

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) Case No. 10-176-EL-ATA
Edison Company for Approval of a New)
Rider and Revision of an Existing Rider.)

FINDING AND ORDER

The Commission finds:

- (1) Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, FirstEnergy) are electric utilities as defined by Section 4928.01(A)(11), Revised Code.
- (2) Various residential all-electric rates were implemented and revised over the years in the service territories of FirstEnergy, beginning in January 1974. These rate structures were declining block structures such that the customer's rate declined with greater electricity usage.
- (3) On July 6, 1999, Amended Substitute Senate Bill No. 3 (S.B. 3) was signed by the Governor and most provisions became effective on October 5, 1999. Among other things, S.B. 3 unbundled generation rates and froze distribution rates at their current levels through the end of the five-year market development period.
- (4) On January 4, 2006, the Commission issued its Opinion and Order in FirstEnergy's rate certainty plan adopting an agreement among the parties that included a provision that certain all-electric residential rate schedules for FirstEnergy would no longer be available to new customers or new premises beginning January 1, 2007. *In re FirstEnergy*, Case No. 005-1125-EL-ATA, et al., Opinion and Order (January 4, 2006) (citing Stipulation at 12 (September 9, 2005)).
- (5) On January 21, 2009, the Commission issued its Opinion and Order in FirstEnergy's distribution rate case. *In re FirstEnergy*, Case No. 07-551-EL-AIR, et al., Opinion and Order (January 21, 2009). In order to simplify FirstEnergy's existing rate structure,

consistent with S.B. 3 mandates, the Commission also approved FirstEnergy's proposed consolidation of 32 different residential distribution rate schedules into a single residential distribution rate schedule for each electric utility. However, in order to mitigate the impact upon residential customers affected by the consolidation of the rate schedules, the Commission approved a residential distribution credit for certain residential customers. *Id.* at 23-24. These customers included many who had been taking service under all-electric residential rate schedules. Those customers had received a substantial discount on their winter rates prior to this rate schedule consolidation and received a discount after the consolidation based upon the Commission's principle of gradualism. *Id.* at 29.

- (6) On March 25, 2009, the Commission issued its Second Opinion and Order in FirstEnergy's electric security plan (ESP) proceeding, approving the stipulations filed by various parties. *In re FirstEnergy*, Case No. 08-935-EL-SSO, et al., Second Opinion and Order (March 25, 2009). Among other terms, the ESP stipulations provided that, for the period between June 1, 2009, and May 31, 2011, generation rates would be determined by a competitive bid process (CBP). Further, in order to create a generation rate structure that would be consistent with the distribution rate structure approved in FirstEnergy's distribution rate case, the Commission approved the consolidation of the various residential generation rate schedules into a single residential generation rate schedule for each electric utility. *Id.* at 9-10. The Commission also approved a residential generation credit for customers who were impacted by the generation rate schedule consolidation in order to mitigate the impact of the consolidation. *Id.* Again, the impacted customers included a number of customers taking service under the discounted all-electric residential rate schedules.
- (7) The distribution and generation credits provided to customers affected by the rate schedule consolidation in both proceedings represent total rate discounts of 3.6 cents per kWh.
- (8) In Case No. 08-935-EL-SSO, the Commission approved the implementation of Rider DDC for FirstEnergy to allow for the recovery of certain accounting deferrals and carrying charges for post date-certain distribution expenses, line extension charges,

and transition taxes. Rider DDC was to take effect on January 1, 2011, and exist for 25 years. However, on August 19, 2009, we determined that it would be beneficial to both residential and nonresidential customers to reduce carrying costs on these deferrals by beginning to recover the deferrals in an accelerated manner (i.e., over the period September 2009 through May 2011, excluding summer months). *In re FirstEnergy*, Case No. 09-641-EL-ATA, et al., Finding and Order (August 19, 2009) at 4. The revised riders were implemented to replace the existing riders and reduce the length of the recovery periods. The early recovery of the deferrals was estimated to save \$178 million for residential customers and \$142 million for nonresidential customers. *Id.*

- (9) There has been substantial public concern expressed regarding certain all-electric residential customers' bills, notwithstanding the discounts provided to these customers.
- (10) The Commission finds that, until such time as the Commission determines the best long-term solution to this issue, rate relief should be provided for all-electric residential customers. Accordingly, we direct FirstEnergy to file tariffs for the all-electric residential subscribers that will provide bill impacts commensurate with FirstEnergy's December 31, 2008, charges for those customers.
- (11) Given that, in the ESP stipulations, the parties agreed that FirstEnergy should procure generation through a CBP and that all wholesale generation costs should be recovered through retail rates, further proceedings regarding the recovery of the revenue shortfall are necessary. In the interim, the Commission will authorize FirstEnergy, pursuant to Section 4905.13, Revised Code, to modify its accounting procedures to defer the difference between the rates and charges to be charged to the all-electric residential customers as the result of the Commission's order in this proceeding and the rates and charges that would otherwise be charged to those customers.
- (12) However, the Commission acknowledges that this is not a long-term solution to this issue. Therefore, we direct Staff to investigate and file a report in this proceeding regarding the appropriate long-term rates that should be provided to all-electric residential customers of FirstEnergy. In this report, Staff

should include a range of options regarding proposed rates and discounts to be provided to all-electric residential customers. Each option should be supported by a thorough statistical analysis, which includes the bill impact upon all-electric residential customers at various ranges of consumption levels and the number of all-electric residential customers within each range. Further, the report should include a range of options for the Commission regarding the recovery of the revenue shortfall as a result of the discounts provided to all-electric residential customers, including from which customer classes and rate schedules FirstEnergy should recover the revenue shortfall and the bill impacts on those customers.

- (13) Unless otherwise ordered by the Commission, Staff should file its report with the results of its investigation in this docket within 90 days. After the Staff has filed its report, the Commission will establish, by subsequent entry, a period for the filing of comments by interested persons.
- (14) Moreover, pursuant to Rule 4901:1-18-04, O.A.C., we find that FirstEnergy shall work with impacted customers, upon contact by a customer whose account is delinquent or who desires to avoid a delinquency, to make reasonable extensions or other extended payment plans appropriate for both the customer and FirstEnergy. Additionally, FirstEnergy shall inform the customer of the one-sixth payment plan, the one-third winter heating season payment plan, and the availability of the percentage of income payment plan if eligible, in the event that a mutual payment arrangement cannot be worked out.

It is, therefore,

ORDERED, That rate relief be provided as directed herein. It is, further,

ORDERED, That FirstEnergy be authorized to modify its accounting procedures as set forth in Finding (11). It is, further,

ORDERED, That FirstEnergy file, in final form, four complete copies of the tariffs, consistent with this Finding and Order, within 14 days of the issuance of this Finding and Order. FirstEnergy shall file one copy in its TRF docket (or make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and

Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

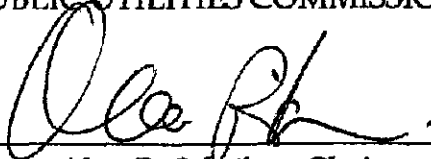
ORDERED, That the effective date of the revised tariffs shall be a date not earlier than the date of this Finding and Order and the date upon which four complete copies are filed with the Commission. The new tariffs shall be effective for services rendered on or after such effective date. It is, further,

ORDERED, That FirstEnergy notify its all-electric residential customers of the tariff revisions via a bill message, bill insert, or separate mailing within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

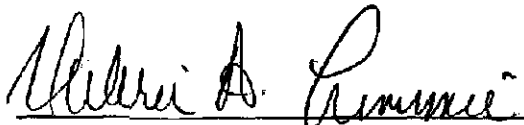
ORDERED, That a copy of this Finding and Order be served all parties of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Paul A. Centolella


Ronda Hartman Fergus

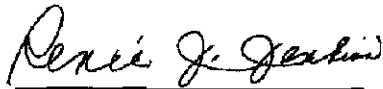

Valerie A. Lemmie


Cheryl L. Roberto

GAP/KWB/dah

Entered in the Journal

MAR 03 2010



Renee J. Jenkins
Secretary