**state of ohio
BEFORE THE
public utilities commission**

 **case NO. 23-301-el-sso**

**in the matter of the application of
ohio edison company, the cleveland electric illuminating company, and the toledo edison company for authority to ESTABLISH a standard service offer pursuant to R.C. 4928.143 in the form of an electric security plan**

 **direct testimony OF
DENNIS W. GOINS, Ph.D.
ON BEHALF OF nucor steel marion, inc.**

**October 23, 2023**

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Exhibit DWG-2: Responses to Selected Data Requests

**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 Edison Company for § Case No. 23-301-EL-SSO
Authority to Establish a Standard Service §
Offer Pursuant to R.C. 4928.143 in the Form §
of an Electric Security Plan §**

 **direct Testimony of
Dennis W. Goins, Ph.D.
on Behalf of
nucor steel marion, inc.**

# introduction and qualifications

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

**A.** My name is Dennis W. Goins. I operate Potomac Management Group, an economics and management consulting firm. My business address is 2828 Moorings Way SC, Southport, North Carolina 28461.

Q. please DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

**A.** I received a Ph.D. degree in economics and a Master of Economics degree from North Carolina State University. I also earned a B.A. degree with honors in economics from Wake Forest University. I began my professional career as a staff economist at the North Carolina Utilities Commission (NCUC). Since leaving the NCUC, I have worked as an economic and management consultant to firms and organizations in the private and public sectors. My assignments focus primarily on policy, planning, and pricing issues involving firms that operate in energy markets. For example, I have conducted detailed analyses of product pricing, cost of service, rate design, and interutility planning, operations, and pricing issues; prepared analyses related to utility mergers, transmission access and pricing, and the development of competitive markets; evaluated and developed regulatory incentive mechanisms applicable to utility operations; and assisted clients in analyzing and negotiating operating agreements and energy supply contracts.

I have submitted testimony and affidavits and provided technical assistance in more than 250 proceedings before state and federal agencies as an expert in cost of service, rate design, competitive market issues, regulatory policy, and utility planning and operating practices. These agencies include the Federal Energy Regulatory Commission (FERC), the Government Accountability Office, state courts in Iowa, Montana, and West Virginia, and regulatory agencies in Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Vermont, Virginia, West Virginia, Wyoming, and the District of Columbia.[[1]](#footnote-1)

Q. ON WHOSE BEHALF ARE YOU testifying in this proceeding?

**A.** I am testifying on behalf of Nucor Steel Marion, Inc., which is located in Marion, Ohio. The Nucor facility—a large retail industrial consumer served by Ohio Edison Company—produces steel by recycling steel scrap in electric arc furnaces.

**Q. ARE YOU SPONSORING ANY EXHIBITS TO ACCOMPANY your direct TESTIMONY?**

**A.** Yes. I am sponsoring the following exhibits:

**◼** Exhibit DWG-1 – Qualifications of Dennis W. Goins, Ph.D.

◼ Exhibit DWG-2 – Responses to Selected Data Requests.

Q. what IS THE PURPOSE OF YOUR TESTIMONY?

**A.** The purpose of my testimony is to present results from my review and evaluation of selected elements in the fifth Electric Security Plan (ESP V) submitted by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy) on April 5, 2023.

Q. What information did you review in conducting your evaluation?

**A.** I reviewed FirstEnergy’s ESP V application, including supporting testimony, responses to certain discovery requests in this case, and case-related information available on the Commission’s website. I also reviewed testimony and the Commission’s decisions in FirstEnergy’s previous electric security plan (ESP) and market rate offer (MRO) proceedings (Case Nos. 08-935-EL-SSO, 08-936-EL-SSO, 09-906-EL-SSO, and 14-1297-EL-SSO) in which I testified. Finally, I reviewed publicly available information related to the issues in my testimony.

# conclusions AND RECOMMENDATIONS

Q. WHAT CONCLUSIONS HAVE YOU REACHED?

**A.** Based on my review and evaluation of FirstEnergy’s ESP V, I have concluded the following:

1. FirstEnergy proposes to continue its current interruptible rate—Economic Load Response (ELR) Rider—for the eight-year term (delivery years 2024/2025 through 2031/2032) of ESP V, albeit with two significant modifications.

**◼** FirstEnergy proposes reducing the aggregate monthly interruptible credit available to ELR customers from the current $10 per kW of curtailable (interruptible) load[[2]](#footnote-2) to $3 per kW during the last year of ESP V. The 70-percent reduction will occur in annual $1 per kW step-downs of the aggregate credit beginning in delivery year 2025/2026.[[3]](#footnote-3)

◼ Under the current Rider ELR interruptible program, FirstEnergy acts as the curtailment service provider (CSP) for ELR customers. FirstEnergy proposes eliminating its CSP role in ESP V by requiring each Rider ELR customer to participate in PJM demand response programs through a third-party CSP.[[4]](#footnote-4)

2. Reducing the interruptible credits available to ELR customers and requiring them to participate in the PJM markets via third-party CSPs will make Rider ELR less attractive to customers and, as a result, will undermine the stability and effectiveness of the interruptible rate.

3. FirstEnergy currently recovers non-market-based transmission costs and charges it incurs (for example, PJM transmission-related costs and charges) through the non-bypassable Non-Market-Based Services Rider (Rider NMB). Rider NMB is currently applicable to all FirstEnergy customers except those participating in the Rider NMB Pilot Program that was approved in ESP IV.[[5]](#footnote-5) In this case, FirstEnergy proposes to end the Rider NMB Pilot, but offer a new Rider NMB rate (NMB 2) that mimics the rate and billing mechanism applicable to participants in the NMB Pilot. Under FirstEnergy’s proposal, the Rider NMB 2 rate will be applicable to all commercial and industrial customers with interval or advanced meters, and billing will reflect each customer’s contribution to the Network Service Peak Load (NSPL). All other customers without interval or advanced meters (primarily residential, lighting, and small commercial customers) will be subject to the proposed Rider NMB 1 rate.

Q. what do you recommend on the basis of your conclusions?

**A.** I recommend that the Commission do the following:

1. Retain Rider ELR in its current form through the term of ESP V and reject FirstEnergy’s proposed reductions to the Rider ELR and Rider EDR(b) curtailable credits. In order to ensure a stable and reliable supply of interruptible capacity over the term of ESP V, the Rider ELR and EDR(b) credits should remain at their current levels through the term of the ESP.

2. If the Commission decides to reduce the $10 per kW aggregate monthly curtailable credit, I recommend that the aggregate reduction not begin prior to June 1, 2025, be limited to no more than 20 percent over the term of ESP V, and never result in an aggregate credit that is less than 80 percent of the market clearing price in PJM’s Base Residual Auction (BRA) for the applicable delivery year.

3. Reject FirstEnergy’s proposal to require Rider ELR customers to participate in the PJM markets through third-party CSPs. FirstEnergy should continue to bid Rider ELR load into the PJM capacity markets and serve as the single point of contact for interruptions for Rider ELR customers.

4. Approve FirstEnergy’s proposal to establish the Rider NMB 2 rate using the NSPL pricing mechanism currently used in the Rider NMB Pilot Program. In the alternative, the Commission should allow the NMB Pilot Program to continue for the term of ESP V.

# rider elr

Q. what is interruptible service?

**A.** Interruptible service is a separately identifiable nonfirm product that allows a service provider to interrupt or curtail customer loads when an emergency occurs or when system reliability is otherwise impaired.

Q. DOES FIRSTENERGY CURRENTLY offer INTERRUPTIBLE SERVICE UNDER RIDER ELR?

**A.** Yes. Rider ELR was first approved in Case No. 08-935-EL-SSO to replace various interruptible rates offered by FirstEnergy’s operating companies. Rider ELR has been incorporated—subject to modifications—in each of FirstEnergy’s subsequent ESPs.

Q. PLEASE DESCRIBE the current RIDER ELR in more detail.

**A.** Rider ELR requires each participating customer to curtail load above the customer’s designated Firm Load during an Emergency Curtailment Event that endangers service reliability to firm customers. An Emergency Curtailment Event may be called when (i) the particular FirstEnergy operating company, (ii) a regional transmission organization (for example, PJM), and/or (iii) a transmission operator (for example, ATSI) determines that an emergency condition exists that may jeopardize the integrity of the distribution or transmission system. When the emergency event is called by PJM, Rider ELR customers must curtail down to their Firm Load within 30 minutes, unless PJM has granted an exception to allow a customer more time to curtail. When the emergency event is called by a FirstEnergy utility, customers must curtail down to their Firm Load within two hours.

Rider ELR customers currently receive a monthly $5 per kW credit for each kW of Curtailable Load under Rider ELR. They also receive a $5 per kW monthly economic development credit under Rider EDR—resulting in a total monthly credit of $10 per kW. Rider ELR customers are subject to significant penalties if they fail to curtail down to their designated firm loads during an Emergency Curtailment Event. These penalties include forfeiture of all Rider ELR credits received in the prior year (including Rider EDR credits), and possible removal from Rider ELR.

Although Rider ELR has undergone modifications in earlier ESP cases, the credit and the rate’s other core elements have been in place since FirstEnergy’s first ESP was approved, resulting in a stable, long-term, and reliable source of interruptible capacity for the FirstEnergy utilities for well over a decade.

Q. what benefits does rider elr provide?

**A.** The interruptible load under Rider ELR provides a significant reliability benefit, and the rate also helps promote economic development and job retention in Ohio.

Q. PLEASE describe THE RELIABILITY BENEFIT IN MORE DETAIL.

**A.** Rider ELR interruptible load can be curtailed quickly during a system emergency and kept off-line to help preserve system reliability and possibly avoid the need for rolling blackouts affecting firm customers. Rider ELR was most recently deployed during Winter Storm Elliott. On December 24, 2022, a Rider ELR event lasting almost 10 hours was called by PJM[[6]](#footnote-6) when a significant portion of generating capacity within PJM was unavailable to meet peak demands due to severe weather conditions. However, FirstEnergy notes that during this PJM emergency, all ELR customers successfully curtailed down to or below their PJM-registered firm service level.[[7]](#footnote-7) Similarly, during the Polar Vortex event that occurred in 2014 during FirstEnergy’s ESP IV, Rider ELR customers were called for one mandatory curtailment and several voluntary ones.[[8]](#footnote-8) In years when PJM does not initiate an ELR curtailment, Rider ELR customers are subject to testing requiring them to curtail for at least one hour, thereby confirming their curtailment capability.

The reliability benefit provided by Rider ELR customers is likely to increase in coming years as capacity markets and utilities simultaneously transition to increased reliance on intermittent non-thermal generating sources to displace carbon-based energy sources and deal with increased demands related to electrification. For example, PJM has expressed concern that during this energy transition, its reserve margins could decline if load growth and generating resource retirements outpace the entry of new resources into PJM markets.[[9]](#footnote-9) Moreover, PJM’s market monitor has raised concerns about whether new entry gas-fired resources and renewables will be able to replace capacity lost through thermal resource retirements in PJM between now and 2030.[[10]](#footnote-10) Demand response resources such as Rider ELR interruptible load can help to mitigate the potential risk of resource inadequacy during this energy transition.

Q. HAS RIDER ELR EVER BEEN DEPLOYED BY A FIRSTENERGY UTILITY during a non-PJM event?

**A.** Yes. Rider ELR customers are currently subject to curtailment not only during an Emergency Curtailment Event called by PJM, but also by a FirstEnergy distribution company to address local reliability issues that would not be addressed by PJM. For example, in 2011 Ohio Edison curtailed a subset of Rider ELR customers to address a local reliability emergency. During the 2014 Polar Vortex, Rider ELR customers not only were curtailed during the mandatory PJM curtailment mentioned earlier, but were also asked to voluntarily curtail to maintain the reliability of the distribution system.

Q. DOES INTERRUPTIBLE LOAD NEED TO BE CURTAILED TO PROVIDE A BENEFIT?

**A.** No. Even if interruptible load is never called, or is called infrequently, it still provides a necessary and important reliability benefit. Interruptible load is similar to insurance. People who buy homeowner’s insurance hope to never have to use it. But homeowners are willing to pay for this product because they do not want to be without insurance if it is needed. Interruptible load provides a similar insurance benefit to help deal with unplanned local or region-wide emergency events.

Q. PLEASE DISCUSS THE ECONOMIC DEVELOPMENT BENEFITS PROVIDED BY RIDER ELR.

**A.** Rider ELR customers are typically large energy-intensive industrial customers, many of which began taking interruptible service long before adoption of the ESP framework. Electric energy is a major operating cost for these customers, and low, stable electricity prices are vital for their continued operation in Ohio. Rider ELR helps such customers lower their electricity costs if they are willing to accept lower-quality curtailable service. However, to participate on Rider ELR, customers must be willing to incur costs and adjust their processes to be able to respond quickly to curtailment notices. Curtailments are disruptive, may result in lost production, and can lead to severe financial penalties if an ELR customer does not curtail when called to do so. Despite these costs and risks, a stable Rider ELR program can be attractive to energy-intensive customers with curtailable production processes, enhance their competitiveness in domestic and global markets, and promote job retention and potential growth. In short, Rider ELR helps meet the goal codified in Ohio’s public utility statute to “facilitate the state’s effectiveness in the global economy.”[[11]](#footnote-11)

Q. has the commission previously recognized the BENEFITS OF RIDER ELR?

**A.** Yes. The Commission has consistently recognized the need for and benefits of Rider ELR in FirstEnergy’s standard service offer rate plans. In the last ESP case, the Commission found that Rider ELR provides reliability and economic development benefits to customers.[[12]](#footnote-12) The Commission also recognized that Rider ELR is intended to promote the state’s effectiveness in the global economy and noted that Rider ELR was approved as part of FirstEnergy’s first ESP and has been continued in every subsequent FirstEnergy ESP.[[13]](#footnote-13)

Q. DOES FIRSTENERGY PROPOSE TO CONTINUE RIDER ELR in ESP V?

**A.** Yes. However, as I noted earlier, FirstEnergy proposes two significant changes to Rider ELR. More specifically, FirstEnergy proposes to:

n Reduce the aggregate monthly Rider ELR and Rider EDR(b) curtailable credits over the term of the ESP from $10 per kW to $3 per kW. The reductions begin in the 2025/2026 delivery year when the monthly Rider ELR and Rider EDR(b) credits are each reduced by $0.50 per kW to $4.50 per kW. The same $0.50 per kW reductions will occur annually to each credit component through the 2031/2032 delivery year when the monthly Rider ELR and Rider EDR(b) credits will each be $1.50 per kW of curtailable load.[[14]](#footnote-14)

n Require Rider ELR customers to participate in PJM demand response programs through a third-party CSP. FirstEnergy currently undertakes the role of CSP for Rider ELR customers.

Q. DO YOU SUPPORT THESE proposed CHANGES?

**A.** No. Both changes are unnecessary and rely heavily on the assumption that current low capacity prices in PJM will continue for the next decade. The proposed changes would reduce the value of the program to ELR customers and increase the likelihood of customers leaving the program.

**Q. do interruptible customers face uncertainty regarding potential changes in pjm’s capacity market during esp v?**

**A.** Yes. As I noted, there has been a rapid retirement of dispatchable generation recently in PJM with an associated increase in intermittent renewable resources clearing in capacity auctions. Moreover, the capacity market construct in PJM continues to be in flux. As FirstEnergy explains in its third quarter 2023 *Perspective on PJM’s Wholesale Markets* report, PJM and stakeholders continue to discuss capacity market reforms, including a complete redesign of PJM’s current capacity market proposed by PJM’s market monitor.[[15]](#footnote-15) Numerous proposals by PJM and other stakeholders were considered but none garnered enough support to be approved in PJM’s stakeholder process. On October 13, 2023, PJM filed two proposals with FERC to modify its capacity market rules to enhance grid reliability during the coming energy transition. One proposal focuses on PJM’s offer cap and capacity performance rules. The other focuses on enhancing PJM’s resource adequacy risk modeling, capacity accreditation processes, and capacity resource testing requirements.

Q. WHAT RATIONALE DOES FIRSTENERGY PROVIDE FOR its proposed step-down of the rider elr curtailable credits?

**A.** According to FirstEnergy Witness McMillen, the proposed step-down better aligns the cost of the program with market pricing. Moreover, Witness McMillen asserts that the proposed reductions are reasonable because they provide rate reductions to non-ELR customers that pay for the credits, mitigate rate shock to participating Rider ELR customers, and continue support for economic development and demand response for local emergencies.[[16]](#footnote-16)

Q. would FIRSTENERGY’s proposed CREDIT STEP-DOWN bring the credits closer to current capacity prices in pjm?

**A.** Yes. Whether this is a good outcome is debatable.

Q. WHAT CONCERNS DO YOU HAVE WITH firstenergy’s proposal to move Rider ELR credits closer to CURRENT capacity prices in pjm?

**A.** I have four concerns. First, a one-year snapshot of PJM capacity prices masks the volatility of those prices over time and provides minimal information regarding where those capacity prices will go during the eight-year term of ESP V. Second, relying on short-term capacity prices to set interruptible credits is not the best way to incent energy-intensive customers with curtailable loads to make long-term commitments to incur the business expense and risk of participating in interruptible demand response programs such as Rider ELR. Third, PJM capacity prices do not reflect any value associated with FirstEnergy’s control of Rider ELR loads during local emergency events. Fourth, PJM capacity prices do not reflect any economic development value attributable to Rider ELR—value that this Commission has affirmed in prior ESP cases.

Q. have capacity market prices in pjm been volatile during esp iv?

**A.** Yes. PJM’s capacity market is known as the Reliability Pricing Model (RPM). Market-clearing prices for capacity resources in future delivery years are determined in PJM’s annual RPM Base Residual Auction. For the delivery years in FirstEnergy’s ESP IV, BRA capacity prices for the ATSI transmission zone have ranged from $34.13 per MW-day in 2023/2024 to $171.33 in 2021/2022. The average BRA capacity price for the ATSI zone for delivery years in ESP IV is approximately $104 per MW-day.[[17]](#footnote-17) Excluding the last two delivery years of ESP IV, the average capacity price was around $124 per MW-day, demonstrating the price suppression effect of extremely low capacity prices in recent RPM auctions.[[18]](#footnote-18)

The low capacity price trend continued in the 2024/2025 BRA that took place in February 2023 when capacity prices for the ATSI zone fell to $28.92 per MW-day.[[19]](#footnote-19) Both capacity prices and capacity offered (excluding Energy Efficiency Resources) have declined in each of the last three BRAs. Demand response resources clearing in the auction declined by 451 MW.[[20]](#footnote-20)

**Q. are the extremely low capacity prices from recent capacity auctions sustainable?**

**A.** I have made no independent assessment of how capacity prices might move in PJM in the next few years. However, what is clear is that recent capacity prices have significantly diverged from the level indicated by the net cost of new entry (Net CONE) required to sustain a robust and reliable capacity resource base. For example, the ATSI Net CONE values used in the last four base residual auctions (2021-22, 2022-23, 2023-24, and 2024-25) were $306.87 per MW-day, $230.50 per MW-day, $263.07 per MW-day, and $279.35 per MW-day, respectively.[[21]](#footnote-21) In addition, as I mentioned earlier, PJM is now concerned with future reliability due to factors such as generation retirements, load growth tied to electrification, and the market penetration of intermittent resources. If these factors combine to lower reliability significantly in PJM, the most likely result would be an increase in capacity prices.

**Q. are stable curtailable credits necessary to encourage customers to participate in demand response programs such as rider elr?**

**A.** In my opinion, yes. Customers are less likely to make a long-term commitment to be interruptible (including accepting the costs and risks associated with such a commitment) if an interruptible credit they receive varies dramatically from year to year. A stable credit is the best way to secure a long-term commitment from energy-intensive industrial customers willing to be interruptible. In addition, FirstEnergy’s proposal to “phase down Rider ELR” will likely cause existing ELR customers to consider leaving Rider ELR altogether—especially in the later years of ESP V when curtailable credits fall to their lowest levels.

**Q. do pjm capacity prices reflect any value associated with firstenergy’s proposal to retain control of rider elr load for local emergencies?**

**A.** No. Under its proposal, FirstEnergy will retain control of Rider ELR load during local distribution system emergencies even though it will require ELR customers to register their curtailable load in a PJM demand response program through a third-party CSP. In other words, under Rider ELR customers may be curtailed in response to a PJM event or in response to a local reliability problem identified by a FirstEnergy utility. PJM capacity prices do not reflect any value that FirstEnergy gets from this local control of Rider ELR curtailable load.

**Q. do pjm capacity prices reflect any economic development value attributable to rider elr curtailable load?**

**A.** No. A key purpose of Rider ELR is to promote economic development and manufacturing jobs retention. The availability of cost-based interruptible service helps retain large, energy-intensive industrial customers that provide jobs and tax revenues in Ohio’s communities—a fact that should not be forgotten in considering FirstEnergy’s proposed modifications to Rider ELR.

**Q. should the commission approve firstenergy’s proposed step-down of rider elr credits in esp v?**

**A.** No. The Commission has approved the current level of credits since FirstEnergy’s initial ESP case, and FirstEnergy has not provided a strong rationale for its step-down proposal. Given the need for continued robust interruptible programs in the coming years, the Rider ELR credits should be retained at least at their current level for the term of ESP V.

**Q. In the event the commission decides to reduce the aggregate rider elr CREDIT, should it adopt firstenergy’s step-down proposal?**

**A.** No. If the Commission wants to retain Rider ELR but also reduce the aggregate curtailable credit, it should take a much less aggressive approach than FirstEnergy proposes. In my opinion, assuming the Commission decides to reduce the aggregate Rider ELR credit, I would recommend the following guidelines: (1) step-down the monthly aggregate credit from $10 per kW of curtailable load to no less than $8 per kW over the term of ESP  V, and (2) ensure that the aggregate Rider ELR credit for each delivery year remains at least equal to 80 percent of the capacity auction clearing price for the relevant delivery year. This approach would help ensure the viability of Rider ELR during the transition period in electricity markets in general, and PJM’s capacity market in particular.

**Q. in addition to its proposed credit step-down, has firstenergy proposed any other major change to rider elr?**

**A.** Yes. FirstEnergy has proposed requiring Rider ELR customers to participate in a PJM demand response program through a third-party CSP. Currently FirstEnergy acts as a CSP intermediary between Rider ELR customers and PJM. FirstEnergy bids Rider ELR load into the PJM capacity market and a portion of the revenue FirstEnergy receives from PJM for the ELR load is credited back to FirstEnergy’s non-ELR customers. FirstEnergy also currently serves as the single point of contact for Rider ELR customers for curtailments, regardless of whether the curtailment is initiated by PJM or a FirstEnergy utility.

Under its Rider ELR proposal, FirstEnergy will no longer serve as the CSP for Rider ELR customers. Instead, FirstEnergy will now require Rider ELR customers to participate in a PJM demand response program through a third-party CSP. As a result, FirstEnergy will no longer bid Rider ELR load into PJM capacity auctions and will no longer receive payments from PJM that can be credited back to non-ELR customers. FirstEnergy will also neither provide notice to Rider ELR customers of PJM-initiated curtailments nor be responsible for any Rider ELR activities related to emergency curtailment events called by PJM.

**Q. WHY IS FIRSTENERGY PROPOSING THIS modification?**

**A.** FirstEnergy indicates the modification will make the administration of Rider ELR more efficient by eliminating the need for FirstEnergy to serve as CSP for a small number of customers. In addition, FirstEnergy suggests the changes will enable Rider ELR customers to participate in multiple PJM demand response programs.[[22]](#footnote-22)

**Q. DO YOU AGREE WITH THIS PROPOSED CHANGE?**

**A.** No. FirstEnergy has offered no compelling reason to abandon its current role as the CSP for Rider ELR customers. FirstEnergy has performed this role since the inception of Rider ELR.[[23]](#footnote-23) Furthermore, FirstEnergy has historically bid selected energy efficiency programs into PJM markets, and proposes to continue to do so during ESP V.[[24]](#footnote-24) If FirstEnergy plans to continue performing CSP-like functions for customers participating in other programs, there is no reason why it should not also continue performing its CSP role for Rider ELR customers. In addition, having the relevant FirstEnergy operating company serve as the single point of contact for curtailments—whether triggered by a PJM event or by a local emergency—will avoid confusion and decrease the likelihood a customer will miss or misunderstand a curtailment notice.

**Q. is there another problem with firstenergy’s proposal?**

**A.** Yes. Under its proposal, non-ELR customers would no longer see rate reductions linked to revenue FirstEnergy receives for Rider ELR load that FirstEnergy successfully offers in PJM’s capacity auctions. For example, during the current ESP IV, FirstEnergy has credited over $17 million in Rider ELR-related capacity revenue it received from PJM back to its non-ELR customers.[[25]](#footnote-25) In addition, in March-August 2023, FirstEnergy received approximately $11.4 million in payments from PJM associated with the Winter Storm Elliott emergency event I discussed earlier, 80 percent of which should be credited back to customers.[[26]](#footnote-26) This revenue credit stream would be lost unnecessarily if FirstEnergy relinquished its CSP role for Rider ELR load.

**Q. WHAT DO YOU RECOMMEND?**

**A.** I recommend that the Commission reject FirstEnergy’s proposal to no longer serve as CSP for Rider ELR customers. Rider ELR customers should continue committing their demand response capabilities to FirstEnergy and FirstEnergy should continue bidding Rider ELR curtailable load in PJM’s capacity auctions. Moreover, FirstEnergy should be required to continue sharing with non-ELR customers the PJM revenue payments it receives related to Rider ELR capacity and also acting as the primary interface with Rider ELR customers during curtailment events.

# RIder Nmb

Q. please describe rider nmb and the nmb pilot program.

**A.** Rider NMB is a non-bypassable rate mechanism used to recover non-market-based transmission and transmission-related charges that PJM passes through to FirstEnergy. Costs recovered through Rider NMB include network integration transmission service costs, regional transmission expansion plan costs, and the cost of various ancillary services. The Rider NMB rate design applicable to commercial and industrial customers is based on each customer’s monthly billing demand (maximum noncoincident demand).

In FirstEnergy’s ESP IV, the Commission approved the Rider NMB Pilot Program under which participating customers could opt out of Rider NMB and instead be subject to PJM transmission charges passed through by a competitive retail electric service provider. Unlike the Rider NMB rate design, pilot program participants are billed for PJM transmission costs based on their individual contributions to NSPL—that is, the average of the five highest hourly transmission peaks during the previous year.

**Q. WHAT IS THE BENEFIT OF NSPL PRICING FOR CUSTOMERS PARTICIPATING IN THE PILOT?**

**A.** NSPL pricing provides a more cost-related price signal to which customers can respond. Since pricing in the NMB Pilot Program is based on each customer’s individual NSPL, a pilot program customer has an incentive to minimize NSPL and thereby reduce billed transmission costs.

**Q. has firstenergy proposed any changes to rider nmb and the pilot program?**

**A.** Yes. FirstEnergy proposes to redesign Rider NMB and eliminate the NMB Pilot Program. Specifically, FirstEnergy proposes to modify Rider NMB by introducing a new NMB 2 rate for commercial and industrial customers that have interval or advanced meters. The NMB 2 rate includes a monthly charge applied to each customer’s NSPL. In other words, the NMB 2 rate design incorporates the same type of pricing mechanism available to customers currently participating in the NMB Pilot.

**Q. IS FIRSTENERGY’S NMB 2 PROPOSAL REASONABLE?**

**A.** Yes. FirstEnergy’s NMB 2 rate design attempts to link the cost of PJM’s transmission network to factors that actually drive the cost—that is, NSPLs. As a result, the proposed NMB 2 rate design represents a significant improvement over the current Rider NMB rate design in which cost recovery is linked to each commercial or industrial customers’ monthly maximum demand. Simply stated, the NMB 2 rate design with NSPL pricing better reflects cost causation and encourages customers to reduce demand at peak times. By responding to these improved price signals, customers can reduce FirstEnergy’s transmission cost responsibility and their monthly Rider NMB charges.

**Q. WHAT DO YOU RECOMMEND?**

**A.** I recommend that the Commission approve FirstEnergy’s NMB 2 proposal. In the alternative, if the NMB 2 proposal is not adopted, the NMB Pilot Program should be continued through the term of the proposed ESP. The program should be open to all current participants as well as to other interested customers who have the appropriate metering.

Q. does this complete your direct testimony?

A. Yes.

1. *See* Ex. DWG-1. [↑](#footnote-ref-1)
2. The current $10 per kW aggregate monthly curtailable credit is comprised of a $5 per kW credit under Rider ELR and a $5 per kW credit under Economic Development Rider (Rider EDR), part (b). [↑](#footnote-ref-2)
3. *See* Direct Testimony of Brandon S. McMillen on behalf of Ohio Edison, The Cleveland Electric Illuminating Company, The Toledo Edison Company (McMillen Direct) at 12. [↑](#footnote-ref-3)
4. *Id*. [↑](#footnote-ref-4)
5. Commercial and industrial customers with interval or advanced meters that participate in the Rider NMB Pilot Program are allowed to opt out of Rider NMB. They can obtain either directly or through a competitive retail electric service (CRES) provider required transmission and ancillary services in PJM. [↑](#footnote-ref-5)
6. Ex. DWG-2, FirstEnergy’s Response to OCC Set 5-INT-006(e). [↑](#footnote-ref-6)
7. *Id*. at FirstEnergy’s Response to OCC Set 5-INT-006(g). [↑](#footnote-ref-7)
8. Case No. 14-1297-EL-SSO, In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Direct Testimony of Steven E. Strah, Company Ex. 13 at 9-10. [↑](#footnote-ref-8)
9. PJM, *Energy Transition in PJM: Resource Retirements, Replacements & Risks* (February 24, 2023) at 1-2. [↑](#footnote-ref-9)
10. Monitoring Analytics, LLC, *State of the Market Report for PJM, Volume 1: Introduction* (March 9, 2023) at 1. The market monitor’s concerns focus on the potential lack of adequate pipeline capacity to serve new gas-fired generation and the intermittent nature (and low capacity value) of renewable resources. [↑](#footnote-ref-10)
11. Ohio Revised Code, Section 4928.02(N). [↑](#footnote-ref-11)
12. Case No. 14-1297-EL-SSO, Opinion and Order (March 31, 2016) at 94. [↑](#footnote-ref-12)
13. *Id*. [↑](#footnote-ref-13)
14. McMillen Direct at 12. [↑](#footnote-ref-14)
15. Case No. 14-1297-EL-SSO, Quarterly Report Update, *FirstEnergy’s Perspective on PJM’s Wholesale Electricity Markets: 2023* (September 1, 2023) at 1-2. [↑](#footnote-ref-15)
16. McMillan Direct at 13. [↑](#footnote-ref-16)
17. *See* PJM BRA capacity prices at <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/rpm-auctions-resource-clearing-price-summary.ashx>. [↑](#footnote-ref-17)
18. *Id*. [↑](#footnote-ref-18)
19. *Id*. [↑](#footnote-ref-19)
20. For a description of the auction results, see *PJM Capacity Auction Procures Adequate Resources* (February 27, 2023), at <https://insidelines.pjm.com/pjm-capacity-auction-procures-adequate-resources/>. [↑](#footnote-ref-20)
21. *See* PJM Capacity Market (RPM), RPM Base Residual Auction Planning Parameters, available at <https://pjm.com/markets-and-operations/rpm.aspx>. [↑](#footnote-ref-21)
22. Direct Testimony of Edward B. Stein on behalf of Ohio Edison, The Cleveland Electric Illuminating Company, The Toledo Edison Company at 5. [↑](#footnote-ref-22)
23. Ex. DWG-2, FirstEnergy’s Response to Nucor Set 1-INT-0004(b). [↑](#footnote-ref-23)
24. *Id.* at FirstEnergy’s Response to Nucor Set 1-INT-0004(g) and (h). [↑](#footnote-ref-24)
25. *Id.* at FirstEnergy’s Response to PUCO DR-006(i). [↑](#footnote-ref-25)
26. *Id.* at FirstEnergy’s Response to OELC Set 1-INT-014(g). [↑](#footnote-ref-26)