

**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 Approval of Rider FUEL and Related Accounting Authority.**

**Case Nos. 09-21-EL-ATA  
09-22-EL-AEM  
09-23-EL-AAM**

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**OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING  
COMPANY AND THE TOLEDO EDISON COMPANY'S MEMORANDUM  
CONTRA NUCOR STEEL MARION INC.'S APPLICATION FOR REHEARING**

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**I. INTRODUCTION**

In its Application for Rehearing, Nucor Steel Marion Inc. ("Nucor") asserts that the Commission's approval of the Companies' Application in this case was in error essentially for two reasons: (1) the charges collected under Rider FUEL do not reflect the discounts that large industrial customers, like Nucor, have traditionally received in their rates; and (2) the failure to reflect such discounts violates R.C. 4928.132(C)(2)(b). As demonstrated below, Nucor's arguments are without merit. Nucor overlooks that Rider FUEL charges represent only a portion of generation related charges. With respect to the remainder of Nucor's charges for generation service, the structure of those charges remains unchanged. Further, the basis for continuing to reflect the discounts that Nucor previously received is undemonstrated. Contrary to Nucor's assertion, there is no cost justification for treating Nucor differently than any other customer class with respect to Rider FUEL charges. In addition, because Rider FUEL charges, through

collection of purchased power costs, represent fuel cost increases, those charges are expressly allowed to vary from the Companies' current rate plan under R.C. 4928.143(C)(2)(b).

## **II. ARGUMENT**

### **A. Rider FUEL Charges Should Not Be Modified to Reflect the Discount that Nucor Otherwise Receives With Respect to Generation Service.**

Nucor argues that Rider FUEL charges fail to take into account alleged cost differences in providing generation service to large industrial customers. (Nucor Reh'g App., pp. 3–5.) Consequently, Nucor suggests that costs to be recovered under Rider FUEL should be allocated on the basis of the current relationship between rate classes or the allocation factors proposed by the Companies in 2007 as part of their CBP proposal. (*Id.*, pp. 6–7.)

There are two reasons why Nucor's suggestion is wrong. First, Nucor erroneously assumes that there is a difference in the costs incurred by the Companies to provide generation service to large industrial customers versus other customer classes. Second, Rider FUEL charges represent only a part of generation related charges. Thus, Nucor is simply wrong to assert that it no longer enjoys the discounts that it had received for generation service.

#### **1. The Companies' cost to provide generation service to large customers is not less than the cost to provide that service to other customer classes.**

Nucor states that its witness in the Companies' ESP Application case, Dr. Dennis Goins, provided "[e]xtensive evidence" of the cost differences to serve large industrial customers versus other customer classes. (*Id.*, p. 4.) He did nothing of the sort. Although he opined that such differences existed, he never performed or even reviewed any cost of service study related to generation provided by or on behalf of the Companies. (See Case No. 08-935-EL-SSO, Tr. Vol. VIII (Goins Cross), pp. 26, 31–33.) Moreover, it is undisputed that the Companies have no

generation facilities and must purchase power. Thus, the evidence doesn't support Nucor's assertion..

In fact, the evidence in the ESP Application case demonstrated that the relationship of revenues obtained from large customers versus other customer classes was not based on the cost to serve those customers. That relationship resulted from discounts that large customers had been able to obtain through special contracts and rates. (*Id.* (Goins Cross), p 34 (agreeing that, in comparing "revenues that each of these classes contributed before and after the proposed rates," "current revenues [would reflect the inclusion of] special discounts and special contracts").) Indeed, witnesses for large customers in the ESP Application case admitted that the allocation factors proposed by the Companies in the 2007 competitive bid proceeding (and the ones Nucor advocates for use here to allocate Rider FUEL charges) reflected such discounts. (*Id.* (Goins Cross), p. 35 (agreeing that discounted revenue "would be reflected in [the] rate allocation factors").)

The recent power supply contracts entered into by the Companies as a result of the RFP process undertaken in December 2008 do not reflect that the Companies' generation costs are less for large customers. The Companies' SSO Suppliers are responsible to supply a certain undifferentiated percentage of the Companies' load. (*See* SSO Supply Agreement for the Period from January 5, 2009 through March 31, 2009, pp. 8, 10 (providing that SSO Suppliers shall "meet the SSO Supplier Responsibility Share," defined as the SSO Supplier's "fixed percentage share of the Companies' SSO Load").)<sup>1</sup> The suppliers collectively must provide load to all of the Companies' SSO customers; no SSO Supplier is responsible to provide power to any specific SSO customer. (*Id.*) Under the Supply Agreement, the Companies are responsible to pay a

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<sup>1</sup> The SSO Supply Agreement is contained in the Companies' Post-RFP Report filed in Case No. 09-21-EL-ATA on February 2, 2009 (beginning page 50 of the PDF file).

single rate on a per mWh basis. (*Id.*, pp. 7, 11 (providing that the Companies shall “pay to each SSO Supplier every Billing Month an amount equal to [‘the price in \$/MWh’] multiplied by the [‘quantity of Energy expressed in MWh which, for any Billing Month, is the calculation of the Supplier's SSO Supplier Responsibility Share’]”). There are no demand or energy charges paid by the Companies to any SSO Supplier. The Companies’ purchased power costs do not vary by customer class. Accordingly, to the extent that Rider FUEL seeks to recover a portion of those costs, there is no reason to allocate the charges among customer classes on anything other than an energy basis—which is precisely what Rider FUEL does.

**2. Because Rider FUEL charges represent only a part of generation related rates, Nucor continues to enjoy discounts that it received previously.**

Nucor’s argument reflects a fundamental misunderstanding of Rider FUEL. The rider does not attempt to recover all generation related costs. It represents the incremental difference between the Companies’ purchased power costs and those revenues received as part of the Companies’ pre-existing generation rates less fuel costs. Under the Rate Certainty Plan, the Companies’ generation rate comprised three basic components: the generation charge (also known as “g”), the Rate Stabilization Charge (“RSC”), and fuel costs (collected via fuel riders). Upon the Companies’ withdrawal of their proposed ESP, the Commission ordered the Companies’ to continue charges established under the RCP, less (for generation) fuel riders. *See* Case No. 08-935-EL-SSO, Finding & Order, p. 9 (Jan. 7, 2009). The Companies’ Application here merely seeks to recover the difference between the Companies’ purchased power costs and the revenues collected through the “g” charge and RSCs. There is little dispute that the RCP’s generation related charges that remain as part of the Companies’ current rate structure reflect discounts for large customers. Nucor’s assertions, however, conveniently avoid acknowledging this fact.

**B. Because Rider FUEL Reflects Increases in the Companies' Fuel Costs, It Complies with R.C. 4928.143(C)(2)(b).**

Nucor contends that because Rider FUEL charges are not allocated in the manner that other generation related rates are, the rider violates R.C. 4928.143(C)(2)(b). That section provides:

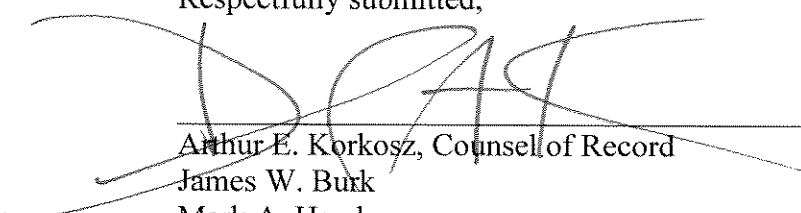
If the utility terminates an application pursuant to division (C)(2)(a) of this section or if the commission disapproves an application under division (C)(1) of this section, the commission shall issue such order as is necessary to continue the provisions, terms, and conditions of the utility's most recent standard service offer, **along with any expected increases or decreases in fuel costs from those contained in that offer**, until a subsequent offer is authorized pursuant to this section or section 4928.142 of the Revised Code, respectively. [Emphasis added.]

The Companies' Application in this case and the Commission's order approving the rider make clear that Rider FUEL is to recover "the difference between the Companies' fuel costs . . . and the generation revenue . . . ." (Application, Attachment A-1.) Indeed, Nucor acknowledges this in its rehearing application by quoting this very language from the Companies' Application. (Nucor Reh'g App., p. 2.) Because Rider FUEL relates to "increases" in "fuel costs from those contained in [the Companies' current rate plan]," the Companies are expressly not required to continue that part of their rates under R.C. 4928.143(C)(2)(b). Thus, Nucor's argument that Rider FUEL somehow violates the statute is wrong.

### III. CONCLUSION

For the foregoing reasons, Nucor's Application for Rehearing should be denied.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

A copy of the foregoing was served upon the following via regular U.S. Mail, this 9<sup>th</sup> day of February 2009. A copy was also served via electronic mail on those parties with email addresses listed below.

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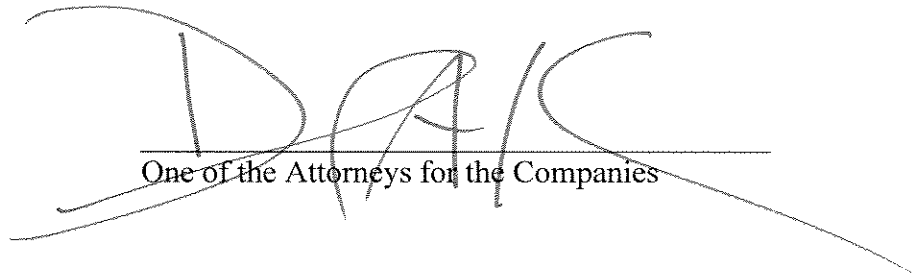
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Summary: Memorandum Contra Nucor Steel Marion Inc.'s Application for Rehearing electronically filed by Mr. David A Kutik on behalf of Ohio Edison Company and Cleveland Electric Illuminating Company and Toledo Edison Company