

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Application of Ohio</b>	)	
<b>Edison Company, The Cleveland Electric</b>	)	
<b>Illuminating Company and The Toledo</b>	)	<b>Case No. 03-2144-EL-ATA</b>
<b>Edison Company for Authority to Continue</b>	)	<b>EL-AAM</b>
<b>And Modify Certain Regulatory Accounting</b>	)	<b>EL-UNC</b>
<b>Practices and Procedures, for Tariff Approvals</b>	)	
<b>and to Establish Rates and Other Charges</b>	)	
<b>Including Regulatory Transition Charges</b>	)	
<b>Following the Market Development Period</b>	)	

**REBUTTAL TESTIMONY**

**OF**

**ANTHONY J. ALEXANDER**

1 **Q. Please state your name.**

2 A. Anthony J. Alexander.

3

4 **Q. Are you the same Anthony J. Alexander who testified earlier in this proceeding?**

5 A. Yes.

6

7 **Q. Are you generally familiar with issues and concerns raised by the PUCO Staff and**  
8 **the intervening parties in this proceeding?**

9 A. Yes. I reviewed the pre-filed testimony of Commission Staff witnesses, and am generally  
10 familiar with the concerns raised in the testimony and objections filed by the intervening  
11 parties on February 6, 2004, and the discussions of those items that occurred during the  
12 hearing.

13

14 **Q. Based upon this information, have the Applicants decided to change any aspects of**  
15 **the Application?**

16 A. Yes. While I continue to believe that the Rate Stabilization Plan as originally filed is  
17 reasonable, after considering primarily the comments and testimony of Commission Staff  
18 witnesses, as well as those provided by some of the intervening parties, the Applicants  
19 have reconsidered their position and have elected to make the modifications highlighted  
20 on the Revised Rate Stabilization Plan ("Revised Plan"), which is attached hereto and  
21 incorporated herein as part of my testimony.

22

1 **Q. Would you generally describe the Revised Plan?**

2 A. The Revised Plan is a "red lined" version of the Rate Stabilization Plan that was  
3 originally filed with the Application on October 21, 2003 ("Initial Plan"). The attached  
4 Revised Plan highlights the changes that the Applicants are willing to make to the Initial  
5 Plan, and incorporates the changes set forth in Applicant's Exhibit 4, the Stipulation and  
6 Recommendation filed with the Commission on February 11, 2004. Included with the  
7 Revised Plan are seven attachments to the Initial Plan. There is a new Attachment 5, with  
8 subsequent attachments being renumbered accordingly. In addition to Attachment 5  
9 being new, former Attachments 5 and 6, which are now Attachments 6 and 7,  
10 respectively, have been changed to reflect the modifications included in the Revised Plan.  
11

12 **Q. Please explain the primary modifications made in the Revised Plan.**

13 A. The first set of changes can be found in Section II, Paragraph 2. In order to  
14 accommodate several parties' concerns related to potential growth in the level of  
15 shopping during the period January 1, 2006 through December 31, 2008, the contract  
16 requirement time frames have been relaxed to allow more government aggregation  
17 groups and commercial and industrial customers to qualify for the enhanced shopping  
18 credit. Under the Revised Plan, contracts can still be entered into for a fixed three-year  
19 period, as was the case in the Initial Plan. However, under the Revised Plan, contracts  
20 may also be entered into, and new customers added, for the period January 1, 2007  
21 through December 31, 2008, or for only the calendar year 2008, by providing notice to  
22 the Company similar to that included in the Initial Plan. Further, there is a corresponding

1 increase in the percentage of RSC that will be added to “little g” for purposes of  
2 calculating enhanced shopping credits. This recognizes the reduction in risk of returning  
3 customers over the time frame of the rate stabilization period as identified by Staff  
4 witness Cahaan. This change is found in Section II, Paragraph 2(b)(1).

5 Second, the Revised Plan allows customers to elect either to increase the shopping credit  
6 with the assured backstop of standard offer generation rates, as generally proposed in the  
7 Initial Plan, or to forego the backstop protection offered by the Initial Plan and instead  
8 assume the entirety of the wholesale market price risk. In the latter option, the customer  
9 would receive 100% of the RSC plus little g as their enhanced shopping credit, but if the  
10 customer returned to Applicants for generation service at any point during the Revised  
11 Plan period, the customer would be charged the prices outlined in Section II, Paragraph  
12 2(b)(2).

13 Third, a maximum shopping credit is provided for in order to recognize the rate design  
14 principles that are embedded in the current rates and to avoid the creation of false  
15 markets during the plan period that would not be sustainable over the long term. The  
16 maximum shopping credit for any customer during the rate stabilization period under the  
17 Revised Plan is set at the average, fully incentivized shopping credit for the applicable  
18 rate class, based upon the approved 2004 shopping credit levels established in Case No.  
19 03-1461-EL-UNC. The difference between the maximum shopping credit and the little g  
20 plus 100% of the RSC for affected customers who switch suppliers would be used to  
21 reduce the interest charges that would otherwise be capitalized during 2006 through  
22 2008, and, accordingly, will reduce the period that the Extended RTC would be in effect.

1 Under the Revised Plan, interest charges that would otherwise be capitalized during 2006  
2 through 2008 on shopping incentive deferrals would be reduced to zero if 20% or more of  
3 the customers affected by the maximum shopping credit choose to shop. This provision,  
4 coupled with the market support provision contained in Section IV, Paragraph 4, provides  
5 incentives to maintain at least 20% shopping in the affected customer classes, and should  
6 result in reducing any interest charges on the deferred balances during the applicable  
7 period.

8  
9 **Q. Are there other modifications to the Plan?**

10 A. Yes. Rather than discussing all of the other changes in detail, as I believe most are self-  
11 explanatory, I will simply highlight changes that deal with some of the more contentious  
12 issues, and reference where these changes can be found in the Revised Plan.

13 **Section I, Paragraph 10:** The Applicants have clarified their ability to provide goods  
14 and services related to, for example, home builder, appliance, bill payment programs, and  
15 other programs related to utility service.

16 **Section II, Paragraph 6:** The Applicants have reviewed Staff witness Hess's testimony  
17 and have made the adjustments to kWh levels and RTC recovery periods suggested in his  
18 testimony.

19 **Section II, Paragraph 8:** The Applicants have removed the provision that would have  
20 allowed the deferral of the difference between the market support price and little g during  
21 the calendar years 2004 and 2005 as a shopping incentive deferral. Deferrals are also  
22 addressed in Section I, Paragraph 5.

1       **Section IV, Paragraph 4:** The Applicants have removed the precondition to offering  
2       market support generation and have targeted the MSG to customers affected by the  
3       maximum shopping credit.

4       **Section VI, Paragraph 1:** The Revised Plan requires Commission approval, consistent  
5       with said paragraph, prior to the Applicants being able to terminate the plan due to  
6       environmental requirements. It also requires the Applicants to provide at least 12 months  
7       notice prior to such termination.

8       **Section VIII, Paragraph 10:** The Revised Plan provides assurance to suppliers that the  
9       partial payment posting priority established in Case No. 02-1944-EL-CSS will remain in  
10      effect during the term of the plan.

11      **Section VIII, Paragraph 11:** The Revised Plan provides assurance to suppliers that  
12      existing supplier security/credit terms and conditions will be maintained during the  
13      period the Plan remains in effect.

14

15    **Q.    Does this conclude your rebuttal testimony?**

16    **A.    Yes, it does.**

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Rebuttal Testimony Of Anthony J.

Alexander was delivered to the following via electronic mail this 23<sup>rd</sup> day of February, 2004:

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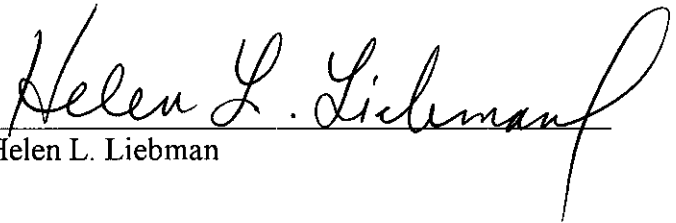
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