BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of Establishing the Clean Air Fund Rider Pursuant to R.C. 3706.46	))	Case No. 20-1143-EL-UNC

COMMENTS OF
OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY

I. INTRODUCTION

Am. Sub. H.B. 6 ("HB 6") signed into law July 23, 2019, establishes a nuclear generation fund and a renewable generation fund (collectively, "Clean Air Funds") with a combined annual revenue requirement of $170 million. HB 6 requires the Commission to allocate the revenue requirement to each electric distribution utility ("EDU"). HB 6 also requires the Commission to authorize the level and structure of monthly charges to be billed and collected by each EDU from all retail electric customers sufficient to produce the annual revenue requirement. Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company ("Companies") submit these comments on the Comments and Recommendations filed by Staff on June 9, 2020, with regard to the allocation of the annual funding for the Clean Air Funds among the EDUs, as well as the retail rate design to recover the annual revenue requirement from customers through a new rate mechanism, which Staff calls the Clean Air Fund Rider ("Rider CAF").

Under Staff's proposed rate design, the Rider CAF rate for residential customers is a flat charge of $0.85 per month, including applicable Commercial Activity Taxes (CAT). Staff proposes that the Rider CAF rate for non-residential customers is a per-kWh charge applied to each customer's monthly kWh usage up to 833,000 kWh, designed to recover the remaining revenue requirement. For non-residential customers eligible to become self-assessing purchasers of state kWh tax, the monthly charges under Rider CAF are capped at $2,400. Staff's proposed allocation of revenues for each EDU is based on total kWh sales, established initially based on the EDUs' respective 2019 annual total kWh sales. The new rate mechanism Rider CAF is to be reconciled annually.

Staff's proposed rate design is generally consistent with the rate design provisions in HB 6, and with other rate designs the Commission has previously approved. While Staff's proposed revenue allocation is also generally consistent with HB 6, it does not account for all appropriate bill impacts of HB 6. Therefore, the Companies recommend an alternative way to allocate revenues among the EDUs that takes into consideration all appropriate bill impacts of HB 6 and is more equitable across the state's electric customers.

II. COMMENTS

Staff's proposed revenue allocation does not account for total bill impacts of HB 6 on retail customers statewide. Separate and apart from the Clean Air Funds, HB 6 also provided for recovery across all Ohio EDUs of net costs related to legacy generation resources, namely Ohio Valley Electric Company ("OVEC") facilities, through a new mechanism later approved by the Commission, the Legacy Generation Resource Rider ("Rider LGR"). The Companies do not have an ownership stake in OVEC and therefore do not have any contractual obligations related to operation of its generating facilities. As a result of the Commission's allocation of the Rider LGR revenue requirement among EDUs, only the Companies' customers experienced an increase in their bills, while all of the other EDUs' customers experienced lower bills. This disparate impact of Rider LGR should be factored into the revenue allocation method used to establish Rider CAF in order to achieve more equitable bill impacts across the state.

Staff's proposal to allocate based solely on kWh sales is not the only revenue allocation method authorized by HB 6. HB 6 does not prescribe one revenue allocation method. Rather, the statute provides that the allocation be based on the relative number of customers, the relative number of kWh sales, or a combination of the two. The Companies' recommended alternative method of allocation, based on the relative number of customers multiplied by average charges per customer for each class, also complies with HB 6. Under the Companies' alternative method, the average charges per customer can be based on the specific provisions of HB 6 for residential ($0.85 per month) and large industrial customers ($2,400 per month), with average charges for the remaining customers designed in a manner that takes into consideration the combined impact of Riders LGR and CAF, and is expected to result in more equitable bill impacts across the State of Ohio.

The tables below illustrate the estimated impacts of the Companies' proposed revenue allocation method compared to Staff's proposal.

Table 1. Staff Proposed Rider CAF Revenue Allocation

$M	Rider LGR	Rider CAF	Total	% Total
FE	$ 30	$ 68	$ 98	58%
Non-FE	$ (30)	$ 102	$ 72	42%
Total	$ -	$ 170	$ 170	100%

Table 2. FE Proposed Rider CAF Revenue Allocation

$M	Rider LGR	Rider CAF	Total	% Total
FE	$ 30	$ 61	$ 91	53%
Non-FE	$ (30)	$ 109	$ 79	47%
Total	$ -	$ 170	$ 170	100%

Table 1 estimates the annual incremental cost responsibility under HB 6 from Riders LGR[1] and CAF,[2] where the Rider CAF allocation is based on Staff's proposed methodology. As Table 1 demonstrates, the Companies' customers are responsible for costs under Rider LGR that they were not paying prior to HB 6, which results in an increase. The other customers in the state are seeing net decreases under Rider LGR. The result is that the Companies' customers are estimated to see bill increases from HB 6 that are greater than the net bill impacts to all other EDU customers in the state combined.

Table 2 provides the same comparison, with updated Rider CAF estimates based on the Companies' alternative proposal.[3] While the Companies' customers are still estimated to be responsible for more of the incremental HB 6 costs than all other customers combined, the estimated revenue allocations under Rider CAF result in more equitably distributed impacts across all customers in the state of Ohio compared to Staff's proposal. This helps to avoid abrupt impacts to customer bills as required by HB 6, and appropriately considers the bill impacts from both of the HB 6 authorized riders CAF and LGR.

III. CONCLUSION

The method for allocating revenue among the EDUs' customers should be based on the relative number of customers weighted by average charges per customer. This method is consistent with HB 6 and is expected to result in more equitable bill impacts across the state when taking into consideration all relevant impacts of HB 6. The Companies respectfully request the Commission approve the Companies' recommended revenue allocation method along with Staff's recommended rate design.

[1] The estimated Rider LGR revenues are based on the Companies' Rider LGR rates and billing determinants for 2020.
[2] In Table 1, the estimated Rider CAF revenue allocation is based on kWh sales from 2019.
[3] In Table 2, the estimated Rider CAF revenue allocation is based on illustrative average Rider CAF charges of $0.85 for residential, $11.40 for commercial, $240 for industrial, and $2,400 for large industrial customers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that the above was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 17th day of July, 2020. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/*s/ Robert M. Endris*
One of the Attorneys for the Companies