Mr. Devin D. Parram on behalf of Kroger