*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 |

**DIRECT TESTIMONY**

**OF**

**MATTHEW I. KAHAL**

**On Behalf of the**

**The Office of the Ohio Consumers’ Counsel**

*10 West Broad Street, Suite 1800*

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**and**

**The Northeast Ohio Public Energy Council**

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**December 22, 2014**

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# QUALIFICATIONS

1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
2. My name is Matthew I. Kahal. I am employed as an independent consultant retained by the Office of the Ohio Consumers’ Counsel (“OCC”) and the Northeast Ohio Public Energy Council (“NOPEC”) to address certain issues in this docket. My business address is 1108 Pheasant Crossing, Charlottesville, VA 22901.
3. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.
4. I hold B.A. and M.A. degrees in economics from the University of Maryland and have completed course work and examination requirements for the Ph.D. degree in economics. My areas of academic concentration included industrial organization, economic development, and econometrics.
5. WHAT IS YOUR PROFESSIONAL BACKGROUND?
6. I have been employed in the area of energy, utility, and telecommunications consulting for the past 35 years, working on a wide range of topics. Most of my work during my consulting career has focused on electric utility integrated planning, power plant licensing, environmental compliance issues, mergers, and utility financial issues. I was a co-founder of Exeter Associates, Inc. (“Exeter”), and from 1981 to 2001, and I was employed at Exeter as a Senior Economist and Principal. During that time, I took the lead role at Exeter in performing cost of capital and financial studies. In recent years, the focus of much of my professional work has expanded to include electric utility markets, power supply procurement, and industry restructuring.

Prior to entering consulting, I served on the Economics Department faculties at the University of Maryland (College Park) and Montgomery College, teaching courses on economic principles, development economics, and business. A complete description of my professional background is provided in Appendix A.

1. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS BEFORE UTILITY REGULATORY COMMISSIONS?
2. Yes. I have testified before approximately two dozen state and federal utility commissions, federal courts, and the U.S. Congress in more than 400 separate regulatory cases. My testimony has addressed a variety of subjects including fair rate of return, resource planning, financial assessments, load forecasting, competitive restructuring, rate design, purchased power contracts, environmental compliance, merger economics, and other regulatory policy issues. These cases have involved electric, gas, water, and telephone utilities. A list of these cases is set forth in Appendix B, with my statement of qualifications.
3. WHAT PROFESSIONAL ACTIVITIES HAVE YOU ENGAGED IN SINCE LEAVING EXETER AS A PRINCIPAL IN 2001?
4. Since 2001, I have worked on a variety of consulting assignments pertaining to electric restructuring, purchase power contracts, environmental controls, cost of capital, and other regulatory issues. Current and recent clients include the U.S. Department of Justice, U.S. Air Force, U.S. Department of Energy, the Federal Energy Regulatory Commission, Connecticut Attorney General, Pennsylvania Office of Consumer Advocate, the Ohio Consumers’ Counsel, New Jersey Division of Rate Counsel, Rhode Island Division of Public Utilities, Louisiana Public Service Commission, Arkansas Public Service Commission, the Maryland Public Service Commission, the Maine Public Advocate, the New Hampshire Consumer Advocate, the Maryland Department of Natural Resources, the Maryland Energy Administration, and certain private clients.
5. HAVE YOU PREVIOUSLY TESTIFIED ON THE SUBJECTS OF ELECTRIC RESTRUCTURING, TRANSITION TO COMPETITION, AND RETAIL DEFAULT SERVICE?
6. Yes. I have testified on these topics on numerous occasions during the past 10 to 15 years. This includes the design of programs to provide generation supply service for those retail electric customers requiring default service. Earlier this year, I testified in the pending Electric Security Plan (“ESP”) cases involving AEP Ohio (Case No. 13-2385-EL-SSO) and Duke Energy Ohio (Case No. 14-841-EL-SSO). Please see Appendix C for a listing of such cases.

# OVERVIEW AND SUMMARY

## Purpose of Testimony

1. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?
2. I have been asked by OCC and NOPEC to address certain issues pertaining to the filing in this case by three FirstEnergy Corporation utilities, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (the “FE Utilities” or “the Utilities”). The FirstEnergy Corporation (“FE”) parent is a very large, diversified corporation with extensive utility operations in Ohio and other Northeast states and substantial non-utility (mostly merchant generation) operations. The Utilities’ Application refers to this filing as ESP IV, because this is the fourth such ESP filing. The Utilities’ current ESP results from a stipulation approved by the Public Utilities Commission of Ohio (“PUCO” or “the Commission”) on July 18, 2012.[[1]](#footnote-2) The proposed ESP IV would cover the time period June 1, 2016 through May 31, 2019, i.e., three years following the end of ESP III.

The principal purpose of my testimony is to evaluate the Utilities’ proposed ESP versus the results under a Market Rate Offer (“MRO”). The Utilities claim that the ESP will provide greater ratepayer benefits than the MRO alternative in the long-term on both quantitative and qualitative grounds.

The Utilities’ filing includes a study quantifying the benefits to the Ohio economy of two FirstEnergy Solutions’ (“FES”) merchant power plants. The output of these two plants will be acquired through long-term wholesale purchase power agreements (“PPAs”) between the Utilities and FES. My testimony evaluates the merits of that study and its relevance to this case.

Ohio statutes require that electric distribution utilities (“EDUs”) provide a generation standard service offer (“SSO”), either through an ESP or MRO, for customers that do not take generation service from competitive retail electric suppliers. The FE Utilities propose in this case to meet their SSO obligation through the use of an ESP.

Approval of an ESP by the PUCO requires that the utility demonstrate that its proposed ESP is more favorable, in the aggregate, for its customers, than the MRO alternative. This has been referred to as the “ESP versus MRO statutory test,” and how that test has been evaluated has been the subject of considerable dispute in previous ESP cases. The full wording of this test is stated in R.C. 4928.143(C)(1), and this is what I am referencing as “the test.”

Since the test is a comprehensive analysis of the proposed ESP in the aggregate, I incorporate the findings and recommendations from other OCC witnesses that have a bearing on the merits of ESP IV.

1. What standards or criteria has the puco used in the past in applying the statutory test?
2. The PUCO in past cases has considered three categories of costs and benefits in its application of the statutory test for the ESP versus the MRO:

* The SSO generation prices for customers;
* Other quantifiable customer impacts; and
* Qualitative attributes of the proposed ESP.[[2]](#footnote-3)

The ESP benefits included in the test must be those “incremental” for the proposed ESP. Benefits resulting from a previous ESP or from some other source (e.g., a previous rate case settlement) should not be included in the test.

1. what findings did the utilities reach concerning the esp versus mro test?
2. The Utilities present the statutory test for the proposed ESP IV in the testimony of witness Fanelli. He acknowledges that under the Utilities’ proposed Competitive Bidding Process (“CBP”), the ESP IV and an MRO would be expected to produce the same SSO generation pricing.

However, his testimony asserts that non-CBP provisions of ESP IV—principally from the proposed Retail Rate Stability Rider (“Rider RRS”)—will produce estimated savings of $2.021 billion, or $773 million on a net present value (“NPV”) basis.[[3]](#footnote-4) Mr. Fanelli’s quantification is unusual in that it covers a 15-year study period rather than the three-year period of the ESP that is typically used in the application of the test. Had he restricted himself to the ESP IV’s June 1, 2016 to May 31, 2019 time period, he instead would have calculated a very large net ratepayer loss, i.e., in excess of $400 million. Finally, Mr. Fanelli asserts that there are qualitative benefits associated with the proposed ESP IV.[[4]](#footnote-5)

1. what CONCLUSIONS have you reached concerning the statutory test?
2. I conclude that the as-filed ESP IV does *not* provide customers with quantified benefits and cost savings as compared with the alternative of an MRO. As a result the PUCO should modify the ESP filing to reduce its cost to customers commensurate with the cost of a market rate offer. Alternatively, the PUCO could direct the utility to pursue a market rate offer.

While the ESP IV customer cost impacts are uncertain and difficult to quantify, a reasonable estimate is that ESP IV will, on balance, increase the costs to the Utilities’ customers by about $500 to $600 million over the June 1, 2016 to May 31, 2019 ESP IV time period and by about $3.0 billion over the proposed 15-year life of the Rider RRS. [[5]](#footnote-6) I also conclude that the claimed “qualitative benefits” of ESP IV, in general, are unpersuasive, highly speculative, or are otherwise obtainable without the disadvantages and higher costs of the Utilities’ onerous ESP IV proposals.[[6]](#footnote-7)

1. does your evaluation of thE statutory test rely on the testimony of other witnessES?
2. Yes, it does. Two of the most important issues in this case include the Utilities’ proposal to continue their use of the Delivery Capital Recovery Rider (“Rider DCR”). This would include implementing revenue increases of up to $30 million in each year of ESP IV. Another charge, Rider RRS, has the potential to impose hundreds of millions of dollars of added (i.e., above market) costs on customers over the proposed 15-year term. In addition, the Utilities propose the Government Directives Recovery Rider (“Rider GDR”).

The Rider DCR continuation proposal and the introduction of Rider GDR are addressed in detail by OCC witness Effron, and the Rider RRS proposal is addressed by OCC/NOPEC witness Wilson. OCC witness Woolridge presents a cost of capital study addressing the Utilities’ proposed return component for Rider RRS. My evaluation of the ESP versus MRO statutory test directly or indirectly incorporates and relies upon the findings of these witnesses.

1. what are your conclusions concerning the utilities’ economic impact study?
2. The Utilities’ have sponsored an economic impact study, prepared by an outside consultant, purporting to show the “economic impacts” associated with two FES unregulated power plants (the Sammis coal-fired plant and the Davis-Besse nuclear plant) on the local and Ohio economy.[[7]](#footnote-8) The study finds that when economic linkages and “multiplier” effects are modeled, the two plants contribute on the order of 3,000 jobs and $1 billion of annual output to the Ohio economy. Moreover, Utilities’ witness Fanelli uses these impact estimates as a qualitative (but not a quantitative) argument in favor of Rider RRS and ESP IV.

But the study is not about the focus in this proceeding on the Utilities’ rates to be charged to two million Utility customers. And the study is not about making electric generation markets function for Ohioans without subsidies to Utility affiliates like FES. It is certainly not a persuasive argument in favor of the Rider RRS. Nor does it negate the finding that the Utilities’ proposed ESP IV fails to pass the statutory test.

1. what are your specific objections?
2. The economic impact study only has meaning if one assumes that FES, the plants’ owner, will soon retire either or both of the two plants, i.e., a decision that the PUCO (or some other Ohio policymaking body) could influence, for example, through Rider RRS or some other subsidy arrangement. Otherwise, the study serves no purpose in this case. Similar hypothetical studies could be prepared for every other power plant, industrial, commercial, or governmental facility in Ohio, and such studies similarly would have no value in this proceeding.

A problem with the FE Utilities’ proposal is that there is no factual evidence from them (other than veiled suggestion) in this case regarding such retirements. The FE Utilities have not asserted that they will close these power plants. To the contrary, all evidence and analyses presented in this case by the FE Utilities leads to the conclusion that FES does not expect to retire either plant during the next 15 years, even absent Rider RRS. Absent a decision to retire the plants at issue, there would be no economic impact and the “status quo” of normal operation at the two power plants simply continues.

There is, of course, another possibility that should be concerning for customers. This other possibility is that the FE Utilities are simply wrong in their assessment of future PJM market prices, and that FES will subsequently discover that one or both plants are simply not “economically viable.” This possibility could materialize with or without the proposed Rider RRS. In such a situation, the proposed Rider RRS would impose an enormous cost penalty on Ohio customers of the FE Utilities if uneconomic operations continue. If Rider RRS is approved, as filed, this negative outlook has two possible consequences depending on the Utilities’ and FES’s prudence. One outcome assumes the Utilities and FES (i.e., the parties to the wholesale PPAs that underlie Rider RRS) conclude that one or both plants are no longer economically viable (i.e., ongoing operating costs would exceed PJM market revenue over the plants’ remaining life). In such a scenario, the plant(s) is (are) retired. This is the same “economic impact” as if Rider RRS had never been approved. In other words, Rider RRS would have no effect—positive or negative—on the retirement decision and the local economy. In this instance, the Companies’ customers would be responsible for all costs incurred in addition to costs to shut down and retire the plant with little or no benefit to said customers.

In the second scenario of low PJM prices, the Utilities and FES continue to operate the plants, even though the plants have been determined to be uneconomic relative to the PJM competitive wholesale market. Jobs at the plants would be maintained, profiting FES, but at a cost—perhaps a very high cost—to the Utilities’ customers. What Utilities’ witness Murley’s study overlooks is that imposing substantial cost penalties on utility customers in order to subsidize uneconomic power plants (and to profit FES) imposes income and job losses on the Utilities’ service areas and the Ohio economy. Inefficient subsidies to uneconomic energy or industrial facilities is not an accepted or efficient economic development strategy. Essentially, in Rider RRS the FE Utilities are proposing to impose a cost penalty on their two million customers. I do not recommend their approach.

I describe this impact in detail later in my testimony, and comment on the details of witness Murley’s studies of the Sammis and Davis-Besse power plants.

In summary, the FE Utilities and FES cannot have it both ways. Either they conclude that the power plants are economically viable—and therefore will not be retired irrespective of the Rider RRS—or they do not. In the negative case, the plants may be retired irrespective of the presence of Rider RRS. Or, the Utilities and FES imprudently may choose under Rider RRS to continue to operate uneconomic plants to extract from customers the profits allowed under the PPAs and impose a cost penalty on customers that will have a negative regional economic impact.

1. SHOULD THE PUCO APPROVE THE UTILITIES’ ESP PROPOSAL IN THIS CASE?
2. No. The concept of the ESP has outlived any purpose it may have served for customer protection (if it did protect customers) under Senate Bill 221. It operates now as circumventions of both the market pricing intended in 1999 under Senate Bill 3 and the regulation of monopoly distribution service under Revised Code Chapter 4909. And, to provide the benefits of competitive pricing to consumers, an ESP is not needed. Under Ohio law, the standard service offer based upon a wholesale auction can be accomplished through the MRO. In this regard, former PUCO Chairman Snitchler wrote earlier this year to propose eliminating the electric security plan as soon as 2015:

The fundamental, structural changes that have occurred since 2011, including resolving generation ownership and corporate separation of all investor owned utilities, eliminates the need for the ESP or MRO filing…. For these reasons, the requirement that such filings be made should be eliminated from the statute starting in 2015 or at the time 100% of the Standard Service Offer (SSO) load is secured at wholesale auction.[[8]](#footnote-9)

R.C. 4928.143(C) (1) allows the PUCO to modify an ESP.[[9]](#footnote-10) Modifications to the utility’s plan should include restructuring the ESP so that the SSO is provided through an MRO instead.

Under an MRO, much of the added costs that customers are being asked to pay, including the PPA charge and the distribution rider charges, would be eliminated. This would save customers money and is consistent with the fact that the Utility is offering standard service through a CBP, as envisioned under a market rate offering.

## Testimony Outline

1. how is the remainder of your testimony organized?
2. Section III presents my evaluation of the ESP versus MRO test, focusing mostly on the three most important components of ESP IV, the DCR, GDR, and RRS riders. This section also briefly discusses other aspects of ESP IV that might be considered qualitative factors. In Section IV, I discuss the “economic impact” studies pertaining to the Sammis and Davis-Besse power plants and the lack of relevance to this case.

# ESP VERSUS MRO TEST

## The Statutory Test

1. what is your understanding of the statutory requirement for PUCO approval of an ESP?
2. As acknowledged by the FE Utilities in the Application, EDUs may satisfy the requirement to provide a standard service offer either through an ESP or MRO.[[10]](#footnote-11) The requirements for an MRO include a Competitive Bidding Process (“CBP”) that adheres to certain standards, procedures, and criteria specified in Ohio Revised Code, Section 4928.142. The requirements and potential features of an ESP are specified in Ohio Revised Code, Section 4928.143. R.C. 4928.143 addresses the establishment of SSO generation rates and a number of other aspects of electric service, including “distribution infrastructure and modernization,” which are not part of the MRO provision of the Code.

The ESP statute also provides the test for PUCO approval of an ESP – if the utility proposes an ESP, the PUCO:

…shall approve or modify and approve an application filed under division (A) of this section if it finds that the electric security plan so approved, including its pricing and all other terms and conditions, including any deferrals and any future recovery of deferrals, is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code. (Ohio Revised Code, Section 4928.143 (C)(1).)

The statute further states that the utility has the burden of proof under this provision.

## The Utilities’ Application of the Test

1. please describe the UTILITIES’ application of the test.
2. FE Utilities witness Fanelli employs the three-part test used by the Commission in past cases. He begins by considering the expected effect on SSO generation rates and concludes that ESP IV and an MRO would be the same. He states at page 7:

Since the Companies would also use a competitive process to procure generation service for all SSO customers under an MRO, there is no quantifiable difference related to the resulting SSO pricing between the proposed ESP and an MRO.

Next, he considers the second part—other quantitative cost impacts. Citing to the Commission’s decision in the ESP III case, Mr. Fanelli states that Rider DCR will have no net effect on customer rates.[[11]](#footnote-12) This is because the Rider DCR rate increases (expected to be $30 million per year) would essentially be the same as under an MRO where costs of additional distribution investment would be collected from customers in base rate cases. He then identifies two features of ESP IV that he claims reduce costs. The first is a $3 million (over three years) shareholder contribution to economic development.[[12]](#footnote-13) The second is FE Utilities’ witness Ruberto’s estimated costs savings from Rider RRS: $2,018 million (or $770 million net present value).[[13]](#footnote-14) The total is an alleged net benefit of $2,021 million. It must be noted that the Rider RRS alleged cost savings cover 15 years (2016-2031), which is the proposed life of that rider, rather than the three-year ESP period normally used by the PUCO in past cases.

The third part of Mr. Fanelli’s application of the test concerns qualitative considerations. Most of his discussion (and, indeed, the FE Utilities’ filing) focuses on claimed public interest benefits of Rider RRS. To a lesser extent, he mentions Riders DCR and GDR as promoting infrastructure investment “more efficiently” than base rate cases, but he does not document or explain the alleged “efficiencies.”[[14]](#footnote-15) He also briefly discusses benefits from “continuing funding” for low income customers and certain technical enhancements to the Supplier Tariffs that he states could contribute to an improved retail market.[[15]](#footnote-16)

1. do you dispute Mr. fanelli’s finding concerning the SSO GENERATION rates?
2. No, I do not. There is every reason to believe that the Utilities would use the same CBP under an MRO alternative as is proposed for ESP IV. Hence, I agree with Mr. Fanelli that for purposes of the test, the SSO rate impact should be assumed to be identical under the ESP and the MRO.
3. do you accept Mr. fanelli’s contention regarding economic DEVELOPMENT funding?
4. Yes. While it is not entirely clear how the funds will ultimately be used or what customer (or public interest) benefits it will provide, I accept the Utilities’ representation that the entire $3 million will come from shareholders. Thus, it is reasonable to include it in the quantitative test.
5. what is your position concerning the ALLEGED $2.018 billion customer benefit from rider rrs?
6. At the outset, it must be noted that the claimed $2.018 billion cost savings covers the 15-year (2016-2031) life of Rider RRS and the underlying wholesale PPAs. This is a very unusual application of the test. In my opinion, this is inappropriate. For the ESP IV three-year term, witness Ruberto estimates a customer loss of $419 million, because his analysis indicates that net benefits do not begin to emerge until sometime beginning in 2019. Hence, in conducting the test, Mr. Fanelli should have included a customer cost of $419 million, not a benefit of $2.018 billion.

The larger issue is whether the $2.018 billion net benefit is realistic. As OCC/NOPEC witness Wilson observes, FE Utilities’ witness Rose’s estimates of wholesale energy prices (gas and electricity) are speculative and unlikely.[[16]](#footnote-17) FE Utilities’ witness Ruberto’s study relies on the very aggressive escalation over the 15 years of gas and wholesale electric prices sponsored by FE Utilities’ witness Rose. In addition, his study optimistically assumes very favorable operation of the Sammis and Davis-Besse plants during this 15-year period. As OCC/NOPEC witness Wilson demonstrates, merely making reasonable modifications to the assumed natural gas (and therefore wholesale electricity) prices results in the $2.018 billion benefit becoming a large customer loss.

1. HOW does Mr. fanelli justify using the 15-year time period for the ESP versus MRO test?
2. While this was not done for ESP III, Mr. Fanelli observes that the PUCO did recognize ESP benefits beyond the ESP term in its earlier ESP II order. Specifically, he is referring to the Utilities’ willingness to absorb rather than charge customers for certain transmission charges that would be incurred after the end of ESP II.

This “precedent,” however, is simply not on point and should not be used for Rider RRS. This is because the benefit associated with foregone transmission charges was well-defined and understood. It was not a highly speculative benefit. By comparison, the claimed post-2019 savings associated with Rider RRS are speculative and highly uncertain at best. Moreover, OCC/NOPEC witness Wilson demonstrates that, if anything, Rider RRS is likely to result in a net loss after 2019. It is not merely a matter of whether $2.018 billion is an accurate figure, but at issue is whether it is even a positive figure.

By comparison, estimates during the next three years are subject to less uncertainty as observed prices from energy futures markets and the PJM capacity market can provide useful guidance. The Utilities and the OCC are in closer agreement regarding Rider RRS for that time period. Hence, I recommend avoiding undue speculation and using only the ESP IV term in conducting the test. That said, my testimony presents the test using both the ESP IV term and the full 15 years.

1. what WOULD THE QUANTITATIVE result HAVE BEEN IF Mr. fanelli HAD used the THREE-YEAR ESP iv term FOR RIDER RRS?
2. As OCC/NOPEC witness Wilson states, Mr. Ruberto calculates a net loss of $420 million for Rider RRS for the ESP IV term[[17]](#footnote-18). Subtracting the $3 million economic development contribution produces an ESP IV that is more costly for customers than an MRO by $417 million. That is, the proposed ESP IV produces a net ratepayer cost of $417 million based on the Utilities own analysis.
3. what qualitative benefits does Mr. fanelli claim for rider rrs?
4. Relying on the testimony of other FE Utilities witnesses, he makes the following benefits claims for Rider RRS that are qualitative:

* The Rider will help preserve employment and income directly and indirectly associated with the two power plants (i.e., about 3,000 jobs).
* The two power plants contribute power supply benefits in the form of reliability and fuel diversity.
* Retirements of the two plants could result in the necessity to build new transmission.
* Rider RRS will benefit customers, over and above any net savings, by providing rate stability.[[18]](#footnote-19)

As noted above, Mr. Fanelli also makes assertions of qualitative benefits for Riders DCR and GDR along with the low income proposal and retail market enhancements. But these qualitative claims are vague and poorly described in his testimony.

## Response to Mr. Fanelli

1. have you conducted a quantification of the test?
2. Yes I have, for the ESP IV term. I begin by accepting Mr. Fanelli’s position that the net benefit for SSO pricing is zero and the economic development funding has a value of $3 million. I disagree with Mr. Fanelli that there is no expected quantitative impact from Rider DCR. I believe that a net cost to customers from Rider DCR of $90 to $180 million is a plausible three-year estimate of the cost penalty. Finally, I incorporate the Utilities’ own Rider RRS estimate of a net cost of $419 million. These parameters produce the following range:

Low: $(3) + $90 + $419 = $506 million

High: $(3) + $180 + $419 = $596 million

The FE Utilities’ proposed plan has a cost penalty to customers on the order of $500 to $600 million during the three-year term of ESP IV from June 1, 2016 to May 31, 2019.

1. Does this QUANTIFICATION change if you incorporate the full 15-year term THAT THE FE UTILITIES PROPOSED for rider RRS?
2. Yes, but as noted earlier, I strongly recommend against using a 15-year test due to its highly uncertain nature. And I am not testifying that exceeding the term of the proposed ESP for purposes of the test is even legal. Notably, OCC witness Wilson recognizes the importance of uncertainty by preparing Rider RRS projections based on three scenarios of gas and electric prices. He produces a nominal, 15-year cost savings of $0.2 billion ($0.0 billion NPV) for the most favorable scenario, a medium scenario estimate of a $3.0 billion net cost ($1.5 billion NPV), and a scenario with a $3.9 billion net cost to customers ($2.3 billion NPV). Hence, on an NPV basis, his results range from essentially break-even for customers to a $2.3 billion net cost to customers[[19]](#footnote-20).

For purposes of the 15-year ESP test, I utilize Mr. Wilson’s medium case of a $3.0 billion net cost to customers. I then incorporate the economic development benefit ($3 million) and the potential costs of Rider DCR ($90 to $180 million). The result is that the FE Utilities’ ESP proposal has an overall 15-year impact of a net cost to customers of about $3.1 billion to $3.2 billion. The Commission should protect Ohio customers from this result and reject the FE Utilities’ proposal for an electric security plan.

1. what would the 15-year test produce if you gave equal weight to the DIFFERING projections of both Mr. wilson and utilities witness rose?
2. Giving equal weight to the $2.0 billion benefit using Mr. Rose’s projections and the $3.0 billion net cost from Mr. Wilson’s medium scenario produces a net ratepayer cost over 15 years of about $450 million. That cost to customers plus recognizing the $3 million economic development benefit and the $90 to $180 million potential cost for Rider DCR produces a range of about $0.5 billion to $0.6 billion as a detriment to customers, under the ESP versus MRO test. Had I instead used the NPV values for the Rider RRS projected impacts, the results would be similar in magnitude, nearly a half billion dollar net cost as the detriment to customers.

To reemphasize, I strongly recommend against the use of this 15-year time horizon for the test as it is excessively speculative.

1. Is there merit to the various qualitative arguments set forth by the utilities to support rider RRS?
2. No. While I am not recommending that the Commission consider qualitative factors under the MRO versus ESP test, the Utilities’ qualitative arguments are unpersuasive. The first argument is that Rider RRS will somehow preserve jobs at the power plants (and other jobs directly or indirectly related). There is no clear explanation as to how or why this will occur. Presumably, it occurs because absent Rider RRS, the two power plants would be retired. But this supposition is flatly contradicted by Mr. Ruberto, who shows that under continuation of merchant operations by FES the two plants will be highly profitable. I discuss this issue in more depth in Section IV of my Direct Testimony.

Other qualitative factors—rate stability and transmission expansion, are discussed by OCC/NOPEC witnesses Wilson and Sioshansi. The discussion need not be repeated here. OCC/NOPEC witness Wilson shows that customers have other means of achieving rate stability, and there is no assurance that Rider RRS would even make a positive contribution to more stable rates.

It should be noted that the Utilities asserted transmission cost savings argument is only relevant if one is willing to assume a retirement scenario, contrary to the implications of Mr. Ruberto’s analysis.

1. Do you have any reply to the utilities’ argument regarding reliability and fuel diversity?
2. Yes. Rider RRS operates by having the Utilities enter into long-term cost of service PPAs with FES for the output of Sammis, Davis-Besse, and FE’s 4.85 percent share of OVEC. This amounts to more than 3,000 MW of baseload capacity. The output is to be sold into the PJM markets for energy, capacity, and ancillary services, with the market revenues offsetting (more or less) the cost of service PPA charges. In other words, Rider RRS and the underlying PPAs are a purely financial arrangement. There is essentially no physical change at all in the manner in which the plants operate (as compared to the status quo of merchant plant operation). Rider RRS does not change anything physically, including power supply reliability and fuel diversity.

The only exception would be if Rider RRS affects the retirement decision for those plants, which is totally contrary to Mr. Ruberto’s study and the FE Utilities’ case. I discuss this further in Section IV of my Direct Testimony.

It is important to remember that with or without Rider RRS, customers will obtain all of their physical power supply from the PJM wholesale market, a market that has on the order of 200,000 MW of capacity resources. Rider RRS does not in any way change that, nor does it “earmark” the reliability and fuel diversity of those two power plants for the FE Utilities’ customers.[[20]](#footnote-21) Customers ultimately obtain fuel diversity and reliability from that very broad regional power supply market. While Sammis and Davis-Besse are very large plants, together they are a very small percentage of PJM. In addition, reliability and fuel diversity are not the responsibility of individual generators; that responsibility falls on PJM and the North American Electric Reliability Corporation (“NERC”).

1. Are there other qualitative arguments against Rider RRS?
2. Yes. The FE Utilities’ proposed mechanism is contrary to Ohio’s policy choice of opting for a market-based power supply system. In addition, Rider RRS is troubling aside from its very high cost, because the PUCO will have very limited regulatory oversight regarding an arrangement that purports to be “cost of service” pricing. Customers must pay cost of service rates for resources that are not in the retail rate base. This can lead to a problem of cost control incentives and the possibility of abuse by the affiliate to the detriment of utility customers. In particular, under a cost of service PPA FES has little incentive to aggressively control costs, and can increase its profits by increasing investments in the power plants. The FE Utilities, as the buyers under the PPAs, would have little incentive to vigilantly review the reasonableness of the FES costs at those power plants.
3. You state that Rider DCR has a cost to customers of $90 to $180 million. What is the basis for that cost?
4. There are very serious problems with Rider DCR, as explained by OCC witness Effron. Some of these problems are the well-known generic issues of single-issue ratemaking, as he explains. More specifically in this case, Mr. Effron uses the latest available actual data (for late 2013) and finds strong evidence of large-scale excess earnings for the Utilities’ distribution service. His analysis finds returns on distribution rate base that year of 10.7 to 11.7 percent as compared with the authorized 8.48 percent, and returns on equity for the three Utilities of 15.1 to 17.1 percent compared to the authorized 10.5 percent. His Schedule DJE-1 quantifies excess annual revenue for the three Utilities that total about $135 million.

The Utilities in this case seek authority for Rider DCR annual rate increases of up to $30 million, which potentially would equate to $180 million of additional total revenue. While Mr. Effron’s calculations are not equivalent to a rate case (which would use an updated test year), they bring into question whether a large portion or all of the requested $180 million is in fact needed. I therefore have used $180 million as an upper bound cost of the Rider DCR for purposes of the test. Mr. Effron’s analysis strongly suggests that the $180 million of rider revenue is simply not needed during the ESP IV term for the Utilities to achieve adequate earnings.

1. What is the basis of your $90 million lower bound cost?
2. It is my understanding that the Utilities intend to use for Rider DCR the currently authorized rate of return of 8.48 percent and return on equity of 10.5 percent in a 2007 rate case. As documented by OCC witness Dr. Woolridge, the utility cost of capital has declined sharply since 2007, as have state commission return on equity awards. He estimates a cost of capital at this time of 6.41 percent, including a return on equity of 8.7 percent. Rider DCR is a proposed mechanism that enables the Utilities’ to avoid having their authorized rate of return scrutinized, such as the scrutiny in a base rate case, and to avoid their rate of return from being lowered by the PUCO. That avoidance of scrutiny of the Utilities is detrimental for customers, who pay for the rate of return. This reduction would very likely occur, although I cannot know how much the reduction would be.

Mr. Effron estimates that as of late 2013, the three Utilities’ distribution rate bases total to $3.1 billion. (See Schedule DJE-1.) If one assumes that in a base rate case the authorized rate of return is lowered by a mere 0.6 percent (i.e., from 8.48 to about 7.90 percent), after income tax gross up, this would reduce the annual revenue requirement by about $31 million. As compared to Rider DCR, which avoids an update to the authorized rate of return, the base rate case alternative under the MRO would produce a three-year savings of about $90 million. This lower bound is the savings just from a rate of return update alone and does not consider the excess earnings demonstrated on Mr. Effron’s Schedule DJE-1. Rider DCR clearly produces net annual rate increases that are far too large for customers to pay.

1. Do you have the same criticism of Rider GDR?
2. Conceptually, the criticisms are the same as for Rider DCR—it is single-issue ratemaking at a time when the evidence shows substantial excess earnings by the FE Utilities. The difference is that no rate increase has as yet been identified under this rider.

Not only is this proposed rider objectionable as single-issue ratemaking (for all of the reasons set forth by Mr. Effron), but the Utilities compound this problem by making it asymmetric. Under this rider, the Utilities have no obligation to file for rate reductions resulting from changes in governmental regulations. Moreover, I would be concerned even if this inequity was corrected and the rider is made symmetric. This is because the Utilities have far more information about their operations than the PUCO, its Staff or other parties in the process. It would be difficult for the PUCO to ensure that the Utilities are fully compliant with their obligation to flow through cost reductions to customers. For this reason, I believe that Rider GDR is fatally flawed. Making the rider symmetric would be an improvement, but it is not a cure for customers. This is a highly negative qualitative attribute of ESP IV for customers.

1. Mr. Fanelli sets forth several other qualitative arguments in support of ESP IV. Are these arguments persuasive?
2. In general, no. He mentions the “efficiency” of Rider DCR and Rider GDR but does not explain or describe why they are more efficient than base rate cases. He may be referring to the administrative resource requirements of base rate cases, but this pales in comparison with the benefits customers would obtain from avoiding the large and unnecessary rate increases (up to $180 million for Rider DCR alone). Rate cases would facilitate needed infrastructure investment while ensuring reasonable rates. Rider DCR and GDR will not do that.

Mr. Fanelli references the Utilities’ $5 million funding for low income customers, but there is no suggestion that shareholders in any way will fund that expenditure. My testimony takes no position on the specific elements of these two programs. But if all utility customers must pay the cost of the programs, then the Utilities’ case for considering this an ESP IV benefit is diminished. In any event, the Utilities could propose this program and the proposed Supplier Tariff-related enhancements under an MRO in another PUCO proceeding (e.g., a base rate case) for the PUCO to adopt elsewhere. There is no need to limit Commission consideration of low-income assistance programs to this case where the FE Utilities are offering such programs as part of an attempt to secure huge financial gains (profits) for themselves or their affiliate, at the expense of all their two million customers.

For purposes of the statutory MRO versus ESP test in this case, the qualitative benefits--whatever the qualitative benefits might be for the low income program and Supplier Tariff enhancements--seem very small as compared to the documented and qualified ESP IV ratepayer costs of at least $0.5 billion and the harm to the competitive markets. These cost increases are unnecessary and are merely intended to increase the Utilities’ and FES profits.

# ECONOMIC IMPACTS AND PLANT RETIREMENTS

1. please describe the study sponsored by the utilities concerning power plant economic impacts.
2. The Utilities have sponsored a study by their outside consultant, Sarah Murley that estimates the regional economic impact of the Sammis and Davis-Besse plants. The study relies upon plant level data (i.e., employment, contractor payments, value of plant output, etc.) supplied by FES along with “multipliers” derived from IMPLAN, a widely-used regional economic impact model. For the Sammis plant, the total impact is 1,059 jobs, annual output of $586 million, and annual personal income of $67 million.[[21]](#footnote-22) The study also measures impacts on tax payments. The Davis-Besse Ohio-wide impacts are similar in magnitude—1,062 jobs, output of $473 million annually, and personal income of $113 million annually.[[22]](#footnote-23) On a combined basis, witness Murley concludes that the economic impact totals nearly 3,000 jobs and output of roughly $1 billion annually. She states, “The effects on local communities would be devastating if these Plants close.”[[23]](#footnote-24)
3. how does the study pertain to the proposed ESP iv?
4. The relevance of the study seems to be explained by the Utilities’ policy witness, Mr. Moul. He states that, “The economic viability of the Plants is in doubt.”[[24]](#footnote-25) He goes on to state that current market revenues may be insufficient to support continued operation. While he concedes that the Utilities’ witness Rose’s market curve price projections (after near-term losses) certainly would be adequate, “the Plants may not survive to see these better days.”[[25]](#footnote-26)

Mr. Moul’s testimony seems to imply that Rider RRS, which would cover all power plant costs plus an 11.15 percent return on equity investment, is required (or at least is needed) to ensure long-term continued operations. As discussed in Section III of my Direct Testimony, Mr. Fanelli uses the modeled economic impacts as a qualitative argument in support of Rider RRS and ESP IV.

1. what is your understanding of the concept of “economic viability” for the power plants?
2. In order to understand Mr. Moul’s concern and the modeled economic impacts, it is first necessary to understand what economic viability means for an *existing* power plant. This is a very different concept than for a proposed new power plant. For an existing power plant to be economically viable (i.e., avoid retirement), the market revenue stream earned by the plant must be sufficient to cover operating expenses plus the costs of the capital additions that would be required going forward. Capital costs already incurred (legacy capital investments) are irrelevant to the retirement decision and need not be covered by market revenue, in whole or in part, for the plant to continue in operation.

A simple example would be helpful to illustrate the concept. Please assume that utility projections are for operating costs for the plant at four cents per kWh, capital additions at an “all-in” cost of 1 cent per kWh, and a market revenue stream of six cents per kWh. The plant’s “to go” costs total five cents per kWh, which is more than covered by projected market revenue. Thus, the plant is viable and would not be retired, even if six cents per kWh is too low to provide a reasonable return on (legacy) investment plus depreciation. In this example, the plant owner may be receiving a zero or close to zero return on equity, but the plant still would not be retired. However, if the long-term outlook was for a revenue stream less than five cents per kWh, then the plant could not cover its “to go” costs and might therefore be retired.

The main points from this simplified example are: (a) plants must be able to cover “to go” costs with revenue to survive; and (b) the return (if any) of and on legacy investment is irrelevant to the retirement decision.

1. how do these concepts relate to Mr. Moul’s concern?
2. Mr. Ruberto’s study is presumably based on the Utilities’ estimates of 2016-2031 plant operating costs and capital additions. One must also assume that the market price curves sponsored by Mr. Rose reflect the Utilities’ outlook. This combination of inputs results in Sammis and Davis-Besse earning market revenue as merchant plants that fully covers all operating costs, provides FES with an 11.15 percent return on equity on both legacy and new capital, *plus* a revenue surplus of $2 billion. And this highly lucrative result is expected despite the early year “losses” that Mr. Moul notes.

The implication could not be clearer. Based on the Utilities’ projections, the two plants will earn far more revenue, at customer expense, than needed to be economically viable. Moreover, this still would be true at market price curves much lower than those of Utilities witness Rose. His projections provide both a very healthy return of and on legacy capital, *plus* an additional surplus of $2 billion.[[26]](#footnote-27)

In summary, there is no evidence in the Utilities’ case suggesting that retirement is a reasonable expectation. Moreover, as the Utilities’ witnesses have noted, Sammis completed an investment in 2010 for environmental controls at a cost of $1.8 billion, while Davis-Besse in 2014 completed a steam generator replacement at a cost of several hundred million dollars. FE Utilities are presently seeking to extend, until 2037, the Davis-Besse Nuclear Regulatory Commission operating license that expires in 2017.[[27]](#footnote-28) It seems unlikely that FES would undertake such large investments if it expected to soon retire the plants.

1. based upon THE UTILITIES’ witness rose’s market price curves and ASSUMED plant operating costs, THE FE UTILITIES would not RETIRE the plants. what would happen if wholesale market prices turn out to be lower?
2. OCC/NOPEC witness Wilson’s testimony presents scenarios with significantly lower market prices, and it is possible such prices could influence the retirement decision. The Utilities have not presented any evidence on the economic viability at lower wholesale prices. Prices must be substantially lower (not just slightly lower) than witness Rose’s projections to warrant retirement.
3. if wholesale market prices turn out to be much lower than Mr. rose’s projections, would rider rrs be needed to ensure continued plant operations?
4. As noted above, if the revenue stream from Mr. Rose’s price curves, or even substantially lower, were to occur (i.e., more than $2 billion lower), then Rider RRS is simply not needed to prevent retirement. Market revenues would be sufficient. It is possible, however, that if future wholesale prices turn out to be substantially lower, the plants could not survive as merchant plants.

In the case of Rider RRS coupled with very low market prices, the Utilities and FES could choose to continue plant operation (per the cost of service terms of the PPAs) through 2031. In such a scenario, the plants could survive, but ratepayers would be forced to incur massive losses (i.e., up to $3.9 billion identified by OCC witness Wilson). While customers would be paying dearly under that scenario, the Utilities’ affiliate (FES) would still earn substantial customer-subsidized profits under the PPAs.

1. Would the SCENARIO of multi-billion dollar ratepayer losses you just described be a reasonable outcome?
2. No. Such a scenario would reflect imprudent conduct by the Utilities and FES. Whether either Sammis or Davis-Besse is retired at some future time should be based on an economic viability test (i.e., a revenue stream sufficient to cover “to go” costs). That test should be the same with or without Rider RRS. In other words, the future economics of the plants in the market may dictate their closures regardless of whether Rider RRS is approved. In that event and if the Rider RRS is approved, the vast sums of money paid by customers to the FE Utilities will have been all the more pointless for the Ohioans who paid it—but not pointless for the recipient that profited from the money, FirstEnergy. If Rider RRS is in place, the Utilities and FES should terminate the PPAs if PJM revenues cannot cover plant operating costs (plus future capital additions). If the Utilities and FES behave prudently, then Rider RRS has no bearing—positive or negative—on the retirement decision. Hence, witness Murley’s “retirement impact study” has no relevance.
3. Isn’t it possible that the utilities and FES, under Rider RRS and Low PJM prices, may decide to keep the power plants operating?
4. Yes, that is possible, even though the PJM revenue stream cannot cover plant operating costs and future capital additions. FES may choose to do so and operate uneconomic power plants in order to continue to collect from the Utilities’ customers its lucrative 11.15 percent return on equity. In fact, the more it invests in the plants, the more it profits. This scenario preserves jobs at the power plants, but at an enormous cost to customers and the local economy.
5. This last SCENARIO is a combination of low PJM prices, Rider RRS, and Fes’ willingness to operate uneconomic plants through 2031. In that scenario, is Ms. Murley’s study valid?
6. No, her study under that scenario is neither correct nor complete. This is because the study ignores the fact that retail electric rate increases have a significant detrimental impact on the service area economies of the three FE Utilities. This is particularly true when the cause of the rate increase is due to operating expensive power plants that are not economically viable.
7. Please explain this negative economic impact.
8. Large electric rate increases can adversely affect the local economy through several mechanisms. For example, consider OCC/NOPEC witness Wilson’s Rider RRS estimated cost penalty, which could be as high as $3.9 billion for customers. Residential customers in that case would experience a higher cost of living and therefore less disposable income after paying their electric bills to spend on locally supplied (and Ohio-wide) goods and services. This reduced spending adversely impacts local employment and incomes. For residential customers, the Rider RRS cost penalty is analogous to experiencing a tax increase—albeit one with no corresponding benefit in the form of more public services.

Commercial customers (e.g., local retail establishments) likely will respond to the Rider RRS cost penalty by raising their prices to cover the added cost of doing business. This effect further reduces the net disposable income of households in the FE Utilities’ service area, further reducing employment through multiplier impacts. Alternatively, local business owners could choose to absorb some or all of the Rider RRS cost penalty, but doing so would only serve to reduce their own disposable income and spending. Either way, the local economy takes a hit.

Manufacturing customers of the FE Utilities have an additional problem. The Rider RRS cost penalty adversely affects their cost structure and competitiveness. As a general matter, these establishments must compete with other manufacturers in the region, the U.S., and even globally in some cases. The cost penalty only serves to impair their competitiveness, thereby reducing local employment. In addition, the higher long-term electric rates reduce the incentive for new businesses (which must pay Rider RRS) to locate in the FE Utilities’ service areas.

Witness Murley’s study gives no consideration to the far reaching adverse impacts of Rider RRS that could occur if FES and the FE Utilities insisted on continued operations for uneconomic plants.

1. Can you summarize the three scenarios pertaining to rider RRS and economic viability?
2. Yes. In Scenario No. 1, future PJM prices (overall) remain high enough to support continued operations through 2031 for both plants. This would be the case if Utilities’ witness Rose’s market curves are correct, but it also might be true even if PJM prices turn out to be somewhat lower than his projections. After all, his projections produce an 11.15 percent return on legacy investment *plus* a $2 billion revenue surplus over and above that return. In Scenario No. 1, Rider RRS has no effect on the plants’ retirement decisions as compared with continued merchant operation.

In Scenario No. 2, the future PJM price path is much lower than Mr. Rose’s projections, so low that the plants cannot cover operating costs (and future capital additions). The economic decision would be to retire one or both plants. But this is the correct economic decision regardless of the presence or absence of Rider RRS. After all, under traditional regulation, utilities have a prudence obligation to retire power plants when found to be uneconomic as compared with market alternatives. Again, in this case the retirement decision would not be affected by the presence or absence of Rider RRS, assuming prudent behavior.

Scenario No. 3 assumes low future PJM prices, the presence of Rider RRS, and imprudent behavior by the FE Utilities and FES. In this case, the Utilities’ contention is partially right that Rider RRS “saves” continued operation of the plants. However, it can only do so by imposing a potential multi-billion dollar cost penalty on customers. This is a multi-billion dollar subsidy to FE shareholders. Unfortunately, this cost penalty will severely harm the local economy through the mechanisms described above. This economic harm is ignored by witness Murley.

1. Setting aside the economic impact harm from higher electric rates that would result from rider RRS, do you have any concerns with witness Murley’s study?
2. Yes. Witness Murley is utilizing plant level cost and output data supplied by the FE Utilities along with the IMPLAN model. That model is a standard tool often used to provide an understanding of economic impacts. That said, there are aspects of the study that can be misunderstood and may be misleading.
3. Please explain.
4. At the outset, Ms. Murley uses “output” loss (i.e., the $1 billion per year) as one of her impact metrics.[[28]](#footnote-29) However, it appears that “output” is mostly a measure of the value of generation supply from selling power into the PJM market at the two plants. (For Sammis, this is $502 million out of a total of $586 million.) This is not a useful measure of the local economic impact. A far more valid measure is the modeled impact on personal income, which totals about $170 million for both plants combined (inclusive of multiplier effects). This is dramatically lower than the asserted adverse “economic impact” of $1 billion, but it is a more meaningful figure.

A second concern pertains to the Davis-Besse nuclear power plant. Ms. Murley assumes the plant shuts down, all employees and contractors are laid off immediately, and that is the end of it. That is not what would happen. The closure of Davis-Besse (if it were to occur) would require the start of decommissioning for the nuclear power plant. That would be an enormous undertaking, requiring a large on-site staff and considerable on-site activity by numerous contractors or contract employees. The Davis-Besse plant site would continue to be a major local employer and source of intense economic activity for years to come. Her study ignores the decommissioning work and its positive economic impacts. On a related matter, it must be noted that additional unwarranted negative economic impacts on customers and businesses located in the Utilities’ service area will take place if decommissioning costs are included in the PPA charged to consumers.

1. Do you have any other concerns?
2. Yes. The type of analysis conducted by Ms. Murley with IMPLAN and plant-level data is a hypothetical short-term depiction of potential economic impacts. In reality, however, it does not describe very accurately the longer-term impacts of plant closure. The regional and state economies are dynamic and resilient. If plant closures were to occur, labor market and other market adjustments would take place over time. Some workers may find employment at other new efficient generation facilities constructed to replace the outdated inefficient generation facilities. Other workers may retire or transfer to other jobs at FES or affiliated companies. In either case, they would continue to receive income. Some may move out of the locality to take other jobs, while others may find other local jobs or even start their own businesses.

All of this, of course, takes time and cannot be readily modeled. The point is that the “snap shot” economic impacts presented by the Utilities are essentially static estimates and do not account for real world market adjustments. This limitation and perspective needs to be understood when considering her modeled results.

# SUMMARY

1. ***PLEASE SUMMARIZE YOUR FINDINGS CONCERNING THE ESP VERSUS MRO TEST.***
2. The FE Utiliti**e**s’ witness Fanelli finds a $2.0 billion net benefit for the proposed ESP IV versus the MRO, along with certain claimed “qualitative” benefits. However, this claimed benefit is based on a 15-year set of projections pertaining to Rider RRS which results are both doubtful and highly speculative. Had he employed the three-year term of ESP IV, which is common practice in Ohio, he would have obtained a ratepayer detriment in excess of $400 million, based on the Utilities’ own projections of Rider RRS impacts.

My testimony urges the use of the three-year ESP term for the ESP versus MRO test. I obtain a probable ratepayer detriment of roughly $500 to $600 million. This uses the Utilities’ own projections for Rider RRS, along with a potential ratepayer net cost for Rider DCR of about $90 million to $180 million (as compared to conventional base rate case cost recovery). While I strongly recommend against the use of the unreliable and highly speculative 15-year test, my analysis finds such a test would produce an estimated $3.1 billion ratepayer determent. This result incorporates OCC/NOPEC witness Wilson’s medium market price scenario.

Finally, my testimony explains why the “qualitative” benefits claimed by Mr. Fanelli are either unpersuasive, minor in importance, or attainable absent the proposed ESP IV. In particular, my testimony explains why the claimed “economic impact” benefit of Rider RRS is incorrect.

1. ***PLEASE SUMMARIZE YOUR CRITICISMS OF THE ECONOMIC IMPACT BENEFIT.***
2. While I certainly agree that the FES unregulated Sammis and Davis-Besse power plants are important employers, the claimed economic benefit analysis is neither useful in this proceeding nor correct. In order for this analysis to be meaningful it would be necessary to assume that Sammis and/or Davis-Besse plants could not survive as unregulated merchant plants. But the Utilities’ own market projections demonstrate that both plants would be highly profitable with or without Rider RRS. It is certainly possible that this optimistic outlook is wrong and in the future the plants cannot earn sufficient revenue to cover their “to go” costs. In such a case, the plants would be retired even under Rider RRS, as long as the Utilities and affiliate counter-party FES act prudently and make economically correct decisions.

The other possibility is highly disturbing. This possible scenario assumes low market prices but the Utilities and FES imprudently insist on continued operation of uneconomic power plants, thereby imposing potentially multi-billion dollar losses on ratepayers in order to enhance FES profits. This ratepayer economic loss would have far reaching and severe negative consequences for the Utilities’ service area economies.

All of this is ignored by Utilities’ witness Murley. My testimony describes other concerns that I have with her economic impact study that result in those impacts being overstated.

# CONCLUSION

1. Does this conclude your direct testimony?
2. Yes, it does. However, I reserve the right to update as outstanding discovery information or new information becomes available.

**CERTIFICATE OF SERVICE**

It is hereby certified that a true copy of the foregoing *Direct Testimony of Matthew I. Kahal on Behalf of The Ohio Consumers’ Counsel and The Northeast Ohio Public Energy Council* was served via electronic transmission this 22nd day of December, 2014.

/s/ *Larry S. Sauer*

Larry S. Sauer

Deputy Consumers’ Counsel

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**APPENDIX A**

**QUALIFICATIONS OF**

**MATTHEW I. KAHAL**

**MATTHEW I. KAHAL**

Since 2001, Mr. Kahal has worked as an independent consulting economist, specializing in energy economics, public utility regulation, and utility financial studies. Over the past three decades, his work has encompassed electric utility integrated resource planning (IRP), power plant licensing, environmental compliance, and utility financial issues. In the financial area, he has conducted numerous cost of capital studies and addressed other financial issues for electric, gas, telephone, and water utilities. Mr. Kahal’s work in recent years has expanded to electric power markets, mergers, and various aspects of regulation.

Mr. Kahal has provided expert testimony in approximately 400 cases before state and federal regulatory commissions, federal courts, and the U.S. Congress. His testimony has covered need for power, integrated resource planning, cost of capital, purchased power practices and contracts, merger economics, industry restructuring, and various other regulatory and public policy issues.

Education

B.A. (Economics) – University of Maryland, 1971

M.A. (Economics) – University of Maryland, 1974

Ph.D. candidacy – University of Maryland, completed all course work and qualifying examinations.

Previous Employment

1981-2001 Founding Principal, Vice President, and President

Exeter Associates, Inc.

Bethesda, MD

1980-1981 Member of the Economic Evaluation Directorate

The Aerospace Corporation

Washington, D.C.

1977-1980 Economist

Washington, D.C. consulting firm

1972-1977 Research/Teaching Assistant and Instructor

Department of Economics, University of Maryland (College Park)

Lecturer in Business and Economics

Montgomery College (Rockville, MD)

Professional Experience

Mr. Kahal has more than thirty years’ experience managing and conducting consulting assignments relating to public utility economics and regulation. In 1981, he and five colleagues founded the firm of Exeter Associates, Inc., and for the next 20 years he served as a Principal and corporate officer of the firm. During that time, he supervised multi-million dollar support contracts with the State of Maryland and directed the technical work conducted by both Exeter professional staff and numerous subcontractors. Additionally, Mr. Kahal took the lead role at Exeter in consulting to the firm’s other governmental and private clients in the areas of financial analysis, utility mergers, electric restructuring, and utility purchase power contracts.

At the Aerospace Corporation, Mr. Kahal served as an economic consultant to the Strategic Petroleum Reserve (SPR). In that capacity, he participated in a detailed financial assessment of the SPR, and developed an econometric forecasting model of U.S. petroleum industry inventories. That study has been used to determine the extent to which private sector petroleum stocks can be expected to protect the U.S. from the impacts of oil import interruptions.

Before entering consulting, Mr. Kahal held faculty positions with the Department of Economics at the University of Maryland and with Montgomery College, teaching courses on economic principles, business, and economic development.

Publications and Consulting Reports

Projected Electric Power Demands of the Baltimore Gas and Electric Company, Maryland Power Plant Siting Program, 1979.

Projected Electric Power Demands of the Allegheny Power System, Maryland Power Plant Siting Program, January 1980.

An Econometric Forecast of Electric Energy and Peak Demand on the Delmarva Peninsula, Maryland Power Plant Siting Program, March 1980 (with Ralph E. Miller).

A Benefit/Cost Methodology of the Marginal Cost Pricing of Tennessee Valley Authority Electricity, prepared for the Board of Directors of the Tennessee Valley Authority, April 1980.

An Evaluation of the Delmarva Power and Light Company Generating Capacity Profile and Expansion Plan, (Interim Report), prepared for the Delaware Office of the Public Advocate, July 1980 (with Sharon L. Mason).

Rhode Island-DOE Electric Utilities Demonstration Project, Third Interim Report on Preliminary Analysis of the Experimental Results, prepared for the Economic Regulatory Administration, U.S. Department of Energy, July 1980.

Petroleum Inventories and the Strategic Petroleum Reserve, The Aerospace Corporation, prepared for the Strategic Petroleum Reserve Office, U.S. Department of Energy, December 1980.

Alternatives to Central Station Coal and Nuclear Power Generation, prepared for Argonne National Laboratory and the Office of Utility Systems, U.S. Department of Energy, August 1981.

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A Survey and Evaluation of Demand Forecast Methods in the Gas Utility Industry, prepared for the Public Utilities Commission of Ohio, Forecasting Division, November 1985 (with Terence Manuel).

A Review and Evaluation of the Load Forecasts of Houston Lighting & Power Company and Central Power & Light Company – Past and Present, prepared for the Texas Public Utility Commission, December 1985 (with Marvin H. Kahn).

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“Potential Emissions Reduction from Conservation, Load Management, and Alternative Power,” published in Acid Deposition in Maryland: A Report to the Governor and General Assembly, Maryland Power Plant Research Program, AD-87-1, January 1987.

Determination of Retrofit Costs at the Oyster Creek Nuclear Generating Station, March 1988, prepared for Versar, Inc., New Jersey Department of Environmental Protection.

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Toward a Proposed Federal Policy for Independent Power Producers, comments prepared on behalf of the Indiana Consumer Counselor, FERC Docket EL87-67-000, November 1987.

Review and Discussion of Regulations Governing Bidding Programs, prepared for the Pennsylvania Office of Consumer Advocate, June 1988.

A Review of the Proposed Revisions to the FERC Administrative Rules on Avoided Costs and Related Issues, prepared for the Pennsylvania Office of Consumer Advocate, April 1988.

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Resource Planning and Competitive Bidding for Delmarva Power & Light Company, October 1990, prepared for the Maryland Department of Natural Resources (with M. Fullenbaum).

Electric Power Rate Increases and the Cleveland Area Economy, prepared for the Northeast Ohio Areawide Coordinating Agency, October 1988.

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A Need for Power Review of Delmarva Power & Light Company’s Dorchester Unit 1 Power Plant, March 1993, prepared for the Maryland Department of National Resources (with M. Fullenbaum).

The AES Warrior Run Project: Impact on Western Maryland Economic Activity and Electric Rates, February 1993, prepared for the Maryland Power Plant Research Program (with Peter Hall).

An Economic Perspective on Competition and the Electric Utility Industry, November 1994, prepared for the Electric Consumers’ Alliance.

PEPCO’s Clean Air Act Compliance Plan: Status Report, prepared for the Maryland Power Plant Research Plan, January 1995 (w/Diane Mountain, Environmental Resources Management, Inc.).

The FERC Open Access Rulemaking: A Review of the Issues, prepared for the Indiana Office of Utility Consumer Counselor and the Pennsylvania Office of Consumer Advocate, June 1995.

A Status Report on Electric Utility Restructuring: Issues for Maryland, prepared for the Maryland Power Plant Research Program, November 1995 (with Daphne Psacharopoulos).

Modeling the Financial Impacts on the Bell Regional Holding Companies from Changes in Access Rates, prepared for MCI Corporation, May 1996.

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Reducing Rates for Interstate Access Service: Financial Impacts on the Bell Regional Holding Companies, prepared for MCI Corporation, May 1997.

The New Hampshire Retail Competition Pilot Program: A Preliminary Evaluation, July 1997, prepared for the Electric Consumers’ Alliance (with Jerome D. Mierzwa).

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An Analysis of Electric Utility Embedded Power Supply Costs, prepared for Power-Gen International Conference, Dallas, Texas, December 1997.

Market Power Outlook for Generation Supply in Louisiana, December 2000, prepared for the Louisiana Public Service Commission (with others).

A Review of Issues Concerning Electric Power Capacity Markets, prepared for the Maryland Power Plant Research Program, December 2001 (with B. Hobbs and J. Inon).

The Economic Feasibility of Air Emissions Controls at the Brandon Shores and Morgantown Coal-fired Power Plants, February 2005 (prepared for the Chesapeake Bay Foundation).

The Economic Feasibility of Power Plant Retirements on the Entergy System, September 2005, with Phil Hayet (prepared for the Louisiana Public Service Commission).

Expert Report on Capital Structure, Equity and Debt Costs, prepared for the Edmonton Regional Water Customers Group, August 30, 2006.

Maryland’s Options to Reduce and Stabilize Electric Power Prices Following Restructuring, with Steven L. Estomin, prepared for the Power Plant Research Program, Maryland Department of Natural Resources, September 2006.

Expert Report of Matthew I. Kahal, on behalf of the U. S. Department of Justice, August 2008, Civil Action No. IP-99-1693C-MIS.

Conference and Workshop Presentations

Workshop on State Load Forecasting Programs, sponsored by the Nuclear Regulatory Commission and Oak Ridge National Laboratory, February 1982 (presentation on forecasting methodology).

Fourteenth Annual Conference of the Michigan State University Institute for Public Utilities, December 1982 (presentation on problems in forecasting).

Conference on Conservation and Load Management, sponsored by the Massachusetts Energy Facilities Siting Council, May 1983 (presentation on cost-benefit criteria).

Maryland Conference on Load Forecasting, sponsored by the Maryland Power Plant Siting Program and the Maryland Public Service Commission, June 1983 (presentation on overforecasting power demands).

The 5th Annual Meetings of the International Association of Energy Economists, June 1983 (presentation on evaluating weatherization programs).

The NARUC Advanced Regulatory Studies Program (presented lectures on capacity planning for electric utilities), February 1984.

The 16th Annual Conference of the Institute of Public Utilities, Michigan State University (discussant on phase-in and excess capacity), December 1984.

U.S. Department of Energy Utilities Conference, Las Vegas, Nevada (presentation of current and future regulatory issues), May 1985.

The 18th Annual Conference of the Institute of Public Utilities, Michigan State University, Williamsburg, Virginia, December 1986 (discussant on cogeneration).

The NRECA Conference on Load Forecasting, sponsored by the National Rural Electric Cooperative Association, New Orleans, Louisiana, December 1987 (presentation on load forecast accuracy).

The Second Rutgers/New Jersey Department of Commerce Annual Conference on Energy Policy in the Middle Atlantic States, Rutgers University, April 1988 (presentation on spot pricing of electricity).

The NASUCA 1988 Mid-Year Meeting, Annapolis, Maryland, June 1988, sponsored by the National Association of State Utility Consumer Advocates (presentation on the FERC electricity avoided cost NOPRs).

The Thirty-Second Atlantic Economic Society Conference, Washington, D.C., October 1991 (presentation of a paper on cost of capital issues for the Bell Operating Companies).

The NASUCA 1993 Mid-Year Meeting, St. Louis, Missouri, sponsored by the National Association of State Utility Consumer Advocates, June 1993 (presentation on regulatory issues concerning electric utility mergers).

The NASUCA and NARUC annual meetings in New York City, November 1993 (presentations and panel discussions on the emerging FERC policies on transmission pricing).

The NASUCA annual meetings in Reno, Nevada, November 1994 (presentation concerning the FERC NOPR on stranded cost recovery).

U.S. Department of Energy Utilities/Energy Management Workshop, March 1995 (presentation concerning electric utility competition).

The 1995 NASUCA Mid-Year Meeting, Breckenridge, Colorado, June 1995 (presentation concerning the FERC rulemaking on electric transmission open access).

The 1996 NASUCA Mid-Year Meeting, Chicago, Illinois, June 1996 (presentation concerning electric utility merger issues).

Conference on “Restructuring the Electric Industry,” sponsored by the National Consumers League and Electric Consumers Alliance, Washington, D.C., May 1997 (presentation on retail access pilot programs).

The 1997 Mid-Atlantic Conference of Regulatory Utilities Commissioners (MARUC), Hot Springs, Virginia, July 1997 (presentation concerning electric deregulation issues).

Power-Gen ‘97 International Conference, Dallas, Texas, December 1997 (presentation concerning utility embedded costs of generation supply).

Consumer Summit on Electric Competition, sponsored by the National Consumers League and Electric Consumers’ Alliance, Washington, D.C., March 2001 (presentation concerning generation supply and reliability).

National Association of State Utility Consumer Advocates, Mid-Year Meetings, Austin, Texas, June 16-17, 2002 (presenter and panelist on RTO/Standard Market Design issues).

Louisiana State Bar Association, Public Utility Section, Baton Rouge, Louisiana, October 2, 2002 (presentation on Performance-Based Ratemaking and panelist on RTO issues).

Virginia State Corporation Commission/Virginia State Bar, Twenty-Second National Regulatory Conference, Williamsburg, Virginia, May 10, 2004 (presentation on Electric Transmission System Planning).

**APPENDIX B**

**LIST OF PAST TESTIMONY OF**

**MATTHEW I. KAHAL**

1. 27374 & 27375 Long Island Lighting Company New York Counties Nassau & Suffolk Economic Impacts of Proposed

October 1978 Rate Increase

2. 6807 Generic Maryland MD Power Plant Load Forecasting

January 1978 Siting Program

3. 78-676-EL-AIR Duke Energy Ohio Ohio Ohio Consumers’ Counsel Test Year Sales and Revenues

February 1978

4. 17667 Alabama Power Company Alabama Attorney General Test Year Sales, Revenues, Costs,

May 1979 and Load Forecasts

5. None Tennessee Valley TVA Board League of Women Voters Time-of-Use Pricing

April 1980 Authority

6. R-80021082 West Penn Power Company Pennsylvania Office of Consumer Advocate Load Forecasting, Marginal Cost

pricing

7. 7259 (Phase I) Potomac Edison Company Maryland MD Power Plant Siting Program Load Forecasting

October 1980

8. 7222 Delmarva Power & Light Maryland MD Power Plant Siting Program Need for Plant, Load

December 1980 Company Forecasting

9. 7441 Potomac Electric Maryland Commission Staff PURPA Standards

June 1981 Power Company

10. 7159 Baltimore Gas & Electric Maryland Commission Staff Time-of-Use Pricing

May 1980

11. 81-044-E-42T Monongahela Power West Virginia Commission Staff Time-of-Use Rates

12. 7259 (Phase II) Potomac Edison Company Maryland MD Power Plant Siting Program Load Forecasting, Load

November 1981 Management

13. 1606 Blackstone Valley Electric Rhode Island Division of Public Utilities PURPA Standards

September 1981 and Narragansett

14. RID 1819 Pennsylvania Bell Pennsylvania Office of Consumer Advocate Rate of Return

April 1982

15. 82-0152 Illinois Power Company Illinois U.S. Department of Defense Rate of Return, CWIP

July 1982

16. 7559 Potomac Edison Company Maryland Commission Staff Cogeneration

September 1982

17. 820150-EU Gulf Power Company Florida Federal Executive Agencies Rate of Return, CWIP

September 1982

18. 82-057-15 Mountain Fuel Supply Company Utah Federal Executive Agencies Rate of Return, Capital

January 1983 Structure

19. 5200 Texas Electric Service Texas Federal Executive Agencies Cost of Equity

August 1983 Company

20. 28069 Oklahoma Natural Gas Oklahoma Federal Executive Agencies Rate of Return, deferred taxes,

August 1983 capital structure, attrition

21. 83-0537 Commonwealth Edison Company Illinois U.S. Department of Energy Rate of Return, capital structure,

February 1984 financial capability

22. 84-035-01 Utah Power & Light Company Utah Federal Executive Agencies Rate of Return

June 1984

23. U-1009-137 Utah Power & Light Company Idaho U.S. Department of Energy Rate of Return, financial

July 1984 condition

24. R-842590 Philadelphia Electric Company Pennsylvania Office of Consumer Advocate Rate of Return

August 1984

25. 840086-EI Gulf Power Company Florida Federal Executive Agencies Rate of Return, CWIP

August 1984

26. 84-122-E Carolina Power & Light South Carolina South Carolina Consumer Rate of Return, CWIP, load

August 1984 Company Advocate forecasting

27. CGC-83-G & CGC-84-G Columbia Gas of Ohio Ohio Ohio Division of Energy Load forecasting

October 1984

28. R-842621 Western Pennsylvania Water Pennsylvania Office of Consumer Advocate Test year sales

October 1984 Company

29. R-842710 ALLTEL Pennsylvania Inc. Pennsylvania Office of Consumer Advocate Rate of Return

January 1985

30. ER-504 Allegheny Generating Company FERC Office of Consumer Advocate Rate of Return

February 198531. R-842632 West Penn Power Company Pennsylvania Office of Consumer Advocate Rate of Return, conservation,

March 1985 time-of-use rates

32. 83-0537 & 84-0555 Commonwealth Edison Company Illinois U.S. Department of Energy Rate of Return, incentive

April 1985 rates, rate base

33. Rulemaking Docket Generic Delaware Delaware Commission Staff Interest rates on refunds

No. 11, May 1985

34. 29450 Oklahoma Gas & Electric Oklahoma Oklahoma Attorney General Rate of Return, CWIP in rate

July 1985 Company base

35. 1811 Bristol County Water Company Rhode Island Division of Public Utilities Rate of Return, capital

August 1985 Structure

36. R-850044 & R-850045 Quaker State & Continental Pennsylvania Office of Consumer Advocate Rate of Return

August 1985 Telephone Companies

37. R-850174 Philadelphia Suburban Pennsylvania Office of Consumer Advocate Rate of Return, financial

November 1985 Water Company conditions

38. U-1006-265 Idaho Power Company Idaho U.S. Department of Energy Power supply costs and models

March 1986

39. EL-86-37 & EL-86-38 Allegheny Generating Company FERC PA Office of Consumer Advocate Rate of Return

September 1986

40. R-850287 National Fuel Gas Pennsylvania Office of Consumer Advocate Rate of Return

June 1986 Distribution Corp.

41. 1849 Blackstone Valley Electric Rhode Island Division of Public Utilities Rate of Return, financial

August 1986 condition

42. 86-297-GA-AIR East Ohio Gas Company Ohio Ohio Consumers’ Counsel Rate of Return

November 1986

43. U-16945 Louisiana Power & Light Louisiana Public Service Commission Rate of Return, rate phase-in

December 1986 Company plan

44. Case No. 7972 Potomac Electric Power Maryland Commission Staff Generation capacity planning,

February 1987 Company purchased power contract

45. EL-86-58 & EL-86-59 System Energy Resources and FERC Louisiana PSC Rate of Return

March 1987 Middle South Services46. ER-87-72-001 Orange & Rockland FERC PA Office of Consumer Advocate Rate of Return

April 1987

47. U-16945 Louisiana Power & Light Louisiana Commission Staff Revenue requirement update

April 1987 Company phase-in plan

48. P-870196 Pennsylvania Electric Company Pennsylvania Office of Consumer Advocate Cogeneration contract

May 1987

49. 86-2025-EL-AIR Cleveland Electric Ohio Ohio Consumers’ Counsel Rate of Return

June 1987 Illuminating Company

50. 86-2026-EL-AIR Toledo Edison Company Ohio Ohio Consumers’ Counsel Rate of Return

June 1987

51. 87-4 Delmarva Power & Light Delaware Commission Staff Cogeneration/small power

June 1987 Company

52. 1872 Newport Electric Company Rhode Island Commission Staff Rate of Return

July 1987

53. WO 8606654 Atlantic City Sewerage New Jersey Resorts International Financial condition

July 1987 Company

54. 7510 West Texas Utilities Company Texas Federal Executive Agencies Rate of Return, phase-in

August 1987

55. 8063 Phase I Potomac Electric Power Maryland Power Plant Research Program Economics of power plant site

October 1987 Company selection

56. 00439 Oklahoma Gas & Electric Oklahoma Smith Cogeneration Cogeneration economics

November 1987 Company

57. RP-87-103 Panhandle Eastern Pipe Line FERC Indiana Utility Consumer Rate of Return

February 1988 Company Counselor

58. EC-88-2-000 Utah Power & Light Co. FERC Nucor Steel Merger economics

February 1988 PacifiCorp

59. 87-0427 Commonwealth Edison Company Illinois Federal Executive Agencies Financial projections

February 1988

60. 870840 Philadelphia Suburban Water Pennsylvania Office of Consumer Advocate Rate of Return

February 1988 Company61. 870832 Columbia Gas of Pennsylvania Pennsylvania Office of Consumer Advocate Rate of Return

March 1988

62. 8063 Phase II Potomac Electric Power Maryland Power Plant Research Program Power supply study

July 1988 Company

63. 8102 Southern Maryland Electric Maryland Power Plant Research Program Power supply study

July 1988 Cooperative

64. 10105 South Central Bell Kentucky Attorney General Rate of Return, incentive

August 1988 Telephone Co. regulation

65. 00345 Oklahoma Gas & Electric Oklahoma Smith Cogeneration Need for power

August 1988 Company

66. U-17906 Louisiana Power & Light Louisiana Commission Staff Rate of Return, nuclear

September 1988 Company power costs industrial

contracts

67. 88-170-EL-AIR Cleveland Electric Ohio Northeast-Ohio Areawide Economic impact study

October 1988 Illuminating Co. Coordinating Agency

68. 1914 Providence Gas Company Rhode Island Commission Staff Rate of Return

December 1988

69. U-12636 & U-17649 Louisiana Power & Light Louisiana Commission Staff Disposition of litigation

February 1989 Company proceeds

70. 00345 Oklahoma Gas & Electric Oklahoma Smith Cogeneration Load forecasting

February 1989 Company

71. RP88-209 Natural Gas Pipeline FERC Indiana Utility Consumer Rate of Return

March 1989 of America Counselor

72. 8425 Houston Lighting & Power Texas U.S. Department of Energy Rate of Return

March 1989 Company

73. EL89-30-000 Central Illinois FERC Soyland Power Coop, Inc. Rate of Return

April 1989 Public Service Company

74. R-891208 Pennsylvania American Pennsylvania Office of Consumer Rate of Return

May 1989 Water Company Advocate

75. 89-0033 Illinois Bell Telephone Illinois Citizens Utility Board Rate of Return

May 1989 Company

76. 881167-EI Gulf Power Company Florida Federal Executive Agencies Rate of Return

May 1989

77. R-891218 National Fuel Gas Pennsylvania Office of Consumer Advocate Sales forecasting

July 1989 Distribution Company

78. 8063, Phase III Potomac Electric Maryland Depart. Natural Resources Emissions Controls

Sept. 1989 Power Company

79. 37414-S2 Public Service Company Indiana Utility Consumer Counselor Rate of Return, DSM, off-

October 1989 of Indiana system sales, incentive

regulation

80. October 1989 Generic U.S. House of Reps. N/A Excess deferred

Comm. on Ways & Means income tax

81. 38728 Indiana Michigan Indiana Utility Consumer Counselor Rate of Return

November 1989 Power Company

82. RP89-49-000 National Fuel Gas FERC PA Office of Consumer Rate of Return

December 1989 Supply Corporation Advocate

83. R-891364 Philadelphia Electric Pennsylvania PA Office of Consumer Financial impacts

December 1989 Company Advocate (Surrebuttal only)

84. RP89-160-000 Trunkline Gas Company FERC Indiana Utility Rate of Return

January 1990 Consumer Counselor

85. EL90-16-000 System Energy Resources, FERC Louisiana Public Service Rate of Return

November 1990 Inc. Commission

86. 89-624 Bell Atlantic FCC PA Office of Consumer Rate of Return

March 1990 Advocate

87. 8245 Potomac Edison Company Maryland Depart. Natural Resources Avoided Cost

March 1990

88. 000586 Public Service Company Oklahoma Smith Cogeneration Mgmt. Need for Power

March 1990 of Oklahoma

89. 38868 Indianapolis Water Indiana Utility Consumer Counselor Rate of Return

March 1990 Company

90. 1946 Blackstone Valley Division of Public Rate of Return

March 1990 Electric Company Rhode Island Utilities

91. 000776 Oklahoma Gas & Electric Oklahoma Smith Cogeneration Mgmt. Need for Power

April 1990 Company

92. 890366 Metropolitan Edison Pennsylvania Office of Consumer Competitive Bidding

May 1990, Company Advocate Program

December 1990 Avoided Costs

93. EC-90-10-000 Northeast Utilities FERC Maine PUC, et al. Merger, Market Power,

May 1990 Transmission Access

94. ER-891109125 Jersey Central Power New Jersey Rate Counsel Rate of Return

July 1990 & Light

95. R-901670 National Fuel Gas Pennsylvania Office of Consumer Rate of Return

July 1990 Distribution Corp. Advocate Test year sales

96. 8201 Delmarva Power & Light Maryland Depart. Natural Resources Competitive Bidding,

October 1990 Company Resource Planning

97. EL90-45-000 Entergy Services, Inc. FERC Louisiana PSC Rate of Return

April 1991

98. GR90080786J New Jersey

January 1991 Natural Gas New Jersey Rate Counsel Rate of Return

99. 90-256 South Central Bell Kentucky Attorney General Rate of Return

January 1991 Telephone Company

100. U-17949A South Central Bell Louisiana Louisiana PSC Rate of Return

February 1991 Telephone Company

101. ER90091090J Atlantic City New Jersey Rate Counsel Rate of Return

April 1991 Electric Company

102. 8241, Phase I Baltimore Gas & Maryland Dept. of Natural Environmental controls

April 1991 Electric Company Resources

103. 8241, Phase II Baltimore Gas & Maryland Dept. of Natural Need for Power,

May 1991 Electric Company Resources Resource Planning

104. 39128 Indianapolis Water Indiana Utility Consumer Rate of Return, rate base,

May 1991 Company Counselor financial planning

105. P-900485 Duquesne Light Pennsylvania Office of Consumer Purchased power contract

May 1991 Company Advocate and related ratemaking

106. G900240 Metropolitan Edison Company Pennsylvania Office of Consumer Purchased power contract

P910502 Advocate and related ratemaking

May 1991 Pennsylvania Electric Company

107. GR901213915 Elizabethtown Gas Company New Jersey Rate Counsel Rate of Return

May 1991

108. 91-5032 Nevada Power Company Nevada U.S. Dept. of Energy Rate of Return

August 1991

109. EL90-48-000 Entergy Services FERC Louisiana PSC Capacity transfer

November 1991

110. 000662 Southwestern Bell Oklahoma Attorney General Rate of Return

September 1991 Telephone

111. U-19236 Arkansas Louisiana Louisiana Louisiana PSC Staff Rate of Return

October 1991 Gas Company

112. U-19237 Louisiana Gas Louisiana Louisiana PSC Staff Rate of Return

December 1991 Service Company

113. ER91030356J Rockland Electric New Jersey Rate Counsel Rate of Return

October 1991 Company

114. GR91071243J South Jersey Gas New Jersey Rate Counsel Rate of Return

February 1992 Company

115. GR91081393J New Jersey Natural New Jersey Rate Counsel Rate of Return

March 1992 Gas Company

116. P-870235, et al. Pennsylvania Electric Pennsylvania Office of Consumer Cogeneration contracts

March 1992 Company Advocate

117. 8413 Potomac Electric Maryland Dept. of Natural IPP purchased power

March 1992 Power Company Resources contracts

118. 39236 Indianapolis Power & Indiana Utility Consumer Least-cost planning

March 1992 Light Company Counselor Need for power

119. R-912164 Equitable Gas Company Pennsylvania Office of Consumer Rate of Return

April 1992 Advocate

120. ER-91111698J Public Service Electric New Jersey Rate Counsel Rate of Return

May 1992 & Gas Company

121. U-19631 Trans Louisiana Gas Louisiana PSC Staff Rate of Return

June 1992 Company

122. ER-91121820J Jersey Central Power & New Jersey Rate Counsel Rate of Return

July 1992 Light Company

123. R-00922314 Metropolitan Edison Pennsylvania Office of Consumer Rate of Return

August 1992 Company Advocate

124. 92-049-05 US West Communications Utah Committee of Consumer Rate of Return

September 1992 Services

125. 92PUE0037 Commonwealth Gas Virginia Attorney General Rate of Return

September 1992 Company

126. EC92-21-000 Entergy Services, Inc. FERC Louisiana PSC Merger Impacts

September 1992 (Affidavit)

127. ER92-341-000 System Energy Resources FERC Louisiana PSC Rate of Return

December 1992

128. U-19904 Louisiana Power & Louisiana Staff Merger analysis, competition

November 1992 Light Company competition issues

129. 8473 Baltimore Gas & Maryland Dept. of Natural QF contract evaluation

November 1992 Electric Company Resources

130. IPC-E-92-25 Idaho Power Company Idaho Federal Executive Power Supply Clause

January 1993 Agencies

131. E002/GR-92-1185 Northern States Minnesota Attorney General Rate of Return

February 1993 Power Company

132. 92-102, Phase II Central Maine Maine Staff QF contracts prudence and

March 1992 Power Company procurements practices

133. EC92-21-000 Entergy Corporation FERC Louisiana PSC Merger Issues

March 1993

134. 8489 Delmarva Power & Maryland Dept. of Natural Power Plant Certification

March 1993 Light Company Resources

135. 11735 Texas Electric Texas Federal Executives Rate of Return

April 1993 Utilities Company Agencies

136. 2082 Providence Gas Rhode Island Division of Public Rate of Return

May 1993 Company Utilities

137. P-00930715 Bell Telephone Company Pennsylvania Office of Consumer Rate of Return, Financial

December 1993 of Pennsylvania Advocate Projections, Bell/TCI merger

138. R-00932670 Pennsylvania-American Pennsylvania Office of Consumer Rate of Return

February 1994 Water Company Advocate

139. 8583 Conowingo Power Company Maryland Dept. of Natural Competitive Bidding

February 1994 Resources for Power Supplies

140. E-015/GR-94-001 Minnesota Power & Minnesota Attorney General Rate of Return

April 1994 Light Company

141. CC Docket No. 94-1 Generic Telephone FCC MCI Comm. Corp. Rate of Return

May 1994

142. 92-345, Phase II Central Maine Power Company Maine Advocacy Staff Price Cap Regulation

June 1994 Fuel Costs

143. 93-11065 Nevada Power Company Nevada Federal Executive Rate of Return

April 1994 Agencies

144. 94-0065 Commonwealth Edison Company Illinois Federal Executive Rate of Return

May 1994 Agencies

145. GR94010002J South Jersey Gas Company New Jersey Rate Counsel Rate of Return

June 1994

146. WR94030059 New Jersey-American New Jersey Rate Counsel Rate of Return

July 1994 Water Company

147. RP91-203-000 Tennessee Gas Pipeline FERC Customer Group Environmental Externalities

June 1994 Company (oral testimony only)

148. ER94-998-000 Ocean State Power FERC Boston Edison Company Rate of Return

July 1994

149. R-00942986 West Penn Power Company Pennsylvania Office of Consumer Rate of Return,

July 1994 Advocate Emission Allowances

150. 94-121 South Central Bell Kentucky Attorney General Rate of Return

August 1994 Telephone Company

151. 35854-S2 PSI Energy, Inc. Indiana Utility Consumer Counsel Merger Savings and

November 1994 Allocations

152. IPC-E-94-5 Idaho Power Company Idaho Federal Executive Agencies Rate of Return

November 1994

153. November 1994 Edmonton Water Alberta, Canada Regional Customer Group Rate of Return

(Rebuttal Only)

154. 90-256 South Central Bell Kentucky Attorney General Incentive Plan True-Ups

December 1994 Telephone Company

155. U-20925 Louisiana Power & Louisiana PSC Staff Rate of Return

February 1995 Light Company Industrial Contracts

Trust Fund Earnings

156. R-00943231 Pennsylvania-American Pennsylvania Consumer Advocate Rate of Return

February 1995 Water Company

157. 8678 Generic Maryland Dept. Natural Resources Electric Competition

March 1995 Incentive Regulation (oral only)

158. R-000943271 Pennsylvania Power & Pennsylvania Consumer Advocate Rate of Return

April 1995 Light Company Nuclear decommissioning

Capacity Issues

159. U-20925 Louisiana Power & Louisiana Commission Staff Class Cost of Service

May 1995 Light Company Issues

160. 2290 Narragansett Rhode Island Division Staff Rate of Return

June 1995 Electric Company

161. U-17949E South Central Bell Louisiana Commission Staff Rate of Return

June 1995 Telephone Company

162. 2304 Providence Water Supply Board Rhode Island Division Staff Cost recovery of Capital Spending

July 1995 Program

163. ER95-625-000, et al. PSI Energy, Inc. FERC Office of Utility Consumer Counselor Rate of Return

August 1995

164. P-00950915, et al. Paxton Creek Pennsylvania Office of Consumer Advocate Cogeneration Contract Amendment

September 1995 Cogeneration Assoc.

165. 8702 Potomac Edison Company Maryland Dept. of Natural Resources Allocation of DSM Costs (oral only)

September 1995

166. ER95-533-001 Ocean State Power FERC Boston Edison Co. Cost of Equity

September 1995

167. 40003 PSI Energy, Inc. Indiana Utility Consumer Counselor Rate of Return

November 1995 Retail wheeling

168. P-55, SUB 1013 BellSouth North Carolina AT&T Rate of Return

January 1996

169. P-7, SUB 825 Carolina Tel. North Carolina AT&T Rate of Return

January 1996

170. February 1996 Generic Telephone FCC MCI Cost of capital

171. 95A-531EG Public Service Company Colorado Federal Executive Agencies Merger issues

April 1996 of Colorado

172. ER96-399-000 Northern Indiana Public FERC Indiana Office of Utility Cost of capital

May 1996 Service Company Consumer Counselor

173. 8716 Delmarva Power & Light Maryland Dept. of Natural Resources DSM programs

June 1996 Company

174. 8725 BGE/PEPCO Maryland Md. Energy Admin. Merger Issues

July 1996

175. U-20925 Entergy Louisiana, Inc. Louisiana PSC Staff Rate of Return

August 1996 Allocations

Fuel Clause

176. EC96-10-000 BGE/PEPCO FERC Md. Energy Admin. Merger issues

September 1996 competition

177. EL95-53-000 Entergy Services, Inc. FERC Louisiana PSC Nuclear Decommissioning

November 1996

178. WR96100768 Consumers NJ Water Company New Jersey Ratepayer Advocate Cost of Capital

March 1997

179. WR96110818 Middlesex Water Co. New Jersey Ratepayer Advocate Cost of Capital

April 1997

180. U-11366 Ameritech Michigan Michigan MCI Access charge reform/financial condition

April 1997

181. 97-074 BellSouth Kentucky MCI Rate Rebalancing financial condition

May 1997

182. 2540 New England Power Rhode Island PUC Staff Divestiture Plan

June 1997

183. 96-336-TP-CSS Ameritech Ohio Ohio MCI Access Charge reform

June 1997 Economic impacts

184. WR97010052 Maxim Sewerage Corp. New Jersey Ratepayer Advocate Rate of Return

July 1997

185. 97-300 LG&E/KU Kentucky Attorney General Merger Plan

August 1997

186. Case No. 8738 Generic Maryland Dept. of Natural Resources Electric Restructuring Policy

August 1997 (oral testimony only)

187. Docket No. 2592

September 1997 Eastern Utilities Rhode Island PUC Staff Generation Divestiture

188. Case No.97-247 Cincinnati Bell Telephone Kentucky MCI Financial Condition

September 1997

189. Docket No. U-20925 Entergy Louisiana Louisiana PSC Staff Rate of Return

November 1997

190. Docket No. D97.7.90 Montana Power Co. Montana Montana Consumers Counsel Stranded Cost

November 1997

191. Docket No. EO97070459 Jersey Central Power & Light Co. New Jersey Ratepayer Advocate Stranded Cost

November 1997

192. Docket No. R-00974104 Duquesne Light Co. Pennsylvania Office of Consumer Advocate Stranded Cost

November 1997

193. Docket No. R-00973981 West Penn Power Co. Pennsylvania Office of Consumer Advocate Stranded Cost

November 1997

194. Docket No. A-1101150F0015 Allegheny Power System Pennsylvania Office of Consumer Advocate Merger Issues

November 1997 DQE, Inc.

195. Docket No. WR97080615 Consumers NJ Water Company New Jersey Ratepayer Advocate Rate of Return

January 1998

196. Docket No. R-00974149 Pennsylvania Power Company Pennsylvania Office of Consumer Advocate Stranded Cost

January 1998

197. Case No. 8774 Allegheny Power System Maryland Dept. of Natural Resources Merger Issues

January 1998 DQE, Inc. MD Energy Administration

198. Docket No. U-20925 (SC) Entergy Louisiana, Inc. Louisiana Commission Staff Restructuring, Stranded

March 1998 Costs, Market Prices

199. Docket No. U-22092 (SC) Entergy Gulf States, Inc. Louisiana Commission Staff Restructuring, Stranded

March 1998 Costs, Market Prices

200. Docket Nos. U-22092 (SC) Entergy Gulf States Louisiana Commission Staff Standby Rates

and U-20925(SC) and Entergy Louisiana

May 1998

201. Docket No. WR98010015 NJ American Water Co. New Jersey Ratepayer Advocate Rate of Return

May 1998

202. Case No. 8794 Baltimore Gas & Electric Co. Maryland MD Energy Admin./Dept. Of Stranded Cost/

December 1998 Natural Resources Transition Plan

203. Case No. 8795 Delmarva Power & Light Co. Maryland MD Energy Admin./Dept. Of Stranded Cost/

December 1998 Natural Resources Transition Plan

204. Case No. 8797 Potomac Edison Co. Maryland MD Energy Admin./Dept. Of Stranded Cost/

January 1998 Natural Resources Transition Plan

205. Docket No. WR98090795 Middlesex Water Co. New Jersey Ratepayer Advocate Rate of Return

March 1999

206. Docket No. 99-02-05 Connecticut Light & Power Connecticut Attorney General Stranded Costs

April 1999

207. Docket No. 99-03-04 United Illuminating Company Connecticut Attorney General Stranded Costs

May 1999

208. Docket No. U-20925 (FRP) Entergy Louisiana, Inc. Louisiana Staff Capital Structure

June 1999

209. Docket No. EC-98-40-000, American Electric Power/ FERC Arkansas PSC Market Power

et al. Central & Southwest Mitigation

May 1999

210. Docket No. 99-03-35 United Illuminating Company Connecticut Attorney General Restructuring

July 1999

211. Docket No. 99-03-36 Connecticut Light & Power Co. Connecticut Attorney General Restructuring

July 1999

212. WR99040249 Environmental Disposal Corp. New Jersey Ratepayer Advocate Rate of Return

Oct. 1999

213. 2930 NEES/EUA Rhode Island Division Staff Merger/Cost of Capital

Nov. 1999

214. DE99-099 Public Service New Hampshire New Hampshire Consumer Advocate Cost of Capital Issues

Nov. 1999

215. 00-01-11 Con Ed/NU Connecticut Attorney General Merger Issues

Feb. 2000

216. Case No. 8821 Reliant/ODEC Maryland Dept. of Natural Resources Need for Power/Plant Operations

May 2000

217. Case No. 8738 Generic Maryland Dept. of Natural Resources DSM Funding

July 2000

218. Case No. U-23356 Entergy Louisiana, Inc. Louisiana PSC Staff Fuel Prudence Issues

June 2000 Purchased Power

219. Case No. 21453, et al. SWEPCO Louisiana PSC Staff Stranded Costs

July 2000

220. Case No. 20925 (B) Entergy Louisiana Louisiana PSC Staff Purchase Power Contracts

July 2000

221. Case No. 24889 Entergy Louisiana Louisiana PSC Staff Purchase Power Contracts

August 2000

222. Case No. 21453, et al. CLECO Louisiana PSC Staff Stranded Costs

February 2001

223. P-00001860 GPU Companies Pennsylvania Office of Consumer Advocate Rate of Return

and P-0000181

March 2001

224. CVOL-0505662-S ConEd/NU Connecticut Superior Court Attorney General Merger (Affidavit)

March 2001

225. U-20925 (SC) Entergy Louisiana Louisiana PSC Staff Stranded Costs

March 2001

226. U-22092 (SC) Entergy Gulf States Louisiana PSC Staff Stranded Costs

March 2001

227. U-25533 Entergy Louisiana/ Louisiana PSC Staff Purchase Power

May 2001 Gulf States Interruptible Service

228. P-00011872 Pike County Pike Pennsylvania Office of Consumer Advocate Rate of Return

May 2001

229. 8893 Baltimore Gas & Electric Co. Maryland MD Energy Administration Corporate Restructuring

July 2001

230. 8890 Potomac Electric/Connectivity Maryland MD Energy Administration Merger Issues

September 2001

231. U-25533 Entergy Louisiana / Louisiana Staff Purchase Power Contracts

August 2001 Gulf States

232. U-25965 Generic Louisiana Staff RTO Issues

November 2001

233. 3401 New England Gas Co. Rhode Island Division of Public Utilities Rate of Return

March 2002

234. 99-833-MJR Illinois Power Co. U.S. District Court U.S. Department of Justice New Source Review

April 2002

235. U-25533 Entergy Louisiana/ Louisiana PSC Staff Nuclear Uprates

March 2002 Gulf States Purchase Power

236. P-00011872 Pike County Power Pennsylvania Consumer Advocate POLR Service Costs

May 2002 & Light

237. U-26361, Phase I Entergy Louisiana/ Louisiana PSC Staff Purchase Power Cost

May 2002 Gulf States Allocations

238. R-00016849C001, et al. Generic Pennsylvania Pennsylvania OCA Rate of Return

June 2002

239. U-26361, Phase II Entergy Louisiana/ Louisiana PSC Staff Purchase Power

July 2002 Entergy Gulf States Contracts

240. U-20925(B) Entergy Louisiana Louisiana PSC Staff Tax Issues

August 2002

241. U-26531 SWEPCO Louisiana PSC Staff Purchase Power Contract

October 2002

242. 8936 Delmarva Power & Light Maryland Energy Administration Standard Offer Service

October 2002 Dept. Natural Resources

243. U-25965 SWEPCO/AEP Louisiana PSC Staff RTO Cost/Benefit

November 2002

244. 8908 Phase I Generic Maryland Energy Administration Standard Offer Service

November 2002 Dept. Natural Resources

245. 02S-315EG Public Service Company Colorado Fed. Executive Agencies Rate of Return

November 2002 of Colorado

246. EL02-111-000 PJM/MISO FERC MD PSC Transmission Ratemaking

December 2002

247. 02-0479 Commonwealth Illinois Dept. of Energy POLR Service

February 2003 Edison

248. PL03-1-000 Generic FERC NASUCA Transmission

March 2003 Pricing (Affidavit)

249. U-27136 Entergy Louisiana Louisiana Staff Purchase Power Contracts

April 2003

250. 8908 Phase II Generic Maryland Energy Administration Standard Offer Service

July 2003 Dept. of Natural Resources

251. U-27192 Entergy Louisiana Louisiana LPSC Staff Purchase Power Contract

June 2003 and Gulf States Cost Recovery

252. C2-99-1181 Ohio Edison Company U.S. District Court U.S. Department of Justice, et al. Clean Air Act Compliance

October 2003 Economic Impact (Report)

253. RP03-398-000 Northern Natural Gas Co. FERC Municipal Distributors Rate of Return

December 2003 Group/Gas Task Force

254. 8738 Generic Maryland Energy Admin Department Environmental Disclosure

December 2003 of Natural Resources (oral only)

255. U-27136 Entergy Louisiana, Inc. Louisiana PSC Staff Purchase Power Contracts

December 2003

256. U-27192, Phase II Entergy Louisiana & Louisiana PSC Staff Purchase Power Contracts

October/December 2003 Entergy Gulf States

257. WC Docket 03-173 Generic FCC MCI Cost of Capital (TELRIC)

December 2003

258. ER 030 20110 Atlantic City Electric New Jersey Ratepayer Advocate Rate of Return

January 2004

259. E-01345A-03-0437 Arizona Public Service Company Arizona Federal Executive Agencies Rate of Return

January 2004

260. 03-10001 Nevada Power Company Nevada U.S. Dept. of Energy Rate of Return

January 2004

261. R-00049255 PPL Elec. Utility Pennsylvania Office of Consumer Advocate Rate of Return

June 2004

262. U-20925 Entergy Louisiana, Inc. Louisiana PSC Staff Rate of Return

July 2004 Capacity Resources

263. U-27866 Southwest Electric Power Co. Louisiana PSC Staff Purchase Power Contract

September 2004

264. U-27980 Cleco Power Louisiana PSC Staff Purchase Power Contract

September 2004

265. U-27865 Entergy Louisiana, Inc. Louisiana PSC Staff Purchase Power Contract

October 2004 Entergy Gulf States

266. RP04-155 Northern Natural FERC Municipal Distributors Rate of Return

December 2004 Gas Company Group/Gas Task Force

267. U-27836 Entergy Louisiana/ Louisiana PSC Staff Power plant Purchase

January 2005 Gulf States and Cost Recovery

268. U-199040 et al. Entergy Gulf States/ Louisiana PSC Staff Global Settlement,

February 2005 Louisiana Multiple rate proceedings

269. EF03070532 Public Service Electric & Gas New Jersey Ratepayers Advocate Securitization of Deferred Costs

March 2005

270. 05-0159 Commonwealth Edison Illinois Department of Energy POLR Service

June 2005

271. U-28804 Entergy Louisiana Louisiana LPSC Staff QF Contract

June 2005

272. U-28805 Entergy Gulf States Louisiana LPSC Staff QF Contract

June 2005

273. 05-0045-EI Florida Power & Lt. Florida Federal Executive Agencies Rate of Return

June 2005

274. 9037 Generic Maryland MD. Energy Administration POLR Service

July 2005

275. U-28155 Entergy Louisiana Louisiana LPSC Staff Independent Coordinator

August 2005 Entergy Gulf States of Transmission Plan

276. U-27866-A Southwestern Electric Louisiana LPSC Staff Purchase Power Contract

September 2005 Power Company

277. U-28765 Cleco Power LLC Louisiana LPSC Staff Purchase Power Contract

October 2005

278. U-27469 Entergy Louisiana Louisiana LPSC Staff Avoided Cost Methodology

October 2005 Entergy Gulf States

279. A-313200F007 Sprint Pennsylvania Office of Consumer Advocate Corporate Restructuring

October 2005 (United of PA)

280. EM05020106 Public Service Electric New Jersey Ratepayer Advocate Merger Issues

November 2005 & Gas Company

281. U-28765 Cleco Power LLC Louisiana LPSC Staff Plant Certification, Financing, Rate Plan

December 2005

282. U-29157 Cleco Power LLC Louisiana LPSC Staff Storm Damage Financing

February 2006

283. U-29204 Entergy Louisiana Louisiana LPSC Staff Purchase power contracts

March 2006 Entergy Gulf States

284. A-310325F006 Alltel Pennsylvania Office of Consumer Advocate Merger, Corporate estructuring

March 2006

285. 9056 Generic Maryland Maryland Energy Standard Offer Service

March 2006 Administration Structure

286. C2-99-1182 American Electric U. S. District Court U. S. Department of Justice New Source Review

April 2006 Power Utilities Southern District, Ohio Enforcement (expert report)

287. EM05121058 Atlantic City New Jersey Ratepayer Advocate Power plant Sale

April 2006 Electric

288. ER05121018 Jersey Central Power New Jersey Ratepayer Advocate NUG Contracts Cost Recovery

June 2006 & Light Company

289. U-21496, Subdocket C Cleco Power LLC Louisiana Commission Staff Rate Stabilization Plan

June 2006

290. GR0510085 Public Service Electric New Jersey Ratepayer Advocate Rate of Return (gas services)

June 2006 & Gas Company

291. R-000061366 Metropolitan Ed. Company Pennsylvania Office of Consumer Advocate Rate of Return

July 2006 Penn. Electric Company

292. 9064 Generic Maryland Energy Administration Standard Offer Service

September 2006

293. U-29599 Cleco Power LLC Louisiana Commission Staff Purchase Power Contracts

September 2006

294. WR06030257 New Jersey American Water New Jersey Rate Counsel Rate of Return

September 2006 Company

295. U-27866/U-29702 Southwestern Electric Power Louisiana Commission Staff Purchase Power/Power Plant Certification

October 2006 Company

296. 9063 Generic Maryland Energy Administration Generation Supply Policies

October 2006 Department of Natural Resources

297. EM06090638 Atlantic City Electric New Jersey Rate Counsel Power Plant Sale

November 2006

298. C-2000065942 Pike County Light & Power Pennsylvania Consumer Advocate Generation Supply Service

November 2006

299. ER06060483 Rockland Electric Company New Jersey Rate Counsel Rate of Return

November 2006

300. A-110150F0035 Duquesne Light Company Pennsylvania Consumer Advocate Merger Issues

December 2006

301. U-29203, Phase II Entergy Gulf States Louisiana Commission Staff Storm Damage Cost Allocation

January 2007 Entergy Louisiana

302. 06-11022 Nevada Power Company Nevada U.S. Dept. of Energy Rate of Return

February 2007

303. U-29526 Cleco Power Louisiana Commission Staff Affiliate Transactions

March 2007

304. P-00072245 Pike County Light & Power Pennsylvania Consumer Advocate Provider of Last Resort Service

March 2007

305. P-00072247 Duquesne Light Company Pennsylvania Consumer Advocate Provider of Last Resort Service

March 2007

306. EM07010026 Jersey Central Power New Jersey Rate Counsel Power Plant Sale

May 2007 & Light Company

307. U-30050 Entergy Louisiana Louisiana Commission Staff Purchase Power Contract

June 2007 Entergy Gulf States

308. U-29956 Entergy Louisiana Louisiana Commission Staff Black Start Unit

June 2007

309. U-29702 Southwestern Electric Power Louisiana Commission Staff Power Plant Certification

June 2007 Company

310. U-29955 Entergy Louisiana Louisiana Commission Staff Purchase Power Contracts

July 2007 Entergy Gulf States

311. 2007-67 FairPoint Communications Maine Office of Public Advocate Merger Financial Issues

July 2007

312. P-00072259 Metropolitan Edison Co. Pennsylvania Office of Consumer Advocate Purchase Power Contract Restructuring

July 2007

313. EO07040278 Public Service Electric & Gas New Jersey Rate Counsel Solar Energy Program Financial

September 2007 Issues

314. U-30192 Entergy Louisiana Louisiana Commission Staff Power Plant Certification Ratemaking,

September 2007 Financing

315. 9117 (Phase II) Generic (Electric) Maryland Energy Administration Standard Offer Service Reliability

October 2007

316. U-30050 Entergy Gulf States Louisiana Commission Staff Power Plant Acquisition

November 2007

317. IPC-E-07-8 Idaho Power Co. Idaho U.S. Department of Energy Cost of Capital

December 2007

318. U-30422 (Phase I) Entergy Gulf States Louisiana Commission Staff Purchase Power Contract

January 2008

319. U-29702 (Phase II) Southwestern Electric Louisiana Commission Staff Power Plant Certification

February, 2008 Power Co.

320. March 2008 Delmarva Power & Light Delaware State Senate Senate Committee Wind Energy Economics

321. U-30192 (Phase II) Entergy Louisiana Louisiana Commission Staff Cash CWIP Policy, Credit Ratings

March 2008

322. U-30422 (Phase II) Entergy Gulf States - LA Louisiana Commission Staff Power Plant Acquisition

April 2008

323. U-29955 (Phase II) Entergy Gulf States - LA Louisiana Commission Staff Purchase Power Contract

April 2008 Entergy Louisiana

324. GR-070110889 New Jersey Natural Gas New Jersey Rate Counsel Cost of Capital

April 2008   Company

325. WR-08010020 New Jersey American New Jersey Rate Counsel Cost of Capital

July 2008   Water Company

326. U-28804-A Entergy Louisiana Louisiana Commission Staff Cogeneration Contract

August 2008

327. IP-99-1693C-M/S Duke Energy Indiana Federal District U.S. Department of Justice/ Clean Air Act Compliance

August 2008 Court Environmental Protection Agency (Expert Report)

328. U-30670 Entergy Louisiana Louisiana Commission Staff Nuclear Plant Equipment

September 2008 Replacement

329. 9149 Generic Maryland Department of Natural Resources Capacity Adequacy/Reliability

October 2008

330. IPC-E-08-10 Idaho Power Company Idaho U.S. Department of Energy Cost of Capital

October 2008

331. U-30727 Cleco Power LLC Louisiana Commission Staff Purchased Power Contract

October 2008

332. U-30689-A Cleco Power LLC Louisiana Commission Staff Transmission Upgrade Project

December 2008

333. IP-99-1693C-M/S Duke Energy Indiana Federal District U.S. Department of Justice/EPA Clean Air Act Compliance

February 2009 Court (Oral Testimony)

334. U-30192, Phase II Entergy Louisiana, LLC Louisiana Commission Staff CWIP Rate Request

February 2009 Plant Allocation

335. U-28805-B Entergy Gulf States, LLC Louisiana Commission Staff Cogeneration Contract

February 2009

336. P-2009-2093055, et al. Metropolitan Edison Pennsylvania Office of Consumer Advocate Default Service

May 2009 Pennsylvania Electric

337. U-30958 Cleco Power Louisiana Commission Staff Purchase Power Contract

July 2009

338. EO08050326 Jersey Central Power Light Co. New Jersey Rate Counsel Demand Response Cost Recovery

August 2009

339. GR09030195 Elizabethtown Gas New Jersey New Jersey Rate Counsel Cost of Capital

August 2009

340. U-30422-A Entergy Gulf States Louisiana Staff Generating Unit Purchase

August 2009

341. CV 1:99-01693 Duke Energy Indiana Federal District U. S. DOJ/EPA, et al. Environmental Compliance Rate

August 2009 Court – Indiana Impacts (Expert Report)

342. 4065 Narragansett Electric Rhode Island Division Staff Cost of Capital

September 2009

343. U-30689 Cleco Power Louisiana Staff Cost of Capital, Rate Design, Other

September 2009 Rate Case Issues

344. U-31147 Entergy Gulf States Louisiana Staff Purchase Power Contracts

October 2009 Entergy Louisiana

345. U-30913 Cleco Power Louisiana Staff Certification of Generating Unit

November 2009

346. M-2009-2123951 West Penn Power Pennsylvania Office of Consumer Advocate Smart Meter Cost of Capital

November 2009 (Surrebuttal Only)

347. GR09050422 Public Service New Jersey Rate Counsel Cost of Capital

November 2009 Electric & Gas Company

348. D-09-49 Narragansett Electric Rhode Island Division Staff Securities Issuances

November 2009

349. U-29702, Phase II Southwestern Electric Louisiana Commission Staff Cash CWIP Recovery

November 2009 Power Company

350. U-30981 Entergy Louisiana Louisiana Commission Staff Storm Damage Cost

December 2009 Entergy Gulf States Allocation

351. U-31196 (ITA Phase) Entergy Louisiana Louisiana Staff Purchase Power Contract

February 2010

352. ER09080668 Rockland Electric New Jersey Rate Counsel Rate of Return

March 2010

353. GR10010035 South Jersey Gas Co. New Jersey Rate Counsel Rate of Return

May 2010

354. P-2010-2157862 Pennsylvania Power Co. Pennsylvania Consumer Advocate Default Service Program

May 2010

355. 10-CV-2275 Xcel Energy U.S. District Court U.S. Dept. Justice/EPA Clean Air Act Enforcement

June 2010 Minnesota

356. WR09120987 United Water New Jersey New Jersey Rate Counsel Rate of Return

June 2010

357. U-30192, Phase III Entergy Louisiana Louisiana Staff Power Plant Cancellation Costs

June 2010

358. 31299 Cleco Power Louisiana Staff Securities Issuances

July 2010

359. App. No. 1601162 EPCOR Water Alberta, Canada Regional Customer Group Cost of Capital

July 2010

360. U-31196 Entergy Louisiana Louisiana Staff Purchase Power Contract

July 2010

361. 2:10-CV-13101 Detroit Edison U.S. District Court U.S. Dept. of Justice/EPA Clean Air Act Enforcement

August 2010 Eastern Michigan

362. U-31196 Entergy Louisiana Louisiana Staff Generating Unit Purchase and

August 2010 Entergy Gulf States Cost Recovery

363. Case No. 9233 Potomac Edison Maryland Energy Administration Merger Issues

October 2010 Company

364. 2010-2194652 Pike County Light & Power Pennsylvania Consumer Advocate Default Service Plan

November 2010

365. 2010-2213369 Duquesne Light Company Pennsylvania Consumer Advocate Merger Issues

April 2011

366. U-31841 Entergy Gulf States Louisiana Staff Purchase Power Agreement

May 2011

367. 11-06006 Nevada Power Nevada U. S. Department of Energy Cost of Capital

September 2011

368. 9271 Exelon/Constellation Maryland MD Energy Administration Merger Savings

September 2011

369. 4255 United Water Rhode Island Rhode Island Division of Public Utilities Rate of Return

September 2011

370. P-2011-2252042 Pike County Pennsylvania Consumer Advocate Default service plan

October 2011 Light & Power

371. U-32095 Southwestern Electric Louisiana Commission Staff Wind energy contract

November 2011 Power Company

372. U-32031 Entergy Gulf States Louisiana Commission Staff Purchased Power Contract

November 2011 Louisiana

373. U-32088 Entergy Louisiana Louisiana Commission Staff Coal plant evaluation

January 2012

374. R-2011-2267958 Aqua Pa. Pennsylvania Office of Consumer Advocate Cost of capital

February 2012

375. P-2011-2273650 FirstEnergy Companies Pennsylvania Office of Consumer Advocate Default service plan

February 2012

376. U-32223 Cleco Power Louisiana Commission Staff Purchase Power Contract and

March 2012 Rate Recovery

377. U-32148 Entergy Louisiana Louisiana Commission Staff RTO Membership

March 2012 Energy Gulf States

378. ER11080469 Atlantic City Electric New Jersey Rate Counsel Cost of capital

April 2012

379. R-2012-2285985 Peoples Natural Gas Pennsylvania Office of Consumer Advocate Cost of capital

May 2012 Company

380. U-32153 Cleco Power Louisiana Commission Staff Environmental Compliance

July 2012 Plan

381. U-32435 Entergy Gulf States Louisiana Commission Staff Cost of equity (gas)

August 2012 Louisiana LLC

382. ER-2012-0174 Kansas City Power Missouri U. S. Department of Energy Rate of return

August 2012 & Light Company

383. U-31196 Entergy Louisiana/ Louisiana Commission Staff Power Plant Joint

August 2012 Entergy Gulf States Ownership

384. ER-2012-0175 KCP&L Greater Missouri U.S. Department of Energy Rate of Return

August 2012 Missouri Operations

385. 4323 Narragansett Electric Rhode Island Division of Public Utilities Rate of Return

August 2012 Company and Carriers (electric and gas)

386. D-12-049 Narragansett Electric Rhode Island Division of Public Utilities Debt issue

October 2012 Company and Carriers

387. GO12070640 New Jersey Natural New Jersey Rate Counsel Cost of capital

October 2012 Gas Company

388. GO12050363 South Jersey New Jersey Rate Counsel Cost of capital

November 2012 Gas Company

389. R-2012-2321748 Columbia Gas Pennsylvania Office of Consumer Advocate Cost of capital

January 2013 of Pennsylvania

390. U-32220 Southwestern Louisiana Commission Staff Formula Rate Plan

February 2013 Electric Power Co.

391. CV No. 12-1286 PPL et al. Federal District MD Public Service PJM Market Impacts

February 2013 Court Commission (deposition)

392. EL13-48-000 BGE, PHI FERC Joint Customer Group Transmission

February 2013 subsidiaries Cost of Equity

393. EO12080721 Public Service New Jersey Rate Counsel Solar Tracker ROE

March 2013 Electric & Gas

394. EO12080726 Public Service New Jersey Rate Counsel Solar Tracker ROE

March 2013 Electric & Gas

395. CV12-1286MJG PPL, PSEG U.S. District Court Md. Public Service Commission Capacity Market Issues

March 2013 for the District of Md. (trial testimony)

396. U-32628 Entergy Louisiana and Louisiana Staff Avoided cost methodology

April 2013 Gulf States Louisiana

397. U-32675 Entergy Louisiana and Louisiana Staff RTO Integration Issues

June 2013 Entergy Gulf States

398. ER12111052 Jersey Central Power New Jersey Rate Counsel Cost of capital

June 2013 & Light Company

399. PUE-2013-00020 Dominion Virginia Virginia Apartment & Office Building Cost of capital

July 2013 Power Assoc. of Met. Washington

400. U-32766 Cleco Power Louisiana Staff Power plant acquisition

August 2013

401. U-32764 Entergy Louisiana Louisiana Staff Storm Damage

September 2013 and Entergy Gulf States Cost Allocation

402. P-2013-237-1666 Pike County Light Pennsylvania Office of Consumer Default Generation

September 2013 and Power Co. Advocate Service

403. E013020155 and Public Service Electric New Jersey Rate Counsel Cost of capital

G013020156 and Gas Company

October 2013

404. U-32507 Cleco Power Louisiana Staff Environmental Compliance Plan

November 2013

405. DE11-250 Public Service Co. New Hampshire Consumer Advocate Power plant investment prudence

December 2013 New Hampshire

406. 4434 United Water Rhode Island Rhode Island Staff Cost of Capital

February 2014

407. U-32987 Atmos Energy Louisiana Staff Cost of Capital

February 2014

408. EL 14-28-000 Entergy Louisiana FERC LPSC Avoided Cost Methodology

February 2014 Entergy Gulf States (affidavit)

409. ER13111135 Rockland Electric New Jersey Rate Counsel Cost of Capital

May 2014

410. 13-2385-SSO, et al. AEP Ohio Ohio Office of Consumers’ Default Service Issues

May 2014 Counsel

411. U-32779 Cleco Power, LLC Louisiana Staff Formula Rate Plan

May 2014

412. CV-00234-SDD-SCR Entergy Louisiana U.S. District Court Louisiana Public Avoided Cost Determination

June 2014 Entergy Gulf Middle District Louisiana Service Commission Court Appeal

413. U-32812 Entergy Louisiana Louisiana Staff Nuclear Power Plant Prudence

July 2014

414. 14-841-EL-SSO Duke Energy Ohio Ohio Ohio Consumers’ Default Service Issues

September 2014 Counsel

415. EM14060581 Atlantic City Electric New Jersey Rate Counsel Merger Financial Issues

November 2014 Company

416. EL-13-48-001 Baltimore Gas & Electric FERC Joint Complainants Cost of Equity

December 2014 PHI Utilities

417. 14-1297-EL-SSO FirstEnergy Ohio Consumers’ Counsel Default Service Issues

December 2014 Ohio Utilities

**APPENDIX C**

**PAST TESTIMONY ON DEFAULT GENERATION SERVICE OF**

**MATTHEW I. KAHAL**

236. P-00011872 Pike County Power Pennsylvania Consumer Advocate

May 2002 & Light

242. 8936 Delmarva Power & Light Maryland Energy Administration

October 2002 Dept. Natural Resources

244. 8908 Phase I Generic Maryland Energy Administration

November 2002 Dept. Natural Resources

247. 02-0479 Commonwealth Illinois Dept. of Energy

February 2003 Edison

250. 8908 Phase II Generic Maryland Energy Administration

July 2003 Dept. of Natural Resources

270. 05-0159 Commonwealth Edison Illinois Department of Energy

June 2005

274. 9037 Generic Maryland MD. Energy Administration

July 2005

285. 9056 Generic Maryland Maryland Energy

March 2006 Administration

292. 9064 Generic Maryland Energy Administration

September 2006

304. P-00072245 Pike County Light & Power Pennsylvania Consumer Advocate

March 2007

305. P-00072247 Duquesne Light Company Pennsylvania Consumer Advocate

March 2007

315. 9117 (Phase II) Generic (Electric) Maryland Energy Administration

October 2007

336. P-2009-2093055, et al. Metropolitan Edison Pennsylvania Office of Consumer

May 2009 Pennsylvania Electric Advocate

354. P-2010-2157862 Pennsylvania Power Co. Pennsylvania Consumer Advocate

May 2010

364. 2010-2194652 Pike County Light & Power Pennsylvania Consumer Advocate

November 2010

370. P-2011-2252042 Pike County Pennsylvania Consumer Advocate

October 2011 Light & Power

375. P-2011-2273650 FirstEnergy Companies Pennsylvania Office of Consumer

February 2012 Advocate

402. P-2013-237-1666 Pike County Light Pennsylvania Office of Consumer

September 2013 and Power Co. Advocate

410. 13-2385-EL-SSO AEP Ohio Ohio Consumers’ Counsel

May 2014

414. 14-841-EL-SSO Duke Energy Ohio Consumers’ Counsel

September 2014 Ohio

417. 14-1297-EL-SSO FirstEnergy Ohio Consumers’ Counsel

December 2014 Ohio Utilities.

1. Case No. 12-1230-EL-SSO*, In the Matter 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 Section 4928.143, Revised Code in the Form of an Electric Security Plan*, July 18, 2012, Order and Opinion, (“ESP III”). [↑](#footnote-ref-2)
2. *See e.g.*, Case No. 12-1230-EL-SSO, Order and Opinion, at pages 55-57. [↑](#footnote-ref-3)
3. Direct Testimony of Santino L. Fanelli (“Fanelli Testimony”), at 8 (Aug. 4, 2014). Please note that these are witness Fanelli’s updated and corrected figures through his 11/14/14 Errata Sheet. [↑](#footnote-ref-4)
4. Fanelli Testimony, at 8-10. [↑](#footnote-ref-5)
5. The $3 billion cost detriment relied on OCC/NOPEC witness Wilson’s medium scenario Rider RRS result. See page 12 of his direct testimony. [↑](#footnote-ref-6)
6. I have been advised by counsel that the question of whether qualitative provisions should be considered by the PUCO in applying the statutory ESP versus MRO test is currently pending before the Ohio Supreme Court. See, *In the Matter of Northeast Ohio Public Energy Council*, Appeal No. 2013 – 5013. [↑](#footnote-ref-7)
7. *See*, Direct Testimony of Sarah Murley (“Murley Testimony”), at Attachment SM-1 and Attachment SM‑2 (Aug. 4, 2014). [↑](#footnote-ref-8)
8. *In the Matter of the Commission’s Investigation of Ohio’s Retail Electric Service Market*, PUCO Case 12-3151-EL-COI, Concurring Opinion at 3 (March 26, 2014). [↑](#footnote-ref-9)
9. The burden of proof in the proceeding shall be on the electric distribution utility. The commission shall issue an order under this division for an initial application under this section not later than one hundred fifty days after the application's filing date and, for any subsequent application by the utility under this section, not later than two hundred seventy-five days after the application's filing date. Subject to division (D) of this section, the commission by order shall approve or modify and approve an application filed under division (A) of this section if it finds that the electric security plan so approved, including its pricing and all other terms and conditions, including any deferrals and any future recovery of deferrals, is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code. Additionally, if the commission so approves an application that contains a surcharge under division (B)(2)(b) or (c) of this section, the commission shall ensure that the benefits derived for any purpose for which the surcharge is established are reserved and made available to those that bear the surcharge. Otherwise, the commission by order shall disapprove the application. [↑](#footnote-ref-10)
10. R.C. 4928.141(A). [↑](#footnote-ref-11)
11. Fanelli Testimony, at 7. [↑](#footnote-ref-12)
12. Id., at 7. [↑](#footnote-ref-13)
13. Id., at 8. [↑](#footnote-ref-14)
14. Id., at 9. [↑](#footnote-ref-15)
15. Id., at 8-9. [↑](#footnote-ref-16)
16. OCC/NOPEC Witness Wilson testimony, at 34 (Dec. 22, 2014). [↑](#footnote-ref-17)
17. OCC/NOPEC witness Wilson at 9. [↑](#footnote-ref-18)
18. Fanelli Testimony, at 9. [↑](#footnote-ref-19)
19. OCC/NOPEC witness Wilson at 12. [↑](#footnote-ref-20)
20. At set forth in OCC/NOPEC witness Dr. Sioshansi’s testimony, a 960 MW gas fueled generation plant is scheduled/queued to go into service in 2017 in proximity to Davis–Besse. A 1,152 MW gas fueled generation plant is scheduled/queued to go into service in 2020 in the proximity of Sammis. [↑](#footnote-ref-21)
21. Murley Testimony, at 6, Attachment SM-1. [↑](#footnote-ref-22)
22. Id. at 8, Attachment SM-2. [↑](#footnote-ref-23)
23. Id., at 10. [↑](#footnote-ref-24)
24. Direct Testimony of Donald Moul (“Moul Testimony”), at 2 (Aug. 4, 2014). [↑](#footnote-ref-25)
25. Id. [↑](#footnote-ref-26)
26. Direct Testimony of Jay A. Ruberto, at 6 (Aug. 4, 2014). [↑](#footnote-ref-27)
27. Direct Testimony of Paul A. Harden , at 3, 4, and 10 (Aug. 4, 2014). [↑](#footnote-ref-28)
28. Murley Testimony, at 4 and 10. [↑](#footnote-ref-29)