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

FIFTH SUPPLEMENTAL TESTIMONY OF

EILEEN M. MIKKELSEN

ON BEHALF OF

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

DECEMBER 1, 2015

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

A. My name is Eileen M. Mikkelsen. I am employed by FirstEnergy Service Company as the Director of Rates and Regulatory Affairs for the FirstEnergy Corp. Ohio utilities (Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("Toledo Edison") (collectively, the "Companies")). My business address is 76 South Main Street, Akron, Ohio 44308.

Q. ARE YOU THE SAME EILEEN MIKKELSEN WHO PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

A. Yes. I provided Direct Testimony on August 4, 2014, Supplemental Testimony on December 22, 2014, Second Supplemental Testimony on May 4, 2015, Third Supplemental Testimony on June 2, 2015, Fourth Supplemental Testimony on June 4, 2015, and Rebuttal Testimony on October 19, 2015.

Q. WHAT IS THE PURPOSE OF YOUR FIFTH SUPPLEMENTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of this testimony is to support the Third Supplemental Stipulation and Recommendation filed on December 1, 2015, in this proceeding. The Third Supplemental Stipulation and Recommendation modifies the Stipulation and Recommendation filed in this proceeding on December 22, 2014 as modified by the Errata filed on January 21, 2015 (the "Stipulation"), which was modified by the Supplemental Stipulation and Recommendation filed on May 28, 2015 (the "Supplemental Stipulation") and the Second Supplemental Stipulation and Recommendation filed on June 4, 2015 (the "Second Supplemental Stipulation," together with the Stipulation and Supplemental Stipulation, hereinafter referred to as the "Prior Stipulations"). My Supplemental Testimony filed on

December 22, 2014, along with my Third Supplemental Testimony filed on June 2, 2015 and my Fourth Supplemental Testimony filed on June 4, 2015, collectively provided an overview of the Prior Stipulations and explained why the terms and conditions of the Prior Stipulations are more favorable to customers in the aggregate than the expected results that would otherwise apply under a market rate offer ("MRO"), and also explained how the Prior Stipulations met the criteria the Commission has used when reviewing stipulations. In this testimony, I will explain why the Prior Stipulations, as modified by the Third Supplemental Stipulation and Recommendation (the "Third Supplemental Stipulation" together with the Prior Stipulations, hereinafter referred to as the "Stipulated ESP IV") continue to satisfy these criteria.

Q. PLEASE IDENTIFY THE PARTIES THAT HAVE SIGNED THE THIRD SUPPLEMENTAL STIPULATION IN THIS PROCEEDING.

A. The Signatory Parties to the Third Supplemental Stipulation and thereby the Stipulated ESP IV include: Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, the Staff of the Public Utilities Commission of Ohio ("Staff'), Ohio Power Company, Ohio Energy Group, City of Akron, Council of Smaller Enterprises, Nucor Steel Marion Inc., Material Sciences Corporation, The Association of Independent Colleges and Universities of Ohio, International Brotherhood of Electrical Workers – Local 245, Council for Economic Opportunities in Greater Cleveland, Consumer Protection Association, Cleveland Housing Network, Citizens Coalition, Kroger, EnerNOC and Ohio Partners for Affordable Energy. As shown by this list, the Signatory Parties represent varied and diverse interests representing all customer classes including Staff, large industrial customers, small and medium businesses, mercantile customers, an energy management solutions provider, colleges and universities, low income residential customers, organized labor and a large municipality.

Q. PLEASE SUMMARIZE THE TERMS OF THE THIRD SUPPLEMENTAL STIPULATION.

A. The Third Supplemental Stipulation provides additional rate stability for the Companies' customers by extending the term of the ESP IV from three to eight years. The Third Supplemental Stipulation further addresses some of the factors the Commission identified that it would balance, but not be bound by, in the AEP Opinion and Order in Case No. 13-2385-EL-SSO when deciding whether to approve a rate stabilization mechanism like Rider RRS. Importantly, it also resolves concerns raised by the Staff and others in this proceeding (e.g., by shortening the term of the Economic Stability Program from fifteen to eight years). The Third Supplemental Stipulation better assures customers of more stable distribution and generation pricing over the eight year term of the Stipulated ESP IV, and continues or expands support for energy efficiency, economic development, low income customers, the retail market, in-state renewable energy, grid modernization, reductions in CO_2 emissions, and a longer-term wholesale capacity product. The salient features of the Third Supplemental Stipulation include, among other things.

- The term of the ESP IV is modified from the three year term originally proposed to an eight year term commencing on June 1, 2016 and concluding on May 31, 2024. The Stipulated ESP IV contemplates a base distribution rate freeze that will extend for the eight-year term. Rider DCR also will be extended for the duration of the Stipulated ESP IV. The term of Rider RRS is also modified from the fifteen year term originally proposed to an eight year term commencing on June 1, 2016 and concluding on May 31, 2024, subject to final reconciliation.

- The risk sharing element contained in the Companies' original filing is expanded to include a commitment by the Companies that Rider RRS in year five will include a credit of $10 million in total for the Companies. The Companies' commitment to include credits to customers in Rider RRS shall be increased by $10 million each additional year through May 31, 2024 and assures at least $100 million in credits are included in Rider RRS.

- The rigorous review process for Rider RRS agreed to by the Companies will include the review of costs and benefits arising from the performance requirements in the PJM market and include full information sharing with the Staff regarding the FirstEnergy Solutions Corp. fleet.

- The Companies will advocate in good faith for a longer term wholesale capacity product before the FERC and PJM and will provide public, quarterly updates to the Commission on the state of wholesale electricity markets.

- The Companies will file a grid modernization business plan highlighting future initiatives for Commission consideration. The business plan would include a timeline for the Companies to achieve full smart meter implementation.

- The Companies agree to implement resource diversification mechanisms/programs including: (i) a goal to reduce CO_2 emissions by at least 90% below 2005 levels by 2045; (ii) an evaluation of battery resources; (iii) beginning in 2017, implementation of a portfolio of robust, comprehensive energy efficiency programs striving to achieve over 800,000 MWhs of energy efficiency savings annually; (iv) filing in their next EE/PDR Portfolio Plan a customer engagement pilot program to be implemented across the Companies' small and medium commercial and industrial customers; (v) an opportunity for an increase of in-state renewable resources; and (vi) a Carbon Reduction Emissions Plan.

- By April 3, 2017, the Companies will file an Application for Tariff Approval (ATA) case before the Commission to consider the proposed transition to decoupled rates by implementing a straight fixed variable rate design mechanism for residential customers' base distribution rates. When proposing the straight fixed variable decoupling mechanism, the Companies will be cognizant of the principle of gradualism and the effect of decoupling on various usage levels.

- For the period beginning June 1, 2016 and ending May 31, 2024, retail generation rates will be determined based on the results of a descending-clock format competitive bid process that is designed to "ladder in" procurements at various times with a mix of one, two and three year products.

- Certain rate design provisions of the Prior Stipulations will be extended to align the timing of the riders with the eight year term of the Stipulated ESP IV. Rider ELR, Rider EDR (b) and the Automaker Credit (EDR (h)) and the associated cost recovery will be extended to May 31, 2024 subject to final reconciliation. Rider

EDR (d), commonly referred to as the load factor provision for Rate GT customers, will be modified to reflect a phase-out such that subsequent to June 1, 2019 there will no longer be a charge or credit associated with this provision. The credit will be eliminated after final reconciliation. The Commercial High Load Factor Experimental Time of Use rate will continue through May 31, 2024. The Companies agree to continue to offer the Experimental Critical Peak Pricing Rider (Rider CPP) and the Experimental Real Time Pricing Rider (Rider RTP) for the duration of ESP IV.

- The Delivery Capital Recovery Rider (Rider DCR) will also be extended to align with the term of the Stipulated ESP IV as will the Rider DCR audit schedule. The revenue caps for Rider DCR will increase by $30 million annually for the first three years, $20 million annually for the subsequent three years and $15 million annually for the final years of the Stipulated ESP IV.

- In addition to the energy efficiency commitments noted earlier, certain energy efficiency commitments made in the Prior Stipulations will be extended to align those provisions with the eight year term of the Stipulated ESP IV. COSE will be provided $170,000 in funding in 2016, $25,000 in annual funding for 2017 and 2018, and $20,000 in annual funding for 2019. Each year thereafter until 2024, COSE will be provided $60,000 in funding. The Companies will conduct 58 ASHRAE Level II Energy Efficiency Audits in 2016, 100 audits annually from 2017 – 2023, and 42 audits in 2024. Funding to the AICUO will be extended to $50,000 per year for each of the eight years of the Stipulated ESP IV term.

- The funding of the CEI fuel fund will be extended to align with the eight year term of the Stipulated ESP IV and shall consist of $1,390,000 annually for each of the eight years. The funding provided to the Citizens Coalitions will be extended to align with the eight year term of the Stipulated ESP IV and will include funding of $1,000,000 annually commencing in 2017 to be used for the Customer Advisory Agency. The Companies will evaluate, in consultation with the Citizens Coalition, whether the Customer Advisory Agency should continue after May 31, 2019. If it is determined that the costs outweigh the benefits of the Customer Advisory Agency, the $1 million annual contribution for the next five years will be used to for additional fuel funding or for energy efficiency projects. The Companies will not seek recovery of these amounts from customers.

- The Companies agree to: (i) file amended partial service tariffs; (ii) accept the revisions proposed by Staff to the as-filed Electric Service Regulations; (iii) use the last approved embedded cost of debt for riders with a debt based carrying charge; and (iv) withdraw its request from the Application for up front approval to exclude the impact of deferred carrying charges on annual SEET Filings and instead will make such request as part of the annual SEET filing.

- The Community Connection Program will be funded at an increased level of $6,000,000 per year from 2016 through 2023. Ohio Partners for Affordable Energy (OPAE) will be paid an annual administrative fee equal to 5% of the $6,000,000 which will be paid out of the annual commitment. Cleveland Housing Network will be allocated $1.7 million of the annual Community Connections Funding for each year of the Stipulated ESP IV term.

- The Companies utilized an independent consultant to perform the detailed transmission reliability impact study that was based on PJM data to assess the impacts arising from the closure of the Plants. Further, the Companies agree to make available upon request an electronic version of the economic development analysis conducted by an independent third party for this proceeding.

- During the eight year term of the Stipulated ESP IV, the Companies will contribute $3 million annually, totaling $24 million over the term of the Stipulated ESP IV, to support economic development and job retention programs in Ohio or energy conservation programs within their service territories. The Companies will not seek recovery of these amounts from customers.

- FirstEnergy will maintain its corporate headquarters and the nexus of operations in Akron, Ohio for the duration of Rider RRS.

- The Companies will provide OPAE $1,000,000 per year from 2016 through 2023 to be used for funding a fuel fund to be administered by OPAE in the Companies' service territories. The Companies will not seek recovery of these amounts from customers.

Q. WHY ARE THE SIGNATORY PARTIES RECOMMENDING THESE MODIFICATIONS?

A. The Companies and the other Signatory Parties agree that these modifications along with the modifications included in the Prior Stipulations further expand the Stipulated ESP IV benefits for the Companies' customers and the State of Ohio.

Q. HAVE THERE BEEN ANY MODIFICATIONS TO THE TERM SHEET REGARDING THE PROPOSED TRANSACTION?

A. Yes. On November 18, 2015 the Companies and FirstEnergy Solutions Corp. agreed to modify two provisions of the term sheet. First, Section 10, the Delivery Period, of the term sheet was changed from June 1, 2016 to May 31, 2031 to June 1, 2016 to May 31, 2024. Second, the Seller's Return on Equity ("ROE") on page 13 of 15 was changed from 11.15% to 10.38%.

Q. WERE THERE ANY OTHER CHANGES MADE TO THE TERM SHEET?

A. Other than the changes noted above, all of the terms and conditions included in the term sheet remain the same.

Q. PLEASE DESCRIBE THE CRITERIA THE COMMISSION HAS USED IN CONSIDERING APPROVAL OF A STIPULATION AMONG SIGNATORY PARTIES TO A PROCEEDING?

A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must be the product of serious bargaining among capable, knowledgeable parties; (2) the stipulation must not violate any important regulatory principle or practice; and (3) the stipulation must, as a package, benefit ratepayers and the public interest.

Q. DOES THE THIRD SUPPLEMENTAL STIPULATION IN THIS PROCEEDING SATISFY THE CRITERIA ABOVE?

A. Yes, it does.

Q. IS THE THIRD SUPPLEMENTAL STIPULATION A PRODUCT OF SERIOUS BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?

A. Yes, it is. The Signatory Parties to the Third Supplemental Stipulation have a history of participation and experience in matters before the Commission and are represented by experienced and competent counsel. The Signatory Parties are knowledgeable about the Companies and the importance of electric security to their clients. The Signatory Parties represent a broad range of interests including the Companies, Staff, another Ohio electric distribution utility, organized labor, an energy management solutions provider, various consumer groups (themselves representing a range of customer classes and varied interests), and a large municipality. The Third Supplemental Stipulation is a product of serious bargaining among the Signatory Parties. On August 4, 2014, the Companies filed their Application for ESP IV following pre-filing discussions about its content with a number of interested stakeholders. Following the filing, the Companies communicated with parties regarding the potential settlement of this proceeding, and subsequently engaged in negotiations with parties that culminated in the Stipulated ESP IV. During this process, the Signatory Parties had the opportunity to participate in the extensive discovery served on the Companies – over 3,700 questions including subparts and 25 days of depositions. The Companies, the Staff and the Signatory Parties also participated in 35 days of evidentiary hearings during August, September and October of 2015. All of this activity occurred prior to the execution of the Third Supplemental Stipulation. Many of the provisions of the Stipulated ESP IV have been the subject of litigation in the Companies' prior MRO and ESP cases, which included fully litigated cases involving extensive discovery, pre-filed testimony, days of hearings with multiple witnesses and briefs. Moreover, nearly all of the Signatory Parties to the Third Supplemental Stipulation fully participated in prior MRO and ESP cases. For these reasons, the Signatory Parties are very familiar with and knowledgeable about most of the provisions of the Third Supplemental Stipulation. This, coupled with the recent negotiations, particularly regarding the Economic Stability Program, enabled the Signatory Parties to gain familiarity with and knowledge of the various components of the Third Supplemental Stipulation.

Q. DOES THE THIRD SUPPLEMENTAL STIPULATION VIOLATE ANY IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?

A. No, it does not. Based on my experience with the regulatory process and my understanding of the Third Supplemental Stipulation, I believe the Third Supplemental Stipulation is consistent with regulatory principles and practices in Ohio. In particular, the Economic Stability Program, as implemented through Rider RRS, is a term, condition or charge that relates to bypassibility and default service as would have the effect of stabilizing or providing certainty regarding retail electric service and also is an economic development and job retention program. Rider RRS may operate as a financial limitation on the consequences of shopping but does not in any way limit a customer's ability to shop, and does not negatively impact retail competition or POLR auctions. Several components of the Third Supplemental Stipulation in this proceeding advance state policy and/or seek to expand terms of the Prior Stipulations which included provisions similar to those in the stipulations approved in prior ESP proceedings.

Q. DOES THE THIRD SUPPLEMENTAL STIPULATION AS A PACKAGE BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?

A. Yes, it does. Customers will benefit from this Third Supplemental Stipulation because it is designed to provide adequate, safe, reliable and predictably priced electric service. The Third Supplemental Stipulation supports economic development and job retention; continues the regulatory principle of gradualism to stabilize rates and helps transition customers to fully market based prices; supports competitive markets; encourages energy efficiency and peak demand reduction; protects at-risk populations through low income programs; provides benefits to large industrial customers that will allow them to better compete in the global marketplace; and supports federal advocacy for improvements in the capacity market; CO_2 emission reductions; grid modernization; and resource diversification. The aforementioned provisions, in addition to other comprehensive components of the Stipulated ESP IV, will benefit customers and are in the public interest.

Q. HOW DOES THE THIRD SUPPLEMENTAL STIPULATION IMPACT THE ESP VERSUS MRO "IN THE AGGREGATE TEST"?

A. The Third Supplemental Stipulation modifies the quantitative benefits and provides additional qualitative benefits of the proposed ESP IV compared to the expected results of an MRO. The modification and addition of these benefits reinforces and strengthens the Companies' original conclusion that the proposed ESP IV is more favorable in the aggregate than the expected results of an MRO.

Q. WHAT ARE THE QUANTITATIVE BENEFITS OF THE PROPOSED STIPULATED ESP IV RESULTING FROM THE THIRD SUPPLEMENTAL STIPULATION, AS COMPARED TO THE EXPECTED RESULTS OF AN MRO?

A. Under the Third Supplemental Stipulation, the Rider RRS term will be reduced from fifteen years to eight years. As a result, the net nominal Rider RRS value over the term of the Stipulated ESP IV is a quantitative benefit of $561 million that would not be available to customers under an MRO.

In addition, the Companies will provide funding to the Fuel Fund Program to assist low income customers with the payment of their electric bills. Specifically, the Companies will provide CHN, CEOGC, and CPA (collectively with others, the "Citizens Coalition") funding in the aggregate of $1,390,000 each year for 2017 through 2024 for a total of $11,120,000 over the term of the Stipulated ESP IV. Further, the Companies will provide an additional $1,000,000 per year in fuel funding to OPAE in 2016 through 2023 for a total of $8,000,000 over the term of the Stipulated ESP IV. In addition, the Companies will provide an additional $1,000,000 to the Citizens Coalition each year for 2017 through 2024 or $8,000,000 over the term of the Stipulated ESP IV, for use in establishing a Customer Advisory Agency to benefit all residential customers or to provide additional fuel funding or energy efficiency funding. These total funds of $27,120,000 over the term of the Stipulated ESP IV would not be available under an MRO, and the Companies will not seek to recover these funds from customers. Therefore, the Companies' low income funding and funding of the Customer Advisory Agency are additional quantitative benefits of the Stipulated ESP IV compared to an MRO. Further, the Companies will provide $3 million per year for each of the eight years of Stipulated ESP IV to support economic development and job retention programs or energy conservation programs within the Companies' service territories. These total funds of $24 million over the term of the Stipulated ESP IV would not be available under an MRO, and the Companies will not seek to recover these funds from customers. Therefore, the Companies' economic development and job retention programs and/or energy conservation funding are an additional quantitative benefit of the Stipulated ESP IV compared to the MRO.

Q. QUANTITATIVELY, HOW DOES THE STIPULATED ESP IV, INCLUDING THE IMPACT OF THE THIRD SUPPLEMENTAL STIPULATION, COMPARE TO THE RESULTS THAT WOULD OTHERWISE OCCUR UNDER AN MRO?

A. Overall, the Stipulated ESP IV is estimated to be more favorable than the expected results of an MRO by $612.1 million on a nominal basis and $296.0 million on a net present value basis, as summarized in the table below.

Quantitative Benefit of ESP IV				
		Total		NPV
($ in millions)				
Economic Development Funding	$	24.0	$	16.9
Low Income Funding	$	19.1	$	13.5
Customer Advisory Agency Funding	$	8.0	$	5.6
Retail Rate Stability Rider	$	561.0	$	260.0
Total Quantitative Benefit	$	612.1	$	296.0

Q. WHAT ARE THE ADDITIONAL QUALITATIVE BENEFITS OF THE STIPULATED ESP IV RESULTING FROM THE THIRD SUPPLEMENTAL STIPULATION, AS COMPARED TO THE EXPECTED RESULTS OF AN MRO?

A. The Companies' customers will still reap the qualitative benefits of the Economic Stability Program. Also, most of the other qualitative benefits provided by the Prior Stipulations (e.g., the contemplated distribution base rate freeze) will now be provided over an extended eight year term due to the Third Supplemental Stipulation. The Third Supplemental Stipulation provides further additional qualitative benefits including, but not limited to, federal advocacy for a longer term capacity product, grid modernization, a commitment to environmental stewardship including a goal to reduce CO_2 by at least 90% below 2005 levels by 2045, battery resource investment evaluation, robust energy efficiency offerings beginning in 2017, increased in-state renewable resources, and commitments to file a case to transition to decoupled residential base distribution rates, amend the partial service tariffs and modify the Electric Service Regulations.

For these reasons, the Third Supplemental Stipulation provides additional qualitative benefits compared to an MRO that were not included in the Companies' Application or the Prior Stipulations.

Q. IS THE COMPANIES' PROPOSED STIPULATED ESP IV, INCLUDING THE IMPACTS OF THE THIRD SUPPLEMENTAL STIPULATION, MORE FAVORABLE IN THE AGGREGATE THAN THE EXPECTED RESULTS OF AN MRO?

A. Yes. Combining the quantitative and qualitative benefits discussed above with the qualitative benefits described in the direct testimony of Company witness Fanelli and in my Third and Fourth Supplemental Testimonies, the Stipulated ESP IV is more favorable in the aggregate than the expected results of an MRO.

Q. PLEASE EXPLAIN WHY COMMISSION APPROVAL OF THE STIPULATED ESP IV IS REQUESTED NO LATER THAN FEBRUARY 10, 2016.

A. Approval of the Stipulated ESP IV no later than February 10, 2016 is necessary in order for the Companies to have adequate time to prepare for and conduct their standard service offer competitive procurement auctions in an orderly fashion to source the generation needed to serve the Companies' non shopping customers commencing June 1, 2016, and to allow the Companies sufficient time to prepare the first Rider RRS filing which will be filed on or before April 1, 2016.

Q. DOES THIS CONCLUDE YOUR FIFTH SUPPLEMENTAL TESTIMONY?

A. Yes.