

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

**MEMORANDUM CONTRA BY PJM POWER PROVIDERS GROUP AND THE
ELECTRIC POWER SUPPLY ASSOCIATION TO THE
MOTION FOR PROTECTIVE ORDER BY THE COMPANIES**

The PJM Power Providers Group (“P3”) and the Electric Power Supply Association (“EPSA”) jointly submit this memorandum contra to the January 11, 2016 motion for protective order filed by the Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (the “Companies”). As discussed below, the release of the sought information to the public domain is limited in scope and justified given the fact that the revenue and cost/return forecasts in witness Lisowski’s plant specific worksheets are not FES’ forecasts – but rather the Companies’ developed forecasts. If the Bench is inclined to not modify its December 1, 2014 Entry that addressed the original Lisowski worksheets, it can still strike a compromise on this issue by allowing the difference between the total revenues and total costs/returns to be placed in the public record. Doing so will ensure the public and all parties in this proceeding understand how each plant (Davis Besse, W.H. Sammis and the OVEC entitlement) contributes to the Companies’ claimed benefit of \$561 million dollars under Rider RRS over the 8-year term.

By way of background, the Companies recently produced in discovery modified versions of the JIL-1, JIL-2 and JIL-3 worksheets by witness Lisowski in both hard copy and electronic spreadsheet form (OCC Set 17-RPD-019). JIL-1, JIL2 and JIL-3 were modified to support

witness Mikkelsen's work paper on the stipulation as indicted on a double asterisk note on that public work paper (copy attached as Exhibit 1). The modified JJL-1, JJL-2 and JJL-3 were the subject of P3/EP SA's requests for admission to the Companies and the subject of the January 11, 2015 email from P3/EP SA counsel to the Companies.

In the e-mail, counsel for P3/EP SA asked the Companies why they treated the questions and answers to P3/EP SA's first set of requests for admission as confidential. Counsel for P3 and EP SA also notified the Companies in the email that P3 and EP SA intended to seek to put in the public record at the hearing (i) the Companies' responses to the requests for admission; (ii) the total revenue and total cost/return lines from witness Jason Lisowski's modified JJL-1, 2 and 3 worksheets and (iii) the mathematical calculations referenced in the Companies' responses to the requests for admissions and that were attached to the requests for admission. The relevant portion of the email copied below.

Settineri, Michael J.

From: Settineri, Michael J.
Sent: Monday, January 11, 2016 9:23 AM
To: 'Dunn, Carrie M'; burkj@firstenergycorp.com; 'Ryan A Doringo'; dakutik@jonesday.com; jlang@calfee.com; talexander@calfee.com
Cc: Petrucci, Gretchen L.; Petricoff, M. Howard
Subject: FW: *Confidential Discovery Responses Associated with PUCO Case No. 14-1297-EL-SSO - - P3-EPSC RFA Set 1 - Confidential & Competitively Sensitive Confidential Supplemental
Attachments: P3-EPSC RFA Set 1-RFA-1 to RFA-6 Conf Comp Sensitive Supplemental.pdf

Good morning. Regarding the attached discovery responses, please advise why the Companies believe the questions and answers are confidential. Also, please be advised that P3/EPSC intend to seek to put in the public record at the hearing the questions and answers in these responses along with the total revenue and total cost/return lines from Mr. Lisowski's JIL-1, 2 and 3 by plant. We also intend to seek to put in the public record the mathematical calculations referenced in the supplemental responses.

I would be glad to discuss any concerns you have about putting in the public record the questions/responses and the total revenue/total cost and return information by plant (rather than the aggregate summary that is in the public record currently).

Regards,

Mike

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The Companies did not contact counsel for P3 and EPSC as offered and instead filed the motion for protective order.

The Companies' motion for protective order should be denied to ensure the release of the total revenue and total cost/return lines from the worksheets. As an initial point, the Companies' motion for protective order does not seek to protect the confidentiality of the Companies' answers to the requests for admission or the mathematical calculations referenced in the Companies' supplemental answers (the Companies initially refused to answer the requests for admission). The mathematical calculations show the difference between the lines for total revenue minus the total cost/return in Mr. Lisowski's worksheets by plant. The Companies have

not sought to protect this information through their motion for protective order, and therefore that information can be included in the public record both on the basis of a lack of objection from the Companies as well as the fact that a third party reviewing the information would have no idea what the total revenues or total/costs are for each plant – the third party would only know the difference was for each year.

The Companies claim in their motion at page 2 that disclosing the total revenue lines and total cost/return lines contain information that is “highly competitively sensitive in nature and proprietary to FES.” But as we know from listening to Mr. Lisowski testify at the hearing, the Companies did not rely solely on FES forecast information to prepare the revenue and cost estimates. Those revenue and cost estimates are the Companies’ revenues estimates based in large part on Mr. Rose’s future forecast projections. Prior redacted versions of JIL-1 and JIL-2 that were filed on the public docket on August 4, 2014 (copy attached as Exhibit 2) also show that the return on equity to FES under the proposed PPA term sheet is included in the sum of the total cost/return lines in those work sheets. The total cost line in JIL-3 also relied in part on Mr. Rose’s future forecast for carbon prices.¹ Contrary to the Companies’ claim and contrary to what the Companies’ represented last year, the cost/return lines in the worksheets are not specific to FES forecasts but rather are specific to the Companies’ forecasts and the Companies’ cost projections of Rider RRS.

The Companies point to the Bench’s December 1, 2014 Entry granting protective treatment to the versions of JIL-1, JIL-2 and JIL-3 that were filed with Mr. Lisowski’s testimony. As noted in the Entry at ¶25, the Companies sought to protect the “proprietary, confidential business information of FirstEnergy Solutions Corp. (FES), which is trade secret

¹ See TR 1573 (Q. And that carbon price forecast was also provided by Mr. Rose, correct? A. Yes, sir. Q. And that price forecast was used for modeling, both the Sammis units and the OVEC entitlement, correct? A. That’s correct.”)

information provided to the Companies pursuant to a non-disclosure agreement solely for purposes related to the proposed Economic Stability Program, contained in sealed attachments JIL-1, JIL-2, and JIL-3 to the testimony of Jason Lisowski and portions of work papers of Mr. Lisowski [.]” But as indicated above, since the filing of the initial motion and the Bench’s granting of that motion, the parties have discovered that the information in JIL-1, JIL-2 and JIL-3 is not based solely on FES proprietary and confidential business information. The revenue and cost projections were based in large part on a third-party witness (Judah Rose) pricing forecasts and not FES’ internal projections.² Therefore, the revenue and cost predictions are not the proprietary, confidential business information of FES.

The new facts that were discovered at hearing and the nature of the information justify the denial of the Companies’ motion for protective order. It is also important to note that P3 and EPSA are seeking to make public a limited amount of information from the modified versions of JIL-1, JIL-2 and JIL-3 as indicated below.

Row	JIL-1 (Sammis)	JIL-2 (Davis Besse)	JIL-3 (OVEC)
Line 4	Line 4 / Total Revenues	Line 4/ Total Line Revenues	Line 3/ Total Revenues
Line 28	Line 28 / Total Costs & Return	Line 28 / Total Costs & Return	Line 8 / Total Costs

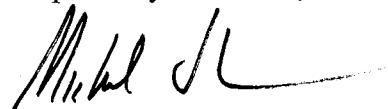
The above information should be made public as it will reveal each plant’s contribution to the claimed \$561 million for Rider RRS in witness Mikkelsen’s supplemental stipulation testimony. To not allow this information in the public record would hide from the public and from other

² See TR 1569 (“Q. So is it correct the modeling results presented in your testimony are based on market priced forecasts that Judah Rose provided to you? A. That’s correct.”) and see TR 1599 (“Q. So the FES projections did not rely on any of Judah Rose’s assumptions, correct.” A. No, they did not, and that’s because FES, running its own forecasts and projections, wants to use what it believed to be the most accurate for it.”)

parties who have not signed protective agreements what each plant's contribution is to the claimed \$561 million figure. As well, the information goes directly to the heart of the analysis needed to be made and publicly ruled upon by the Commission.

With that said, P3 and EPSA can offer a compromise if the Companies continue to object to the release of this information. The Bench can maintain its original order on protective treatment but allow the calculation of total revenue minus total cost/return from each worksheet for each year and for each plant to be public. The Companies have not objected to introducing those calculations in the public record even though they were put on notice of this intent in the above e-mail. Allowing only the differential between total revenue and total cost/return for each plant and for each year to be included in the public record ensures that a third-party cannot learn the exact amount of the total revenue and total cost/return from each worksheet. This compromise allows the Companies to maintain their claim of confidentiality over the contents of JIL-1, JIL-2 and JIL-3 at and the same time allow all parties and the public to understand how each plant contributes to the Rider RRS credit projected by the Companies.

Respectfully submitted,



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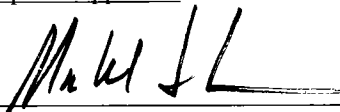
CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 14th day of January 2016 upon all persons/entities listed below:

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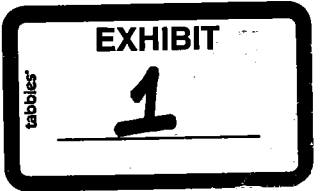
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Michael J. Settineri

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



7	Economic Development	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	Total	NPV
8	Low Income Funding	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	24.0	16.9
9	Customer Advisory Agency Funding	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	19.1	13.5
		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	8.0	5.6

Source: Third Supplemental Stipulation
Source: Third Supplemental Stipulation
Source: Third Supplemental Stipulation

10	Retail Rate Stability Rider	2016*	2017	2018	2019	2020	2021	2022	2023	2024*	Total
11	Projected Market Revenue	606	1,155	1,302	1,507	1,657	1,693	1,738	1,771	748	12,177
12	Projected Costs	762	1,310	1,386	1,381	1,450	1,477	1,561	1,581	688	11,616
13	Under (Over) Recovery	135	175	84	(126)	(207)	(216)	(177)	(190)	(69)	(561)
	NPV Under (Over) Recovery	144	152	67	(94)	(144)	(140)	(107)	(107)	(31)	(260)

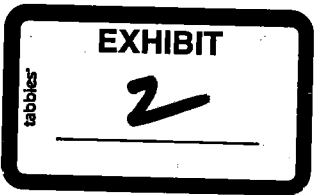
Source: IAR - 1 Revised (2024 is 5/12 of annual projection)
Source: Attachments J11-1 & J11-2 & J11-3 Revised**
Calculation: Line 11 - Line 10
Calculation: Line 12 / (1+WACC) Yrs

- Rider RRS Assumptions**
- A Return on Equity 10.38% Supplemental response to IEU Set 1 INT 25 Attachment 1 - revised
 - B Assumed Debt % 50.00% Source: IAR - 1 R revised
 - C Assumed Equity % 50.00% Source: IAR - 1 Revised
 - D Cost of Debt 4.54% Source: IAR - 1 Revised
 - WACC 7.46% Calculation: Line A* Line C + Line B* Line D

*2016 is June 1 - December 31, 2024 is January 1 - May 31.
**With modified Return on Equity Assumption

Attachment III - Sammis Projections
\$ in millions

Line	Assumptions	
A	FCI	11.15%
B	Effective Tax Rate	37.44%
C	Assumed Debt %	50.00%
D	Assumed Equity %	50.00%
E	Cost of long-term debt	4.59%
F	WACC	7.85%



Line	Revenue	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	Capacity Revenue																
2	Energy Revenue																
3	Ancillary Revenue																
4	Total Revenues																
5																	
6	Costs																
7	Fuel																
8	Labor																
9	Dues, Fees, & Licenses																
10	Lease/Rental Costs																
11	General Salaries & Travel																
12	Materials & Equipment																
13	Professional & Contractor																
14	Pension & OPEB																
15	Service Company Expense																
16	Property Taxes																
17	Insurance																
18	General Taxes																
19	Depreciation																
20	Acquisition Expense																
21	Total Costs																
22																	
23	Interest Expense																
24	Equity Return																
25	Income Taxes																
26	Total Return																
27																	
28	Total Costs & Return																
29																	
30	Salvage/Invested Capital																
31	Net Plant in Service																
32	Accumulated Deferred Income Taxes																
33	Service Company Net Plant Allocations																
34	Reed Corporate Support Net Plant																
35	Capitalized Fuel																
36	Non-Fuel Materials & Supplies																
37	Total Stake's Invested Capital																

Provided by Company with no Steve Stanb
 Line A,C,D
 Estimated FRS Tax Rate
 Line B
 Weighted average cost of FRS Long term debt
 Calculation: Line A * Line D + Line C * Line E
 Line F
 Line 1-3
 JLI Workpaper Sammis
 Calculation: Line 1 thru 3
 Line 4
 JLI Workpaper Sammis
 Calculation: Line 7 thru 20
 Line 21
 Calculation: Line 37 * Line C * Line E to account for the partial year; Year 2016 *7/12 and Year 2031 *5/12
 Line 23
 Calculation: Line 37 * Line A * Line D to account for the partial year; Year 2016 *7/12 and Year 2031 *5/12
 Line 24
 Calculation: Line 24 * (1 - Line B) -
 Line 25
 Calculation: Line 21, Line 25
 Line 26
 JLI Workpaper Sammis represents an estimated December 31 balance, with the exception of 2031, which represents an estimated May 31 balance.
 Line 31
 JLI Workpaper Sammis
 Line 32-36
 Calculation: Line 31 thru 36
 Line 37

\$ in millions

Line	ROE	Debt/Equity Assumed Ratio
A	11.15%	
B	37.44%	Effective Tax Rate
C	50.00%	Assumed Debt %
D	50.00%	Assumed Equity %
E	4.54%	Cost of Long-term Debt
F	7.83%	WACC

[illegible]

Line A,C,D	Provided by Company whereas Steve Staub
Line B	Estimated FRS Tax Rate
Line E	Weighted average cost of FRS Long term debt
Line F	Calculation: Line A * Line D + Line C * Line E
Line 1-3	JL Workpaper Davis Besse
Line 4	Calculation: Σ Line 1 thru 3
Line 7-20	JL Workpaper Davis Besse
Line 21	Calculation: Σ Line 7 thru 20
Line 23	Calculation: Line 37 * Line C * Line E (to account for the partial year), Year 2016 7/12 and Year 2013 5/12
Line 24	Calculation: Line 37 * Line A * Line D (to account for the partial year), Year 2016 7/12 and Year 2013 5/12
Line 25	Calculation: Line 24*(1/(1-Line B)-1
Line 26	Calculation: Σ Line 23 thru 25
Line 28	Calculation: Σ Line 21, Line 26
Line 31	JL Workpaper Davis Besse represents an estimated December 31 balance, with the exception of 2013 which represents an estimated May 31 balance.
Line 32-36	JL Workpaper Davis Besse
Line 37	Calculation: Σ Line 31 thru 36

[illegible][illegible]

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

Summary: Memorandum Contra to Motion for Protective Order electronically filed by Mr. Michael J. Settineri on behalf of PJM Power Providers Group and Electric Power Supply Association