

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2014 Review of the	)	
Demand Side Management and Energy	)	Case No. 13-2173-EL-RDR
Efficiency Rider of Ohio Edison Company,	)	
The Cleveland Electric Illuminating Company,	)	
and The Toledo Edison Company.	)	

In the Matter of the 2015 Review of the	)	
Demand Side Management and Energy	)	Case No. 14-1947-EL-RDR
Efficiency Rider of Ohio Edison Company,	)	
The Cleveland Electric Illuminating Company,	)	
and The Toledo Edison Company.	)	

In the Matter of the 2016 Review of the	)	
Demand Side Management and Energy	)	Case No. 15-1843-EL-RDR
Efficiency Rider of Ohio Edison Company,	)	
The Cleveland Electric Illuminating Company,	)	
and The Toledo Edison Company.	)	

In the Matter of the 2017 Review of the	)	
Demand Side Management and Energy	)	Case No. 16-2167-EL-RDR
Efficiency Rider of Ohio Edison Company,	)	
The Cleveland Electric Illuminating Company,	)	
and The Toledo Edison Company.	)	

In the Matter of the 2018 Review of the	)	
Demand Side Management and Energy	)	Case No. 17-2277-EL-RDR
Efficiency Rider of Ohio Edison Company,	)	
The Cleveland Electric Illuminating Company,	)	
and The Toledo Edison Company.	)	

In the Matter of the Determination of the	)	
Existence of Significantly Excessive Earnings	)	Case No. 18-857-EL-UNC
for 2017 Under the Electric Security Plan of	)	
Ohio Edison Company, The Cleveland Electric	)	
Illuminating Company, and The Toledo	)	
Edison Company.	)	

In the Matter of the Determination of the	)	
Existence of Significantly Excessive Earnings	)	Case No. 19-1338-EL-UNC
for 2018 Under the Electric Security Plan of	)	
Ohio Edison Company, The Cleveland Electric	)	
Illuminating Company, and The Toledo	)	
Edison Company.	)	

In the Matter of the Determination of the )  
Existence of Significantly Excessive Earnings ) Case No. 20-1034-EL-UNC  
for 2019 Under the Electric Security Plan of )  
Ohio Edison Company, The Cleveland Electric )  
Illuminating Company, and The Toledo )  
Edison Company. )

In the Matter of the Quadrennial Review )  
Required by R.C. 4928.143(E) for the Electric ) Case No. 20-1476-EL-UNC  
Security Plan of Ohio Edison Company, The )  
Cleveland Electric Illuminating Company, and )  
The Toledo Edison Company. )

In the Matter of the Determination of the )  
Existence of Significantly Excessive Earnings ) Case No. 21-0586-EL-UNC  
for 2020 under the Electric Security Plan of )  
Ohio Edison Company, The Cleveland Electric )  
Illuminating Company, and The Toledo )  
Edison Company. )

In the Matter of the Application of Ohio )  
Edison Company, The Cleveland Electric ) Case No. 21-1127-EL-ATA  
Illuminating Company, and The Toledo )  
Edison Company for Approval of a Tariff )  
Change. )

**DIRECT TESTIMONY OF**

**SANTINO L. FANELLI**

**IN SUPPORT OF THE UNANIMOUS STIPULATION**

**ON BEHALF OF**

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

**NOVEMBER 15, 2021**

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

2 A. My name is Santino L. Fanelli. I am employed by FirstEnergy Service Company as  
3 Director of the Rates and Regulatory Affairs Department. My business address is 76 South  
4 Main Street, Akron, Ohio 44308.

5 **Q. PLEASE DESCRIBE YOUR BACKGROUND, PROFESSIONAL EXPERIENCE,**  
6 **AND CURRENT JOB DUTIES.**

7 A. I have undergraduate and graduate degrees in the field of mathematics. During my career  
8 with FirstEnergy Service Company, I have worked in various areas, including Rates and  
9 Regulatory Affairs, the Controller's Department, Internal Auditing, Treasury, and Investor  
10 Relations. The majority of my career has been in Rates and Regulatory Affairs, where I  
11 have taken on roles of increasing responsibility and assumed my current position in 2016.  
12 In my current role, I am responsible for the development and implementation of rates for  
13 Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo  
14 Edison Company (individually, "Company" and collectively, the "Companies"). I have  
15 experience in numerous matters that have come before the Public Utilities Commission of  
16 Ohio ("Commission"), including the Companies' electric security plans and significantly  
17 excessive earnings test ("SEET") filings.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

19 A. Yes. I have testified on behalf of the Companies in several cases, including Case Nos. 14-  
20 1297-EL-SSO and 16-481-EL-UNC, among others.

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE PROCEEDINGS?**

22 A. The purpose of my testimony is to sponsor and summarize the terms and conditions of the  
23 unanimous Stipulation and Recommendation filed on November 1, 2021, in the above-

captioned proceedings (“Stipulation”). My testimony discusses the criteria that the Commission has used when considering settlement agreements, and how the Stipulation satisfies those criteria. More specifically, my testimony supports the conclusion that the Stipulation (1) is the product of serious bargaining among capable, knowledgeable parties; (2) as a package, benefits ratepayers and the public interest; and (3) does not violate any important regulatory principle or practice.

**Q. WHO ARE THE SIGNATORY PARTIES TO THE STIPULATION?**

A. The signatory parties to the unanimous Stipulation are the Office of the Ohio Consumers’ Counsel, Ohio Energy Group, Staff of the Public Utilities Commission of Ohio (“Commission Staff”), Ohio Manufacturers’ Association Energy Group, Industrial Energy Users-Ohio, Ohio Partners for Affordable Energy, Nucor Steel Marion, Inc., The Kroger Co., Interstate Gas Supply, Inc.<sup>1</sup>, Northeast Ohio Public Energy Council, Ohio Hospital Association, and the Companies (collectively, the “Signatory Parties”).

**Q. WHICH PROCEEDINGS ARE RESOLVED BY THE STIPULATION?**

A. The unanimous Stipulation resolves all issues in the following ten proceedings of the Companies: the 2017-2020 SEET proceedings in Case Nos. 18-857-EL-UNC, 19-1338-EL-UNC, 20-1034-EL-UNC, and 21-0586-EL-UNC; the quadrennial review of the Companies’ current electric security plan (“ESP IV”) required by R.C. 4928.143(E) in Case No. 20-1476-EL-UNC (“ESP Quadrennial Review”); and the 2014-2018 audits of the Companies’ Demand Side Management and Energy Efficiency Riders (“Rider DSE”) in

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<sup>1</sup> Interstate Gas Supply, Inc. agrees to all terms and conditions of this Stipulation except that it takes no position on Section V.J.i of the Stipulation.

Case Nos. 13-2173-EL-RDR, 14-1947-EL-RDR, 15-1843-EL-RDR, 16-2167-EL-RDR, and 17-2277-EL-RDR.

**Q. PLEASE PROVIDE A GENERAL OVERVIEW OF THE STIPULATION.**

A. The Stipulation represents a unanimous compromise and resolution of numerous issues and provides significant value to all of the Companies’ consumers. The Stipulation provides \$306 million in benefits to all consumers of the Companies, including \$96 million in refunds associated with the Companies’ 2017-2019 SEET proceedings, and \$210 million in future rate reductions over the period 2022-2025. In addition, the Companies have committed not to seek recovery of lost distribution revenue (“LDR”) as currently authorized under the ESP IV, through May 2024. The Signatory Parties agree there are no additional adjustments/refunds under Rider DSE for the years 2014-2018, and no Signatory Party will seek or otherwise recommend any further collection from consumers or any refund for LDR during the term of ESP IV. The Stipulation also provides that the Companies’ current ESP IV shall continue through its authorized term of May 31, 2024, because the Signatory Parties agree that ESP IV passes all required statutory tests for the ESP Quadrennial Review, as set forth in R.C. 4928.143(E), namely the Prospective SEET and the More Favorable in the Aggregate (“MFA”) test (as defined in the Stipulation), during the balance of ESP IV (2020-2024). Further, the Signatory Parties agree that the Companies did not have significantly excessive earnings in 2020. Moreover, the Stipulation provides clarity on several of the Companies’ other matters, including the timing of their next base rate case, the methodology for calculating the Companies’ individual SEET returns on equity in their 2021-2024 annual SEET filings, and continuation of the Economic Load Response Program Rider (“Rider ELR”).

1 **Q. PLEASE DESCRIBE THE CRITERIA THE COMMISSION HAS USED IN**  
2 **CONSIDERING APPROVAL OF A STIPULATION AMONG SIGNATORY**  
3 **PARTIES TO A PROCEEDING.**

4 A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must  
5 be the product of serious bargaining among capable, knowledgeable parties; (2) the  
6 stipulation must, as a package, benefit ratepayers and the public interest; and (3) the  
7 stipulation must not violate any important regulatory principle or practice.

8 **Q. DOES THE STIPULATION SATISFY THESE CRITERIA?**

9 A. Yes, it does.

10 **Q. IS THE STIPULATION THE PRODUCT OF SERIOUS BARGAINING AMONG**  
11 **CAPABLE, KNOWLEDGEABLE PARTIES?**

12 A. Yes. The Signatory Parties have an extensive history of participation and experience in  
13 matters before the Commission and are represented by experienced and competent counsel.  
14 The Signatory Parties represent a broad range of stakeholders with varied and diverse  
15 interests, including residential, commercial, and industrial consumer advocates, a low-  
16 income residential consumer advocate, hospitals, a competitive retail electric service  
17 provider, an energy aggregator, and Commission Staff.

18 The unanimous Stipulation is the product of an open, transparent, and inclusive  
19 process in which all parties actively participated. The Signatory Parties engaged in a series  
20 of meetings among all parties conducted on August 13 and 20, September 17, 27 and 29,  
21 October 8 and 13, and November 1, 2021. The serious bargaining continued throughout  
22 this period, through ongoing communications and discussions with all Signatory Parties.  
23 When a subset of all parties worked together to try and resolve individual issues, the

1 potential resolution was always brought back to the full group for further discussion. Issues  
2 were only resolved at meetings open to the entire group. The Companies did not enter into  
3 any side deals in connection with the Stipulation, and the Companies have no knowledge  
4 of any side deal(s) by any of their affiliates regarding the Stipulation. The Signatory Parties  
5 worked together to ensure that these principles were upheld throughout the negotiation  
6 process, and the serious bargaining culminated with the filing of the Stipulation on  
7 November 1, 2021.

8 I believe that the Stipulation represents a comprehensive compromise of issues  
9 raised by numerous parties with diverse interests and presents a beneficial outcome for all  
10 parties. The Companies thank the other Signatory Parties for working collaboratively  
11 throughout the process, and for doing so in a consistently open and transparent manner, to  
12 collectively and unanimously achieve this settlement.

13 **Q. DOES THE STIPULATION, AS A PACKAGE, BENEFIT RATEPAYERS AND**  
14 **THE PUBLIC INTEREST?**

15 A. Yes. The Stipulation, as a package, provides substantial benefits to ratepayers and  
16 advances the public interest by providing resolution of all outstanding issues in ten  
17 proceedings. The negotiation process described above benefits ratepayers and the public  
18 interest as well because all parties participated in the settlement process and had the  
19 opportunity to advocate on behalf of their respective constituents. By establishing a just  
20 and reasonable resolution to contested issues raised in the above-captioned cases, the  
21 Stipulation conserves the resources of the Commission and parties and avoids potentially  
22 costly, extended litigation.

1           The unanimous Stipulation also benefits ratepayers and the public interest by  
2           providing \$306 million in value to the Companies' consumers, including refunds of \$96  
3           million associated with the 2017-2019 SEET proceedings, and an additional \$210 million  
4           in future rate reductions over the 2022-2025 period. Consumers will receive these benefits  
5           in a timely fashion. Both the 2017-2019 SEET consumer refunds and consumer rate  
6           reductions for 2022 will commence within thirty (30) days of a final Commission Order  
7           approving the Stipulation. The 2017-2019 SEET consumer refunds will be provided in  
8           one month to residential consumers and over six months to non-residential consumers. The  
9           Signatory Parties also agreed on a bill message explaining the 2017-2019 SEET consumer  
10          refunds and advising of future rate reductions over the 2022-2025 period, so all consumers  
11          will also benefit from being educated about these rate credits. Further, the Companies have  
12          committed to forego recovery of LDR as authorized under ESP IV, through May 31, 2024,  
13          which will provide even more financial benefits to consumers.

14          In addition, the Stipulation benefits ratepayers and the public interest by providing  
15          clarity regarding the continuation of ESP IV through May 31, 2024, and several other  
16          regulatory matters, including the timing of the Companies' next base rate case, the  
17          methodology for calculating the Companies' individual returns on equity in their 2021-  
18          2024 SEET filings, and the continuation of Rider ELR.

19   **Q.   HOW DO RATEPAYERS AND THE PUBLIC BENEFIT FROM CONTINUATION**  
20   **OF ESP IV?**

21   A.   The structure of the Companies' ESP IV is well-established and familiar to the Companies'  
22          consumers and other stakeholders. In general, continuation of ESP IV benefits consumers  
23          and the public by providing clarity and stability. There are numerous benefits of ESP IV,



1 including: procurement of generation service for non-shopping customers through laddered  
2 and staggered competitive auctions; shareholder funded programs to support economic  
3 development and low-income customers; various rate options and programs for eligible  
4 consumers that provide opportunities to save on their bills; and provisions to support grid  
5 modernization, energy efficiency, and competition. As a result of the unanimous  
6 Stipulation, these benefits will continue through the authorized term of ESP IV.

7 **Q. HOW DOES CLARITY ON OTHER REGULATORY MATTERS PROVIDED BY**  
8 **THE STIPULATION BENEFIT RATEPAYERS AND THE PUBLIC INTEREST?**

9 A. The Signatory Parties agree that the Companies will file their next base rate case in May  
10 2024, subject to limited exceptions already authorized by the Commission in ESP IV.  
11 Further, the Signatory Parties agree that no Signatory Party will file a case to adjust base  
12 distribution rates for any of the Companies, or otherwise cause a proceeding for a base rate  
13 case by the Companies to be initiated prior to May 2024. Consumers will continue to  
14 benefit from the stability and predictability of the base distribution rate freeze.

15 In addition, the Signatory Parties agree that no Signatory Party will challenge the  
16 Companies' calculation of their individual SEET returns on equity for years 2021-2024,  
17 consistent with the methodology used by the Companies in the ESP Quadrennial Review,  
18 except for challenges regarding shared savings, PJM revenues, or other issues related to  
19 new or charged circumstances. In addition, no Goodwill Adjustments, as defined in the  
20 Stipulation, shall be included in the SEET calculations for any of the Companies for the  
21 years 2021-2024. The future consumer rate reductions will be included as reductions to  
22 SEET net income for each Company during these same years. These agreements by the

1 Signatory Parties provide more transparency and clarity on how the SEET calculations will  
2 be conducted going forward.

3 Further, the Signatory Parties agree that no Signatory Party will oppose the  
4 continuation of Rider ELR or any associated cost recovery, consistent with the terms and  
5 conditions of ESP IV. As a result, the economic development, job retention, and demand  
6 response benefits of the Rider ELR program will continue through the term of ESP IV.

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

9 A. No. To the contrary, the Stipulation is consistent with and supportive of important  
10 regulatory principles or practices in the state of Ohio. The unanimous Stipulation was  
11 reached through an open, transparent, and inclusive negotiation process among a group of  
12 diverse parties, as described above. The Stipulation furthers important regulatory  
13 principles by encouraging working collaboratively to reach compromise as an alternative  
14 to litigation, providing clarity and resolution on several pending regulatory matters, and  
15 giving significant benefits to consumers via a clear and transparent process.

16 In addition, consistent with state policy, the Stipulation's \$306 million of consumer  
17 benefits will "[e]nsure the availability to consumers of adequate, reliable, safe, efficient,  
18 nondiscriminatory, and reasonably priced retail electric service," in accordance with R.C.  
19 4928.02(A), and will also help "[p]rotect at-risk populations," consistent with R.C.  
20 4928.02(L). The consumer benefits provided in the Stipulation, along with the  
21 continuation of Rider ELR, will also "[f]acilitate the state's effectiveness in the global  
22 economy" pursuant to R.C. 4928.02(N).

1   **Q.   DO YOU RECOMMEND THAT THE COMMISSION ADOPT THE**  
2       **STIPULATION?**

3   A.   Yes. The unanimous Stipulation represents a fair and reasonable compromise of diverse  
4       interests and provides a beneficial outcome for all consumers.

5   **Q.   DOES THIS CONCLUDE YOUR TESTIMONY?**

6   A.   Yes, it does.

**CERTIFICATE OF SERVICE**

I certify that the foregoing was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 15th day of November 2021. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/ Mark T. Keaney

Attorney for Ohio Edison Company,  
The Toledo Edison Company, and  
The Cleveland Electric Illuminating  
Company

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**Case No(s). 13-2173-EL-RDR, 14-1947-EL-RDR, 15-1843-EL-RDR, 16-2167-EL-RDR, 17-2277-EL-RDR, 18-0857-EL-UNC, 19-1338-EL-UNC, 20-1034-EL-UNC, 20-1476-EL-UNC, 21-0586-EL-UNC, 21-1127-EL-ATA**

Summary: Testimony Direct Testimony of Santino L. Fanelli in Support of the Unanimous Stipulation electronically filed by Mark T. Keaney on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company