OCC EXHIBIT NO._______

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
RAMTEEN SIOSHANSI, Ph.D.

Jointly Sponsored

On Behalf of the
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215

and

Northeast Ohio Public Energy Council
31320 Solon Road
Cleveland, OH 44139

May 11, 2015

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I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A1. My name is Ramteen Sioshansi. I am an operations researcher who focuses on issues related to electricity industry economics, market design, regulation, operations, planning, and policy. My business address is 60 East Spring Street, Suite 121, Columbus, OH 43215.

Q2. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?

A2. Yes. On December 22, 2014, the OCC submitted direct testimony I prepared that provided my analysis and recommendations supporting rejection of the proposed Retail Rate Stability Rider ("Rider RRS") contained in the fourth electric security plan ("ESP IV") of the Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("Toledo Edison") (together the "FE Utilities").

Q3. ON WHOSE BEHALF ARE YOU PROVIDING THIS SUPPLEMENTAL TESTIMONY?

A3. I am providing this supplemental testimony on behalf of the Office of the Ohio Consumers' Counsel ("OCC") and the Northeast Ohio Public Energy Council ("NOPEC").

Q4. CAN YOU OPINE ON WHETHER THE ECONOMIC STABILITY PROGRAM AND THE RETAIL RATE STABILITY RIDER BENEFIT CUSTOMERS AND ARE IN THE PUBLIC INTEREST?

A4. Yes. As I state in my Direct Testimony, the Economic Stability Program ("the Program") through the Retail Rate Stability Rider ("Rider RRS") assessments to captive customers directly subsidizes the operating and capital costs of the plants and the entitlement of FirstEnergy Solutions Corporation ("FES") to the Ohio Valley Electric Corporation ("OVEC"). Such a potential subsidy has no place in a competitive wholesale market, such as those operated by PJM, because the market is intended to provide revenues for economic efficient assets to recover their costs. Allowing subsidized generators to participate in the wholesale market is anti-competitive, as the subsidized generators would have a competitive advantage over unsubsidized assets. It is not in the public interest to interfere with the competitive market that appears to be functioning well for customers. Re-regulating in the form of the Rider RRS assessments is also contrary to the General Assembly's plan for Ohioans to receive electric service through a competitive market.

Q5. HAS YOUR RECOMMENDATION ON THE PROPOSED RIDER RRS CHANGED SINCE THE PUCO ISSUED THE AEP ORDER AND ADOPTED FACTORS TO CONSIDER FOR FUTURE PURCHASE POWER AGREEMENT FILINGS?

A5. No. I continue to recommend that the Rider RRS proposal be rejected. As outlined in my responses to Q15, Q16, Q17, and Q18 of my Direct Testimony, the Program inherently subsidizes the Program Plants,[1] by ensuring a guaranteed profit to FES and recovery of all of the FE Utilities Purchase Power Agreement ("PPA") costs. As such, neither the FE Utilities nor FES have strong incentives to recover the capital or operating costs of these assets in the PJM-operated markets into which the FE Utilities propose to offer their generation, ancillary services, and capacity. This means that the FE Utilities could adopt any number of offer strategies into the PJM-operated markets that would have the effects outlined in my responses to Q15 and Q16 of my Direct Testimony on the short- and long-run efficiency of the market. As outlined in my response to Q18 of my Direct Testimony, the inclusion of generation assets owned by affiliates that operate in PJM markets and the treatment of bilateral transactions further complicate matters in terms of what type of offer strategy the FE Utilities may employ under the Program.

In addition to affecting the short- and long-run efficiency of the PJM-operated markets, the potential subsidy and guaranteed profit in the Program and their effect on the FE Utilities' offer strategies can have anti-competitive effects on the PJM-operated markets. To see one example of this, consider a case in which the FE Utilities deliberately adopt a strategy in which the Program Plants are offered into the market above cost to prevent them from being committed and dispatched

[1] "Program Plants" include the following: Davis-Besse, W. H. Sammis, and the FES' OVEC entitlement as set forth in the FE Utilities' application in this case.

or reduce the extent to which they are committed and dispatched. Such a strategy, which is often referred to as "economic withholding," can tend to increase prices in the PJM-operated energy, ancillary service, and capacity markets. Such a strategy reduces the competitiveness of the market, because market prices would be higher than in a case in which generation is not withheld and offered at prices that are reflective of true costs. As outlined in my response to Q17 of my Direct Testimony, such a strategy could enhance shareholder value due to the participation of affiliated generation in the PJM-operated markets. Moreover, because the costs and profits of the Program Plants are guaranteed through the Program and Rider RRS, there would be no financial cost to the FE Utilities or FES if such a strategy is adopted.

Q6. WHAT IS THE PURPOSE AND SCOPE OF YOUR SUPPLEMENTAL TESTIMONY?

A6. While this case was pending, and after my Direct Testimony was filed, the Public Utilities Commission of Ohio ("PUCO") issued an order on February 25, 2015, in a related case, Ohio Power Company's application for an electric security plan ("ESP) in Case No. 13-2385-EL-SSO ("AEP Ohio Case"). The AEP Ohio Case contains provisions that are similar to the Program proposed by the FE Utilities in this case.

In the AEP Ohio Case, the PUCO approved the PPA proposed by the Ohio Power Company ("AEP Ohio") as a placeholder rider, at an initial rate of zero, for the term of the ESP. The PUCO determined that AEP Ohio must show that the PPA is reasonable, in the public interest, and benefits customers. The PUCO instructed AEP Ohio to make a future filing to justify any requested cost recovery and offered advice on what that future filing should address.

Specifically, the PUCO listed four additional factors ("AEP Ohio PPA Factors") to include in a future filing, which are:

1) Financial need of the generating plant;
2) Necessity of the generating facility, in light of future reliability concerns and, including supply diversity;
3) Description of how the generation plant is compliant with all pertinent environmental regulations and its plan for compliance; and
4) The impact that a closure of the generating plant would have on electric prices and the results' effect on economic development.

In response to the order in the AEP Ohio Case, the Attorney Examiner issued a procedural Entry in this proceeding that allowed additional discovery and supplemental testimony addressing the AEP Ohio PPA Factors, as they pertain to the FE Utilities' case.

For purposes of my Supplemental Direct Testimony, I was asked to evaluate whether the AEP Ohio PPA Factors established by the PUCO are appropriate and exhaustive factors upon which to evaluate whether the Program and Rider RRS benefit customers and are in the public interest.

Q7. ***ARE THE AEP OHIO PPA FACTORS FOR THE PUCO TO CONSIDER WHEN EVALUATING THE PROGRAM AND RIDER RRS APPROPRIATE AND EXHAUSTIVE?***

A7. No. The PPA is unjust, unreasonable, and unlawful for all the reasons presented by OCC in the Direct Testimony of witnesses Rose, Sioshansi, Wilson and Kahal. Therefore, the factors should not be looked upon by the PUCO as a means for justifying PPA approval.

If the Commission, however, authorizes some form of a PPA, the AEP Ohio PPA Factors are not appropriate; nor are they exhaustive because they fail to consider whether the PPA benefits customers and is in the public interest. Specifically, the factors that have been established are biased toward building a case that would support approval of the Program by focusing solely on their benefits to the FE Utilities and FES and do not enable the PUCO to evaluate the *net* benefits of the Program. In order to determine whether the Program benefits the FE Utilities' customers and is in the public interest, the PUCO must evaluate additional factors beyond the four identified. This would allow a more complete assessment of the Program to be carried out in an evaluation of its net benefits to customers.

The AEP Ohio PPA Factors are not sufficient because they do not enable the PUCO to make such a determination.

II. ADDITIONAL PPA FACTORS FOR PUCO CONSIDERATION

Q8. SHOULD THE PUCO HAVE IDENTIFIED OTHER FACTORS TO DETERMINE WHETHER A PPA ARRANGEMENT IS REASONABLE AND BENEFITS CUSTOMERS?

A8. Yes. If the PUCO chooses to move forward with its PPA review, the PUCO should consider additional factors not identified in the AEP Ohio Case. Specifically, the AEP Ohio PPA Factors should include whether the arrangement is reasonable and provides *net* benefits to customers.

There are two important considerations that should be included to provide a more comprehensive assessment of the net benefits of the Program to customers. The first consideration is potential costs or detriments to customers. These costs and detriments should be accounted for to assess whether the program is reasonable and benefits customers. The second is the cost of achieving the same benefits that the Program provides compared to alternatives. These factors are important to consider even if the Program provides net benefits to consumers. This is because alternatives may exist that could provide greater benefits to customers at the same or lower costs. If so, those alternatives should be considered when examining whether the proposal benefits customers and is in the public interest.

Q9. CAN YOU PROVIDE A LIST OF ADDITIONAL FACTORS THAT THE PUCO SHOULD INCLUDE IN ASSESSING WHETHER THE PROGRAM IS REASONABLE AND BENEFITS CUSTOMERS?

A9. The following is a list of nine additional factors that, if added to the AEP Ohio PPA Factors, would allow for a more comprehensive evaluation of whether the Program is reasonable, benefits customers, and is in the public interest.

1) The total cost of the potential subsidy and guaranteed profit that the FE Utilities' captive customers would fund during the ESP period and the full PPA period under a variety of independently produced future price scenarios.

2) The effect of the potential subsidies on the PJM-operated markets and the related effects those offer strategies would have on customers' rates *vis a vis* market efficiency and competitiveness.

3) Incentives for FES to control the operating and capital costs of the Program Plants, which customers will be required to fund under the program.

4) Incentives for the FE Utilities and FES to make rational retirement

decisions pertaining to generating assets protected by the PPA.

5) Economic impacts of imposing higher retail rates on the FE Utilities' captive customers.

6) A detailed accounting of what reliability benefits the Program Plants provide that are not already captured in PJM-operated wholesale markets.

7) The cost of using a least-cost combination of new and existing generation and transmission assets to deliver the purported benefits of the Program to the FE Utilities' customers.

8) The cost of achieving the same price stability for the FE Utilities' customers through a combination of physical and financial contracts entered into with affiliated and/or unaffiliated entities through a competitive solicitation, such as the competitive auctions used to meet the supply needs of SSO customers.

9) The cost of meeting current and expected future environmental regulations with the Plants and FES's entitlement to OVEC compared to the cost of meeting these with other generation assets and/or transmission alternatives.

Q10. WHY DO YOU SUGGEST THAT THE FE UTILITIES PROVIDE ASSESSMENTS OF THE PROGRAM AND RIDER RRS UNDER A VARIETY OF FUTURE PRICE SCENARIOS?

A10. In their ESP application and supporting testimony, the FE Utilities have provided an assessment of the cost of the potential subsidy and guaranteed profit that FES would earn through the Program. Specifically, they provided estimates of how much of a charge or credit Rider RRS would impose on the FE Utilities' captive customers. However, this analysis was conducted using one set of energy, ancillary service, capacity, and fuel price assumptions provided by the FE Utilities' witness, Judah L. Rose. Using these assumptions, the Program and Rider RRS were shown to result in a small net credit to the FE Utilities' customers over the term of the PPA.

OCC/NOPEC joint witness Wilson conducted an additional independent analysis of the Program and Rider RRS using, among other factors, fuel prices produced by the U.S. Energy Information Administration ("EIA"). The EIA is an independent statistical division of the U.S. Department of Energy that provides, among other information, forecasts of future energy and fuel prices in its Annual Energy Outlook ("AEO"). The AEO forecasts are generated using the National Energy Modeling System ("NEMS"). Using the fuel price forecast generated by the NEMS, OCC/NOPEC joint witness Wilson demonstrates that the Program could yield a net charge to the FE Utilities' captive customers over the term of the PPA.

The dichotomy of the results using price forecasts generated by the FE Utilities' witness and those produced by an independent statistical agency demonstrates that the net impact of the Program on customers is highly sensitive to input parameters. For the PUCO to be able to more fully assess the impacts of the Program on customers, an analysis of its impacts using a variety of independently produced price forecasts is necessary. That is, the PUCO cannot simply consider one set of assumptions to assess the impacts of the Program.

Moreover, an analysis of the Program must consider its impact on customers' rates and bill impacts, especially due to the potential for anti-competitive subsidies. Furthermore, even if the PUCO chooses to consider the financial need of the Program Plants (which it should not consider in a vacuum),[2] any alleged need must be weighed against the impacts on customers' rates to determine if any potential price increases are just and reasonable.

Q11. WHY DO YOU SUGGEST THAT THE EFFECT OF THE PROGRAM ON HOW THE PLANTS WILL BE OFFERED INTO THE PJM-OPERATED MARKETS BE INCLUDED AS A PPA FACTOR?

A11. If the competitive market does not function properly, customers may lose the benefits they are entitled to under the law, including the benefits of reasonably

[2] *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO, 13-2386-EL-AAM, Opinion and Order at 25 (February 25, 2015).

priced retail electric service.[3] Active PJM market participation by the involved generation units is crucial if the Program is to provide any benefits to consumers. The state of Ohio has demonstrated a commitment to allowing competitive wholesale markets, such as those operated by PJM, to provide lower-cost, more reliable, and more efficient electricity service to the benefit of customers throughout the state. The state of Ohio's commitment has been demonstrated through the adoption of S.B. 3[4] and subsequently through S.B. 221.[5] The potential subsidy and guaranteed profit inherent to the Program could result in the FE Utilities adopting offer strategies into the PJM-operated markets that could undermine the markets' ability to ensure the short- and/or long-run efficiency of the electric power system. Moreover, the participation of affiliated generation assets in the PJM-operated markets and the lack of clarity surrounding the treatment of bilateral transactions in the calculation of Rider RRS charges further complicates the choice of offer strategy employed by the FE Utilities. The offer strategies that the FE Utilities could employ that may undermine the short- and/or long-run efficiency of the PJM-operated markets could be anti-competitive and harmful to customers. For instance, the FE Utilities could choose to adopt an offer strategy that would result in the Program Plants being economically withheld from the PJM-operated markets.

[3] Ohio Revised Code 4928.02(A), Competitive Retail Electric Service.

[4] Am. Sub. S.B. 3, 123rd General Assembly, 1999.

[5] Am. Sub. S.B. 221, 127th General Assembly, 2007-2008.

It should be noted that I am not advocating that the FE Utilities publicly disclose their offer strategies. Doing so could also harm the wholesale markets and be seen as a form of collusion among market participants. Instead, I am stating that it is difficult, with the way that the Program is structured, to guarantee that it would not have inefficient and anti-competitive effects on the PJM-operated wholesale markets, which would be detrimental to customers. Given the state of Ohio's commitment to allowing competitive wholesale markets to deliver more efficient and reliable electricity service to customers, the PUCO should heavily factor the potentially detrimental effects of the Program on the wholesale markets (and customers) in assessing the Program.

Q12. WHY DO YOU RECOMMEND THAT INCENTIVES FOR THE FE UTILITIES AND FES TO CONTROL THE COST OF THE PROGRAM PLANTS BE CONSIDERED BY THE PUCO AS AN ADDITIONAL FACTOR?

A12. Because the Rider RRS permits 100 percent pass through of actual plant fixed and variable costs (net of revenues) to the FE Utilities' customers, there is no incentive to control these costs. In addition, FES is guaranteed to earn a profit through the PPA terms. These passed through costs of maintaining and operating the Program Plants and FES' guaranteed profits are fully paid by the FE Utilities' captive customers under the Program. The Program's design significantly reduces any incentives for FES to control or reduce the capital or operating costs of the Program Plants, because costs are guaranteed to be recovered through charges to the FE Utilities' captive customers.

Q13. WHY DO YOU RECOMMEND THAT INCENTIVES FOR THE FE UTILITIES AND FES TO MAKE RATIONAL RETIREMENT DECISIONS PERTAINING TO GENERATION ASSETS PROTECTED BY THE PPA BE INCLUDED AS AN ADDITIONAL FACTOR FOR PUCO CONSIDERATION?

A13. When a plant no longer appears likely to recover its going forward costs over any future time frame (in the short- or long-term), the owner should retire or repower it. However, the guaranteed cost recovery in the Program eliminates any incentives for FES to retire the Program Plants. Thus, even if the Program Plants are economically unviable, in the sense that they cannot recover their costs, there is no incentive mechanism within the proposed PPA for the FE Utilities or FES to ever retire these assets regardless of how costly or uneconomic they may be. This could result in higher costs to customers, because lower-cost alternatives may not be able to enter the market because the subsidized plants are not retired. Therefore, any proposed PPA should be evaluated based on whether it provides incentives for owners to make sensible retirement decisions. As stated above, 100 percent pass-through of costs and a guaranteed profit provides no incentive for rational decisions.

Q14. WHY DO YOU SUGGEST THAT THE ECONOMIC IMPACTS OF THE HIGHER RETAIL RATES THAT MAY BE IMPOSED ON THE FE UTILITIES' CAPTIVE CUSTOMERS BE INCLUDED AS A FACTOR?

A14. This factor is recommended to supplement the fourth AEP Ohio PPA Factor regarding prices and economic effects if the plants were to close. The FE

Utilities' interpretation of this factor may consider only the impacts of a generation plant closure on electricity prices and economic development in a limited manner. For example, the FE Utilities' witness, Eileen M. Mikkelsen, states that the Program will provide "economic development, job retention, [and] a maintained tax base."[6] These claims are supplemented with an analysis conducted by the FE Utilities' witness, Sarah Murley, who "addresses the economic and revenue impacts of the Davis-Besse Nuclear Power Station ("Davis-Besse") and the W.H. Sammis Plant ("Sammis") (collectively, the "Plants") throughout the regions surrounding the Plants and Ohio as a whole."[7]

Witness Murley's analysis has two primary focuses. The first is an economic impact analysis, which attempts to estimate the direct, indirect, and induced economic impact of operating and maintaining the Plants on the region around the Plants and throughout the state of Ohio. The second is an analysis of operating and maintaining the Plants on local and state tax revenues. These analyses are intended to support the claims made by the FE Utilities' witness, Eileen M. Mikkelsen, regarding the economic development, job retention, and tax base benefits of the Program. The analyses focus only on the benefits of retaining the Plants in operation.

[6] Direct Testimony of Eileen M. Mikkelsen on Behalf of the FE Utilities, p. 3.

[7] Direct Testimony of Sarah Murley on Behalf of the FE Utilities, p. 2.

The PUCO should consider this factor in a more expansive manner. The PUCO's consideration of an economic analysis should take into account any of the costs of keeping potentially inefficient plants running. In addition, such analysis should take into account the economic development associated with the potential entry of new generating or transmission assets if the Program Plants are retired. That is to say, if the Plants are retired they may be replaced with more efficient generating assets that will create employment, spur economic development, and provide a strong tax base for the local region and the state that does not potentially require costly customer-funded subsidies. Thus, in sum, the Program may have detrimental effects on economic development, job retention, and the local and statewide tax base that are not captured at all in the limited analysis provided by the FE Utilities' and witness Murley's analysis.

As one potential example of this, the Program may result in higher retail rates for the FE Utilities' customers. OCC/NOPEC joint witness Wilson's analysis of the Program and Rider RRS costs under alternative price scenarios shows that the PPA could result in substantive net charges to the FE Utilities' captive customers. These charges ultimately mean that the FE Utilities' customers have less disposable income available for consumption, investment, and other economic activity. If Rider RRS does result in a net charge to the FE Utilities' captive customers, the associated loss of economic activity may result in greater economic harm, ancillary job losses, and lost tax revenues than any economic benefits that may be provided by maintaining and operating inefficient plants. Similarly, potentially higher retail rates could also reduce the competitiveness of Ohio businesses in regional, national, and international markets.

Indeed, the testimony of FE Utilities' witness Lawrence J. Makovich states that higher electricity prices can have "negative economic impacts [that] are similar to an economic downturn."[8] If the PUCO does wish to factor economic development effects, these potentially large negative effects of the potential charges and customer-borne subsidies that the Program may create should also be considered.

Q15. ***WHY DO YOU RECOMMEND THAT A DETAILED ACCOUNTING OF THE RELIABILITY BENEFITS PROVIDED BY THE PLANTS BE INCLUDED AS A FACTOR?***

A15. As outlined in my responses to Q14 and Q21 of my Direct Testimony, the PJM-operated markets have a number of mechanisms in place to ensure the reliability of the power system within its footprint. In the short-run, it operates day-ahead and real-time markets that include security constraints and reserve requirements to ensure that there is sufficient capacity with sufficient flexibility committed and available to serve customer demands reliably. The energy and ancillary service prices produced by these markets remunerate sources of capacity, including

[8] Supplemental Testimony of Dr. Lawrence Makovich on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Attachment LM-2, p. 6.

generation assets, for providing energy, ancillary services, and flexibility. Moreover, the revenues earned by providing these services are intended to ensure that efficient sources of capacity and flexibility recover their costs and enter the system as needed, whereas inefficient sources of capacity and flexibility exit the market. The revenues earned in the day-ahead and real-time markets are supplemented by capacity payments from the RPM market.

These markets are explicitly designed with the goal of attempting to ensure that customer demands are served reliably at minimum cost. One rationale provided by the FE Utilities for subsidizing the full costs and guaranteeing the profits of the Program Plants is that they provide "improved reliability."[9] If so, it would follow that the reliability benefits provided by the Program Plants would be properly priced and captured by the PJM-operated wholesale markets. In such a case, it is not clear that the Program Plants should require any potential subsidy, given the design goal of the PJM-operated wholesale markets. Otherwise, it may be the case that the Program Plants provide reliability benefits that are not captured or priced by the PJM-operated markets, or that they provide benefits that are not properly or efficiently captured or priced by the PJM-operated markets. If this is the case, it should be explicitly included as a factor that the PUCO considers in evaluating the Program and Rider RRS. To my knowledge, the FE Utilities have not listed any reliability benefits that the Program Plants provide, which is not

[9] Direct Testimony of Eileen M. Mikkelsen on Behalf of the FE Utilities, p. 3.

captured in the design of the PJM-operated wholesale markets.

Furthermore, if the Program does provide reliability benefits, it should be noted that these will likely accrue to customers across the PJM system footprint. Many of these customers, who will enjoy reliability benefits, are located outside of the FE Utilities' service territory and beyond the boundaries of the state of Ohio. In such an instance, the PUCO should consider whether it is prudent and just and reasonable to have the FE Utilities' customers pay a potential subsidy for generation assets that provide reliability benefits that accrue to other customers. This possible outcome further underscores the rationale behind having an entity, such as PJM, with a large regional footprint manage system reliability. PJM is in a better position to ensure that the cost of providing reliability is borne by customers who enjoy the benefits.

Q16. WHY DO YOU SUGGEST THAT AN ANALYSIS OF A LEAST-COST COMBINATION OF NEW AND EXISTING GENERATION AND/OR TRANSMISSION ASSETS BE INCLUDED AS A FACTOR?

A16. The first six factors that I have recommended to be considered by the PUCO are intended to address the question of what the *net* benefits of the Program and Rider RRS are. That is to say, whether the benefits associated with the Program outweigh their costs and customer detriments. This will assist the PUCO in determining whether the Program will benefit customers and is in the public interest.

An equally important question, however, is whether there are alternatives available that could deliver greater benefits at the same or lower costs than the Program. If so, these alternatives should be pursued. This is especially true if alternatives that do not rely on potentially anti-competitive and inefficient customer-funded subsidies with guaranteed profits exist.

This factor that I propose addresses this question, in part, by determining what combination of existing and new transmission and generation assets could be added to the system to deliver the benefits claimed by the FE Utilities of the Program and Rider RRS. Moreover, as outlined in my response to Q14 of my Direct Testimony, the PJM-operated markets are designed in a way that tends to incent generation and transmission assets to be built to address cost stability, reliability, and other issues without the need for potentially anti-competitive and inefficient customer-funded subsidies with guaranteed profits to FES.

Q17. WHY DO YOU PROPOSE THAT THE COST OF ACHIEVING PRICE STABILITY USING PHYSICAL AND FINANCIAL CONTRACTS ENTERED INTO WITH AFFILIATED AND/OR UNAFFILIATED ENTITIES THROUGH A COMPETITIVE SOLICITATION BE INCLUDED AS A FACTOR?

A17. I recommend this as a factor for the same reason as my sixth factor. It is important whether there is a lower-cost, more efficient, or less anti-competitive alternative than the proposed Program and Rider RRS. If such an alternative exists, it will be a factor for the PUCO to consider when determining whether the Program benefits customers and is in the public interest.

SSO customers already have access to a price-stabilizing mechanism. This is achieved by having the supply needs of SSO customers met through one- to three-year full-requirements contracts that result from competitive auctions. By doing so, the rates that SSO customers pay are established through the blending of multiple auctions held months to years in advance of delivery. The rate resulting from each auction tends to reflect the then-prevalent forward price plus a markup. Because the forward prices for delivery months to years ahead tend to be relatively stable over time, these auctions tend to stabilize prices paid by SSO customers.

It would, therefore, reason that any price stability benefit that the Program may provide could instead be provided through the type of contracts that will be used to supply SSO customers. The cost of doing so should be compared to that of the Program to determine if it provides price stability more efficiently than other contracting options available. Moreover, if price stability could be delivered through such competitive auctions without the need for potential anti-competitive subsidies with guaranteed profits to FES, such mechanisms should be pursued.

Q18. WHY DO YOU PROPOSE THAT THE COST OF MEETING CURRENT AND EXPECTED FUTURE ENVIRONMENTAL REGULATIONS WITH GENERATION AND/OR TRANSMISSION ALTERNATIVES TO THE PROGRAM AND RIDER RRS BE INCLUDED AS A FACTOR?

A18. I suggest this as a factor for the same reason as my sixth and seventh factors. The AEP Ohio PPA Factors include a description of how the Program Plants are compliant with all pertinent environmental regulations and the FE Utilities' and FES's plans for compliance. Even if the FE Utilities and FES have a plan in place to meet current and expected future environmental regulations, that does not mean that there are not generation and transmission alternatives that could provide the purported benefits of the Program Plants while also meeting current and expected future environmental regulations at lower costs. If there exist transmission and generation alternatives to the Program and Rider RRS that could deliver their purported benefits and meet current and expected future environmental regulations at lower cost, these alternatives should be considered. Again, this should be a factor for the PUCO to consider in determining whether the Program benefits customers and is in the public interest.

This factor that I propose addresses this issue, in part, by determining what combination of transmission and generation assets could be added to the system to deliver the benefits claimed by the FE Utilities of the Program and Rider RRS and the cost of meeting current and expected future environmental regulations with those alternatives. Proposed EPA 111(d) regulations and their impacts on the proposed PPA are addressed in more detail by OCC witness Ferrey.

Q19. WHAT IS YOUR RECOMMENDATION FOR THIS PROCEEDING?

A19. For the reasons detailed above and in my Direct Testimony, my recommendation is that the Program should be denied by the PUCO. It should be denied because Rider RRS does not necessarily have the effect of stabilizing retail rates. The Program would serve to undermine the revealed preferences of shopping customers by potentially imposing price stability on the subset of shopping customers that have explicitly opted not to have price stability through their contracting decisions. Furthermore, the Program directly subsidizes the operating and capital costs of the Program Plants. Such a subsidy has no place in a competitive wholesale market, and can threaten the efficiency and competitiveness of such markets.

If the PUCO does intend to consider the Program any further, despite my recommendations otherwise, I believe that the PUCO should consider other factors which bear upon the evaluation of whether the Program benefits customers and is in the public interest. Although not completely exhaustive, I recommend at least nine supplemental factors that would provide information with which a more complete and thorough assessment of the *net* benefits of the Program and Rider RRS could be ascertained. Moreover, the factors that I propose allow the PUCO to compare the Program to alternatives that may provide the same purported benefits as the Program, but without the need for potentially inefficient and anti-competitive customer-funded subsidies with guaranteed profits. If such viable alternatives exist, especially those that could be delivered by the competitive market, they should be encouraged and pursued.

III. CONCLUSION

Q20. DOES THIS CONCLUDE YOUR TESTIMONY?

A20. Yes. However, I reserve the right to supplement my testimony later in the event that any party submits new or corrected information which materially affects the findings and recommendations presented in my testimony.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Supplemental Testimony of Ramteen Sioshansi on Behalf of the Office of the Ohio Consumers' Counsel and the Northeast Ohio Public Energy Council* was served via electronic transmission to the persons listed below on this 11th day of May 2015.

/s/ Larry S. Sauer ___________
Larry S. Sauer
Deputy Consumers' Counsel

SERVICE LIST

Thomas.mcnamee@puc.state.oh.us
Thomas.lindgren@puc.state.oh.us
Ryan.orourke@puc.state.oh.us
mkurtz@BKLlawfirm.com
kboehm@BKLlawfirm.com
jkylercohn@BKLlawfirm.com
stnourse@aep.com
mjsatterwhite@aep.com
yalami@aep.com
joseph.clark@directenergy.com
ghull@eckertseamans.com
myurick@taftlaw.com
dparram@taftlaw.com
Schmidt@sppgrp.com
ricks@ohanet.org
tobrien@bricker.com
mkl@bbrslaw.com
gas@bbrslaw.com
ojk@bbrslaw.com
wttpmlc@aol.com
lhawrot@spilmanlaw.com
dwilliamson@spilmanlaw.com
blanghenry@city.cleveland.oh.us
hmadorsky@city.cleveland.oh.us
kryan@city.cleveland.oh.us
mdortch@kravitzllc.com
rparsons@kravitzllc.com
gkrassen@bricker.com
dstinson@bricker.com

burkj@firstenergycorp.com
cdunn@firstenergycorp.com
jlang@calfee.com
talexander@calfee.com
dakutik@jonesday.com
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com
cmooney@ohiopartners.org
callwein@wamenergylaw.com
joliker@igsenergy.com
mswhite@igsenergy.com
Bojko@carpenterlipps.com
Allison@carpenterlipps.com
hussey@carpenterlipps.com
barthroyer@aol.com
athompson@taftlaw.com
Christopher.miller@icemiller.com
Gregory.dunn@icemiller.com
Jeremy.grayem@icemiller.com
blanghenry@city.cleveland.oh.us
hmadorsky@city.cleveland.oh.us
kryan@city.cleveland.oh.us
tdougherty@theOEC.org
jfinnigan@edf.org
Marilyn@wflawfirm.com
todonnell@dickinsonwright.com
matt@matthewcoxlaw.com
mfleisher@elpc.org

dborchers@bricker.com
mitch.dutton@fpl.com
selisar@mwncmh.com
ccunningham@akronohio.gov
asonderman@keglerbrown.com
sechler@carpenterlipps.com
gpoulos@enernoc.com
toddm@wamenergylaw.com

Attorney Examiners:
Gregory.price@puc.state.oh.us
Mandy.willey@puc.state.oh.us

drinebolt@ohiopartners.org
meissnerjoseph@yahoo.com
LeslieKovacik@toledo.oh.gov
trhayslaw@gmail.com
Jeffrey.mayes@monitoringanalytics.com
mhpetricoff@vorys.com
mjsettineri@vorys.com
glpetrucci@vorys.com
msoules@earthjustice.org
sfisk@earthjustice.org