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 a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan.	)))))))	Case No. 14-1297-EL-SSO

SECOND SUPPLEMENTAL TESTIMONY OF

MARC A. VALLEN

ON BEHALF OF

THE NORTHWEST OHIO AGGREGATION COALITION

AND INDIVIDUAL COMMUNITIES

PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

My name is Marc A. Vallen, and I am the principal of Vallen Energy Consulting, LLC, which is located at 708 Ocean Palm Way, St. Augustine, FL 32080.

DID YOU TESTIFY PREVIOUSLY IN THIS PROCEEDING?

Yes, I have submitted testimony and supplemental testimony previously in this proceeding.

AS PART OF THIS EARLIER TESTIMONY, DID YOU SUBMIT YOUR CREDENTIALS?

Yes, my previously submitted testimony in this case included a description of my educational background, professional experience, current occupation, and experience with testifying in rate hearings, all of which I would like to incorporate into this Second Supplemental Testimony.

WHAT IS THE PURPOSE OF YOUR SECOND SUPPLEMENTAL TESTIMONY?

The purpose of my second supplemental testimony is to express my opinion that the recent Stipulations and the supporting Supplemental Testimony by Witness Mikkelsen do not alter the conclusions from my earlier testimony that Rider RRS is a bad deal for consumers. These Stipulations are not in the best interests of the customers, and the incorrect conclusion by Witness Mikkelsen that they benefit the customers is not supported by the facts.

WHAT DID YOU RELY ON TO DRAW THAT CONCLUSION THAT THE STIPULATIONS ARE NOT IN THE BEST INTERESTS OF THE CUSTOMERS?

In her Third Supplemental Testimony filed June 1, 2015 and her Fourth Supplemental Testimony filed on June 4, 2015, Witness Mikkelsen references her Supplemental Testimony filed December 22, 2014 stating that the Supplemental Testimony "provided an overview of the Stipulation and explained why the terms and conditions of the Stipulation are more favorable to customers in the aggregate than the expected results that would otherwise apply under a market rate offer ("MRO") (see page 1 of her Third Supplemental Testimony and similar language on pages 2-3 of her Fourth Supplemental Testimony). This Third and Fourth Supplemental Testimony mirrors and incorporates her original Supplemental Testimony dated December 22, 2014.

WHY DO YOU DISAGREE WITH WITNESS MIKKELSEN'S CONCLUSION ABOUT THE STIPULATIONS?

Witness Mikkelsen's conclusion about the new Stipulations is not supported by the facts. The basis for her conclusion is that Rider RRS will create great benefits for FirstEnergy's customers, an assertion that I showed in my initial Testimony was not true. The new Stipulations and the proposed riders are narrowly tailored to certain large customers but do not address the large, fundamental problems presented by Rider RRS. These problems, which create a bad, risky deal for all consumers, are discussed in my earlier testimony.

IS THERE ANYTHING IN THE STIPLUATIONS OR WITNESS MIKKELSEN'S SUPPLEMENTAL TESTIMONIES THAT WOULD PROVIDE FURTHER SUPPORT THAT RIDER RRS IS IN THE BEST INTERESTS OF THE CUSTOMERS?

There is no additional quantification in either the Stipulations or Witness Mikkelsen's supplemental testimonies that would prove the Rider RRS is in the best interests of **all** of FirstEnergy's customers. In fact, Rider RRS and the Stipulations are bad for small businesses and residential customers. Large, sophisticated customers have been able to negotiate price breaks or other concessions from FirstEnergy in exchange for allowing Rider RRS to increase power prices. This trade-off has not been offered to small business or residential customers, who are left paying higher electricity prices due to Rider RRS but with no offsetting compensation.

WHAT IS THE DOWNSIDE TO THESE STIPULATIONS?

In essence, these smaller customers will be required to pay for Rider RRS and end up subsidizing the select few larger customers who signed the Stipulations; the smaller customers would have been able to obtain lower electricity prices if they were allowed a choice and could access the competitive marketplace directly without having to also pay the higher power prices caused by Rider RRS. The difference between the lower prices from the unregulated wholesale market and the higher prices these smaller customers must pay under Rider RRS represents a subsidy that ultimately is paid to the select few who signed the Stipulations.

IN YOUR OPINION, IS THERE SUFFICENT BASIS FOR THE COMMISSION TO DECIDE IN FAVOR OF RIDER RRS BASED ON THESE STIPULATIONS?

No, there is not sufficient basis for finding in favor of either Rider RRS or the Stipulations. The stipulations represent a narrowly crafted set of riders for selected large customers, which does not change the fact that the vast majority of customers are still facing higher prices caused by Rider RRS. A risky, bad deal for FirstEnergy's customers

is still a risky, bad deal even with the Stipulations. As supported in my earlier testimony, Witness Mikkelsen has not proved her assertion that that Rider RRS is a better deal for customers than a market rate order.

DOES WITNESS MIKKELSEN TESTIFY THAT THE STIPULATIONS MEET THE COMMISSION CRITERIA FOR STIPULATIONS?

Yes, she does.

DO YOU AGREE WITH HER CONCLUSION THAT THE STIPULATIONS ARE IN COMPLIANCE WITH COMMISSION STANDARDS?

I do not. According to Witness Mikkelsen, there are three criteria that must be met for a stipulation to be in compliance, and the third of these three criteria is that "the stipulation must, as a package, benefit ratepayers and the public interest" (see page 6 of her Supplemental Testimony, December 22, 2014). I have previously testified that the Rider RRS does not benefit customers and, in fact, actually harms customers since customers will be taking on greater price risk and paying higher prices. This conclusion, plus the failure of Witness Mikkelsen to quantify any additional benefits to **all** customers arising from the Stipulations, means that Rider RRS is unquestionably not in the best interest of the vast majority of customers. For this reason, the Commission should reject the Stipulations and reject Rider RRS in its entirety.

DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL TESTIMONY?

Yes it does. I reserve the right to supplement my testimony further, if required.

CERTIFICATE OF SERVICE

A copy of the above 2nd Supplemental Testimony of Mark Vallen was served on the parties below on July 2, 2015 and through the PUCO DIS system.

/s/Thomas R. Hays

Thomas R. Hays, Counsel

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
dborchers@bricker.com
mitch.dutton@fpl.com
DFolk@akronohio.gov
mkimbrough@keglerbrown.com
sechler@carpenterlipps.com
gpoulos@enernoc.com
toddm@wamenergylaw.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
drinebolt@ohiopartners.org
meissnerjoseph@yahoo.com
LeslieKovacik@toledo.oh.gov
trhayslaw@gmail.com
Jeffrey.mayes@monitoringanalytics.com
mhpetricoff@vorys.com
mjsettineri@vorys.com

dwolff@crowell.com
rlehfeldt@crowell.com

glpetrucci@vorys.com
msoules@earthjustice.org
sfisk@earthjustice.org

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

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Summary: Testimony Second Supplemental Testimony of Marc Vallen on behalf of NOAC and the Individual Communities and Certificate of Service electronically filed by Mr. Thomas R. Hays on behalf of NOAC and Lucas County Board of Commissioners and City of Toledo and City of Sylvania and Village of Ottawa Hills and City of Perrysburg and City of Northwood and City of Maumee and Lake Township Board of Trustees and The Village of Waterville