

FILE

10-176-EL-ATA

4

Testimony given to the Ohio Public Utilities Commission
Hearing: November 18, 2010 at 6:00 p.m. in Maumee, Ohio

Given by: Michael P. Roetter, Sr.
Carolyn E. Roetter, All-electric Home Owners
404 Cedar Lane Waterville, Ohio 43566

PUCO

2011 FEB -3 PM 4:17

RECEIVED-DOCKETING DIV

Mr. Chairman, Members of the Commission, and PUCO Staff,

As is the case with many others in our predicament, I would like to say that I am deeply appreciative of the opportunity to express to you my concerns regarding First Energy's broken promises on preferential electric rates for all-electric residential customers.

My wife and I are retired and have lived in Waterville since 1977 when we purchased our newly built all-electric home. One of the selling points presented by the builder was the all-electric home heating rate promoted by Toledo Edison. Heating, then as now, was through an energy efficient heat-pump which was replaced with another higher efficiency heat pump approximately 15 years ago. At that time compressor failure of the first heat pump left us with several options. One was to take advantage of the natural gas line located approximately 50 feet from the rear of our house. Secondly, we could have continued to repair the much worn vintage 70's heat pump. The final option was to install a state-of-the-art super high efficiency heat pump. I contacted the electric company who strongly encouraged us to remain all-electric due to the continuation of the favored rate. No mention was made that the rate might not continue on indefinitely. As I recall, Edison even provided a rebate toward the installation of the new equipment as an enticement. Edison's encouragement was with the knowledge that we could have easily converted our heating to natural gas. Following the installation of the new Trane/American Standard equipment, we have continued to enjoy the comfort of our all-electric home. It is important to add that we have been diligent in assuring that our home is energy efficient as we have updated windows, added storm windows, added ceiling fans, regularly re-caulked and resealed windows and doors, and we do the necessary preventative maintenance on our heating equipment. The point I am making is that we have been responsible customers in maintaining our home and most importantly our heating equipment.

We were shocked this past winter when our electric bills sky rocketed. Upon calling Toledo Edison, I was literally told by a representative that we have had the preferred rate long enough and it was time to pay up. Moreover, as a stock holder of First Energy, I was told by the same representative that I should be glad that all-electric customers will pay more as it will enhance my dividend. Perhaps the representative felt I should be happy getting more on the backs of many retired folks such as myself who are getting socked with these new rates.

I would like to go on to make a few comments regarding other communications either directly by the electric company or the media. The first is a Toledo Blade article from

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician AK Date Processed FEB 03 2011

2006 reporting on the grandfathered rate structure. While this is certainly not an official First Energy document, it is none-the-less, a communication to the public based on a reporter's interview with the company or a press release. To my knowledge, the company never took issue with the contents of the release. I remember at the time that I felt no action was necessary as the company was honoring commitments made to us since 1977. The second document is a flyer that was included with our electric bill during 2006 assuring us that our favored rate would be continued as long as we kept and utilized our electric equipment. The flyer presented a "double bind". First it qualifies the grandfathering as subject to future rate approvals. However, owners were admonished to continue to use and maintain their electric equipment (and bear the expense thereof) to keep their rate. What is a homeowner to do – pull the equipment and loose the rate or maintain the equipment in good faith and hope the rate will continue with the good faith of the company?

The consequences of the elimination of the preferential rate are serious. As retirees, the unexpected and dramatic increase in our electric bills will significantly impact our budgeted expenses for other necessities. At some point in the future, we will likely be faced with the prospect of selling our home for more suitable senior living arrangements. I am told the value of our home will likely decline by at least 30% due to the rate change (CKAP). As the equity in our home was a substantial part of our financial retirement planning, this will cost us dearly as we own 100% of the equity in our home. In dollar value, this loss of value may equate to \$60,000 – a substantial amount of money. Finally, selling an all-electric home without a preferential rate will likely be very difficult if not impossible. If Toledo Edison had told us at the time of our new equipment installation that they might discontinue the all-electric rate, we clearly would have converted to natural gas. Enhancing the company's profitability is disproportionally being placed on the backs of its all-electric customers as we suffer property value loss in addition to rate increases.

Due to promises made by the electric company and the harm done to many loyal all-electric customers, I request and strongly encourage the PUCO to permanently reinstate the previous all-electric residential rate structure *both for existing properties and for future owners of those same properties*. The company made verbal and written promises to encourage home owners and home builders to be all-electric and stay all-electric which was of mutual benefit to the company and its customers for the past 30 plus years. They have reneged on promises made that will cost us thousands in additional energy expenses and loss of property value. The PUCO should protect citizens against these capricious actions by this utility. Additionally, First Energy should not raise the rates for other customers as they reinstate the all-electric rate.

I appreciate the opportunity to share my thoughts and concerns with you and look forward to your thoughtful deliberation on this very important matter.

Thank you.

FirstEnergy sets end to break for all-electric house

By JON CHAVEZ
BLADE BUSINESS WRITER

2006

On April 1, FirstEnergy Corp. will end its decades-old practice of giving customers with all-electric homes cheaper rates.

Only buyers of new or existing all-electric homes will be affected. People already in all-electric homes will keep the discounts.

But the change, part of the new rate plan for which the utility received approval last year, removes an option for people seeking to avoid high natural gas rates. The alternatives include having electric utilities and a geothermal heat pump, an electric-powered device that extracts heat from the ground by recirculating water in an underground coil.

"This doesn't scare me, if it's grandfathered, but it can't be good for the people down the road," said Stan Criswell, project estimator for Reynolds Construction Co., a Toledo-area home-building firm.

He built a 2,500-square-foot all-electric house few years ago and last month had a bill for \$175 for heat, lights, and hot water. "All-electric has been a god-send," he said. "It'll be worth holding onto."

FirstEnergy charges about 11 cents per kilowatt-hour for the 275,000 residential customers in its Toledo Edison territory. About 67,000 houses in that territory are all-electric and are given a break of 0.5 to 3.5 cents per kilowatt-hour on their bills.

See **BREAK**, Page 8 +

Break

Continued from Page 7

Most get a discount of 2 cents or less.

A Public Utilities Commission of Ohio spokesman said FirstEnergy was not required to keep the discount program when its rate plan for 2006 through 2008 was considered.

The plan froze basic rates but permits the utility to add fees for some items. But the regulatory spokesman said the all-electric discount seemed inconsistent with deregulation in the industry and perhaps discouraged some competitors thinking of offering power in the state.

The discounts stem from the 1970s when oil prices were skyrocketing and building a home heated with oil was too

expensive. Ohio's electric utilities began offering discounts for all-electric heating as a way to sell excess power it had in the winter.

"Today it's a different world and we don't have that [excess] capacity issue," said Shana Eisenstein, the PUCO spokesman.

The loss of the discount could hurt sales of all-electric houses because the rate break does not transfer to a new owner.

Vicki Fahim, who has lived in an all-electric home in Point Place for 29 years, said she "feels special" that she'll continue to reap savings.

But she acknowledged selling her house would be more difficult.

Few area home builders erect all-electric houses, said Tony Plath, spokesman for the Home Builders Association of Greater Toledo Inc.

But geothermal heat pumps are generating interest, said Michael Dean, president of Michael Development Ltd. Losing the all-electric discount will diminish customer savings, but the geothermal systems still should produce some savings, he added.

Ms. Fahim's house uses an electric-air heat exchanger, which draws air from outside and extracts heat from it.

"It doesn't put out real strong heat. It runs longer and puts out moderate heat," she said. Last month her electric bill was \$130 for heat, a water heater, and lights.

"Everybody always says, 'Why don't you get gas? Why don't you get gas?' But I don't like gas. It scares me," she said.

Contact Jon Chavez at:
jchavez@theblade.com
or 419-724-6128.

Maureen
Ex. 2

- Q. I am thinking about selling my house. Would the buyer be able to continue receiving the discounted electric rates?
- A. Unless the transaction is completed before April 1, 2006, the discounted rates will not be applied to the buyer's account. The new customer will be billed on one of our standard residential rates.
- Q. I have been planning on building a new home for several months now and won't be able to have the electric wired until mid-summer. Can I apply for the discount now?
- A. Grandfathered rates will not be available to you unless you have your electrical inspection of the permanent service submitted to the company and service in your name by March 31, 2006.
- Q. Being a builder, what should I do to ensure that my customers will be eligible for the discounted electric rates?
- A. To ensure that your customers will receive the grandfathered rates, you should have the electrical inspection submitted to the company on or before March 31, 2006. Also, the application for service should be made in the homeowner's name because the discounted rate will not transfer from the builder to the homeowner after March 31, 2006.
- Q. When you say the term "grandfathered," does that mean forever?
- A. The term "grandfathered" does not mean forever. However, as long as the rate remains in effect and you remain in the home using the qualifying equipment, you will receive the rate.
- Q. Other than the bill insert and bill message, how will customers be informed about these changes?
- A. A letter is being sent to those customers with pending applications for the special electric heating, water heating and load management rates. As always, customers can talk with one of our Customer Service Representatives by calling our toll-free number.

If you have any questions regarding these changes, call us at 1-800-447-3333.

Or contact the Public Utilities Commission of Ohio at 603-960-2100 or 603-960-2126.

Toledo Edison
A FirstEnergy Company

206

Important Information

for Customers on Electric Heating, Water Heating and Load Management Rates

On January 1, 2006, Toledo Edison's Rate Change Plan (RCP) was approved by the Public Utilities Commission of Ohio (PUCO). Under the plan, Toledo Edison's Ohio electric utility operating companies, Toledo Edison, Toledo Edison Electric Distribution Company and Toledo Edison, are authorized to pay essentially the same prices for electricity through 2006 as they paid in the mid-1990s. The RCP also provided the utility company to postpone for future recovery fuel and distribution-related increases that otherwise could have resulted through the 2005 to 2006 period.

The RCP contains a provision that special electric heating, water heating and load management rates no longer would be available to new customers or new premises beginning April 1, 2006. And, any existing special rates would not have their expiration date extended. The grandfathering provision only applies to existing customers with pending applications for service by March 31, 2006. For existing customers with grandfathered rates, such as a new home or electric water heater, a meter is installed by the utility.

As part of the RCP, customers currently receiving one of the special electric heating, water heating or load management rates will be "grandfathered" - they will continue to receive the rates as long as the rates remain in effect and they remain in the home where the rates were originally installed.