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**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| 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 Section 4928.143, Revised Code, in the Form of an Electric Security Plan. | : | Case No. 10-388-EL-SSO |

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# PREFILED TESTIMONY
# OF
# TAMARA S. TURKENTON
## ACCOUNTING AND ELECTRICITY DIVISION
## UTILITIES DEPARTMENT

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**STAFF EXHIBIT NO. ______**

April 15, 2010

**PREFILED TESTIMONY OF TAMARA S. TURKENTON**

1. Q. Please state your name and business address.

A. My name is Tamara S. Turkenton. My business address is 180 East Broad Street, Columbus, Ohio 43215.

2. Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utilities Commission of Ohio as a Public Utilities Administrator 3, in the Accounting and Electricity Division of the Utilities Department.

3. Q. Please briefly summarize your educational background and work experience.

A. I have earned a Bachelor of Business Administration in Finance and Business Pre-Law (BBA) from Ohio University. I have also earned a Master of Business Administration (MBA) degree from Capital University and a Master of Tax Laws (MT) degree from Capital Law School.

I have been continuously employed by the Commission since July 1994 involved in the Electric Fuel Component (EFC) section, the Telecommunications section, the Competitive Retail Electric Service (CRES) section working on all aspects of electric deregulation and SB 3, the Rates & Tariffs section, working on electric utility rates, rules, and regulations including green energy renewable programs. Most recently, I oversee all projects and caseload in the Accounting and Electricity Division of the Utilities Department.

4. Q. Have you testified in prior proceedings before the Commission?

A. Yes.

5. Q. What is the purpose of your testimony in this proceeding?

A. I am supporting the Stipulation and Recommendation (Stipulation) filed in this proceeding on March 25, 2010.

6. Q. Were all of the parties (including Staff) to this proceeding present at negotiations that resulted in the Stipulation?

A. Settlement meetings were noticed to all parties and all parties were present either in person or by phone or they chose not to participate. The Staff was present at all of the negotiations.

7. Q. Do you believe the Stipulation filed in this case is the product of serious bargaining among knowledgeable parties?

A. Yes. This agreement is the product of an open process in which all parties were represented by able counsel and technical experts. Negotiations and analysis on complex issues occurred, including new issues and other mandates provided for in Senate Bill 221 (SB 221). The Stipulation represents a comprehensive compromise of issues raised by parties with diverse interests. Overall, I believe that the Stipulation that the parties are recommending for Commission adoption presents a fair and reasonable result.

8. Q. In your opinion, does the Settlement benefit ratepayers and promote the public interest?

A. Yes.

- The stipulation establishes a reasonable bid process to procure generation based on the last auction for the current electric security plan (ESP). In that regard, the competitive bid process is generally the same bid process that was used for the current ESP. However, the Stipulation provides beginning June 1, 2011 that a staggered set of solicitations and delivery periods occur. By using staggered delivery periods and multiple solicitations the expectation is that this will protect customers by mitigating market price fluctuations.

- PIPP customers benefit in this Stipulation as they will receive a 6% discount off their price-to-compare (PTC).

- Additionally, in this ESP the generation cost reconciliation rider (GCR) is bypassable (with some limitations). This is a change from the current ESP, where the GCR is non-bypassable. The bypassable nature of GCR will help foster a competitive wholesale and retail marketplace in this ESP. It ensures generation costs are truly bypassable for all customers who choose to shop.

- The Stipulation creates no new accounting deferrals. Therefore the Stipulation is not creating an arena where future ratepayers are paying for past costs created in this ESP.

- The Stipulation establishes a base rate distribution freeze through the end of this ESP (May 31, 2013). This is in addition to the base rate freeze already established through December 31, 2011 in the last ESP (Case No. 08-935-EL-SSO).

- The Stipulation establishes a distribution rider (DCR-Delivery Capital Recovery Rider) to recover costs (subject to revenue requirement caps each year as outlined in the Stipulation) relating to plant in service associated with actual investments in its distribution system. Additionally, unlike the prior ESP with the DSI (Delivery Service Improvement Rider) all revenue associated with Rider DCR will be included as revenue in the return on equity calculation for purposes of the SEET calculation and be eligible for refund.

- As referenced and detailed in Staff witness Choueiki's testimony, the Stipulation provides for funding by shareholders of approximately $300 million representing $37.5 million in MISO exit fees, $5 million in PJM integration costs, and $257 million (in 2011 NPV dollars) in RTEP charges for the five year period beginning June 1, 2011 through May 31, 2016. The $248 million represents the approximate value of RTEP projects approved by PJM prior to June 1, 2011. This represents $290.5 million of benefits that ratepayers may not have received if an MRO was pursued.

- The Stipulation provides provisions and credits in the Economic Development Rider (EDR) that help different classes and types of customers. Specifically, it provides during the ESP a provision for domestic automaker facilities that use more than 45 million kWhs annually at a single site in 2009 a discount above a calculated base-line.

- Additionally, it provides funding for the Cleveland Clinic, one of the largest employers in Ohio to implement a major plant expansion. In exchange, new jobs will be created in Ohio benefiting the Ohio economy and marketplace. A more detailed discussion is presented in Staff witness Fortney's testimony.

- The Stipulation ensures that funding for energy efficiency goals is provided to further the mandates addressed in SB 221.

- The Stipulation provides $3,000,000 in shareholder funding to support economic development and job retention activities within the Companies service areas to fund transformers, redundant feeds, and substations that improve overall performance and reliability. For customer assistance and to aid low income customers in Ohio, $1.5 million dollars in shareholder dollars will be made available to Ohio

Partners for Affordable Energy for continuance of a fuel fund from the prior ESP.

9. Q. Does the Stipulation violate any important regulatory principle?

A. No. It furthers the policy of the state to provide reasonably priced and reliable electric service. It gives customers effective choices that ensure diversity of electric supply and suppliers. It additionally provides flexible regulatory treatment that could not be achieved through an MRO. Further the move to an MRO is permanent; after implementation of an MRO, an ESP can never be reinstated.

Given the current uncertain state of the economy and electric markets, there is value to the public simply in the Commission retaining the regulatory flexibility that is associated with an ESP. This ESP and Stipulation provide a level of regulatory certainty that ratepayers might otherwise lose under an MRO framework.

10. Q. Do you have any thoughts for Commission consideration on WRR-Attachment 1 labeled "Present Value Benefits of ESP Compared to MRO"?

A. Yes. I have reviewed WRR-Attachment. I believe that the underlying analysis provided by the Companies appears to be a reasonable approach; however in my view, one assumption could be altered to provide a different present value summary.

Based on statements in Mr. Ridmann's testimony on page 20 at line 17 and WRR-Attachment 1, line 8 labeled "Delivery Capital Recovery (DCR) Rider" the Companies current DCR revenue requirement estimate is $124 million. The overall MRO/ESP analysis performed by Mr. Ridmann is on a June-May timeframe. However, per the Stipulation the Rider DCR revenue requirement caps are on a calendar basis. Subsequently in some years of the ESP, the caps are higher than the estimated $124 million revenue requirement used by Mr. Ridmann. Therefore, ratepayers may pay higher Rider DCR rates than the estimated $124 million in any given calendar year based on the stipulated revenue requirement caps for that year set forth in the Stipulation.

I did not adjust Mr. Ridmann's analysis to change the DCR assumptions to a calendar year basis to reflect the caps in the Stipulation. Adjusting Mr. Ridmann's analysis to the DCR revenue requirement caps outlined in the stipulation would require adjusting each component of his ESP/MRO analysis to a calendar year basis. The decreased ESP value due to the possibility of increased DCR revenue would not change the overall result. The quantitative value of the ESP would still be greater than the MRO based on this modification.

11. Q. Do you believe "in the aggregate" that the ESP is better than an MRO?

A. Yes, I do. I believe that it balances competing interests. Additionally, when you look at the qualitative aspects I discussed previously, in the aggregate, the ESP provides a better framework than an MRO.

This Stipulation should be judged as a comprehensive plan that promotes enhancements in the distribution system, saves ratepayers millions of dollars in transmission costs they may have otherwise been subjected to in a MRO scenario, promotes energy efficiency, provides rate certainty and stability, promotes economic development making specific, tangible commitments to vital industrial and commercial enterprises, and supports low income ratepayers.

The Stipulation retains regulatory flexibility to deal with an uncertain future. These benefits are sufficient to show that the proposed Stipulation provides a better outcome than a possible MRO. There is, however, more than the qualitative aspects. The Companies have provided an analysis which shows that the proposed stipulation is superior in current dollar terms than an MRO. While I might tweak the DCR portion of the analysis slightly, the end result would be the same. The proposed ESP is more favorable than an MRO would have been.

12. Q. Are you recommending its adoption by the Commission?

A. Yes. I believe the Stipulation represents a fair and reasonable compromise of diverse interests and provides a fair result for all Ohio customers.

13. Q. Does this conclude your testimony?

A. Yes, it does.

## CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of Tamara S. Turkenton has been** served upon all of the parties of record in Case No. 10-388-EL-SSO by electronic and/or U.S. mail, postage pre-paid mail this 15th day of April, 2010.

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