

**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)	Case No. 12-1230-EL-SSO
Provide For a Standard Service Offer Pursuant)	
To R.C. § 4928.143 in the Form of an Electric)	
Security Plan)	

SUPPLEMENTAL TESTIMONY OF

WILLIAM R. RIDMANN

ON BEHALF OF

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

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

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

5 **Q. HAVE YOU PROVIDED WRITTEN TESTIMONY BEFORE IN THESE**
6 **PROCEEDINGS?**

7 A. Yes, I submitted testimony on April 13, 2012 in which I sponsored the Companies'
8 Electric Security Plan ("ESP 3") Application and Stipulation and Recommendation,
9 and addressed generally the provisions contained within the Stipulation and
10 Recommendation ("Stipulation") attached to the Application.

11 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN**
12 **THIS PROCEEDING?**

13 A. The purpose of my Supplemental Testimony in this proceeding is to describe the
14 significant efforts the Companies have expended in order to qualify and quantify the
15 PJM-qualifying energy efficiency resources¹, hereinafter referred to as energy
16 efficiency resources or EE resources, that could be available to offer into the PJM
17 Base Residual Auction ("BRA") on May 7, 2012 and further describe the qualitative
18 benefits, including the benefits of the Companies offering in lower-cost capacity
19 resources and the potential positive impacts on Standard Service Offer generation
20 pricing, that I described in my Direct Testimony in this Proceeding. Finally, I will
21 provide additional support regarding WRR Attachment 1 included with my Direct
22 Testimony filed in this proceeding.

¹ This term is defined in Section E.9 of the Stipulation and Recommendation filed on April 13, 2012.

1 **Q. WHAT HAVE THE COMPANIES DONE IN ORDER TO PREPARE FOR**
2 **OFFERING ENERGY EFFICIENCY RESOURCES INTO THE 2015/2016**
3 **PJM BRA?**

4 A. The Companies have taken a number of steps both during the negotiation for the
5 Stipulation and since the Stipulation was filed in order to qualify and quantify energy
6 efficiency resources available for participation in the 2015/2016 PJM BRA.

7 **Q. PLEASE DESCRIBE THE ACTIONS TAKEN BY THE COMPANIES PRIOR**
8 **TO FILING THE STIPULATION TO PREPARE FOR OFFERING ENERGY**
9 **EFFICIENCY RESOURCES INTO THE 2015/2016 PJM BRA?**

10 A. During discussions related to the Stipulation, it became apparent that the Signatory
11 Parties were interested in the Companies' ability to offer energy efficiency resources
12 into the 2015/2016 PJM BRA commencing on May 7, 2012. To address this interest
13 of the parties, the Companies spent additional time and resources to alter their
14 existing energy efficiency plan in an effort to pre-qualify energy efficiency resources
15 so they could be offered into the upcoming PJM BRA auction. On April 6, 2012, the
16 Companies submitted to PJM an Initial Energy Efficiency (EE) Measurement &
17 Verification (M&V) Plan seeking approval for the opportunity to offer EE resources
18 into the 2015/2106 PJM BRA. Submittal of this M&V Plan by April 6 was a PJM
19 prerequisite for offering EE resources into the 2015/2016 PJM BRA. This EE M&V
20 Plan included the potential to offer up to 15 MW of Residential Lighting (CFLs) and
21 up to 50 MW of Commercial and Industrial ("C/I") Lighting. The Companies expect
22 to receive a decision from PJM in advance of the PJM BRA determining whether our
23 proposed M&V plan has been accepted.

1 **Q. WHAT HAVE THE COMPANIES DONE SINCE THE STIPULATION WAS**
2 **FILED IN ORDER TO CONTINUE PREPARING FOR OFFERING ENERGY**
3 **EFFICIENCY RESOURCES INTO THE PJM BRA?**

4 A. Since the Stipulation was filed, the Companies have undertaken efforts to obtain
5 customer agreements assigning ownership of the C/I Lighting EE Resources to the
6 Companies for potential offer into the PJM BRA. These efforts include direct
7 outreach to all customers that have participated in lighting projects starting in June
8 2011 under the Companies' C/I Equipment Program. Confirmation of the
9 Companies' control of the energy efficiency resources is a PJM requirement that is
10 necessary to demonstrate to PJM that the Company has legal authority to offer the
11 capacity associated with such Energy Efficiency Resources.

12 **Q. WHAT ARE THE BENEFITS ASSOCIATED WITH PARTICIPATING IN**
13 **THE PJM BRA AUCTION FOR THE COMPANIES' CUSTOMERS?**

14 A. The benefits to the customers are twofold. First, to the extent the EE resources clear
15 in the PJM BRA, any revenues associated with those EE resources received by the
16 Companies would be returned to the customers as a reduction to the charges in Rider
17 DSE1, thereby reducing the costs those customers would otherwise be obligated to
18 pay in order to satisfy the SB 221 energy efficiency and peak demand reduction
19 requirements. Second, offering in these resources will increase the amount of low-
20 cost supply available in the auction. And keep in mind, while the amount of energy
21 efficiency resources may be small in comparison to the entire amount of capacity
22 offered into the 2015/2016 PJM BRA, the incremental resource sets the auction
23 clearing price.

1 **Q. CAN YOU ESTIMATE THE SPECIFIC IMPACT TO THE CHARGES**
2 **UNDER RIDER DSE1 IF THE ENERGY EFFICIENCY RESOURCES CLEAR**
3 **IN THE 2015/2016 PJM BRA?**

4 A. Without knowing the specific amounts offered in by generating resources that did not
5 clear, I am not able to provide a precise estimate. I can, however, provide an estimate
6 for guidance purposes of the impact of offering in the EE resources based on the
7 following assumptions: if I assume 50MW of energy efficiency demand response
8 clears in the PJM BRA for the 2015-2016 planning year and I assume it clears at the
9 2014-2015 RPM capacity price (\$125.99 \$/MW day) it would result in a little over
10 \$2.3 million in annual revenue to offset the energy efficiency charges our customers
11 would otherwise be obligated to pay pursuant to Rider DSE1. If the 2015-2016 RPM
12 capacity price is higher, then the benefit to customers would be higher and if the RPM
13 capacity price is lower, then the savings to customers would be lower. But in either
14 event, there would be savings flowing through to customers in the amount of revenue
15 received by the Companies as a result of the EE resources clearing in the PJM BRA,
16 regardless of the clearing price.

17 **Q. WOULD YOU EXPECT ANY ADDITIONAL BENEFITS FOR CUSTOMERS**
18 **TO ARISE RELATED TO OFFERING THE ENERGY EFFICIENCY**
19 **RESOURCES IN THE PJM BRA AUCTION?**

20 A. Yes, I can provide guidance for consideration on what the benefit would be for our
21 non-shopping customers based on an assumption about changes in capacity prices
22 that may result from the offer of the Companies' low-cost EE resources. For
23 example, assuming an average load factor of 60%, for every \$10 per MW-day the

1 capacity clearing price decreases because of the effect of offering the Companies'
2 low-cost EE resources, our non-shopping customers save \$9.2 million annually in
3 generation related SSO charges. Of course, this guidance is premised on an
4 assumption that the Companies' EE resources clear in the auction, and on an
5 assumption that clearing of these resources displaces more expensive resources that
6 otherwise would have cleared and thus would have set a higher auction clearing price.

7 **Q. WOULD BOTH NONSHOPPING AND SHOPPING CUSTOMERS BENEFIT**
8 **AS A RESULT OF DECREASED CAPACITY PRICES?**

9 A. Yes. I described above how non-shopping customers would benefit. But shopping
10 customers would also be expected to benefit since capacity costs are one of the cost
11 elements that competitive suppliers must take into account in selling retail generation
12 service to their customers. Presumably, if a competitive supplier costs decreased, that
13 would provide the opportunity for more competitive pricing.

14 **Q. IN YOUR DIRECT TESTIMONY IN THIS PROCEEDING YOU NOTED**
15 **THAT ONE OF THE QUALITATIVE BENEFITS OF THE STIPULATION IS**
16 **THE ABILITY TO MODIFY THE BID SCHEDULE FOR THE OCTOBER**
17 **2012 AND JANUARY 2013 COMPETITIVE BID PROCESSES. PLEASE**
18 **PROVIDE ADDITIONAL DETAILS SURROUNDING THIS STIPULATION**
19 **PROVISION.**

20 A. Modifying the bid products in those auctions to include a three year product rather
21 than a one year product provides an opportunity to blend currently low generation
22 prices with potentially higher prices occurring over the life of the Stipulation. This
23 should smooth out future generation prices and mitigate future price volatility for our

1 customers. While no one can know with certainty, the expectation is that wholesale
2 generation prices will be lower in October 2012 and January 2013 than they will be a
3 year or two later, therefore we are trying to lock in those expected lower prices for a
4 longer period to benefit customers.

5 **Q. WILL YOU PLEASE DESCRIBE THE VALUE OF THIS**
6 **RECOMMENDATION TO CUSTOMERS?**

7 A. The value comes in the form of an expectation of lower prices and more stable prices
8 over the life of ESP 3. Customers, particularly larger customers, have indicated that
9 price predictability is important. The longer bid products certainly provide these
10 larger customers, as well as customers considering moving into our service territories,
11 an additional level of price predictability that doesn't exist today. In addition, I
12 estimate that for every \$1/MWH decrease in the future blended auction clearing price,
13 our non-shopping customers would save approximately \$13.2 million per year.

14 **Q. IN THE STIPULATION AND RECOMMENDATION FILED IN THIS CASE**
15 **IT STATED THAT CUSTOMERS WISHING TO CONTINUE TO BE ON**
16 **RIDER ELR WILL NEED TO SIGN AN ADDENDUM TO THE CONTRACT**
17 **FOR ELECTRIC SERVICE NO LATER THAN MAY 3, 2012. AT THIS**
18 **POINT IN TIME IS THE NOTIFICATION NEEDED BY MAY 3?**

19 A. Given the procedural schedule set by the Commission in this case the notification by
20 May 3, 2012 is no longer needed. The Companies will inform the relevant customers
21 of the new required date for executing the addendums following the issuance of an
22 Order in this case approving an extension of Rider ELR.

1 **Q. IN WRR ATTACHMENT 1 INCLUDED IN YOUR DIRECT TESTIMONY IN**
2 **THIS PROCEEDING, YOU INCLUDED AN ADJUSTMENT FOR**
3 **REGULATORY LAG ASSOCIATED WITH RIDER DCR. IS THAT**
4 **ADJUSTMENT FOR REGULATORY LAG CONSISTENTLY INCLUDED IN**
5 **ESP VS MRO COMPARISONS ACROSS THE STATE?**

6 A. No, it is not. In Case No. 11-346-EL-SSO, AEP-Ohio proposed a Distribution
7 Investment Rider (Rider DIR), which is comparable to the Companies' current Rider
8 DCR in the sense that both mechanisms allow for recovery of incremental delivery
9 related investment since the most recent base distribution cases. In the PUCO Order
10 in Case No. 11-346-EL-SSO², the Commission determined that the concerns other
11 parties noted about the DIR Rider not being included in the ESP vs. MRO price
12 analysis were unwarranted since AEP would otherwise be able to seek an increase in
13 base distribution rates. Therefore, Rider DIR was not included in AEP Ohio's
14 evaluation of its proposed ESP versus an MRO.

15 **Q. IF THAT IS THE CASE WHY DID YOU INCLUDE THAT ADJUSTMENT IN**
16 **THE ESP VS MRO ANALYSIS INCLUDED WITH YOUR DIRECT**
17 **TESTIMONY?**

18 A. I included that adjustment in order to be consistent with the ESP vs. MRO test
19 methodology I used in our last ESP proceeding, Case No. 10-388-EL-SSO ("ESP 2").

20 **Q. WHAT HAPPENS TO YOUR ESP VS MRO COMPARISON IF YOU**
21 **EXCLUDE AN ADJUSTMENT FOR DCR RELATED REGULATORY LAG?**

² PUCO Order dated December 14, 2011, page 31.

1 A. The net present value benefit to customers of the ESP vs. MRO increases from \$200.6
2 million to \$226.5 million.

3 **Q. PLEASE SUMMARIZE YOUR CONCLUSION ON THE ESP AND MRO**
4 **COMPARISION GIVEN THE INFORMATION INCLUDED IN YOUR**
5 **DIRECT TESTIMONY AND SUPPLEMENTAL TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. The proposed ESP provides both quantitative and qualitative benefits to the
8 customers of Ohio Edison, The Cleveland Electric Illuminating Company and Toledo
9 Edison and is more favorable in the aggregate as compared to the expected result of
10 an MRO. As such, the Commission should approve the Stipulation in this
11 proceeding.

12 **Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL TESTIMONY AT THIS**
13 **TIME?**

14 A. Yes.

15

16

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Supplemental Testimony of William R. Ridmann on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company* was served this 23rd day of April, 2012, via e-mail upon the parties on the attached service list.

/s/ Laura C. McBride
One of the Attorneys for the Companies

Public Utilities Commission of Ohio*Robert Fortney**Tammy Turkenton*

180 East Broad St.

3rd Floor

Columbus, OH 43215

E-mail: robert.fortney@puc.state.oh.usTammy.turkenton@puc.state.oh.us*Richard Cordray**Duane W. Luckey**Thomas McNamee**William L. Wright*

Asst. Attorneys General

Public Utilities Section

180 E. Broad St., 6th Fl.

Columbus, OH 43215

E-mail: duane.luckey@puc.state.oh.usthomas.mcnamee@puc.state.oh.uswilliam.wright@puc.state.oh.us**Ohio Energy Group (OEG)***Michael L. Kurtz*

David F. Boehm

Kurt J. Boehm

Boehm, Kurtz & Lowry

36 East Seventh Street, Suite 1510

Cincinnati, OH 45202

mkurtz@BKLlawfirm.comdboehm@BKLlawfirm.com**Ohio Consumers' Counsel***Jeffrey L. Small*

Gregory J. Poulos

Richard C. Reese

Ohio Consumers' Counsel

10 West Broad Street

18th Floor

Columbus, OH 43215-3485

small@occ.state.oh.uspoulos@occ.state.oh.usreese@occ.state.oh.us**Kroger Co***John W. Bentine*

Mark S. Yurick

Matthew S. White

Chester Wilcox & Saxbe, LLP

65 E. State St., Suite 1000

Columbus, OH 43215

jbentine@cwslaw.commyurick@cwslaw.commwhite@cwslaw.com**Ohio Environmental Council***Barth E. Royer*

Nolan Moser

Trent A Dougherty

Bell & Royer, LPA

33 South Grant Avenue

Columbus, OH 43215

barthroyer@aol.comnmoser@theoec.orgtrent@theoec.org**Industrial Energy Users (IEU)***Samuel C. Randazzo*

Daniel J. Neilsen

Joseph M. Clark

McNees Wallace & Nurick LLC

21 East State St., 17th Floor

Columbus, OH 43215

E-mail: sam@mwncmh.comjclark@mwncmh.com**Ohio Partners for Affordable Energy***David C. Rinebolt*

Colleen L. Mooney

231 West Lima Street

PO BOX 1793

Columbus, OH 43215

E-mail: drinebolt@aol.comcmooney2@columbus.rr.com**Nucor Steel Marion, Inc.***Garrett A. Stone*

Michael K. Lavanga

Brickfield, Burchette, Ritts & Stone

1025 Thomas Jefferson Street, NW

Eighth Floor, West Tower

Washington, DC 20007-5201

E-mail: gas@bbrslaw.commkl@bbrslaw.com**Northwest Ohio Aggregation Coalition
(NOAC)****Toledo***Leslie A. Kovacik*

420 Madison Ave., Suite 100

Toledo, OH 43604-1219

Phone: 419.245.1893

Fax: 419.245.1853

E-mail: leslie.kovacik@toledo.oh.gov

Constellation Energy Commodities Group, Inc., and Constellation NewEnergy, Inc.

M. Howard Petricoff

Stephen M. Howard

Vorys, Sater, Seymore and Pease, LLP

52 East Gay Street

PO Box 1008

Columbus, OH 43216-1008

E-mail: mhpetricoff@vorys.com

Cynthia A. Brady

David I. Fein

Constellation Energy Resources, LLC

550 West Washington Blvd., Suite 300

Chicago, IL 60661

Direct Energy Services, Inc,

M. Howard Petricoff

Stephen M. Howard

Vorys, Sater, Seymore and Pease, LLP

52 East Gay Street

PO Box 1008

Columbus, OH 43216-1008

E-mail: mhpetricoff@vorys.com

Teresa Ringenbach

Direct Energy Services, LLC

5400 Frantz Rd., Suite 250

Dublin, OH 43016

E-mail: teresa.ringenbach@directenergy.com

Ohio Hospital Association

Richard L. Sites

155 E. Broad Street, 15th Floor

Columbus, OH 43215-3620

Phone: (614) 221-7614

Email: ricks@ohanet.org

Thomas J. O'Brien

Bricker & Eckler LLP

100 S. Third St.

Columbus, OH 43215

E-mail: tobrien@bricker.com

**Neighborhood Environmental Coalition,
Consumers for Fair Utility Rates, United
Clevelanders Against Poverty, Cleveland
Housing Network, The Empowerment Center
of Greater Cleveland (Citizens Coalition)**

Joseph P. Meissner

The Legal Aid Society of Cleveland

1223 West 6th Street

Cleveland, OH 44113

Phone: 216.687.1900

Email: jpmessn@lasclev.org

The Ohio Manufacturers' Association

Thomas J. O'Brien

Bricker & Eckler LLP

100 S. Third St.

Columbus, OH 43215

E-mail: tobrien@bricker.com

Kevin Schmidt

The Ohio Manufacturers' Association

33 North High Street

Columbus, OH 43215-3005

kschmidt@ohiomfg.com

Material Sciences Corporation

Craig I. Smith

2824 Coventry Road

Cleveland, Ohio 44120

Tel. (216) 561-9410

Email: wis29@yahoo.com

GEXA Energy – Ohio, LLC

Dane Stinson

Bailey Cavalieri LLC

10 West Broad Street, Suite 2100

Columbus, Ohio 43215

Dane.Stinson@BaileyCavalieri.com

The City of Cleveland

Robert J. Triozzi

Steven L. Beeler

City of Cleveland Dept. of Law

601 Lakeside Ave., Room 106

Cleveland, OH 44114

E-mail: rtriozzi@city.cleveland.oh.us

sbeeler@city.cleveland.oh.us

Citizen Power

Theodore S. Robinson

2121 Murray Avenue

Pittsburgh, PA 15217

Email: robinson@citizenpower.com

Ohio Schools Council,

Glenn S. Krassen

Matthew W. Warnock

Bricker & Eckler LLP

1375 E. 9th St., Suite 1500

Cleveland, OH 44114

Email: gkrassen@bricker.com

mwarnock@bricker.com

NOPEC

Glenn S. Krassen

Matthew W. Warnock

Bricker & Eckler LLP

1375 E. 9th St., Suite 1500

Cleveland, OH 44114

Email: gkrassen@bricker.com

mwarnock@bricker.com

Morgan Stanley Capital Group Inc.

Gregory K. Lawrence

Cadwalader, Wickersham & Taft LLP

One World Financial Center

New York, NY 10281

Email: greg.lawrence@cwt.com

Natural Resources Defense Council

Henry W. Eckhart

50 West Broad Street, #2117

Columbus, Ohio 43215

henryeckhart@aol.com

Association of Independent Colleges and Universities of Ohio

Gregory J. Dunn

Christopher Miller

Ice Miller

250 West St.

Columbus, OH 43215

E-mail: gregory.dunn@icemiller.com

Christopher.miller@icemiler.com

aporter@szd.com

PJM Power Providers Group

M. Howard Petricoff

Stephen M. Howard

Vorys, Sater, Seymore and Pease, LLP

52 East Gay St.

PO Box 1008

Columbus, OH 43216-1008

E-mail: mhpetricoff@vorys.com

showard@vorys.com

FirstEnergy Solutions

Morgan Parke

FirstEnergy Service Company

76 S. Main St.

Akron, OH 44308

E-mail: mparke@firstenergycorp.com

Stephen Bennett
Exelon Generation Company, LLC
300 Exelon Way
Kennett Square, PA 19348
stephen.bennett@exeloncorp.com

Leslie A. Kovacik
City of Toledo
420 Madison Ave. Suite 100
Toledo, OH 43604
leslie.kovacik@toledo.oh.gov

Glenn S. Krassen
Bricker & Eckler LLP
1375 East Ninth St., Suite 1500
Cleveland, OH 44114
gkrassen@bricker.com

Judi L. Sobecki
Randall V. Griffin
The Dayton Power and Light Company
1065 Woodman Dr.
Dayton, OH 45432
judi.sobecki@dplinc.com
randall.griffin@dlpinc.com

Amy B. Spiller
Dorothy K. Corbett
Duke Energy Retail Services, LLC
139 E. Fourth St.
1303-Main
Cincinnati, OH 45202
amy.spiller@duke-energy.com
dorothy.corbett@duke-energy.com

Michael D. Dortch
Kravitz, Brown & Dortch, LLC
65 East State Street
Suite 200
Columbus, OH 43215
mdortch@kravitzllc.com

Christopher J. Allwein
Williams, Allwein and Moser, LLC
1373 Grandview Ave., Suite 212
Columbus, OH 43212
callwein@wamenergylaw.com

Thomas R. Hays
Lucas County Prosecutors Office
700 Adams St., Suite 251
Toledo, OH 43604
trhayslaw@gmail.com

Matthew Warnock
Bricker & Eckler LLP
100 S. Third St.
Columbus, OH 43215
mwarnock@bricker.com

Lisa G. McAlister
J. Thomas Siwo
Bricker & Eckler LLP
100 South Third St.
Columbus, OH 43215
lmcaster@bricker.com
tsiwo@bricker.com

Jeanne W. Kingery
Amy B. Spiller
Duke Energy Commercial Asset
Management, Inc.
139 E. Fourth St.
1303-Main
Cincinnati, OH 45202
jeanne.kingery@duke-energy.com
amy.spiller@duke-energy.com

Jay E. Jadwin
American Electric Power Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, OH 43215
jejadwin@aep.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/23/2012 5:20:05 PM

in

Case No(s). 12-1230-EL-SSO

Summary: Testimony (SUPPLEMENTAL) of William R. Ridmann electronically filed by Ms. Laura C. McBride on behalf of The Cleveland Electric Illuminating Company and Ohio Edison Company and The Toledo Edison Company