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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter 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)

PUCO

Case No. 10-388-EL-SSO

**SUPPLEMENTAL POST-HEARING BRIEF OF OHIO EDISON COMPANY,
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND
THE TOLEDO EDISON COMPANY**

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EDISON COMPANY

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I. INTRODUCTION

On March 23, 2010, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively the “Companies”) filed the instant Application and original supporting Joint Stipulation for an Electric Security Plan (“ESP”) pursuant to R.C. 4928.143. On April 20, 2010, the Commission commenced an evidentiary hearing on the Application. On May 13, 2010, however, the Commission found that “additional information regarding the impact of the proposed ESP on customer’s bills [was] necessary” and accordingly ordered Staff to “present a detailed analysis of the impact of the proposed ESP on customer’s bills.” Entry on Reh’g dated May 13, 2010 (“May 13 Entry”), ¶ 17. Staff filed its analysis and supporting testimony on June 10, 2010, and an additional hearing regarding that analysis was held on June 21, 2010.

Based on the evidence presented at that hearing as well as in prior hearings in this case, the Commission should accept Staff’s bill impact analysis and should approve the Stipulation and the Supplemental Stipulation. In conducting the analysis, Staff followed the format and included the categories of data that the Commission has adopted in other contexts. Staff’s bill analysis is reasonable, and the Commission should find that it is consistent with its directive in the May 13 Entry.

The objections raised by other parties regarding Staff's analysis do not alter this conclusion. At hearing, counsel for the Office of Consumers' Counsel ("OCC"), the Natural Resources Defense Council ("NRDC") and the self-styled Citizens' Coalition appeared to suggest several apparent modifications to Staff's bill analysis, but all lack merit. As demonstrated below, some would unreasonably require Staff to predict the future and to guess at many uncertain variables. (*See pp. 4-10, infra.*) Some are beyond the scope of the Commission's May 13 Entry. (*See id.*) And others simply would be a waste of time. (*See id.*) None of the parties' objections should deter the Commission from finding that Staff's bill analysis was consistent with the May 13 Entry, or from approving the Stipulation together with the Supplemental Stipulation.

At hearing, the Attorney Examiner also received evidence in support of the Supplemental Stipulation in the form of live testimony by the Companies' witness William Ridmann. (*See Tr., 68:17-70:10.*) For the reasons set forth below and in the Companies' initial post-hearing brief, the Commission should approve the Stipulation and the Supplemental Stipulation. The latter amends the former by providing energy efficiency funding for two additional entities: the Council Of Smaller Enterprises ("COSE") and the City of Akron. (*See pp. 13-14, infra.*)

Here again, the apparent objections to those provisions are meritless. As demonstrated at hearing, COSE is an experienced, qualified administrator of energy efficiency programs. (*Id.* at 13, *infra.*) And the City of Akron is well-positioned to promote energy efficiency in communities that may be beyond the reach of traditional energy-efficiency initiatives. (*Id.* at 13-14, *infra.*) For these reasons, the Commission should approve the Stipulation and the Supplemental Stipulation.

II. ARGUMENT

A. Staff's Bill Analysis Complies With The Commission's Directive.

1. The bill analysis was performed in accordance with the Commission's May 13 Entry.

In its May 13 Entry, the Commission ordered Staff to “present a detailed analysis of the impact of the proposed ESP on customers’ bills.” May 13 Entry, ¶ 17. The Commission did not, however, specify the process to be followed in conducting that analysis, the format in which it should be presented or the specific information it should include.

The Staff's analysis is consistent with similar analyses required by the Commission in other contexts. For example, Appendix A to Rule 4901-7-01 prescribes the content, format and basic parameters for “typical bill comparisons” in the context of distribution rate cases. *See* Rule 4901-7-01, Appx. A, Chap. II, Sec. D(D).¹ Rule 4901-7-01 provides that typical bill comparisons should include, for each “level of demand” and “level of usage,” the amount of the current bill, the amount of the proposed bill, and the actual dollar and percentage increase or decrease between the two. *See* Form for Sch. E-5 (attached hereto as Ex. A.). The rule also requires that a typical bill comparison include “[l]evels of consumption at both the present and proposed block ends” (*i.e.*, the greatest level of expected consumption) and “[l]evels of consumption which accurately represent customer consumption patterns.” *See* Rule 4901-7-01, Chap. II, Sec. D(D).

Although Staff was under no obligation to meet the standards of Rule 4901-7-01 related to bill impacts, Staff's bill analysis provides much of what would be provided under that rule. The data included in Staff's analysis and the format in which it is presented are substantially identical to that provided in the rule. *Compare, e.g.*, ESP Bill Analysis (attached to

¹ The Companies will refer to the Appendix by reference to the rule itself (“Rule 4901-7-01”).

Supplemental Prepared Testimony of Robert B. Fortney) dated June 10, 2010 *with* Ex. A.

Moreover, Staff's analysis contains bill amounts accurately reflecting both customer consumption patterns and extreme levels of expected consumption. Thus, Staff's analysis easily satisfies the Commission's demand for a detailed bill impact analysis.

2. Apparent objections raised by other parties to Staff's bill analysis are without merit.

At hearing, counsel for three parties cross-examined Mr. Fortney on aspects of Staff's bill analysis. None of the apparent objections they raised should deter the Commission from accepting that analysis.

(a) Staff's decision to use the assumptions embedded in the proposed ESP is reasonable.

At hearing, OCC questioned Staff's decision to incorporate in its analysis the assumptions used by the Companies in generating the proposed ESP. (*See, e.g.*, Tr., 29:25-30:7, 31:10-22.) Those assumptions, which are described in pre-filed testimony by the Companies' witness William Ridmann, relate to the level and applicability of various riders and credits that may appear on customers' bills during the period of the proposed ESP. (Dir. Testimony of William R. Ridmann ("Ridmann Dir."), Co. Ex. 4, pp. 15-17.) OCC apparently believes that it was improper for Staff to incorporate the Companies' assumptions in its own analysis.

As demonstrated at hearing, the opposite is true. It would have been improper (and contrary to the Commission's May 13 Entry) for Staff *not* to have included those assumptions, and Staff's bill analysis could not have been conducted any other way. In its May 13 Entry, the Commission required Staff to study the impact of the ESP as proposed by the Companies in order to give the Commission, parties and the public a fair sense of the proposal's impact on customers' bills. *See* May 13 Entry, ¶ 17. The only way for Staff to accomplish that task was to analyze the proposal according to the Companies' own assumptions, which are embedded in that

proposal. As Mr. Fortney testified, Staff's use of the Companies' assumptions was "as [it] should be. The assumptions are meant to reflect the ESP as proposed." (Tr., 30:6-7; *see id.* at 31:19-22 ("I will accept that that's correct without reading them word for word. . . . It was meant to be."), 33:25-34:1 ("My assumptions should be exactly the same as Mr. Ridmann's testimony, yes.").)

Had Staff not incorporated nearly all of the Companies' assumptions, it would have analyzed an ESP that was not what the Stipulation contemplated as a proposed ESP. This would have been contrary to the May 13 Entry, in which the Commission directed Staff to analyze the proposed ESP, not some other ESP as invented by OCC. Staff's decision to incorporate the Companies' assumptions was reasonable.²

(b) It was reasonable for Staff to rely on the Companies to perform the actual bill impact calculations.

OCC and the Natural Resources Defense Council ("NRDC") appeared to criticize Staff's analysis because the actual bill calculations were performed by the Companies rather than by Staff. (*See, e.g.*, Tr., 24:7-12.) But this is beside the point. As Mr. Fortney testified, Staff discussed with the Companies the appropriate range of market-based generation prices and other parameters to be used in calculating the bill analysis. (*Id.* at 22:22-23:4.) Staff also reviewed and approved the assumptions incorporated into the calculations. (Fortney Dir., p. 1.) Because

² OCC, attempting to have it both ways, also seemed to challenge an instance where Staff did *not* rely solely on the Companies' assumptions. Specifically, counsel for OCC questioned Mr. Fortney regarding Staff's recommendation that (i) 100% of PJM capacity costs be allocated to the Traffic Lighting Service ("TRF") tariff from June through September; and (ii) in the event of an overall average rate decrease, the maximum percent increase for the TRF, Street Lighting Service ("STL") and Private Outdoor Lighting Service ("POL") tariffs be capped at 0%. (Tr., 53:6-54:14.) As Mr. Fortney explained, both recommendations make sense. As he testified, "traffic lighting [rather than street and private outdoor lighting] tends to be the only lighting schedule that contributes to the coincident peaks in June through September." (Supplemental Prepared Testimony of Robert Fortney dated June 10, 2010 ("Fortney Dir."), pp. 4-5.) And as he explained, the 0% cap is necessary to avoid potentially large percentage increases in the TRF, STL and POL tariffs in the event of a systemwide decrease. (*Id.* at 5.) No party challenged the substance of these recommendations, and because they are reasonable, they were properly incorporated into Staff's analysis.

the “inputs” for the bill analysis thus were approved by Staff, the only thing left to do was simply “plug in” those inputs to calculate the bill impact figures. And because the Companies have the data and computational resources that allow them to more efficiently accomplish the task, it simply made more sense for them to perform the calculations. (Tr., 57:14-17.) Because Staff approved the inputs and has sponsored the resulting analysis, this was reasonable.

There is no reason why Staff needed to perform the calculations itself. At hearing, no party suggested any substantive difference between calculations performed by the Companies or by Staff (and because the assumptions and parameters were approved by Staff, there would have been no such difference). In fact, if Staff had performed the calculations, the only difference would have been a significant (and unnecessary) burden on Staff’s time and resources. The May 13 Entry did not contemplate such a wasteful exercise.

(c) In light of the many variables affecting bill impacts under the proposed ESP, Staff reasonably confined its analysis to the first year of the proposal.

OCC appeared to challenge the fact that Staff’s analysis compared the current ESP with the first year, rather than all three years, of the proposed ESP. (Tr., 37:8-20.) Specifically, Staff compared the summer bills under the current ESP (2010) to those of the first summer of the proposed ESP (2011), and current winter bills (2011) to the first winter of the proposed ESP (2012). (*Id.* at 36:18-37:3.) OCC apparently believes Staff should have analyzed bill impacts through May 2014, when the proposed ESP would expire, and that Staff should have incorporated in that extended analysis possible increases in certain riders over that time. (*See id.* at 38:1-7.)

This kind of extended and detailed prediction of the future is impracticable—if not impossible—to achieve in an accurate and reliable manner. Moreover, it is not what the Commission required. Any bill impact analysis will depend in large part on many variables,

including the actual generation bid price and the rates reflected in various riders. (See Tr., 60:2-8.) These variables, some of which depend on future Commission approval, simply cannot be predicted with certainty. For example, at hearing Mr. Fortney listed at least thirteen riders that are based on Commission-approved reconciliations and thus may increase or decrease in unpredictable amounts over the duration of the proposed ESP. (*Id.* at 44:9-45:25.)

To comply with the May 13 Entry, Staff had to make reasonable assumptions regarding those variables in the first year of the proposed ESP. However, every additional year of the proposed ESP brings more possible permutations of the riders and other variables and more uncertainty about the underlying assumptions. (*Id.* at 39:12-18.) Because of this increasing complexity, had Staff extended its analysis to the second and third years of the proposal, the analysis would have devolved into a dizzying exercise based largely (if not wholly) on bare assumptions (some untethered to any discernable fact or basis), resulting in an uninterpretable wide range of possible bill impacts. (*Id.* at 39:12-18 (analysis would yield “stacks of paper” that would be “meaningless”), 46:17-23 (“I have no idea [the amount] a Reconcilable Rider would increase. I don’t know what assumption to put in there.”).) This would not be helpful to either the parties or the Commission, and under these circumstances, it was reasonable for Staff to confine its analysis to the first year of the proposed ESP.³ Further, the range of possible outcomes of the auction process used by Staff in its analysis provides a band-width broad enough

³ At hearing, counsel for OCC repeatedly inquired about one variable in particular: the amount of switching or shopping that would take place under the proposed ESP. This variable, like the others discussed at hearing, is not susceptible of accurate prediction, and it is unreasonable to require Staff to guess. (Tr., 49:10-11 (switching “depends entirely on what the bid, the generation price bid comes [in] at”), 49:16 (Staff has “no expectations” regarding amount of switching).) As Mr. Fortney testified, the amount of switching that takes place will not affect the amount of the winning ESP bid. (*Id.* at 50:1-9.) Moreover, because the purpose of Staff’s analysis was to present the bill impacts under the proposed ESP, it was reasonable to examine only the bills for customers who take generation service under that proposal. Notably, because the proposed ESP requires no minimum stay provisions, minimum default service charges, standby charges or shopping credit caps, the proposal will continue to support customer shopping. (See Ridmann Dir., p. 4.)

to provide reasonable assurance that, even with variations in rider levels, both up and down, it is probable that bill impacts will fall within that range.

(d) Staff's decision not to analyze bill impacts in the absence of the proposed ESP was reasonable.

OCC appeared to complain that Staff's analysis did not compare bills under the current ESP with future bills if the proposed ESP is not approved. (Tr., 42:5-8.) This challenge also fails. The Commission directed Staff to analyze the impact of the *approval* of the proposed ESP, not its *denial*. See May 13 Entry, ¶ 17. Moreover, bill impact studies in Commission proceedings are commonly understood to require a comparison only of the level of current bills with the level of bills under the proposed action. For example, that is exactly what the form Schedule E-5 requires, as prescribed by the Commission for use in base rate cases. Staff's analysis provides precisely the comparison that the Commission asked for in its May 13 Entry, in a way that is reasonable and consistent with the Commission-approved format. OCC cites nothing to suggest otherwise.

(e) It was reasonable for Staff not to include in its analysis the Companies' reduction in the Generation Service Rider.

OCC appeared to criticize Staff's analysis because the analysis did not account for the Companies' recent reduction in the Generation Service Rider ("Rider GEN"). (Tr., 52:12-53:5.) This is meritless.

The reduction in Rider GEN resulted from a reduction in the ATSI transmission rate. Under the Companies' current ESP, such changes in the ATSI transmission rate flow through to changes in Rider GEN. This reduction went into effect on June 1, 2010. The reduction to the ATSI transmission rate resulted in less than a one third of one percent reduction in the Rider GEN charge to customers. The change is not material to the Staff's analysis both due to: 1) the amount of the change is *de minimus*; and 2) incorporating such a change would have caused the

same adjustment on both sides of the bill analysis. Specifically, the Rider GEN charge on both the “current” side of the bill and the “proposed” side of the bill in the bill impact analysis would have decreased by the same amount: an average of \$0.00022/kWh. Since both sides of the analysis are decreasing by the same immaterial amount, making an adjustment for this amount would have no impact on the outcome of the bill analysis (*i.e.*, the difference between current rates and proposed rates would be unchanged). It thus would be unreasonable to require Staff to include it.

(f) Staff assumed an appropriate level for the Delivery Capital Recovery Rider.

OCC appeared to challenge Staff’s (and the Companies’) assumption that \$124 million will be collected through the Delivery Capital Recovery Rider (“Rider DCR”) in the first year of the proposed ESP. (Tr., 34:7-35:4; *see* Ridmann Dir., Attachment WRR-1.) OCC apparently believes that figure should be \$150 million, which according to OCC is the first-year amount reflected in the original Stipulation. (*Id.* at 34:22-23.)

That belief is wrong. The original Stipulation sets a *cap* of \$150 million for the first year Rider DCR is in effect. (Stip., p. 14.) The \$150 million level is not intended to represent the actual amount of revenue expected to be collected through Rider DCR, and no party presented any evidence that the Companies’ and Staff’s assumption of \$124 million is unreasonable.

(g) It is unreasonable and beyond the scope of the proceedings to require Staff to analyze whether bills will increase or decrease for select customers or to analyze customers’ ability to pay bills under the proposed ESP.

The Citizens’ Coalition appeared to criticize Staff because it could not predict whether and exactly how much bills will decrease or increase (if either) under the proposed ESP, either in general or for low-income customers in particular. (Tr., 60:9-14, 63:5-9.) It is impossible to make such a prediction that is accurate and reliable. As Mr. Fortney testified, the main driver of

the actual ESP bill impact will be the generation price resulting from the SSO bidding process, which is proposed to take place in the future. (*Id.*, 60:2-8 (“By far the major factor in the ESP is what the option will provide. . . . So, yes, it is impossible to say the ESP will provide rates that are X without, first of all, without knowing what the market price could be.”).) Because Staff’s analysis reflects a reasonably wide range of possible bid prices, the analysis indicates likely scenarios for what the bill impacts *may* be (and in most of those scenarios, bills are expected to decrease for most customers). (*See* pp. 10-11, *infra.*) But because it is impossible to accurately predict the actual bid price, it is unreasonable to expect Staff to predict precisely what *will* happen, either in general or for particular customers at different income levels. The May 13 Entry required no such analysis, and Staff’s refusal to do so was reasonable.

Similarly, the Citizens’ Coalition appeared to suggest that Staff should have conducted an analysis of the effect of the proposed ESP on low-income customers in particular, ostensibly to determine their “ability to pay” those bills. (Tr., 66:3-7.) Notably, no party presented any evidence regarding how such analysis would be conducted, what data would be used or even whether it would be within Staff’s technical capabilities. Moreover, an “ability to pay” inquiry is simply beyond the scope of the May 13 Entry, which required an analysis of the impact of the proposed ESP, not of certain customers’ ability to pay bills.

B. The Staff’s Bill Impact Analysis Demonstrates The Reasonableness Of Adopting The Proposed ESP.

As demonstrated above, Staff’s bill analysis complies with the May 13 Entry, and if the Commission considers it in evaluating the proposed ESP (which it should), the thrust of that analysis is clear: the proposed ESP will benefit customers. When the Companies proposed the ESP, they described several types of benefits that would result from it, including greater price certainty and stability at a time of “historically low generation prices.” (*See* Application, pp. 1,

3; Ridmann Dir., p. 3.) For these (and other) reasons, the Companies represented that the proposed ESP would be favorable for all of its customers. (See Ridmann Dir., p. 2.)

Staff's bill analysis supports these arguments. As Staff has concluded, nearly all customers (*e.g.*, standard and non-standard residential customers and general service customers) at nearly all levels of usage likely will experience reductions in their summer and winter bills under the proposed ESP. (See "Typical Bills—Comparison" analysis, attached to Fortney Dir.) This is true for most customers even if the bid price resulting from the proposed ESP auction is the same as under the current ESP. (See *id.* at bill scenario "CBP Price = \$58.41/MWh; Adjusted LTG Caps; New Allocation of Capacity for LTG.") Staff's bill analysis demonstrates that the proposed ESP likely will result in more stable (and, for most customers, lower) bills, and for this additional reason, the Commission should approve it.

C. Like the Stipulation, the Supplemental Stipulation Should Be Adopted.

At the June 21, 2010 hearing, the Attorney Examiner heard testimony in support of the Supplemental Stipulation, which was filed on May 12, 2010. The Supplemental Stipulation modifies the original Stipulation in two ways, both of which relate to energy efficiency programs: (i) it adds COSE as an "energy efficiency administrator" and provides COSE with \$150,000 in funding over the next four years; and (ii) it provides the City of Akron with \$300,000 over the next three years to "help make energy efficiency programs available to [its] residents . . . and to enable the City of Akron to achieve its energy efficiency and sustainability goals." (Supplemental Stip., ¶¶ 1, 2; *see* Tr., 85:5-9.)

1. The Supplemental Stipulation meets the Commission's three-part test for evaluating stipulations.

The Commission should approve the Supplemental Stipulation. In determining whether to do so, the Commission must consider the following factors:

1. Is the stipulation the product of serious bargaining among capable, knowledgeable parties?
2. Does the stipulation as a whole benefit ratepayers and the public interest?
3. Does the stipulation violate any important regulatory principle or practice?

Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm., 68 Ohio St. 3d 559 (1994).

In their initial post-hearing brief, the Companies demonstrated that each of these factors were met for the original Stipulation. (See Post-Hearing Br. of Ohio Edison Co., The Cleveland Elec. Illuminating Co., and the Toledo Edison Co., dated Apr. 30, 2010 (“Post-Hearing Br.”), pp. 23-24.) Those facts of record also support adopting the Supplemental Stipulation. See Tr., 72:23-73:19; Ridmann Dir., pp. 10-13. The Companies hereby incorporate those arguments in this supplemental brief.

At the June 21 hearing, Mr. Ridmann offered additional evidence demonstrating that the Commission should approve the Supplemental Stipulation. Specifically, Mr. Ridmann testified that the Supplemental Stipulation was sent to all parties—whether signatories to the original Stipulation or not—on April 27, 2010, two weeks before it was filed with the Commission. (Tr., 88:17-21.) Thus, all parties had an opportunity to review, analyze, and comment on it and participate in the related negotiations. (Tr., 88:17-21.) In fact, the Supplemental Stipulation remains open “for additional intervenors and parties to sign on as signatory parties” until the Commission issues its order in this case. (Supplemental Stip., p. 3.) The Supplemental Stipulation thus is the result of a serious bargaining process among capable parties, all of whom have had a fair opportunity to participate in that process.

2. OCC's and the Citizens' Coalition's objections to the Supplemental Stipulation fail.

At hearing, counsel for OCC and the Citizens' Coalition questioned Mr. Ridmann regarding aspects of the Supplemental Stipulation. Those parties' objections should not deter the Commission from approving the Supplemental Stipulation.

First, OCC appeared to criticize COSE's experience in administering energy efficiency programs. (*See Tr.*, 76:3-79:11.) These criticisms are unfounded. As Mr. Ridmann testified, COSE is "active in the marketplace" and continually meets with its small business clients to educate them regarding energy efficiency and promote use of those programs. (*Id.* at 76:6-13, 76:20-77:6.) COSE explains energy efficiency rules to its clients and helps them navigate Ohio's regulatory environment. (*Id.* at 77:11-15, 78:8-13.) COSE also consults with clients regarding on-site projects, working with engineers and other specialists to help clients identify possible energy efficiency projects such as the installation of energy efficient equipment. (*Id.* at 76:22-76:6, 77:11-15.) Like the other energy efficiency administrators identified in the original Stipulation—the Association of Independent Colleges and Universities of Ohio, the Ohio Hospital Association and the Ohio Manufacturers' Association—COSE is an experienced, qualified administrator of energy efficiency programs that will help the Companies target customers who are likely to experience large gains in energy efficiency from those programs. And just as it should do for those other entities, the Commission should approve the signatories' agreement to provide energy efficiency funding to COSE.

Second, OCC appeared to criticize the addition of funding for the City of Akron, labeling it a program "that would serve a minority" of the Companies' customers. (*See Tr.*, 86:5-14; Supplemental Stip., ¶ 2.) This misses the point. The City of Akron (and the City of Cleveland, for which the original Stipulation established an identical program) serve customers who

typically may be under-served and beyond the reach of traditional energy efficiency initiatives. (Tr., 86:9-14.) By providing additional funding to the City of Akron (and the City of Cleveland), the Companies can build on existing government services and outreach efforts to educate those customers about the importance of energy efficiency. The Commission should encourage those efforts by approving the Supplemental Stipulation.

Finally, counsel for the Citizens' Coalition appeared to criticize the signatories' agreement regarding the level of fuel funds provided for Ohio Partners for Affordable Energy. (See Tr., 92:25-93:5.) As an initial matter, this is beyond the scope of the June 21 hearing. The Supplemental Stipulation has no provisions regarding the fuel fund, which is addressed only by the original Stipulation. (See Stip., p. 32.) Moreover, the Citizens' Coalition presented no evidence at any hearing in this case suggesting that the amount of fuel funds is unreasonable. The Citizens' Coalition's disagreement with this level of funding is no reason to reject the Supplemental Stipulation.

III. CONCLUSION

For the foregoing reasons, the Companies respectfully request that the Commission accept Staff's bill analysis and the Stipulation and the Supplemental Stipulation.

Dated: July 1, 2010

Respectfully submitted,

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I hereby certify that a copy of the foregoing Supplemental Post-Hearing Brief was sent by first class U.S. mail, postage prepaid, and e-mail to the following persons this 1st day of July, 2010:

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Exhibit A

