[Company Exhibit 4]

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 Establish a Standard Service Offer Pursuant To R.C. § 4928.143 in the Form of an Electric Security Plan	)	Case No. 10-388-EL-SSO

DIRECT TESTIMONY OF

WILLIAM R. RIDMANN

ON BEHALF OF

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

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

A. My name is William R. Ridmann. I am employed by FirstEnergy Service Company as Vice President of Rates and Regulatory Affairs. My business address is 76 South Main Street, Akron, Ohio 44308.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A**.** I received a Bachelor of Business Administration Degree, in 1974, and a Bachelor of Science Degree in Electrical Engineering, in 1977, both from the University of Cincinnati. I have been employed by FirstEnergy Service Company, or one of FirstEnergy's predecessor companies since 1977. I began in the rate department of The Cleveland Electric Illuminating Company, became Manager of Rate Administration for CEI in 1986, and was promoted in 1989 to Manager, Rates and Contracts at what was then Centerior Energy Corp. ("Centerior"). In 1991, I became Senior Manager, Marketing Services at Centerior, and held that position until 1993, when I was promoted to Director of Marketing. In 1997, I became Executive Director, Marketing, for FirstEnergy Service Corp. In 1998, I became Executive Director, Customer Solutions & Energy Information Services; in 1999, Executive Director, Operations & Transaction Management; in 2002, Director, Energy Solutions, all with FirstEnergy Solutions Corp. In 2003, I joined FirstEnergy Service Company as Manager, Rate Restructuring; in 2004, Manager of Revenue Requirements; and in 2006, Director of State Regulatory Affairs. I assumed my current position as Vice President of Rates and Regulatory Affairs in 2009.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF RATES AND REGULATORY AFFAIRS.

A**.** I am responsible for rate and regulatory activities for all of FirstEnergy's utility subsidiaries, including Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("TE") (collectively, "Companies"). My group's work includes planning and implementing regulatory strategy in the areas the Companies serve, including pricing and rate design, revenue requirements and regulatory economics, enforcement of tariffs, participation in electric supply procurement arrangements for the Companies, as well as working with customers and their representatives. My group is also responsible for forecasting sales and managing the Regional Transmission Organization settlement process.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO?

A. Yes. I have testified as an expert witness many times before the Commission, most recently in proceedings for the Companies in Case No. 07-551-EL-AIR and Case No. 08-936-EL-SSO.

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

A. The purpose of my testimony is to sponsor the Companies' Electric Security Plan ("ESP") Application and address generally the provisions contained within the Stipulation and Recommendation ("Stipulation") attached to the Application. In particular, I provide an overview of the Stipulation and explain why the terms and conditions of the ESP are more favorable to customers in the aggregate than the expected results that would otherwise apply under a market rate offer and, in particular, the Companies' Market Rate Offer ("MRO") proposed in Case No. 09-906-EL-SSO. My testimony also discusses the criteria the Commission has used in the past when considering stipulated agreements and how the Stipulation in this proceeding meets those criteria.

Q. PLEASE SUMMARIZE THE PROVISIONS OF THE STIPULATION.

A. The Stipulation, as a package, resolves many complex issues associated with electric service after May 31, 2011. The Stipulation is a comprehensive plan designed to provide more stable and predictable electric prices than otherwise would have been in place, assure continuous supply of power for Standard Service Offer ("SSO") customers, enhance delivery service, promote economic development and energy efficiency, and continue support for low income programs. Importantly, the Stipulation's provisions provide significant customer value that otherwise would not have been available under a MRO. While not all inclusive, the following bullets provide an overview of a number of features of the Stipulation.

- The Companies will use the results of a descending-clock format Competitive Bid Process ("CBP") to determine retail generation rates for SSO customers for the period of June 1, 2011 through May 31, 2014. The CBP design mirrors in material respects the process that was used in the successful May 2009 auction conducted under the Companies' current ESP, the results of which were highly competitive and accepted by the Commission.
- The Companies will provide their Percentage of Income Payment Plan ("PIPP") customers with a six percent (6%) discount off of the otherwise

applicable price to compare during the period of this ESP. To accomplish this pricing discount for PIPP customers, the Companies will enter into a bilateral wholesale contract with FirstEnergy Solutions Corp. ("FES").

- Governmental aggregation and customer shopping for competitive generation service will continue to be supported during the period of this ESP. Customers will not be subject to minimum stay provisions, minimum default service charges, standby charges, or shopping credit caps. Further, the Companies agreed to lower credit requirements for CBP bidders, provide more customer information and data to CBP bidders, and modify the Generation Cost Reconciliation Rider ("Rider GCR") to be avoidable under certain conditions, all of which support wholesale and retail competition.
- The Stipulation continues to apply the principle of gradualism to the Companies' retail rate design to help transition certain customers to market based pricing. Through the Economic Development Rider ("Rider EDR"), bill credits will be provided for non-standard residential customers, schools, interruptible customers, and domestic automaker facilities. In addition, Rider EDR will cap the average annual rate increases for lighting and transmission customers at one and one-half times the average increase by Company. Rider EDR will also serve as the mechanism to recover the costs associated with these credits as well as the cost of infrastructure investment, exclusive of carrying charges for the Companies during the recovery period which may amount to several million dollars, in support of economic development expansion of a large employer in the state of Ohio.

- Certain rate options that would otherwise expire will continue to be offered during the period of this ESP, such as the Economic Load Response ("ELR") peak demand reduction rider and the time-differentiated pricing riders approved in Case No. 09-541-EL-ATA.
- The Companies will continue meeting their renewable energy resource requirements by purchasing Renewable Energy Credits ("RECs") through a separate Request for Proposal ("RFP") process. The RFP process will be conducted by an independent bid manager. If the Companies are unable to acquire the needed amount of RECs through the RFP process, the Companies may use bilateral contracts to meet the requirement, which provides greater assurance that the needed RECs will be acquired. Costs related to the procurement of RECs will be recovered through the Alternative Energy Resource Rider ("Rider AER") and reconciled on a quarterly basis.
- The summer generation rate design for residential customers will change from an inclining two block approach to a flat rate design, meaning the Generation Service Rider ("Rider GEN") kWh charge for residential customers will be the same for all kWhs consumed. The proposed design will more closely align with how the Companies are acquiring generation resulting from the CBP.
- The Companies' base distribution rates will remain in place at current levels through May 31, 2014 providing a component of predictability to distribution rates for customers. Replacing the expiring Delivery Service Improvement Rider ("Rider DSI"), a new Delivery Capital Recovery Rider ("Rider DCR")

will be established as a mechanism to encourage the Companies to continue to make investments in their delivery systems, thus benefiting customers with enhanced service reliability. Rider DCR will provide the Companies with the opportunity to recover costs associated with actual investments made in their delivery systems not included at the date certain in Case No. 07-551-EL-AIR. The currently estimated amounts to be recovered through Rider DCR over the ESP period are set forth on WRR-Attachment 1, attached hereto, and the currently estimated impact on rates is included as part of the corrected Schedule 1 that was filed as part of the errata filing on March 30, 2010.

- Similar to the current ESP, the Stipulation contains a provision related to the Significantly Excessive Earnings Test ("SEET") that provides, on an agreed upon basis, how revenues from the Rider DSI and Rider DCR will be considered as part of the SEET. The provision also contains similar adjustments as are in place under the current ESP.
- During the period of this ESP the Companies, in the aggregate, will contribute $3 million to support economic development and job retention activities and an additional $1.5 million to support the fuel fund for low income residential customers, both without recovery from customers.
- The Companies will continue to fund the Community Connections program at a level of $5 million dollars per year to provide energy efficiency and weatherization assistance to low income residential customers and provide an additional $300,000 to support energy efficiency programs in the City of Cleveland.

- The Stipulation promotes a more efficient use of the Commission's and the parties' resources by resolving several outstanding issues that are currently before the Commission in other proceedings, such as cost recovery of the Companies' Ohio Site Deployment of the Smart Grid Modernization Initiative ("Smart Grid Initiative"), corporate separation, and issues associated with American Transmission Systems, Inc.'s ("ATSI") transition to PJM. In addition, the Signatory Parties agree and recommend that the Commission should not assert jurisdiction over or review FirstEnergy Corp.'s recent announcement of the merger with Allegheny Energy, Inc.
- In regard to the transition to PJM, the Companies agree not to seek cost recovery from customers of MISO exit fees, PJM integration costs, and Regional Transmission Expansion Planning ("RTEP") charges for the period of June 1, 2011 through May 31, 2016 relating to projects which are approved by PJM prior to June 1, 2011. This provision provides significant benefit and certainty to interested stakeholders and customers by knowing that they will not have to pay these FERC/RTO imposed charges. Currently estimated amounts for these charges, which customers will not pay under this ESP, are set forth on WRR-Attachment 1. Further, the projected Non Market Based Services Rider ("Rider NMB") charges set forth on Schedule 1 for each of the Companies are lower than it otherwise would have been due to the exclusion these amounts.
- The Companies will provide funding to certain energy efficiency administrators for their role in submitting completed energy efficiency

projects that count towards the Companies' energy efficiency compliance obligations. Through the ESP period, the Companies will continue to be authorized to recover lost distribution revenues associated with Commission-approved programs, as is currently the case under the existing ESP, which makes energy efficiency programs more viable.

- The Stipulation also recognizes that most of the riders approved in the current ESP continue in their current form, or as modified to conform to provisions of this Stipulation or as a result of changes that have occurred since the last ESP that will be in place as of June 1, 2011. Only two new riders are introduced: Rider DCR discussed later in my testimony, which largely replaces expiring Rider DSI; and Rider NMB, which is designed to recover non-market based transmission/FERC/RTO charges. By recovering such non-market based charges through this rider, bidders in the competitive bidding process, as well as competitive retail suppliers, are relieved of the risk of having to account for these charges in their pricing to customers.

Q. PLEASE DESCRIBE THE BACKGROUND CIRCUMSTANCES THAT LED TO THE STIPULATION.

A. The Companies filed a MRO application with the Commission on October 20, 2009. The MRO application included a CBP that would be used to procure power supply for SSO customers starting June 1, 2011. Following the filing of the MRO application extensive discovery was conducted, a technical conference was held, testimony was filed on behalf of the Companies and numerous interveners, hearings were held that extended over multiple days, and briefs were filed. On November 12, 2009 the

Commission issued an Entry in the MRO case directing the Staff of the PUCO ("Staff") to comment on the Companies' MRO proposal. Included in the Staff's comments filed on November 24, 2009 was a recommendation that the Companies consider submitting an ESP as their SSO due to the additional advantages an ESP can provide that are otherwise not available under a MRO. In an effort to facilitate the initial ESP discussions, the Staff issued a comprehensive outline containing certain proposed provisions of an ESP. On December 1, 2009, a prehearing conference was conducted with the parties to further discuss the development and potential filing of an ESP. At such time, all parties were provided an opportunity and encouraged to comment on Staff's proposal and submit their respective issues and recommendations for an ESP. Over the past several months, the Companies and numerous other parties have engaged in a broad range of ESP discussions related to the competitive bidding process, distribution reliability and cost recovery, economic development in many forms, recovery of transmission related costs, energy efficiency, support for low income customers, and the efficient and timely resolution of other proceedings pending before the Commission. Several additional conferences were held for all parties so that Staff, the Companies and parties could discuss the progress of negotiations to date and to further discuss the possible form of a final ESP. This Stipulation represents the culmination of the aforementioned discussions and conferences and is being filed as a reasonable resolution and compromise among the Signatory Parties of all such issues.

Q. PLEASE IDENTIFY THE SIGNATORY PARTIES THAT SIGNED THE STIPULATION IN THIS PROCEEDING?

A. The Signatory Parties to the Stipulation, in addition to the Companies, include the following: the Staff, Ohio Manufacturers' Association, Ohio Schools Council, Ohio Partners for Affordable Energy, Ohio Hospital Association, Industrial Energy Users of Ohio, Ohio Energy Group, The Association of Independent Colleges and Universities of Ohio, Nucor Steel Marion Inc., the City of Cleveland, Material Sciences Corporation, Morgan Stanley Capital Group Inc., FirstEnergy Solutions Corp., Constellation New Energy Inc., Constellation Energy Commodities Group Inc., and parties not opposing the Stipulation include Kroger Company and PJM Power Providers Group. As can be seen from this list, the Signatory Parties represent varied and diverse interests including large industrial customers, small and medium sized manufacturers, small businesses, hospitals, schools, low income residential customers, power marketers, and a large municipality. Additional parties regularly participated in the aforementioned ESP discussions and conferences, as well as numerous other discussions, which have taken place since December 2009, but ultimately decided not to sign the Stipulation.

Q. WHAT CRITERIA HAVE THE COMMISSION USED IN CONSIDERING APPROVAL OF A STIPULATION AMONG SIGNATORY PARTIES TO A PROCEEDING?

A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must be a product of serious bargaining among capable, knowledgeable parties; (2)

the stipulation must not violate any important regulatory principle or practice; and (3) the stipulation must, as a package, benefit ratepayers and the public interest.

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

A. Yes, it does.

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

A. Yes, it is. Each of the Signatory Parties to the Stipulation has a history of participation and experience in matters before the Commission and is represented by experienced and competent counsel. The Signatory Parties represent a broad range of interests, including the Companies, the Staff, various consumer groups (themselves representing a range of customer classes and interests), competitive suppliers, and a large governmental entity. The Stipulation is a product of lengthy, serious bargaining among the Signatory Parties. Prompted by the Staff's comments in the MRO case, the process of reaching an ESP settlement among the Signatory Parties began several months ago. The ESP discussions and negotiations involved substantial compromise by the Signatory Parties on numerous issues. Many of these issues had been the subject of significant litigation in the Companies' MRO and prior ESP cases. The MRO and prior ESP were both fully litigated cases involving extensive discovery, prefiled testimony, numerous days of hearings with many witnesses, and briefs. Moreover, nearly all of the Signatory Parties to the Stipulation fully participated in the MRO and prior ESP cases. The development of the records in the MRO and prior ESP cases, coupled with participation in the recent in depth negotiations discussed above, have enabled the Signatory Parties to gain familiarity with and knowledge of the various components of the Stipulation.

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

A. No, it does not. Based on my experience with the regulatory process and review of the Stipulation, I believe the Stipulation is consistent with regulatory principles and practices in Ohio. Several components of the Stipulation in this proceeding are similar to those in the stipulations which were approved by the Commission in the prior ESP proceeding in Case No. 08-935-EL-SSO, the result of which the Staff characterized as a "success" in its Comments filed in the MRO case. This Stipulation has been designed to ensure the provision of adequate, safe, reliable, and reasonably priced electric service; it supports competition and governmental aggregation; it supports improvements to the delivery system; it continues the regulatory principle of gradualism to help transition certain customers to fully market based prices; it encourages energy efficiency and peak demand response programs; it protects at risk populations through low income programs; and it provides benefits to large industrial customers to allow them to better compete in the global marketplace.

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

A. Yes, it does. Customers will benefit from the structure of the Stipulation in that it supports competition both at the wholesale and retail levels. The CBP proposed in the Stipulation mirrors in material respects the process that was used in the highly competitive and successful May 2009 auction, the results of which were accepted by the Commission. Both governmental aggregation and customer shopping have been very active during the current ESP, which has led to savings for many customers. Under this Stipulation, there are no minimum stay provisions, minimum default service charges, standby charges, or shopping credit caps. As a result, governmental aggregation and shopping will continue to be supported. Further benefiting competition, the Stipulation lowers credit requirements for CBP bidders and allows for Rider GCR to be avoidable under certain conditions. Other than emergencies, the Stipulation assures all customers that there will be no increases to base distribution rates during the ESP period. The Companies have committed funds to support economic development activities and low income residential programs over the period of this ESP. In addition, PIPP customers will receive a discount on their generation price, which has not been historically available. Moreover, the Stipulation allows the Companies to continue to provide targeted rate benefits to certain customer groups through Rider EDR, such as non-standard residential customers, interruptible customers, schools, local governments, and large industrial customers. The aforementioned provisions, in addition to the other comprehensive components of the Stipulation, will benefit all customers and the public interest.

Q. DO YOU BELIEVE THE PARTIES HAD SUFFICIENT TIME TO CONSIDER AND DISCUSS ESP TOPICS, AND TO BECOME KNOWLEDGEABLE ABOUT THE DIFFERENT COMPONENTS OF THE STIPULATION?

A. Yes. The Companies filed their initial ESP and MRO applications on July 31, 2008. Both cases, which included similar topics and provisions as contemplated in this ESP, were fully reviewed and litigated over several months, culminating in a stipulated ESP agreement in February 2009 and a PUCO Order approving the stipulated ESP agreement in March 2009. Approximately seven months later, the Companies filed their second MRO application with the Commission that was to serve as the Companies' SSO at the expiration of the initial ESP. As noted above, the second MRO case was also fully litigated and briefed. Finally, the numerous and specific ESP discussions that led to this proceeding started in December 2009. Many of the parties to the initial ESP and MRO cases have also participated in the more recent MRO case and ESP discussions. Not only are the parties generally familiar and knowledgeable regarding the components of an ESP, they have been litigating or discussing these topics since mid-2008. Further, the Stipulation in this proceeding represents the result of nearly four months of discussions and negotiations specific to this ESP. Even the parties who did not sign the Stipulation were involved in these discussions and negotiations and had adequate time to provide recommendations and input to the development of this ESP.

Q. PLEASE DESCRIBE ATTACHMENT B AND SCHEDULE 1 THAT WERE FILED WITH THE STIPULATION.

A. Attachment B contains riders by Company that are either existing riders that continue with modifications or new riders proposed as part of this ESP. The riders are provided in redline form to show the changes that are necessary as a result of the Stipulation. Schedule 1 shows the estimated impact, by Company and rate schedule, of the proposed annualized rates to be in effect at May 31, 2012 ("Proposed Rates"), as compared to annualized rates in effect at May 31, 2011 ("Current Rates"). The actual rates to be in effect as of June 1, 2011 and beyond are not known at this time because the applicable competitive solicitations have not yet occurred. Further, since the prices resulting from the competitive solicitations and other future charges for rider updates are not yet known, similar comparisons for years subsequent to May 31, 2012 are not provided. As such, Schedule 1 is provided for illustrative purposes based on currently available and known information.

Q. ARE THERE ANY CHANGES TO ATTACHMENT B AND SCHEDULE 1 AS COMPARED TO THE VERSIONS FILED WITH THE STIPULATION?

A. Yes**.** On March 30, 2010, the Companies made an errata filing to show more clearly the changes being proposed to certain riders that were attached to the Stipulation, as well as correcting several other minor errors in the Stipulation and Schedule 1. None of the modifications made by the errata filing have a material effect on any aspects of the Stipulation or riders.

Q. WHAT KEY UNDERLYING ASSUMPTIONS WERE INCLUDED IN THE DEVELOPMENT OF SCHEDULE 1?

A. There were several assumptions included in Schedule 1 to reflect the provisions of the Stipulation, including the following:

(1) The Proposed Rates assume that Rider GEN is based on a blended competitive bid price of $58.41 per MWh, which reflects the clearing price resulting from the competitive bid held under the Companies' current ESP, excluding an estimate for non-market-based transmission service costs to be recovered under proposed Rider NMB. The Generation Capacity charges and Generation Energy charges of Rider GEN were developed consistent with the Stipulation.

(2) The Proposed Rates assume that Rider NMB is based on an estimate of $3.09 per MWh, excluding distribution losses, which is converted to retail rates pursuant to the methodology described in the Stipulation.

(3) The Current Rates incorporate the Residential Deferred Distribution Cost Recovery Rider ("Rider RDD") and the Non-Residential Deferred Distribution Cost Recovery Rider ("Rider NDD") as approved by the Commission in Case No. 09-641-EL-ATA and Case No. 09-642-EL-ATA, respectively.

(4) Reconcilable riders currently in place are included in the Current Rates and the Proposed Rates at levels as of January 2010, where applicable.

(5) For both the Current Rates and the Proposed Rates, the Residential Generation Credit applied to certain non-standard Residential customers is consistent with the tariffs filed March 17, 2010 in Case No. 10-176-EL-ATA.

(6) For both the Current Rates and the Proposed Rates, all customers are treated as taking service under the Companies' SSO.

(7) For both the Current Rates and the Proposed Rates, Rider DFC was included based on an estimated balance as of December 2010 with an adjustment for the over collection of fuel costs in 2008. For the Proposed Rates, Rider DGC was included based on an estimated balance as of May 2011. The charges for both of these riders are based on the recovery periods approved under the Companies' current ESP.

(8) For the Proposed Rates, the summer blocking of Rider GEN for Rate Schedule RS was eliminated.

(9) For the Proposed Rates, Rider EDR was modified to incorporate several new provisions contained in the Stipulation, such as the Automaker Credit Provision, the

Automaker Charge Provision, and the Infrastructure Improvement Provision. For the Proposed Rates, the Interruptible Credit Provision includes a modified credit amount of $5.00 per kW of Curtailable Load. For both the Current Rates and Proposed Rates, the credit levels associated with the Residential Non-Standard Credit Provision, the Non-Residential Credit Provision, and the School Credit Provision remain consistent with amounts currently in place.

Q. PLEASE DESCRIBE NEW RIDER DCR AND EXPLAIN ITS BENEFITS.

A. Under the Companies' current ESP, Rider DSI was established as an incentive to encourage investment in the Companies' energy delivery system. This type of mechanism was contemplated under S.B. 221 as one of the comprehensive components that could be included in an ESP to address the totality of electric service. Rider DSI was supported by the Signatory Parties to the Companies' current ESP, and it is scheduled to expire by its terms on December 31, 2011. In order to continue the benefits which accrue both to customers and the Companies from having such a mechanism, and also to address concerns voiced from a regulatory perspective about certain aspects of Rider DSI, this Stipulation includes Rider DCR, which includes a more detailed and restrictive approach as compared to the earlier mechanism. The Rider DCR charges go into effect on January 1, 2012, just as the Rider DSI charges terminate. Therefore, there is little rate impact on customers. Significant customer-oriented modifications in Rider DCR, as compared to Rider DSI, include, but are not limited to, the following:

- Capping the level of revenue requirements that can be recovered through application of Rider DCR.

- Assuring that recovery from customers will not be more than the actual revenue requirements associated with additions to plant in service.
- Recognizing the dollars recovered under Rider DCR for purposes of annually applying the Significantly Excessive Earnings Test.
- Through annual audits, Staff and Signatory Parties can review the quarterly updates to Rider DCR and file recommendations and/or objections.

Q. PLEASE DESCRIBE THE MECHANICS OF RIDER DCR.

A. Rider DCR will provide the Companies with the opportunity to earn a return on and of plant in service associated with distribution, subtransmission, general, and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the distribution function, which was not included in the date certain rate base in the Commission's Order in Case No. 07-551-EL-AIR dated January 21, 2009, the Companies' last base distribution rate case. Under Rider DCR, the Companies will also recover property taxes, Commercial Activity Tax ("CAT"), and income taxes associated with the plant in service which was not included in the date certain rate base in the last base distribution rate case. Rider DCR will reflect net plant in service (i.e. gross plant in service less accumulated depreciation reserve) additions, less growth in associated accumulated deferred income taxes, made since the date certain in the Companies' last distribution rate case. Rider DCR will be updated and reconciled on a quarterly basis, thus encouraging continued investment in the Companies' delivery systems.

Q. PLEASE EXPLAIN WHY YOU BELIEVE RIDER DCR IS THE PREFERRED METHODOLOGY TO RECOVER THE TYPES OF COSTS DESCRIBED ABOVE.

A. As recognized by the Commission, under S.B. 221 one of the benefits of an ESP is that it can address all components of electric service as compared to the more narrowly focused MRO process. While base distribution rate cases have been and remain one traditional regulatory approach, S.B. 221 afforded the Commission flexibility to fashion additional mechanisms, within the context of an ESP, which address the Companies' provision of electric service. For example, as approved by the Commission and supported by the Signatory Parties in the Companies' current ESP, Rider DSI was established as a mechanism to enable future investments in the delivery system. Similarly here, Rider DCR encourages and addresses recovery of investment in the Companies' infrastructure. Instead of the traditional approach, which consumes inordinate amounts of Staff and the Commission's time and resources, as well as the parties involved, to reach a final conclusion, and which may result in a lag between the time the investment is made and the conclusion of a rate case, and therefore cost recovery, Rider DCR provides more timely recovery for the Companies' investment in poles, wires, and transformers as well as the other types of investments described above. The Companies will submit quarterly filings to the Commission to update and reconcile Rider DCR approximately 60 days before Rider DCR charges will become effective. The quarterly filings will include detailed information by FERC account that support the calculation and justify the amount to be recovered through Rider DCR. It should be noted that interested parties will have more than adequate time to review the narrow set of costs to be recovered through Rider DCR. The initial Rider DCR quarterly filing will occur on October 31, 2011, with quarterly filings continuing through July 31, 2014. As such, for the first audit period of Rider DCR interested parties will have approximately 545 days (60 days in 2011, 365 days in 2012, and 120 days in 2013) to review and comment on the initial quarterly filing. For the second annual audit period and final audit period interested parties will have approximately 365 days and 180 days to review the initial quarterly filings for the applicable audit period, respectively. If there are issues identified by the audits then there can be hearings and ultimately a Commission Order. Therefore, the complete regulatory process for reviewing and, if necessary, litigating the Rider DCR information provides interested parties more than sufficient time for review as well as a hearing process following that review, with no specific 275 day timeframe as is found with traditional distribution base rate cases. Thus, there is ample time and information available to any party to review the costs recovered through Rider DCR.

Q. WILL THE AMOUNT OF THE REVENUE REQUIREMENTS RECOVERED THROUGH RIDER DCR CHANGE QUARTERLY?

A. Yes. The Companies' current estimate of $124 million will change based on updated information. Commencing with the initial Rider DCR filing in October 2011, the Rider DCR revenue requirements will be updated and reconciled on a quarterly basis.

Q. DO YOU HAVE AN OPINION WHETHER THE PROVISIONS OF THE ESP STIPULATION ARE MORE FAVORABLE IN THE AGGREGATE AS COMPARED TO THE EXPECTED RESULTS THAT WOULD OTHERWISE APPLY AS A RESULT OF A MRO?

A. Yes. My opinion is that the provisions of the ESP Stipulation are more favorable in the aggregate than the expected results of an MRO, in particular the Companies' proposed MRO. The ESP provides significant customer benefits that are not available through the more narrowly focused MRO process. As discussed below, the ESP is more favorable to customers from both a qualitative and quantitative perspective.

Q. PLEASE DESCRIBE THE QUALITATIVE BENEFITS OF THE ESP STIPULATION THAT SHOULD BE CONSIDERED WHEN COMPARING THE ESP TO AN MRO.

A. The ESP Stipulation brings resolution to a wide range of issues that have been the subject of significant litigation in the Companies' MRO case, the prior ESP case, and other cases. Under S.B. 221 a comprehensive ESP can address several components of electric service, whereas an MRO is primarily a plan just for power procurement. This ESP will provide customers with known prices for SSO generation service in advance of when they are charged. When coupled with keeping the current base distribution rates in place through May 31, 2014, the ESP will allow customers to proactively plan and budget for their electricity needs. A significant benefit of the ESP is that the Companies agree not to seek cost recovery from customers of MISO exit fees, PJM integration costs, and RTEP charges for the period of June 1, 2011 through May 31, 2016 relating to projects which are approved by PJM prior to June 1, 2011. The provisions of the Stipulation continue to support competitive electric generation markets, governmental aggregation, and shopping, all of which have led to savings for customers under the current ESP. The Signatory Parties have agreed to a compromise on a number of rate design issues and programs which preserve and enhance the rate options and programs that the Companies offer to customers under the current ESP. The Stipulation also resolves issues from several other cases currently before the Commission, such as cost recovery of the Companies' Smart Grid Initiative, corporate separation, and issues associated with ATSI's transition to PJM, thus conserving the time, litigation expense, and other resources that would otherwise be expended in continued litigation in those cases. In agreeing to the Stipulation, the Signatory Parties concur that the provisions of the ESP Stipulation are more favorable in the aggregate than the expected results that would occur under an MRO.

Q. IN ADDITION TO THE QUALITATIVE BENEFITS OF THE ESP DESCRIBED ABOVE, HAVE YOU CALCULATED THE QUANTITATIVE BENEFITS OF THE PROVISIONS OF THE ESP STIPUATION?

A. Yes. We identified and analyzed several provisions of the ESP that have quantitative benefits as compared to the MRO, with such analysis attached to my testimony as WRR-Attachment 1. As can be seen on WRR-Attachment 1, the ESP provides present value benefits to customers exceeding $280 million over the duration of the ESP. As the substantial qualitative benefits discussed above are not reflected in this present value calculation, this quantitative measure represents a minimum value.

Q. PLEASE DESCRIBE HOW YOU CALCULATED THE PRESENT VALUE FIGURE ABOVE.

A. First, we identified the provisions of the ESP that have quantitative impacts as compared to the MRO. Then, we calculated the year-by-year value of each of the identified provisions. Finally, we determined the present value of the yearly sum of the identified provisions for the ESP and the MRO, and compared the difference between the two present value amounts to complete our evaluation. A positive difference between the two present value amounts represents that the quantitative benefits to customers of the ESP are greater than that of an MRO.

Q. WHAT SPECIFIC PROVISIONS OF THE ESP DID YOU CONSIDER IN WRR-ATTACHMENT 1 TO DEVELOP THE QUANTITATIVE BENEFITS?

A. We considered the following quantitative ESP provisions in WRR-Attachment 1:

1) Estimated Rider DCR revenues from January 1, 2012 through May 31, 2014, recognizing that Rider DCR does not begin until midway through the first year of this ESP. The Rider DCR revenue requirement estimate is based on a forecast of plant additions made since the date certain in the last distribution rate case. The average Rider DCR rate level was held constant from January 1, 2012 through May 31, 2014, except for projected sales growth.

2) Estimated PIPP generation revenues for the period of this ESP, reflecting the 6% discount provided by the Companies as outlined in the Stipulation.

3) Economic development funds and fuel fund commitments that will not be recovered from customers.

4) Estimated MISO exit fees, PJM integration costs, and RTEP costs that will not be recovered from customers.

Q. ARE THERE ANY ADDITIONAL QUANTITATIVE PROVISIONS OF THE ESP THAT YOU DID NOT INCLUDE IN WRR-ATTACHMENT 1?

A. Yes, there are two additional quantitative provisions that were not included in WRR-Attachment 1. First, the ESP includes a provision that would permit the accelerated recovery of previously deferred fuel and generation costs with Commission approval. If recovery of these deferred costs is accelerated, it will provide significant interest savings to the benefit of customers. The amount of potential interest savings is dependent upon recovery periods that are yet to be determined. However, I have included the table below which shows estimated interest savings associated with various recovery periods on a nominal basis. As approved under the current ESP, the deferred fuel costs are to be recovered through Rider DFC over a period of 25 years and the deferred generation costs are to be recovered through Rider DGC over a period of 10 years.

Estimated Interest Savings Associated with Accelerated Recovery of Deferred Fuel and Deferred Generation Costs

Cost Type	Recovery Period	Esimated Interest Savings ($ in Millions) (1)
Deferred Fuel	25 years	$0
	10 years	$162
	5 years	$209
	3 years	$228
Deferred Generation	10 years	$0
	5 years	$30
	3 years	$42

(1) Deferred Fuel Estimates based on forecasted balances as of December 2010 and recovery starting January 2011 with levelized rates. Deferred Generation Estimates based on forecasted balances as of May 2011 and recovery starting June 2011 with levelized rates.

Second, the Companies will not collect carrying charges on the plant investment subject to recovery through the Infrastructure Improvement Provision of Rider EDR. The amount of carrying charges foregone by the Companies is dependent on the amount and timing of the plant investment. As such, we did not include this additional quantitative benefit in WRR-Attachment 1; however, this provision is expected to benefit customers by several million dollars. Both of the aforementioned reasons support my statement that the quantitative result shown on WRR-Attachment 1 should be considered a minimum value.

Q. WHAT QUANTITATIVE PROVISIONS OF THE MRO DID YOU CONSIDER IN THE ANALYSIS?

A. The MRO does not contain the comprehensive provisions that the ESP provides. As such, we considered the following MRO provisions which are likely to be in effect in the absence of an ESP, and that correspond to the components included in the ESP analysis:

1) Estimated revenues associated with a base distribution rate increase that would go into effect January 1, 2012, based on the Companies' forecast of plant additions used in the Rider DCR revenue requirement for the ESP. As can be seen on WRR-Attachment 1, the revenues associated with a base distribution rate increase in the MRO lag the revenues associated with Rider DCR due to the assumption of a date certain in March 2011.

2) PIPP generation revenues for the same time period as the ESP.

Q. HOW DID YOU TREAT OTHER PROVISIONS OF THE ESP AND THE MRO IN YOUR ANALYSIS?

A. Some provisions that would be expected to impact both the ESP and the MRO in a similar manner are not included on either side of the analysis. For example, certain riders that were approved in prior cases will continue under their own terms regardless of whether the ESP or MRO is approved. Also, the CBP's proposed in the ESP and MRO are similar and would be expected to produce generally comparable results. As such, we did not forecast the results of future CBP's for the purpose of this analysis. It should be recognized that this approach to a quantitative evaluation of the provisions of the ESP compared to an MRO was presented to and cited by the Commission with respect to its consideration of the Companies' previous ESP.

Q. PLEASE SUMMARIZE THE RESULTS OF THE ESP AND MRO COMPARISON.

A. As can be seen on WRR-Attachment 1, the ESP provides quantitative customer benefits of $280 million. For the reasons discussed in my testimony, this amount is a minimum value since it does not include the substantial qualitative benefits that the

ESP provides to customers or the potential interest savings from the accelerated recovery of deferred costs. As such, the Commission should approve the Stipulation in this proceeding.

Q. PLEASE EXPLAIN WHY COMMISSION APPROVAL OF THE STIPULATION IS REQUESTED BY MAY 5, 2010.

A. Approval of the Stipulation by May 5, 2010 is necessary in order for the Companies to be able to undertake the necessary steps to accommodate the first auction beginning July 13, 2010. Included in Attachment A to the Stipulation is a list of events and activities that must take place prior to the first auction. Such events include launching the CBP information website, holding information sessions for potential bidders, bidders submitting the Part 1 and Part 2 applications, and holding mock auctions for registered bidders. While this is an aggressive timeline, there are significant customer benefits to be captured through the CBPs, given current market conditions. Since the Signatory Parties and the Commission are well versed in the topics and provisions of the Stipulation, I believe the proposed timeline is reasonable and achievable. Delaying, modifying, or denying the ESP Stipulation will not permit the auction process to go forward as contemplated and will prevent capturing the significant customer benefits of the favorable market conditions.

Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?

A. Yes.

Present Value Benefits of ESP Compared to MRO *WRR Attachment 1*

TOTAL OHIO

	Assumptions	
(1)	CBP Price ($/MWH)	61.50
(2)	RS Retail Generation Rate (Non-Seasonal) ($/MWH)	63.23
(3)	PIPP RS Generation Discount	6%
(4)	PIPP RS Retail Generation Rate (Non-Seasonal) ($/MWH	59.44
(5)	Net Present Value Discount Rate	8.48%

	Sales Forecast	**June 11 - May 12** *(MWH)*	**June 12 - May 13** *(MWH)*	**June 13 - May 14** *(MWH)*	**June 14 - May 15** *(MWH)*	**June 15 - May 16** *(MWH)*
(6)	RS PIPP	1,193,396	1,202,877	1,200,378	1,194,670	1,188,591
(7)	Total	52,521,450	53,274,861	54,175,960	54,818,825	54,685,040

	ESP Provisions	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*
(8)	Delivery Capital Recovery (DCR) Rider	2.34	$51.3	2.34	$124.5	2.34	$127.0				
(9)	PIPP RS Generation Revenue	59.44	$70.9	59.44	$71.5	59.44	$71.3				
(10)	Economic Development Funds		($1.0)		($1.0)		($1.0)				
(11)	Fuel Fund		($0.5)		($0.5)		($0.5)				
(12)	MISO Exit Cost Estimate		($37.5)								
(13)	PJM Integration Cost Estimate		($5.0)								
(14)	RTEP Estimate		($37.5)		($53.2)		($71.7)		($78.0)		($80.9)
(15)	Total Revenues Per Year		$40.7		$141.3		$125.1		($78.0)		($80.9)

	MRO Provisions	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*	**Rate** *($/MWH)*	**Revenue** *$ millions*
(16)	Distribution Rate Case (Based on Rider DCR)	2.15	$47.1	2.15	$114.3	2.15	$116.6				
(17)	PIPP RS Generation Revenue	63.23	$75.5	63.23	$76.1	63.23	$75.9				
(18)	Total Revenues Per Year		$122.5		$190.4		$192.5		$0.0		$0.0

	Present Value Summary	
(19)	NPV: ESP	$145.4
(20)	NPV: MRO	$425.5
(21)	Benefits to Customers (MRO - ESP)	$280.1