BEFORE

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Review of the Non-Market-Based Services Rider Pilot Program Established by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company | )  )  )  ) | Case No. 22-0391-EL-RDR |

**COMMENTS OF NUCOR STEEL MARION, INC.**

Pursuant to the Entry dated July 19, 2023, in the above-captioned proceeding, Nucor Steel Marion, Inc. hereby submits these comments to the Public Utilities Commission of Ohio on issues related to the *Review of the Non-Market-Based Services Riders Established by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company and Associated Pilot Program* (“Audit Report”) prepared by Exeter Associates, Inc.

**I. INTRODUCTION**

In Case No. 14-1297-EL-SSO, the Commission approved the Rider Non-Market-Based Services (“Rider NMB”) Pilot Program for Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (“Companies”). The Rider NMB Pilot Program provides participating customers an opportunity to manage their transmission-related costs by controlling their Network Service Peak Load (“NSPL”). Nucor, a large industrial customer served by the Ohio Edison Company, has participated in the Rider NMB Pilot Program since its inception. Since Nucor’s electric arc furnace steelmaking process uses massive amounts of electric energy, Nucor must control its electric costs in order to remain competitive. To that end, Nucor has found the Rider NMB Pilot Program to be very valuable because it allows Nucor to better control and mitigate its transmission costs.

In approving the Rider NMB Pilot Program, the Commission directed the Companies and Commission Staff to review the operations of the Pilot Program to determine whether there is an aggregate savings in transmission costs for all of the Companies’ customers, whether and how much transmission cost is being shifted to customers not participating in the Pilot Program, whether the benefits of the Pilot Program outweigh any costs, and whether Rider NMB results in an overall cost savings to customers. Staff chose Exeter to assist with this review, and the resulting Audit Report was filed on July 17, 2023. Nucor appreciates the efforts of Exeter and Staff in developing the Audit Report. The analysis is timely because it coincides with FirstEnergy’s pending Electric Security Plan (“ESP”) case (Case No. 23-0301-EL-SSO), and the analysis in the Audit Report will be helpful in evaluating the transmission cost recovery proposals in that case.

**II. COMMENTS**

**A. The Audit Report finds that the Rider NMB Pilot Program creates savings for FirstEnergy customers**

The key finding in the Audit Report is that the Rider NMB Pilot Program produces aggregate savings for customers and that the benefits of the Pilot Program outweigh the costs.[[1]](#footnote-1) The Audit Report finds that if the Pilot Program had not existed during the period of review (March 2017 to February 2023), the Rider NMB revenue requirement would have been $231,092,997 higher.[[2]](#footnote-2) In other words, the Pilot Program reduced the total Rider NMB costs by $231 million.[[3]](#footnote-3)

Additionally, the Audit Report concludes that the Pilot Program resulted in approximately $8.9 million in total quantifiable benefit over the seven-year period, net of program costs.[[4]](#footnote-4) The specific benefits can be found in NSPL revenue requirement reductions for Network Integration Transmission Service, Transmission Enhancement Charge, and related ancillary services.[[5]](#footnote-5) These savings are realized by Pilot participants and non-participating Rider NMB customers.[[6]](#footnote-6) The Audit Report also finds that the Pilot Program may result in additional savings through reductions in wholesale electricity prices.[[7]](#footnote-7) In short, the customer savings detailed in the Audit Report support continued operation of the Rider NMB Pilot Program.

**B. In addition to cost savings, the Pilot Program provides other benefits**

In addition to the cost savings discussed above, Exeter identifies other benefits of the Pilot Program. For example, the Pilot Program encourages economic development and job retention because it allows commercial and industrial customers to manage their transmission costs. The Audit Report supports this conclusion by explaining how increased electricity prices may result in job loss and a decrease in Ohio’s GDP.[[8]](#footnote-8) Also, as the Audit Report recognizes, 76 customers (108 accounts) participated in the Pilot as of March 1, 2023,[[9]](#footnote-9) and an additional three customers (nine accounts) have participated in the Pilot through reasonable arrangements.[[10]](#footnote-10) The majority of the accounts enrolled in the Pilot are classified under a North American Industry Classification System code related to manufacturing.[[11]](#footnote-11) The strong interest of electric energy-intensive manufacturers in the Pilot Program is further evidence of the economic development and job retention value of the program.

The Audit Report also discusses how the Pilot Program may increase reliability and help alleviate grid stress by providing price signals for customers to curtail at times of high demand.[[12]](#footnote-12) A related benefit identified by Exeter is that the Pilot Program better aligns costs with how those costs are caused, compared to Rider NMB, by inducing customers to respond to appropriate price signals. [[13]](#footnote-13)

**C. The Audit Report recommendations support continued operation of the Pilot Program**

The Audit Report concludes with several recommendations.[[14]](#footnote-14) Not surprisingly based on the results of Exeter’s analysis, none of the recommendations propose that the Pilot Program be eliminated. Rather, most of the recommendations involve modifications to Rider NMB and would extend NSPL pricing treatment to additional groups of customers. The recommendations recognize that, unlike Rider NMB, the NSPL pricing mechanism under the Pilot Program reflects cost causation.

The Audit Report findings and recommendations support the continuation of the Pilot Program at least through the end of the current ESP, and the extension of NSPL pricing for at least some customers on a permanent basis. Consistent with the report’s final recommendation,[[15]](#footnote-15) any changes to Rider NMB and the Pilot Program (including those suggested in Recommendations 1 and 2) should be considered in Case No. 23-0301-EL-SSO and any changes approved by the Commission should take effect on a going forward basis after the end of the current ESP.

**III. CONCLUSION**

Based on the recommendations and conclusions of the Audit Report, there is no need to make changes to the Pilot Program at this time. Nucor recommends that any potential changes to Rider NMB or the Pilot Program be considered in the current FirstEnergy ESP proceeding and take effect after the conclusion of the current FirstEnergy ESP. Nucor appreciates the opportunity to provide these comments, and we reserve the right to respond to any issues or arguments raised by other parties in reply comments.

Respectfully submitted,

*/s/ Michael K. Lavanga*

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**CERTIFICATE OF SERVICE**

The Public Utilities Commission of Ohio’s e-filing system will electronically serve notice of the filing of this document on the parties who have electronically subscribed to this case. In addition, I hereby certify that a copy of the foregoing was served upon the following parties of record or as a courtesy, via electronic transmission on August 17, 2023.

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1. Audit Report at 1. [↑](#footnote-ref-1)
2. *Id.* at 17. [↑](#footnote-ref-2)
3. While the Audit Report notes that there may be cost shifts resulting from the Rider NMB Pilot Program, the impact is primarily on non-participating commercial and industrial customers, and the cost shift is driven by the design of Rider NMB, not the Pilot Program itself. *Id*. at 18. [↑](#footnote-ref-3)
4. Audit Report at 43. [↑](#footnote-ref-4)
5. *Id.* at 27. [↑](#footnote-ref-5)
6. *Id.* [↑](#footnote-ref-6)
7. *Id.* at 33. [↑](#footnote-ref-7)
8. *Id.* at 37. The Audit Report cites a study concluding that a 1% increase in electricity prices will result in a 0.078% decrease in Ohio employment and a 0.092% decrease in Ohio GDP, or approximately 4,043 jobs and $620 million in GDP. *Id*. [↑](#footnote-ref-8)
9. *Id*. at 7. [↑](#footnote-ref-9)
10. *Id*. at 38. [↑](#footnote-ref-10)
11. *Id*. [↑](#footnote-ref-11)
12. *Id.* at 38-40. [↑](#footnote-ref-12)
13. *Id.* at 41. [↑](#footnote-ref-13)
14. *Id*. at 50-54. [↑](#footnote-ref-14)
15. Recommendation #3 is to “[i]mplement recommendations according to a schedule, with an eye toward existing retail supply contracts, that avoids financial harm to customers or to their CRES suppliers to the maximum practical extent,” and Exeter further explains that the recommended changes “may be best suited for adoption as part of a litigated ESP process to give key stakeholders an opportunity to identify implementation challenges.” *Id*. at 53-54. [↑](#footnote-ref-15)