

FILE**OCC EXHIBIT** _____

**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) Case No. 10-176-EL-ATA
Edison Company for Approval of a New)
Rider and Revision of an Existing Rider.)

**DIRECT TESTIMONY
of
ANTHONY J. YANKEL**

**On Behalf Of
The Office Of The Ohio Consumers' Counsel
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January 10, 2011

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1 **I. INTRODUCTION**

2
3 **Q1. PLEASE STATE YOUR NAME, ADDRESS, AND EMPLOYMENT.**

4 **A1.** I am Anthony J. Yankel. I am President of Yankel and Associates, Inc. My address is
5 29814 Lake Road, Bay Village, Ohio, 44140.

6
7 **Q2. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE?**

9 **A2.** I received a Bachelor of Science Degree in Electrical Engineering from Carnegie Institute
10 of Technology in 1969 and a Master of Science Degree in Chemical Engineering from
11 the University of Idaho in 1972. From 1969 through 1972, I was employed by the Air
12 Correction Division of Universal Oil Products as a product design engineer. My chief
13 responsibilities were in the areas of design, start-up, and repair of new and existing
14 product lines for coal-fired power plants. From 1973 through 1977, I was employed by
15 the Bureau of Air Quality for the Idaho Department of Health & Welfare, Division of
16 Environment. As Chief Engineer of the Bureau, my responsibilities covered a wide range
17 of investigative functions. From 1978 through June 1979, I was employed as the Director
18 of the Idaho Electrical Consumers Office. In that capacity, I was responsible for all
19 organizational and technical aspects of advocating a variety of positions before various
20 governmental bodies that represented the interests of the consumers in the State of Idaho.
21 From July 1979 through October 1980, I was a partner in the firm of Yankel, Eddy, and
22 Associates. Since that time, I have been in business for myself. I am a registered
23 Professional Engineer in Ohio. I have presented testimony before the Federal Energy

Regulatory Commission ("FERC"), as well as the State Public Utility Commissions of Idaho, Montana, Ohio, Pennsylvania, Utah, and West Virginia.

Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?

A3. I am testifying on behalf of the Ohio Consumers' Counsel ("OCC").

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A4. The purpose of my testimony is to address the rate differentials within the Residential class that were historically in effect for Ohio Edison ("OE"), Cleveland Electric Illuminating Company ("CEI"), and Toledo Edison ("TE") (collectively "FirstEnergy" or "FE"). I will recommend rate differentials going forward as well as a mechanism for recovering any revenue shortfall associated with establishing these differentials on a going-forward basis.

II. SUMMARY AND RECOMMENDATIONS

Q5. PLEASE SUMMARIZE YOUR TESTIMONY.

A5. My testimony begins with a discussion of the history of all-electric rates for each of FE's operating companies. I do not go through a complete history, but only go back approximately 20 years to demonstrate that these rates were independently established by non-affiliated utilities and that the rate differential between the standard residential rates and the all-electric residential rates were justified on the basis of cost causation. I trace these rate differentials through various points in

1 time, up to December 31, 2008—just prior to the consolidation of the various
2 Residential rate schedules into a single schedule for the residential class of each
3 FE operating company.

4
5 My testimony next addresses what took place in 2009 and 2010 with respect to
6 the consolidation of those rate schedules, the development of riders to mitigate the
7 impact of the rate consolidation, the public outcry, and finally the establishment
8 of a Residential Generation Credit ("RGC") rider designed to further mitigate the
9 impact of the rate changes that were made. Given that the Commission expects
10 this RGC rider to be in effect, at a minimum, until May 31, 2011,¹ it is the
11 purpose of my testimony to make recommendations as to how this or a similar
12 RGC rider and/or rate reconstruction should be put into effect on a going-forward
13 basis.

14
15 ***Q6. WHAT ARE YOUR RECOMMENDATIONS REGARDING AN RGC RIDER***
16 ***GOING FORWARD?***

17 ***A6.*** I propose, going forward, that a relationship be established between the residential
18 standard rates and the credits given to all-electric customers that returns the all-
19 electric customers rates back to a similar proportional credit to which they
20 received in the past. A fixed credit per unit of usage can only reflect a specific
21 relationship at a specific point in time. The concept of recognizing a relationship

¹ 4/15/10 Second Entry on Rehearing at 2, Case No. 10-176-EL-ATA.

1 means that the credits may change such that they maintain their relative impact on
2 a going-forward basis as overall rates change.

3
4 In order to accomplish this, I propose that a relationship be established where the
5 all-electric credits for each of the operating companies generally result in all-
6 electric bills that are 65% of the standard residential bill. Based upon the fact that
7 there are two riders/credits already in place for these customers that amount to
8 approximately 3.6 cents per kWh for all usage greater than 500 kWh,² and given
9 the fact that the projected Standard rates for the Residential customers is less than
10 they generally were in early 2010, (when the RGC was established),³ I propose
11 that the initial RGCs to be established for September 2011 be as follows:

12	OE	1.268 cents per kWh
13	CEI	1.312 cents per kWh
14	TE	1.456 cents per kWh

15 These RGC credits would be applied to all winter usage above 1,000 kWh.
16 In order to insure that the RGC truly reflects a relationship, as opposed to simply
17 a fixed rate, a mechanism to adjust the rates over time must also be established. I
18 propose that a band be developed to adjust the RGC up or down, depending upon
19 rate changes, such that in the future the 65% relationship between all-electric bills

² See Residential Distribution Credit (RDC) and Non-Standard Generation Credit Provision – Res, EDR (a), Attachment 1 to 9/24/10 Staff Investigation and Report, Case No. 10-176-EL-ATA.

³ See Current All-Electric Bill and Standard Residential (RS) Bill, Attachment 2 to 9/24/10 Staff Investigation and Report, Case No. 10-176-EL-ATA.

1 and Standard bills is maintained. The band I propose is +/- 5% or the range of
2 60—70% of the standard rate.

3
4 I further recommend that the new RGC rider be self-funding such that the funding
5 mechanism is contained in the same rider where the credits are established. I
6 recommend that the funding for the rider be obtained from all other “non-all-
7 electric” customers on a flat cents per kWh basis as this most fairly represents the
8 cost of service reductions that are associated with the usage pattern of the all-
9 electric customers.

10
11 **III. HISTORY OF DIFFERENTIAL RATES**

12
13 ***Q7. HAS THERE BEEN A HISTORY OF RATE DIFFERENTIALS WITHIN***
14 ***THE RESIDENTIAL CUSTOMER CLASS ASSOCIATED WITH***
15 ***DIFFERENT END-USES OF THE VARIOUS CUSTOMERS?***

16 ***A7.*** Yes, there have been different rate schedules for different end-use Residential
17 customers of OE, CEI, and TE that have been in effect for decades.⁴ For purposes
18 of this testimony, I will only address the last approximately 15 to 20 years where
19 these rate differentials/schedules have been in effect.

⁴ See 9/24/10 Staff Investigation and Report at 1, Case No. 10-176-EL-ATA. “Various residential all-electric rates were implemented and revised over the years in the service territories of First Energy, beginning in January 1974.”

**Q8. WHY DO YOU GO BACK APPROXIMATELY 15 TO 20 YEARS IN YOUR
REVIEW OF THE DIFFERENT RATE DESIGNS AND RATE
STRUCTURES FOR THE RESIDENTIAL CLASS?**

A8. For a full understanding of the rates and rate schedules that are the focus of this case, it is important to understand that each of the schedules for each of the FirstEnergy operating companies (i.e. OE, CEI, and TE) had their own beginning and therefore their own basis for being established. It is inappropriate to view the 32 schedules that were consolidated in early 2009 as a group of schedules from a single company that had no basis for existence. These residential rate schedules were developed independently by three unaffiliated utilities on the basis of cost causation considerations.

There have been two mergers during this timeframe. First, CEI and TE combined to form Centerior, and then Centerior and OE merged to form FirstEnergy. After both of these mergers, each of the operating companies (OE, CEI, and TE) generally maintained their independent identity and rate structures. During these years, FE also underwent generation deregulation, but once again, each of the operating companies maintained its independent identity and rate structure.

OE Historical Rate Relationships

***Q9. WHAT WERE OHIO EDISON'S RESIDENTIAL RATE SCHEDULES LIKE
20 YEARS AGO?***

A9. As a result of Case No. 91-816-EL-ATA, OE put base rates into effect March 27, 1992.⁵ There are a number of different rates and provisions that complicate the type of high-level review that I am providing. For simplicity sake, I will only address the Ohio Edison Residential Standard Rate (Schedule 10) and the Residential Space Heating Rate (Schedule 11).

Table 1 below lists the base rates that were put into effect in the early 1990's with respect to OE's standard and space heating Residential customers:⁶

Table 1

1992 OE Standard Rate	<u>Winter</u>	<u>Summer</u>
Customer Charge	\$4.05	\$4.05
first 500 kWh	\$0.09778	\$0.09899
over 500 kWh	\$0.09778	\$0.10808
 1992 OE Space Heating	 <u>Winter</u>	 <u>Summer</u>
Customer Charge	\$4.05	\$4.05
first 900 kWh	\$0.10000	\$0.10525
over 900 kWh	\$0.02500	\$0.10808

There are several matters of interest with respect to the difference in these OE rates. First, the winter space heating energy charge (for what may be considered

⁵ For example the Second Revised Sheet No. 10 for Standard Residential Service and Third Revised Sheet No. 11 for Residential Space Heating Service in Exhibit AJY-1.

⁶ See Exhibit AJY-1.

1 space heating usage i.e., usage greater than 900 kWh per month) is essentially 7.3
2 cents per kWh lower or 25% of the energy charge for the Standard Residential
3 customer. Second, there are two rate blocks for each rate schedule, but the sizes
4 of the rate blocks are different for each. The first rate block for standard service
5 ends at 500 kWh and ends at 900 kWh for space heating customers. Third, the
6 bills resulting from these rates for space heating customers are slightly higher than
7 those for Standard customers in the summer.

8
9 Although the rate differentials in Table 1 are easy to spot, for purposes of trying
10 to get an overall understanding of the general relationships that existed for the
11 various residential rate schedules for the three FirstEnergy operating companies,
12 this information is still too detailed for ease of comparisons. Therefore, since this
13 case primarily deals with space heating customers that use large amounts of
14 energy during the winter, I have chosen to use 3,500 kWh of monthly
15 consumption as a basis of comparison between rate schedules among the FE
16 operating companies. Table 2 below uses the rates from Table 1 above to
17 calculate bills for OE Residential customers using 3,500 kWh per month.⁷

⁷ The calculation includes the base rates from Table 1 plus an EFC rate of \$0.013567 per kWh and a PIPP rate of \$0.0010461 per kWh that were used in the Ohio Edison Summary Schedule UNB 3 at page 2 of 200 in Case No. 99-1212-EL-ETP. Because the EFC rates changed every 3 months and because I will later address these same base rates and revenues as reflected in Case No. 99-1212-EL-ETP, I chose to use the same EFC and PIPP as in the 1999 analysis so that I am limiting this discussion to only the difference in base rates and not complicating it with other changes.

Table 2
1992 OE Billing @ 3,500 kWh

	<u>Winter</u>	<u>Summer</u>
Standard	\$397.43	\$428.93
Space Heating	\$210.20	\$430.93
Space Heating Bill as Percentage of Standard Bill	53%	100%

I have presented the difference in the billing between the Standard rate and the Space Heating rate as simple percentages. At 3,500 kWh the space heating winter bill for OE was 53% of the bill charged to standard customers. By contrast, a summer bill for these same customers was only \$2 higher for Space Heating customers.

Q10. WERE THESE OE RATES SIMPLY PROMOTIONAL IN DESIGN?

A10. No. As we normally refer to "promotional" rates they are ones that are generally designed to increase and/or maintain usage, while being recognized as being below cost causation. Good examples of promotional rates are those being offered for other purposes such as economic development or in order to retain load in the face of competitive alternatives. Unlike "economic development rates" or "competitive response rates" that at the time were generally recognized as being promotional, the Space Heating rate offered by OE contained strict limits and additionally stood on its own cost causation basis.

For example, under strict limits in the tariffs that existed in the early 1990's, an All-Electric customer was not simply a customer that used a great deal of energy

1 during the winter, but one "where electricity is the primary source of space
2 heating, and where at least ninety-five percent of the electrical consumption is
3 within the residence."⁸ Even more limiting is that this rate schedule was not
4 applicable when: "space conditioning by means of a heat pump utilized in
5 conjunction with a fossil fuel furnace"⁹ was employed. The rate schedule was
6 designed for specific customers with specific usage patterns, not for promotional
7 reasons or competitive response reasons.

8
9 ***Q11. IN THE PAST, HAS OHIO EDISON OFFERED JUSTIFICATONS FOR ITS***
10 ***LOWER RESIDENTIAL RATES IN THE WINTER?***

11 ***A11.*** Yes, it has. In Case No. 89-1001-EL-AIR, then Rate Manager William M. Moore
12 of Ohio Edison offered the following on pages 6 and 7 of his direct testimony:

13 Q. Please explain the general rationale supporting design of the
14 proposed residential rates.

15 A. First and foremost, **the proposed rates are designed to**
16 **reflect (and recover) costs incurred in providing reliable**
17 **electrical service to our customers.** In this regard, the customer
18 charges were increased to a level better reflecting the Company's
19 experienced customer related costs. In addition, our proposed
20 residential rates contain several new features. We are proposing a
21 seasonal rate feature for residential service. During the past three

⁸ See Exhibit AJY-1 page 3 under "Availability."

⁹ Ohio Edison's third Revised Sheet No 11, effective June 1, 1993, in the Availability section.

1 years we have had dominant summer peak demands and our most
2 recent load forecasts project a summer peaking company. This
3 situation, due in part to increasing residential air conditioning
4 saturation, is a departure from the past and **creates a different cost**
5 **pattern for the Company**, which we feel should be
6 communicated to these customers in the form of seasonal rates. By
7 having a higher rate in the four month summer, growth in the
8 summer peak will tend to be moderated. The proposed seasonal
9 feature can be viewed as a demand-side measure, since through
10 rate design we are attempting to influence our customers'
11 consumption patterns. A second rationale for the seasonal feature
12 is that **the lower winter rate will help us maintain and hopefully**
13 **increase our share of the highly competitive residential space**
14 **heating market. (Emphasis added)**

15
16 ***Q12. IS IT LESS EXPENSIVE TO SERVE SPACE HEATING CUSTOMERS***
17 ***THAN IT IS A STANDARD RESIDENTIAL CUSTOMER?***

18 ***A12.*** Yes. Generally speaking, it is less costly (per kWh) to serve a Residential space
19 heating customer than it is to serve a standard Residential customer. There are
20 certain costs that are generally fixed for all Residential customers such as
21 metering, billing, and wires. The more units of consumption that these costs can
22 be spread over, the lower the rate that needs to be charged. Likewise there is
23 some reduction in cost per unit sold of the costs of the distribution system.

1 Another important factor is the time of day when space heating customers take
2 their service. Although the non-heating usage of a Space Heating Residential
3 customer may be similar to that of a standard Residential customer, the fact is that
4 much of the space heating load (which is the most significant contribution to a
5 space heating customer's usage) will occur at times that are not during the system
6 peak (i.e., the space heating occurs when generation costs are low). Thus, fixed
7 costs of meter, poles, and wires will be generally recovered over more units of
8 usage by these customers, i.e., at a lower rate per kWh. Likewise, by using more
9 energy at the times when energy costs are lower, the energy costs will be, on
10 average, lower for these customers as well.

11
12 ***Q13. IN THE PAST, HAS OHIO EDISON OFFERED JUSTIFICATION FOR***
13 ***THE TAILBLOCK RATE IT HAD IN PLACE FOR WINTER USAGE OF***
14 ***RESIDENTIAL SPACE HEATING CUSTOMERS?***

15 ***A13.*** Yes, it has. In Case No. 89-1001-EL-AIR, Mr. Moore made the following
16 statement on page 12 of his direct testimony regarding Ohio Edison's proposal to
17 set the first block of the winter Space Heating rate at 9.892 cents per kWh and the
18 tailblock rate at 2.500 cents per kWh:

19 Q. How has the Company's Optional Heating Rate, Rate 11,
20 been modified?

21 A. The customer charge is tied to the customer charge in
22 proposed Rate 10 for consistency. In addition, the first energy
23 block (first 900 KWH) pricing was established so that the price

1 charged under Rate 11 is tied to Rate 17 at that usage level for
2 summer and winter bills. This affords proper tracking between
3 both large use rates (Rate 11 and Rate 17) and Rate 10. **Pricing of**
4 **the “balance of Kwh block” was left unchanged for winter**
5 **pricing due to costs not supporting an increase.** The summer
6 price was set to match proposed Rate 17, again to provide
7 consistent pricing for summer pricing on the two large use rates.
8 (Emphasis added)
9

10 ***Q14. HAS OHIO EDISON MORE RECENTLY PRESENTED DATA THAT***
11 ***DEMONSTRATES THE COST OF SERVING ITS SPACE HEATING***
12 ***CUSTOMERS IS LESS THAN THAT FOR ITS STANDARD RESIDENTIAL***
13 ***CUSTOMERS?***

14 ***A14.*** Yes. Exhibit AJY-2 page 1 provides a copy of the results of the bundled cost of
15 service study from Case No. 99-1212-EL-ETP for Ohio Edison.¹⁰ This showed
16 that at the then existing rates (Table 1) and usage at the time, that the following
17 rates of return were being achieved:

Total Company	(Retail)	11.14%
Standard Residential	(Sch. 10)	11.70%
Space Heating	(Sch. 11)	5.37%

¹⁰ The data in Exhibit AJY-2 was provided in response to OCC Interrogatory 2-25 (revised).

1 Although the rate of return for Space Heating rate (Schedule 11) was calculated to
2 be below the system average, this does not mean that the rate was promotional or
3 significantly deviated from cost of service.
4

5 In order to understand this better, I will present an example that demonstrates that
6 a change in the tailblock rate could increase this rate of return up to the system
7 average—and still leave a major differential between the Space Heating winter
8 tailblock rate and the Standard rate. An increase in the winter tail block for space
9 hearing of only \$0.05679 per kWh would have brought the rate of return for this
10 schedule up to the system average of 11.14%.¹¹ Given that the actual tailblock
11 rate was set at \$0.025000 per kWh, the required increase to the tailblock rate
12 would have resulted in a tailblock rate of \$0.08179 per kWh, compared to the
13 \$0.097780 per kWh that was being charged to Standard rate customers for usage
14 in the 900 kWh and above range. Even with this adjustment that would bring
15 Space Heating up to the system average return in Case No. 89-1001-EL-AIR,
16 there would still have been a large difference in the bills for these customers as
17 demonstrated at the 3,500 kWh usage level shown in Table 3:

¹¹ From Exhibit AJY-2 page 1, with an assigned rate base to Schedule 11 of \$39,777,243, the return has to be increased by \$2,296,460 in order to obtain a rate of return of 11.14%. Applying an income tax multiplier of 1.6 results in a need to increase the revenue by \$3,674,336. In order to assign all of this increase to the winter usage, over 900 kWh usage, divide by 64,701 MWH (taken from the revenue summary supplied for Ohio Edison on Schedule UNB-3.1, page 20 of 200 in Case No. 99-1212-EL-ETP) results in an increase in the tailblock rate of \$0.05679 per kWh.

Table 3
1999 OE Billing @ 3,500 kWh
(If Space Heating adjusted to System Return)

	<u>Winter</u>	<u>Summer</u>
Standard	\$397.43	\$428.93
Space Heating	\$357.85	\$430.93

Space Heating Bill as		
Percentage of Standard Bill	90%	100%

As can be seen from the above table, fine-tuning the winter tailblock rate to bring this rate schedule up to the system average rate of return still results in lower bills for the Space Heating customer.

Q15. WOULD CHANGES IN THE COST OF SERVING DIFFERENT CUSTOMER GROUPS BE EXPECTED TO CHANGE WITH DEREGULATION OF THE GENERATION FUNCTION?

A15. No. Virtually nothing on the customer usage front has changed simply because Ohio moved from rate of return regulation to deregulation of the generation function—the costs of serving specific load patterns do not change with the type of regulation/oversight used. Customers usage patterns would generally be expected to remain the same and thus, the basis for incurring fixed (meters and wires) as well as variable (fuel) costs would stay the same. If a customer uses substantial amounts of energy during off-peak times, then that energy (and thus load) would tend to be cheaper to serve than for a customer who used more energy on-peak and did not have a large off-peak load.

1 **Q16. WHAT WAS THE GENERAL RELATIONSHIP BETWEEN OHIO**
2 **EDISON'S STANDARD RESIDENTIAL RATE (SCHEDULE 10) AND**
3 **SPACE HEATING RATE (SCHEDULE 11) BEFORE THE NON-**
4 **STANDARD RATES WERE REMOVED IN EARLY 2009?**

5 **A16.** At the end of 2008, (after almost 10 years of generation deregulation and a host
6 of additional charges and riders being added) the relationship between the
7 standard Residential Rate and the Space Heating rate remained largely intact. On
8 a total bill basis, for 3,500 kWh of winter usage, the following bill relationship
9 existed:¹²

10	Standard Rate	\$431.85
11	Space Heating	\$245.89
12	Percentage	57%

13

14 **Q17. COMPARED TO TABLE 2, DOES THE FACT THAT THE PERCENTAGE**
15 **RELATION WENT FROM 53% UP TO 57% IN TEN YEARS INDICATE**
16 **ANYTHING ABOUT A CHANGE IN THE RELATIONSHIP BETWEEN**
17 **THE COST OF SERVING THE STANDARD RESIDENTIAL CUSTOMERS**
18 **AND THE SPACE HEATING CUSTOMERS?**

19 **A17.** No. The last cost of service study provided by OE was in 1999 and it was based
20 upon the same general assumptions/data regarding load/demand levels as was the
21 cost of serve study used in 1989. The slight decrease in the rate differential (i.e.

¹² FE discovery responses used to develop Exhibit AJY-3 were designated as confidential by FirstEnergy. However, on January 6, 2011, FE counsel agreed that the information used to develop Exhibit AJY-3 need not be treated as confidential. Exhibit AJY-3, page 1, lists the bills for winter usage between 250 and 10,000 kWh for Ohio Edison's Standard and Space Heating Residential customers.

1 slightly increasing the percentage from 53% up to 57% that is paid by the Space
2 Heating customers) merely signals that the Company has not kept an exact
3 relationship, but it also signals that even with generation deregulation, the
4 Company has not deviated far from the previous relationship.

5
6 **CEI Historical Rate Relationships**

7
8 ***Q18. WHAT WERE CLEVELAND ELECTRIC ILLUMINATING'S***

9 ***RESIDENTIAL RATE SCHEDULES LIKE 15 YEARS AGO?***

10 ***A18.*** As a result of Case No. 95-300-EL-AIR, CEI put rates into effect April 18, 1996.

11 As with OE, I will only address the Residential Standard Rate (Res Z) and the
12 Residential All-Electric Rate (Res H) at this time.

13 Table 4 below lists the base rates that were put into effect in the mid-1990s with
14 respect to CEI's Standard and all-electric Residential customers:¹³

Table 4

1996 CEI Standard Rate	<u>Winter</u>	<u>Summer</u>
Customer Charge	\$4.75	\$4.75
first 500 kWh	\$0.09829	\$0.11969
next 500 kWh	\$0.09214	\$0.11354
excess kWh	\$0.04480	\$0.11354
 1996 CEI All-Electric	 <u>Winter</u>	 <u>Summer</u>
Customer Charge	\$4.75	\$4.75
first 500 kWh	\$0.09829	\$0.11969
next 100 kWh	\$0.06729	\$0.08969
next 400 kWh	0.05929	\$0.08969
excess kWh	0.02852	\$0.08969

¹³ See Exhibit AJY-4.

1 There are several things of interest with respect to the difference in these CEI
2 rates. First, the winter space heating energy charge (for what may have been
3 considered space heating usage i.e., usage greater than 500 kWh per month) is
4 certainly lower than for the standard Residential customer, but not significantly
5 lower. The rates for usage between 500 and 1,000 kWh are lower by 2.5 cents to
6 3.3 cents per kWh. However, usage over 1,000 kWh is only priced 1.6 cents per
7 kWh lower for All-Electric customers than Standard customers. It should be
8 noted that there is a significant price differential for both CEI's Standard and All-
9 Electric customers that occurs for all usage greater than 1,000 kWh. The
10 Standard Residential rate drops 5.3 cents per kWh from the initial block rate for
11 all usage above 1,000 kWh and the drop from this initial block rate is 7 cents per
12 kWh for All-Electric users.

13
14 Second, even though this rate is considered CEI's major space and water heating
15 rate, in terms of number of customers, there is far more discounting that occurs
16 during the summer months. In fact, after the first 500 kWh of usage, the CEI All-
17 Electric customers are receiving a 3 cent per kWh discount in summer rates.

18
19 Unlike the rate differentials for OE in Table 1, the rate differentials for CEI in
20 Table 4 are more complex. To get an overall understanding of the general
21 relationship that existed among the CEI rate schedules, I once again looked at the

1 bills at a specific usage level—3,500 kWh. Table 5 below uses the CEI rates
2 from Table 4 above to calculate bills for Residential customers using 3,500 kWh
3 per month.¹⁴

Table 5
1996 CEI Billing @ 3,500 kWh

	<u>Winter</u>	<u>Summer</u>
Standard	\$262.67	\$455.92
Space Heating	\$206.34	\$384.37

Space Heating as Percentage of Standard Bill	79%	84%
---	-----	-----

6
7 I have presented the difference in the billing between the Standard rate and the
8 All-Electric rate as a percentage. At 3,500 kWh the All-Electric (Res H) winter
9 bill for CEI was 79% of the bill charged to Standard customers. This is not as
10 large of a rate differential as demonstrated in the OE rates. The summer bill for
11 these same CEI customers was 84% of the bill for the standard service (Res Z)
12 customers.

13
14 **Q19. WAS THIS CEI RATE PROMOTIONAL?**

15 **A19.** No. Just as with OE, when we normally refer to “promotional” rates they are
16 ones that are generally designed to increase and/or maintain usage, while being
17 recognized as being below cost causation. Unlike “economic development rates”
18 or “competitive response rates” that at the time were generally recognized as

¹⁴ The calculation includes the base rates from Table 4 plus an EFC rate of \$0.013918 per kWh and a PIPP rate of \$0.000568 per kWh that were used in the CEI Summary Schedule UNB 3 at page 2 of 312 in Case No. 99-1212-EL-ETP. Because the EFC rates changed every 3 months and because I will later address these same base rates and revenues as reflected in Case No. 99-1212-EL-ETP, I chose to use the same EFC and PIPP as in the 1999 analysis so that I am limiting this discussion to only the difference in base rates and not complicating it with other changes.

1 being promotional, the All-Electric rate offered by CEI contained strict limits and
2 additionally stood on its own cost of service basis.

3
4 Additionally, CEI's All-Electric schedule not only had strong restrictions on the
5 applicability of who was eligible for this rate schedule, but the limitations
6 included detailed insulation and construction standards. These standards were
7 designed to reduce, not prompt consumption.

8
9 ***Q20. HAS CLEVELAND ELECTRIC ILLUMINATING EVER PRESENTED***
10 ***DATA THAT DEMONSTRATES THAT THE COST OF SERVING ITS***
11 ***SPACE HEATING CUSTOMERS IS LESS THAN FOR ITS STANDARD***
12 ***RESIDENTIAL CUSTOMERS?***

13 ***A20.*** Yes. Exhibit AJY-2 pages 2-4 provide a copy of the results of the bundled cost of
14 service study from Case No. 99-1212-EL-ETP for CEI.¹⁵ This showed that at the
15 then existing base rates (Table 4) and usage at the time, that the following rates of
16 return were being achieved:

Total Company	(Jurisdict)	9.09%
Standard Residential	(Res-Z)	7.26%
All-Electric	(Res-H)	11.44%

17
18
19
20 Even with the additional differential provided to the summer rates, the rate of
21 return for the All-Electric rate (Res H) was above cost of service. A decrease in

¹⁵ In response to OCC Interrogatory 2-25 (revised) FirstEnergy provided a copy of the results of the bundled cost of service study.

1 the winter tail block of \$0.015114 per kWh would have brought the rate of return
2 for this all-electric schedule down to the system average of 9.09%.¹⁶ Given the
3 fact that the winter tailblock rate was set at \$0.02852 per kWh, the required
4 decrease to the tailblock rate would have brought it down to \$0.013383 per kWh,
5 compared to the \$0.04480 per kWh that was being charged to Standard rate
6 customers for usage in the 1,000 kWh and above range. Even with such an
7 adjustment to bring the all-electric schedule down to the system average return,
8 there would have been an even larger difference in the bills for these customers as
9 demonstrated at the 3,500 kWh usage level shown in Table 6:

10 **Table 6**
11 **1999 CEI Billing @ 3,500 kWh**
12 **(If Space Heating adjusted to System Return)**

	<u>Winter</u>	<u>Summer</u>
Standard	\$262.67	\$455.92
Space Heating	\$172.88	\$384.37
Space Heating as Percentage of Standard Bill	66%	84%

13
14 As can be seen from the above, fine-tuning the tailblock rate to bring this
15 Schedule down to the system average rate of return would have had a significant
16 impact upon the bill for the space heating customer. Essentially, the rate
17 differential between the standard rate and the space heating rate was quite large
18 because the relative difference in the cost of serving these different customers is
19 quite large.

¹⁶ From Exhibit AJY-2 page 2, with an assigned rate base to Schedule RES-H of \$101,038,000 the return has to be decreased by \$2,378,000 in order to obtain a rate of return of 9.09%. Applying an income tax multiplier of 1.6 results in a need to decrease the revenue by \$3,805,000. In order to assign all of this decrease to the winter usage, over 1,000 kWh, divide by 251,365 MWH (from Schedule UNB-3.1 page 29 of 312 in Case No. 99-1212-EL-ETP) results in an increase in the tailblock rate of \$0.015137 per kWh.

1 **Q21. WHAT WAS THE GENERAL RELATIONSHIP BETWEEN CLEVELAND**
2 **ELECTRIC ILLUMINATING'S STANDARD RESIDENTIAL RATE (RES-Z)**
3 **AND SPACE HEATING RATE (RES-H) BEFORE THE NON-STANDARD**
4 **RATES WERE REMOVED IN EARLY 2009?**

5 **A21.** At the end of 2008, (after almost 10 years of deregulation and a host of additional
6 charges and riders being added) the rates had generally increased, but the
7 relationship between the standard Residential Rate and the All-Electric rate was
8 pretty much intact. On a total bill basis, for 3,500 kWh of winter usage, the
9 following bill relationship existed:¹⁷

10	Standard Rate	\$284.71
11	All-Electric	\$228.00
12	Percentage	80%

13

14 **Q22. COMPARED WITH TABLE 5, DOES THE FACT THAT THE**
15 **PERCENTAGE RELATION WENT FROM 79% UP TO 80% IN TEN YEARS**
16 **INDICATE ANYTHING ABOUT A CHANGE IN THE RELATIONSHIP**
17 **BETWEEN THE COST OF SERVING THE STANDARD RESIDENTIAL**
18 **CUSTOMERS AND THE SPACE HEATING CUSTOMERS?**

19 **A22.** No. As with OE, the last cost of service study presented by the CEI was in 1999
20 and it was based upon the same general assumptions regarding load/demand
21 levels as was the cost of serve study used in the mid 1990's. The very slight

¹⁷ Exhibit AJY-3 page 2 lists the bills for winter usage between 250 and 10,000 kWh for CEI's Standard and All-Electric Residential customers.

1 decrease in the rate differential (very slightly increasing the percentage up to 80%
2 that is paid by the All-Electric customers) merely signals that CEI has not kept an
3 exact relationship, but it also signals that even with generation deregulation, the
4 Company has not deviated far from the previous relationship.

5
6 **TE Historical Rate Relationships**

7
8 ***Q23. WHAT WERE TOLEDO EDISONS' RESIDENTIAL RATE SCHEDULES***
9 ***LIKE 15 YEARS AGO?***

10 ***A23.*** As a result of Case No. 95-299-EL-AIR, TE put base rates into effect April 18,
11 1996. As with OE and CEI, I will only address the Residential Standard Rate (R-
12 01) and the Residential Space Heating Rate (R-07) at this time.
13 Table 7 below lists the rates that were put into effect in the mid-1990's with
14 respect to TE's Standard and Space Heating Residential customers:¹⁸

Table 7

1996 TE Standard Rate	<u>Winter</u>	<u>Summer</u>
Customer Charge	\$4.75	\$4.75
first 1000 kWh	\$0.1014	\$0.1126
excess kWh	\$0.0788	\$0.0998
 1996 TE Space Heating	 <u>Winter</u>	 <u>Summer</u>
Customer Charge	\$4.75	\$4.75
first 500 kWh	\$0.1014	\$0.1126
next 400 kWh	\$0.0849	\$0.0902
excess kWh	\$0.0388	\$0.0998

¹⁸ See Exhibit AJY-5

1 First, the winter space heating energy charge (for what would be considered space
2 heating usage i.e., usage greater than 900 kWh per month) is 4.0 cents per kWh
3 lower or 49% of the energy charge for the Standard Residential customer at a
4 similar usage level. Second, there are two rate blocks for the Standard rate
5 schedule, but three rate blocks for the Space Heating schedule that start the rate
6 differentials at 500 kWh. Third, the rates for space heating customers are slightly
7 lower for the middle block (501 to 900 kWh) than those for standard customers in
8 the summer, thus, giving the Space Heating customers a slight rate benefit in the
9 summer months as well.

10
11 As with the OE and CEI rates, to get a better overall understanding of the general
12 relationship between rate schedules that existed, I once again propose looking at
13 the bills at one usage level. Table 8 below uses the TE rates from Table 7 above
14 to calculate bills for Residential customers using 3,500 kWh per month:¹⁹

Table 8
1996 TE Billing @ 3,500 kWh

	<u>Winter</u>	<u>Summer</u>
Standard	\$353.12	\$416.82
Space Heating	\$240.26	\$406.58
Space Heating Bill as a Percentage of Standard Bill	68%	98%

¹⁹ The calculation includes the base rates from Table 7 plus an EFC rate of \$0.013717 per kWh and a PIPP rate of \$0.000561 per kWh that were used in the Toledo Edison Summary Schedule UNB 3 at page 2 of 406 in Case No. 99-1212-EL-ETP. Because the EFC rates changed every 3 months and because I will later address these same base rates and revenues as reflected in Case No. 99-1212-EL-ETP, I chose to use the same EFC and PIPP as in the 1999 analysis so that I am limiting this discussion to only the difference in base rates and not complicating it with other changes.

1 I have presented the difference in the billing between the Standard rate and the
2 Space Heating rate as percentages. At 3,500 kWh the Space Heating winter bill
3 for TE was 68% of the bill charged to Standard customers. This is not as large of
4 a rate differential as demonstrated in the OE rates (but larger than CEI), but the
5 summer bill for these same TE customers was slightly lower than for Standard
6 service (R-01) customers at 98%.

7
8 **Q24. WAS THIS TE RATE PROMOTIONAL?**

9 **A24.** No. Just as with OE and CEI, a promotional rate is generally one that is
10 recognized as being below cost causation, and is being offered for other purposes
11 such as economic development or in order to retain load in the face of competitive
12 alternatives. Unlike "economic development rates" or "competitive response
13 rates" that at the time were generally recognized as being promotional, the space
14 heating rate offered by TE contained strict restrictions and additionally stood on
15 its own based upon cost of service. The restrictions included language that
16 required "participation in a positive load control program involving the
17 installation of load controls on electric water heating and central air conditioning
18 should the Company so request."²⁰

²⁰ See Exhibit AJY-5, page 4, Terms and Conditions #4.

1 ***Q25. HAS TOLEDO EDISON EVER PRESENTED DATA THAT***
2 ***DEMONSTRATES THE COST OF SERVING ITS SPACE HEATING***
3 ***CUSTOMERS IS LESS THAN FOR ITS STANDARD RESIDENTIAL***
4 ***CUSTOMERS?***

5 ***A25.*** Yes. In response to OCC Interrogatory 2-25 (revised) FirstEnergy provided a
6 copy of the results of the bundled cost of service study from Case No. 99-1212-
7 EL-ETP for Toledo Edison.²¹ This showed that at the then existing rates (Table
8 7) and usage at the time, the following rates of return were being achieved:

9	Total Company	(Jurisdict)	9.26%
10	Standard Residential	(R-01)	6.54%
11	All-Electric	(R-07)	11.93%

12

13 Thus, even with the rate differential provided in the TE All-Electric rate R-07, the
14 rate of return for this rate schedule was calculated by the Company to be well
15 over the average rate of return for the jurisdiction. A decrease in the winter tail
16 block of \$0.02948 per kWh would have brought the rate of return for this
17 schedule down to the system average of 9.26%.²² Given the fact that the TE
18 Standard tailblock rate was set at \$0.0788 per kWh, the required tailblock to bring
19 the All-Electric rates in line with the average return for all rate schedules would

²¹ See Exhibit AJY-2 pages 5-7.

²² From Exhibit AJY-2 page 5 with an assigned rate base to Schedule R-07 of \$100,559,000, the return has to be decreased by \$2,685,000 in order to obtain a rate of return of 9.26%. Increasing this by 1.6 as the income multiplier results in a need to decrease the revenue by \$4,300,000. In order to assign all of this decrease to the winter, over 900 kWh usage, divide by 145,854 MWH taken from the revenue summary supplied by Toledo Edison on Schedule UNB-3.1, page 65 of 406 in Case No. 99-1212-EL-ETP) results in an decrease in the tailblock rate of \$0.02948 per kWh.

1 have been \$0.04932 per kWh. If adjusted for this increased differential, the
2 difference in the bills between the TE Standard rate and the All-Electric rate at the
3 3,500 kWh usage level would be as shown in Table 9:

4 **Table 9**
5 **1999 TE Billing @ 3,500 kWh**
6 **(If Space Heating adjusted to System Return)**

	<u>Winter</u>	<u>Summer</u>
Standard	\$353.12	\$416.82
Space Heating	\$163.62	\$406.58
Space Heating Bill as Percentage of Standard Bill	46%	98%

7
8 As can be seen from the above, fine-tuning the tailblock rate to bring this
9 Schedule down to the system average rate of return has a significant impact upon
10 the bill for the space heating customer. Essentially, the rate differential between
11 the standard rate and the space heating rate should be quite large because the
12 relative difference in the cost of serving these different customers is quite large.
13

14 **Q26. WHAT WAS THE GENERAL RELATIONSHIP BETWEEN TOLEDO**
15 **EDISON'S STANDARD RESIDENTIAL RATE AND SPACE HEATING**
16 **RATE BEFORE THE NON-STANDARD RATES WERE REMOVED IN**
17 **EARLY 2009?**

18 **A26.** At the end of 2008, (after almost 10 years of generation deregulation and a host
19 of additional charges and riders being added) the relationship between the
20 Standard Residential Rate and the Space Heating rate was pretty much intact

1 compared to where it once was. For 3,500 kWh of winter usage, the following
2 bill relationship existed:²³

3	Standard Rate	\$382.46
4	Space Heating	\$267.36
5	Percentage	70%

6
7 ***Q27. DOES THE FACT THAT THE PERCENTAGE RELATION WENT FROM***
8 ***68% TO 70% IN TEN YEARS INDICATE ANYTHING ABOUT A CHANGE***
9 ***IN THE RELATIONSHIP BETWEEN THE COST OF SERVING THE***
10 ***STANDARD RESIDENTIAL CUSTOMERS AND THE SPACE HEATING***
11 ***CUSTOMERS?***

12 ***A27.*** No. As with OE and CEI, the last cost of service study conducted by the TE was
13 in 1999 and it was based upon the same general assumptions regarding
14 load/demand levels as was the cost of serve study used in the mid 1990's. The
15 very slight decrease in the rate differential (very slightly increasing the percentage
16 from 68% up to 70% that is paid by the Space Heating customers) merely signals
17 that the TE has not kept an exact relationship, but it also signals that even with
18 deregulation, the Company has not deviated far from the previous relationship.
19 These rates of return for OE, CEI and TE illustrate that the All-Electric rates have
20 consistently produced a positive return, and in the case of CEI and TE have
21 produced rates of return above the system average. Only in the case of OE was
22 the rate of return below the system average. Taken as a whole, this demonstrates

²³ See Exhibit AJY-3, page 3.

1 that the discounted rates provided to All-Electric customers were appropriate and
2 within the zone of reasonableness.

3
4 **IV. RATE IMPACTS OF RECENT EVENTS**

5
6 **2009 and Riders RDC, EDR, and RGC**

7
8 ***Q28. WHAT HAPPENED DURING 2009 IN REGARDS TO THE***
9 ***FIRSTENERGY'S RESIDENTIAL STANDARD AND NON-STANDARD***
10 ***RATES?***

11 ***A28.*** The Staff Investigation and Report provides in its background section a good
12 summary of what happened in 2009 and 2010. In January 2009 the Commission
13 approved FirstEnergy's proposal to consolidate 32 different Residential
14 distribution rate schedules across its operating companies. As part of the
15 Commission's Opinion and Order, it generally²⁴ approved a 1.7 cent per kWh
16 Residential Distribution Credit ("RDC") on winter usage greater than 500 kWh
17 for Residential customers that were receiving lower winter rates in the past from
18 each of the operating companies.

19
20 In March 2009 the Commission approved FirstEnergy's Electric Security Plan
21 ("ESP") and once again consolidated Residential generation rates into one rate

²⁴ OE customers were given 1.77 cents, CEI customers were given 1.70 cents, and TE customers were given 1.76 cents.

1 schedule per operating company, and generally approved a generation credit of
2 1.9 cents per kWh on winter usage greater than 500 kW for space heating
3 customers in order to mitigate the impact of the rate consolidation. Later I will
4 refer to this credit as the "EDR" credit. These two credits provide a rate discount
5 of approximately 3.6 cents per kWh for what were once non-Standard Residential
6 customers during the winter months.

7
8 ***Q29. WHAT HAPPENED DURING THE 2009/2010 WINTER HEATING***
9 ***SEASON?***

10 ***A29.*** The 2009/2010 heating season was the first time that the full impact of changes to
11 non-Standard residential rates from both the recent distribution rate case and the
12 ESP were felt. Many All-Electric customers encountered significant increases in
13 their bills, even with the discounts provided by the two existing credits (i.e. RDC
14 and EDR) that totaled approximately 3.6 cents per kWh.²⁵ In March and April
15 2010, the Commission approved rate relief for certain specified customers
16 through additional generation credits of 4.2 cents per kWh on all usage for CEI
17 All-Electric customers, 3.9 cents per kWh for OE All-Electric customers on usage
18 greater than 1,250 kWh, and 1.8 cents per kWh on all kWh greater than 2,000
19 kWh for all TE All-Electric customers (excluding apartments).²⁶ These additional
20 Residential Generation Credits are referred to as "RGC." It is my understanding
21 that these additional discounts are temporary since the Commission expects the

²⁵ See Staff Investigation and Report, Attachment 1.

²⁶ Ibid.

1 rate relief from the RGC to remain in effect, at minimum, through the 2010/2011
2 winter heating season (i.e. September 1, 2010 through May 31, 2011).²⁷ The
3 general purpose of this case is to develop appropriate long-term rates for All-
4 Electric customers of FirstEnergy.²⁸

5
6 ***Q30. WHAT DID THESE ADDITIONAL RGC DISCOUNTS ACCOMPLISH THAT***
7 ***WERE APPROVED IN MARCH 2010?***

8 ***A30.*** According to the Staff Investigation and Report at page 2:

9 "Accordingly, the Commission directed FirstEnergy to file tariffs for the
10 all-electric residential subscribers that would provide bill impacts
11 commensurate with FirstEnergy's December 31, 2008, charges for those
12 customers."

13
14 Thus, the resulting RGC discounts were designed to keep bills at December 31,
15 2008 levels, and not necessarily keep, or reestablish, any prior rate relationships
16 that existed between the All-Electric and the Standard service customers' rates
17 and bills. The important distinction here is that there were some changes made to
18 the Standard rates since December 31, 2008 and that these RGC discounts would
19 have effectively eliminated the impact of such rate changes for the All-Electric
20 customer.

²⁷ 4/15/10 Second Entry on Rehearing at 2, Case No. 10-176-EL-ATA.

²⁸ See generally the Commission March 3, 2010 Order.

1 ***Q31. WHY WERE THE VALUES OF THE RGC AND THE USAGE OVER***
2 ***WHICH THE CREDITS APPLIED SO DIFFERENT BETWEEN THE***
3 ***FIRSTENERGY OPERATING COMPANIES?***

4 ***A31.*** Given that the intent of the RGC was to result in bills similar to those rendered on
5 December 31, 2008, the credits had to be designed to reflect the fact that the All-
6 Electric rate schedules for each operating company were initially quite different,
7 plus the fact that there were various levels of rate increases and decreases that
8 occurred for each of the FE operating companies. Thus, the results ranged from
9 CEI All-Electric customers getting a RGC credit of 4.2 cents for all kWh
10 consumed, down to TE All-Electric customers getting an RGC on only 1.8 cents
11 for all kWh above 2,000 kWh. Ohio Edison All-Electric customers got an RGC
12 that was in between. Looking through the results of these different RGCs on a
13 bill rendered basis, use of these RGC's generally resulted in bills that did come
14 out close to the bills that were being rendered for the same usage level as occurred
15 on December 31, 2008 for all non-Standard Residential bills.

16

17 ***Q32. HOW DO YOU RECOMMEND THAT THE COMMISSION ESTABLISH***
18 ***CREDITS ON A LONG-TERM BASIS?***

19 ***A32.*** After this heating season, on a going-forward basis, I recommend the Commission
20 design the RGC such that the amount of the credit is not fixed, but instead varies
21 in order to preserve a relative relationship between All-Electric customers and
22 Standard Residential customers' rates and bills. I recommend this option and
23 propose an RGC rate mechanism (rider) that generally reflects the relative

1 relationship between All-Electric and Standard service as it existed in the past and
2 on December 31, 2008. I also propose a "band" that insures the relationship
3 continues in the future, no matter what happens to the overall rates.

4
5 **Q33. WHY IS A BAND NECESSARY?**

6 **A33.** Historically, rates were developed in order to meet a utility's revenue requirement
7 and in order to reflect the differences in cost causation between rate schedules.
8 FE and its operating companies have not conducted a new cost of service study
9 during the last 15 to 20 years. Without being able to assess the relative
10 relationship between the costs incurred by various customer groups and the rates
11 that they pay, it is impossible to say if the historic relationships have changed. By
12 assessing what the historic rate relationships were, and then establishing a band
13 around those relationships, it is possible to establish an RGC that is somewhat
14 sensitive to the overall costs of providing service. If rates generally increase, the
15 band would allow the RGC to increase such that the same approximate percentage
16 differences exist between the Standard and the All-Electric rates. By the same
17 token, if rates generally decrease, the band would allow the RGC to be reduced as
18 well so that the reduction remains reasonable and does not fall outside of the
19 relationship that previously existed.

1 **V. RECOMMENDATIONS GOING FORWARD**

2

3 ***Q34. WHAT WERE THE RELATIVE RELATIONSHIPS THAT EXISTED FOR***
4 ***EACH OF THE FE OPERATING COMPANIES IN THE PAST BETWEEN***
5 ***STANDARD AND NON-STANDARD RESIDENTIAL RATES AND BILLS?***

6 ***A34.*** As pointed out above, for the 3,500 kWh usage level, for the rates that were in
7 effect during the mid-1990s, the bills for the All-Electric customers as a
8 percentage of Standard bills were as follows:

9	Ohio Edison	53%
10	CEI	79%
11	Toledo Edison	68%

12

13 As pointed out above, for the 3,500 kWh usage level, for the rates that were last in
14 effect on December 31, 2008, the bills for the All-Electric customers as a
15 percentage of the Standard bills were as follows:²⁹

16	Ohio Edison	57%
17	CEI	80%
18	Toledo Edison	70%

19

20 For the sake of simplicity, I propose that there be a uniform target adopted for all
21 three operating companies, such that the relationship between Standard service
22 and All-Electric service be the same across all three operating companies. I

²⁹ See Exhibit AJY-3.

1 propose that the relationship be set such that the total bill for All-Electric
2 customers (at the 3,500 kWh usage level) be set at 65% of the bill for a similarly
3 situated Standard customer. This would be in keeping with the long recognized
4 fact that All-Electric customers tend to be less expensive to serve than Standard
5 service customers. An annual review would be made for each of the operating
6 companies and a determination would be made of the present relationship
7 between the Standard rate and the All-Electric rate at a usage level of 3,500 kWh.

8
9 ***Q35. HOW WOULD THIS 65 PERCENT TARGET BE GENERALLY APPLIED***
10 ***AND REVIEWED ON A GOING-FORWARD BASIS?***

11 ***A35.*** In order to provide an example, I will use the projected bill data supplied in the
12 Staff Investigation and Report for Standard service rates (and thus bills) to be in
13 effect beginning September 1, 2011.³⁰ For Ohio Edison, the Staff projects a
14 Standard winter service bill for 3,500 kWh to equate to \$405.14. A target of 65%
15 of the standard rate would place the Ohio Edison All-Electric bill at \$263.34, or
16 \$141.80 less than the standard bill.³¹ The RDC and the EDR Riders that would
17 still be in effect amount to 3.67 cents per kWh for all usage greater than 500 kWh.
18 At 3,500 kWh, this equates to a total credit of \$110.10.³² This would bring this
19 bill down to \$295.04³³ or 73% of the bill for Standard service at the same usage
20 level—leaving an additional \$31.70 credit to be obtained.

³⁰ Staff Investigation & Report Attachments 2(a), (b) and (c), "Standard Residential (RS) Bill" column.

³¹ $\$405.14 * 65\% = \263.34 .

³² $\$0.0367 * 3,000 = \110.10 .

³³ $\$405.14 - \$110.10 = \$295.04$.

1 In order to be brought down to the 65% level, there would need to be some further
2 credit applied through the RGC. In order to have a little more consistency
3 between operating companies, I propose that all RGC credits start at a usage level
4 of 1,000 kWh. With the RGC starting at 1,000 kWh, the OE credit would need to
5 be set at 1.268 cents per kWh in order to meet the target differential of 65% for
6 OE.³⁴

7
8 ***Q36. HOW WOULD THIS TARGET WORK FOR INITIALLY SETTING THE RGC***
9 ***FOR CEI?***

10 ***A36.*** The Staff Investigation and Report for CEI projects that the winter bills starting
11 September 2011 for CEI for usage at 3,500 kWh would be \$402.27—very similar
12 to OE. A target of 65% of the standard rate would place the CEI All-Electric bill
13 at \$261.48, or \$140.79 less than the standard bill.³⁵ The RDC and the EDR for
14 CEI are slightly lower than for OE and are collectively set at 3.6 cents per kWh
15 for all usage above 500 kWh. This equates to a credit of \$108.00.³⁶ This credit
16 only gets the bill down to 73% of the Standard rate and leave an additional credit
17 of \$32.79 to be obtained. The RGC needs to be set at 1.312 cents per kWh for all
18 usage above 1,000 kWh in order to obtain the 65% target.³⁷

³⁴ $\$31.70 / (3,500 - 1,000) = 1.268$ cents.

³⁵ $\$402.27 * 65\% = \261.48 .

³⁶ $\$0.036 * 3,000 = \108.00 .

³⁷ $\$32.79 / (3,500 - 1,000) = 1.312$ cents.

1 ***Q37. HOW WOULD THIS TARGET WORK FOR INITIALLY SETTING THE RGC***
2 ***FOR TOLEDO EDISON?***

3 ***A37.*** The Staff Investigation and Report for TE projects that the winter bills starting
4 September 2011 for TE for usage at 3,500 kWh would be \$417.74—close, but
5 higher than for OE and CEL. A target of 65% of the standard rate would place the
6 Toledo Edison All-Electric bill at \$271.53, or \$146.21 less than the standard
7 bill.³⁸ The RDC and the EDR for TE are set at 3.66 cents per kWh for all usage
8 above 500 kWh. This equates to a credit of \$109.80.³⁹ This credit only gets the
9 bill down to 74% of the Standard rate and leaving an additional credit of \$36.41 to
10 be obtained. The RGC needs to be set at 1.456 cents per kWh for all usage above
11 1,000 kWh in order to obtain the 65% target.⁴⁰

13 ***Q38. HOW WOULD THE BAND THAT YOU ARE PROPOSING TO KEEP THE***
14 ***RELATIONSHIP BETWEEN ALL-ELECTRIC AND STANDARD BILLS***
15 ***WITHIN THE HISTORIC FRAMEWORK BE APPLIED?***

16 ***A38.*** I propose that once the initial RGC's are established, that they not be changed
17 unless the relationship between the All-Electric bills and the Standard bills at a
18 usage level of 3,500 kWh gets outside of a band around the 65% target of more
19 than +/- 5%, i.e., the band would go from 60% to 70%. This test would only be
20 done at the 3,500 kWh usage level, but the findings would be applied to the RGC
21 that is applied to each customer of a given FE distribution company. If the

³⁸ \$417.74 * 65% = \$271.53.

³⁹ \$0.0366 * 3,000 = \$109.80.

⁴⁰ \$36.41 / (3,500 - 1,000) = 1.456 cents.

1 relationship for any of the operating companies went outside of this range, then
2 the RGC for that operating company would be reset such that the 65% target is
3 once again met. Given the nature of these rates and present relationships, I do not
4 envision that there will often be a need to reset the RGCs. However, the band
5 operates as an effective mechanism to signal when, and to what degree, changes
6 need to be made if there are large changes in rates over time.

7
8 ***Q39. CAN YOU GIVE AN EXAMPLE OF WHAT LEVEL OF CHANGE WOULD***
9 ***BE REQUIRED BEFORE IT WOULD BE NECESSARY TO TRIGGER A***
10 ***NEED TO READJUST AN RGC?***

11 ***A39.*** I will use the OE bill for 3,500 kWh of usage from the Staff Report as an
12 example. It would take an increase of \$68 to the proposed OE Standard and the
13 All-Electric bill before the relationship between the Standard bill and the All-
14 Electric bill went to 70%--they would both increase by \$68 such that the Standard
15 bill would be \$473.14 and the All-Electric bill would have increased by \$68 from
16 \$263.34 to \$331.34. This is an increase in the All-Electric bill of 26%. In other
17 words, there would need to be a relatively significant increase in the All-Electric
18 rates before there is a change in the RGC. However, the band insures that the
19 cumulative effect of rate changes over the years does not minimize the
20 relationship that should be in place between All-Electric and Standard service
21 customers.

1 **Other Issues**

2
3 ***Q40. ON A GOING-FORWARD BASIS, HOW SHOULD THE OPERATING***
4 ***COMPANIES RECOVER THE LEVEL OF THE CREDIT BEING***
5 ***OFFERED TO THE ALL-ELECTRIC CUSTOMERS?***

6 ***A40.*** Historically, there was not a specific credit given to All-Electric customers. The
7 recognition of the costs differences between Residential All-Electric customers
8 and the rest of the utility customers was done through the rate designs that were
9 developed to collect the appropriate amount of revenues from the Residential All-
10 Electric customers and at the same time to insure that the utility recovered its
11 revenue requirement. In the absence of these historical procedures, the
12 Commission has relied upon riders.

13
14 I recommend that a recovery rider be established on an on-going basis following
15 the Commission's Order for each operating company along the lines that I have
16 proposed above for the RGC. I further recommend that that recovery rider
17 contain its own funding mechanism, such that it sets on an annual basis the level
18 of RGC credits to be given, and the amount of revenue to be collected for each of
19 the customers on other rate schedules in order to fund the credits. Any over- or
20 under-recovery in one year should be carried over to the next year. Eventually,
21 after the next ESP expires in 2014 and in the next distribution rate case, the
22 Commission could consider folding the differential into permanent rates and

1 retain the rider for the purpose of any adjustments needed to stay within the
2 bandwidth.

3
4 ***Q41. WHAT MECHANISM SHOULD BE USED TO RECOVER THESE***
5 ***CREDITS?***

6 ***A41.*** I recommend that these riders be funded by an equal cents per kWh charge from
7 all other customers in each of the FE operating companies. Given the fact that the
8 Company is obtaining a single average price per kWh from its generation/energy
9 suppliers, and given the fact that All-Electric customers should generally benefit
10 the system with high usage during times of low hourly energy costs, it is only
11 appropriate that all customers that are benefiting from the usage patterns of the
12 All-Electric customers should equally pay for the credit given to these customers.

13
14 ***Q42. YOUR TESTIMONY ADDRESSES ALL-ELECTRIC CUSTOMERS. HAVE***
15 ***YOU MADE A DISTINCTION REGARDING WHICH CUSTOMERS ON***
16 ***WHICH RATE SCHEDULES SHOULD RECEIVE THIS RGC CREDIT IN***
17 ***THE FUTURE?***

18 ***A42.*** No, not specifically. For the sake of simplicity, I have directed my testimony and
19 analysis at what are referred to as All-Electric customers. Like the Commission
20 and its Staff, I am using this phraseology to reflect all non-standard Residential
21 customers per the Commission's April 15, 2010 Second Entry on Rehearing. My
22 above recommendations regarding the RGC do not include Water Heating

Direct Testimony of Anthony J. Yankel
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 10-176-EL-ATA

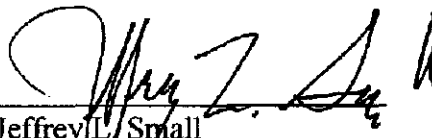
1 customers. I am attempting to treat other all non-standard customers within each
2 of the operating companies.

3
4 **Q43. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A43.** Yes, however, I reserve the right to incorporate new information that may
6 subsequently become available.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Direct Testimony of Anthony J. Yankel was served on the persons identified below via U.S. Mail, postage prepaid, this 10th day of January 2011.


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Exhibit AJY - 1

RESIDENTIAL SERVICE**Standard Rate****Availability**

Available for residential service to installations served through one meter for each family unit in a residence or apartment where monthly usage is generally less than 1,000 kWh.

When service is used through the same meter for both residential and commercial purposes the applicable general service rate schedule shall apply.

This rate schedule is not available for service to a commercial, institutional or industrial establishment.

Accounts representing commonly-used facilities within condominiums which were being billed under the Company's residential service tariff as of April 17, 1990 shall continue to be served under the Company's residential service tariff.

Service:

Alternating current, 60 Hz, single phase, nominal voltage 120/240 or 120/208 as available.

The Company designs and operates its electric system to provide service voltages within the limits specified in American National Standard Voltage Ratings for Electric Power Systems and Equipment (60 Hz) C 84.1-1982.

Rate:

The monthly charges per customer shall be:

	<u>Winter</u>	<u>Summer</u>
<u>Customer Charge:</u>	\$ 4.05	\$ 4.05
<u>Energy Charge:</u>		
First 500 kWh, per kWh	9.778¢	9.899¢
Over 500 kWh, per kWh	9.778¢	10.808¢

Winter Rates shall be applicable for the eight consecutive billing periods of October through May. Summer Rates shall apply in all other billing periods.

Minimum Charge:

Customer charge

Special Provisions:

Where a customer has installed electric water heating equipment with a minimum of eighty gallons of tank capacity and the necessary wiring and devices that will permit the Company to control the operation of the water heating equipment during peak load hours, the application of the rates specified above shall be modified as follows:

The customer charge shall be \$7.05 and any kWh usage between 350 kWh and 700 kWh per month shall be priced at 2.50¢ per kWh.

Applicable Riders:

Rates and charges specified above shall be modified in accordance with provisions of the following applicable Riders in the order shown.

<u>PIP Adjustment</u>	<u>Sheet No. 54</u>
<u>Fuel Adjustment</u>	<u>Sheet No. 40</u>

Ohio Edison Company
Akron, Ohio

P.U.C.O. No. 10

Second Revised Sheet No. 10
Canceling First Revised Sheet No. 10**Terms of Payment:**

If the bill payment is not received by the Company offices two days prior to the next scheduled meter reading date, an additional amount equal to 1.5% shall be charged on any unpaid balance existing after this date. This provision is not applicable to (1) unpaid account balances existing on the effective date of tariffs approved pursuant to the order in Case 83-1130-EL-AIR, or (2) unpaid account balances of customers enrolled on income payment plans pursuant to 4901:1-18-04, Ohio Administrative Code. The terms of payment for bills rendered to government accounts shall be in accordance with Sheet No. 55, Late Payment Charges for Government Accounts. (D)

Multi-Family Dwellings:

Where two or more families, with separate cooking facilities, occupy a residential dwelling, the wiring shall be arranged so that the service to each family can be metered and billed separately. If the wiring is not so arranged and two or more families are served through one meter, the energy blocks as determined on a single family basis shall be multiplied by the number of families served.

Apartment and Multi-Family Building

Under the Special Provisions Section, a fifty gallon water heater minimum tank capacity shall apply to separately metered living units in apartment or multi-family buildings of four or more units.

Seasonal or Temporary Discontinuance of Service:

Where service has been discontinued at customer's request because of seasonal occupancy of the premises or where service has been discontinued because the customer's occupancy is to be temporarily discontinued, the minimum charge as above provided shall not be applicable during such discontinuance of service, but in lieu thereof the appropriate reconnection charge on Sheet No. 53, Miscellaneous Charges, will apply when service is reestablished. (T)

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service. Motors and equipment served under this rate schedule must have electrical characteristics so as not to interfere with service supplied to other customers of the Company.

Contract:

Customers selecting this rate schedule will be billed for service hereunder for a minimum period of one year unless: 1) service is no longer required by the customer at the same address at any time during the remainder of the one-year period; or 2) at the customer's request when the customer adds or removes load and the company projects that the customer's load characteristics for the next twelve months can be served more economically under an alternative tariff for which the customer qualifies.

Ohio Edison Company
Akron, Ohio

P.U.C.O. No. 10

Third Revised Sheet No. 11
Canceling Second Revised Sheet No. 11

RESIDENTIAL SERVICE

Space Heating Rate

Availability:

Available for residential service supplied through one meter where electricity is the primary source of space heating, and where at least ninety-five percent of the electrical consumption is within the residence.

Space conditioning by means of a heat pump utilized in conjunction with a fossil fuel furnace is not eligible for service under this rate unless sub-metered (see "Heat Pump Provisional").

When service is used through the same meter for both residential and commercial purposes the applicable general service rate schedule shall apply.

This rate schedule is not available for service to a commercial, institutional or industrial establishment.

Service:

Alternating current, 60 Hz, single phase, nominal voltage 120/240 or 120/208 as available.

The Company designs and operates its electric system to provide service voltages within the Limits specified in American National Standard Voltage Ratings for Electric Power Systems and Equipment (60 Hz) C 84.1-1989 and as amended.

Rate:

The monthly charges per customer shall be:

	<u>Winter</u>	<u>Summer</u>
<u>Service Charge</u>	\$ 4.05	\$ 4.05
<u>Energy Charge:</u>		
First 900 kWh, per kWh	10.000¢	10.525¢
Balance of kWh, per kWh	2.500¢	10.808¢

Minimum Charge:

Service charge

Seasonal periods:

Winter Rates shall be applicable for the eight consecutive billing periods of October through May.
Summer Rates shall apply in all other billing periods.

Controlled Water Heating Provision:

Where a customer has installed qualifying electric water heating equipment which uses resistance elements to generate all water heating for the home, and the necessary wiring and devices that will permit the Company to control the operation of the water heating equipment during peak load hours, the application of the rates specified above shall be modified as follows:

The customer charge shall be \$7.05 and any kWh usage between 550 kWh and 900 kWh per month shall be priced at 2.50¢ per kWh.

To qualify for this provision, electric water heating equipment must meet or exceed the following tank capacities:

50 gallons - Separately metered living units in apartment or multi-family building of four or more units.

80 gallons - All other applications.

Integrated Water Heating Provision:

Where a customer utilizes electricity to generate all heating for the home, having electric space conditioning equipment approved by the Company that provides a portion of the water heating, the customer shall receive a credit of \$15.00 per month per such service. The credit shall not exceed the energy charge set forth in the "Rate" section above.

Heat Pump Provision:

All electrical usage by outdoor air-to-air heat pump devices utilized in conjunction with non-electric space heating shall be sub-metered. The Customer shall install necessary wiring to permit the Company to sub-meter this equipment. No other load may be connected to this service. Multiple sub-meters may be utilized, at the Company's option. (T)

Usage measured by the sub-meter(s) shall be subtracted from usage measured by the total energy meter; the resultant is referred to hereafter as "general purpose usage."

The rates specified under the section "Rate" in this schedule shall be replaced by the following monthly charges per customer:

The service charge shall be \$4.05, plus \$1.50 per sub-meter.

The minimum charge shall be the service charge.

The following rates shall apply to sub-metered usage:

The energy charge during Winter billing periods shall be 2.5 cents per kWh. During Summer billing periods the energy charge shall be 10.808 cents per kWh.

The following rates shall apply to general purpose usage:

The energy charge during Winter billing periods shall be 10.000 cents per kWh. During Summer billing periods the energy charge shall be 10.525 cents per kWh.

The "Controlled Water Heating Provision", if applicable, shall apply to general purpose usage and the service charge shall be modified to be \$7.05, plus \$1.50 per sub-meter. (D)

All other terms and provisions specified in this rate schedule shall apply.

Applicable Riders:

Rates and charges specified above shall be modified in accordance with provisions of the following applicable Riders in the order shown:

<u>PIP Adjustment</u>	<u>Sheet No. 54</u>	(D)
<u>Fuel Adjustment</u>	<u>Sheet No. 40</u>	(D)

Terms of Payment:

If the bill payment is not received by the Company offices two days prior to the next scheduled meter reading date, an additional amount equal to 1.5% shall be charged on any unpaid balance existing after this date. This provision is not applicable to (1) unpaid account balances existing on the effective date of tariffs approved pursuant to the order in case 83-1130-EL-AIR, or (2) unpaid account balances of customers enrolled on income payment plans pursuant to 4901:7-18-04, Ohio Administrative Code.

(D)

Multi-Family Dwellings:

Where two or more families, with separate cooking facilities, occupy a residential dwelling, the wiring shall be arranged so that the service to each family can be metered and billed separately. If the wiring is not so arranged and two or more families are served through one meter, the energy blocks as determined on a single family basis shall be multiplied by the number of families served.

Seasonal or Temporary Discontinuance of Service:

Where service has been discontinued at the customer's request because of seasonal occupancy of the premises or where service has been discontinued because the customer's occupancy is to be temporarily discontinued, the minimum charge as above provided shall not be applicable during such discontinuance of service, but in lieu thereof the appropriate reconnection charge on Sheet No. 53, Miscellaneous Charges, will apply when service is reestablished.

(T)

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

Motors and equipment served under this rate schedule must have electrical characteristics so as not to interfere with service supplied to other customers of the Company.

Contract:

Customers selecting this rate schedule will be billed for service hereunder for a minimum period of one year unless: 1) service is no longer required by the customer at the same address at any time during the remainder of the one-year period; or 2) at the customer's request when the customer adds or removes load and the company projects that the customer's load characteristics for the next twelve months can be served more economically under an alternative tariff for which the customer qualifies.

Exhibit AJY - 2

OHIO EDISON COMPANY
COST ALLOCATION STUDY INCL RATE INCREASE
TEST YEAR JAN89 - DEC 89

DEVELOPMENT OF RATE BASE:	RATE_10	RATE_17	RATE_11	RATE_12	RATE_18	RATE_19	RATE_31	RATE_23	SPECIAL CONTRACTS	POL	JURISDICT	LTG	RETAIL
TOTAL PLANT IN SERVICE - ORIGINAL COST	1,062,703,517	1,004,697,141	63,927,384	8,207,549	7,431,787	5,412,911	1,686,084,578	1,077,872,881	386,189,834	1,804,299	5,194,081,851	75,133,501	5,289,205,182
TOTAL PLANT - DEPRECIATION RESERVE	(303,543,301)	(270,097,910)	(14,886,069)	(1,851,889)	(1,390,139)	(1,601,198)	(383,469,481)	(344,894,288)	(85,405,630)	(430,382)	(1,387,980,103)	(21,832,989)	(1,329,873,107)
TOTAL OTHER PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RATE BASE ADDITIONS	55,824,016	59,848,793	2,976,880	378,169	438,215	298,347	109,781,311	89,907,728	33,080,424	125,742	349,244,422	1,879,344	380,323,765
TOTAL RATE BASE DEDUCTIONS	(44,884,094)	(39,248,736)	(2,136,732)	(239,008)	(284,712)	(216,679)	(85,052,820)	(54,238,100)	(12,719,671)	(82,267)	(189,736,815)	(3,631,031)	(193,367,844)
TOTAL RATE BASE	796,278,139	764,946,283	39,777,243	4,883,020	5,605,161	3,894,481	1,299,273,479	884,460,018	327,134,977	1,438,382	4,045,808,182	51,278,814	4,096,887,986
DEVELOPMENT OF RETURN:													
OPERATING REVENUES	874,212,055	331,635,476	19,283,921	1,366,140	2,027,834	1,481,588	870,770,685	367,122,200	185,086,418	1,484,902	1,908,430,194	18,190,685	1,828,820,879
OPERATION AND MAINTENANCE EXPENSES	175,181,395	154,288,940	7,483,083	906,438	996,507	779,822	244,630,288	188,949,982	84,353,208	365,002	855,814,863	8,879,012	864,359,676
DEPRECIATION (INCL NUCLEAR DECOM)	35,134,381	32,178,919	1,730,272	197,839	235,807	173,980	49,824,783	33,347,877	12,078,616	58,888	194,146,841	2,958,422	167,115,384
AMORTIZATION OF NON-PLANT BALANCES	(116,967)	(105,818)	(8,856)	(649)	(778)	(564)	(148,119)	(56,481)	(36,109)	(178)	(510,486)	(10,079)	(920,875)
TAXES OTHER THAN INCOME	38,439,016	32,232,176	1,482,942	183,815	214,630	156,704	92,971,208	33,882,774	13,306,481	103,751	189,813,306	2,081,544	171,894,850
FEDERAL AND STATE INCOME TAX	35,181,329	30,316,796	418,786	(24,997)	134,725	71,781	92,971,851	34,878,830	11,801,868	318,958	156,046,232	1,177,508	187,223,760
TOTAL OPERATING EXPENSES	281,789,183	248,892,013	11,119,186	1,242,047	1,480,882	1,181,873	406,540,011	278,628,512	121,801,759	934,401	1,388,336,867	14,782,407	1,370,103,074
RETURN	82,422,891	82,743,482	2,134,739	114,093	446,942	289,913	182,230,654	78,482,688	33,583,659	650,501	453,108,327	3,408,276	466,817,903
RATE OF RETURN	11.70%	10.88%	5.37%	2.43%	7.87%	6.78%	13.09%	8.87%	10.48%	45.22%	11.20%	6.63%	11.14%

CLEVELAND ELECTRIC ILLUMINATING COMPANY
COST ALLOCATION STUDY
TEST YEAR JAN95 - DEC 95

Exhibit AJY-2
Page 2 of 7

	RES-Z	RES-M	RES-H	RES-Z PIPP	RES-M PIPP	RES-H PIPP	GEN_SERV	SM GEN_SERV	AEL
DEVELOPMENT OF RATE BASE:									
TOTAL PLANT IN SERVICE - ORIGINAL COST	1,955,638	150,897	160,138	92,684	5,638	2,928	465,497	914,803	159,840
TOTAL PLANT - DEPRECIATION RESERVE	(571,604)	(43,411)	(46,304)	(27,291)	(1,625)	(851)	(133,799)	(254,290)	(44,176)
CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0	0	0	0	0
TOTAL RATE BASE ADDITIONS	4,018	364	826	245	15	17	1,460	2,395	294
TOTAL RATE BASE DEDUCTIONS	(168,280)	(13,112)	(13,622)	(7,912)	(489)	(247)	(40,572)	(81,754)	(14,385)
TOTAL RATE BASE	1,219,772	94,738	101,038	57,708	3,540	1,846	292,586	581,154	101,572
DEVELOPMENT OF RETURN:									
TOTAL OPERATING REVENUES	465,971	36,482	51,726	24,203	1,404	974	136,248	239,439	32,022
TOTAL O&M (LESS: DEPR and OTHER TAX)	223,662	17,941	24,619	11,348	700	475	53,262	99,095	17,532
DEPRECIATION EXPENSE	71,602	5,473	5,812	3,407	206	107	16,745	32,419	5,659
AMORTIZATION EXPENSE	0	0	0	0	0	0	0	0	0
TAXES OTHER THAN INCOME	63,420	4,848	5,819	3,134	184	108	15,925	29,269	4,610
TOTAL INCOME TAX	18,764	1,428	3,914	1,326	57	72	13,289	18,944	(77)
TOTAL OPERATING EXPENSES	377,447	29,691	40,165	19,215	1,145	762	99,222	179,727	27,724
RETURN	88,524	6,791	11,562	4,988	260	212	37,026	59,712	4,298
RATE OF RETURN	7.26%	7.17%	11.44%	8.64%	7.34%	11.50%	12.65%	10.27%	4.23%

CLEVELAND ELECTRIC ILLUMINATING COMPANY
COST ALLOCATION STUDY
TEST YEAR JAN95 - DEC 95

	MED	LRG	GEN_SERV	LLF	ODL	STREET	EMERGE	TRAFFIC	SCHOOLS	LIND_INT	IND_CURT
DEVELOPMENT OF RATE BASE:											
TOTAL PLANT IN SERVICE - ORIGINAL COST	682,456	672,022	5,619	26,595	56,536	367	5,669	124,123	65,461	7,010	
TOTAL PLANT - DEPRECIATION RESERVE	(187,994)	(184,256)	(1,621)	(9,129)	(32,251)	(101)	(1,555)	(34,443)	(17,930)	(1,920)	
CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0	0	0	0	0	0	
TOTAL RATE BASE ADDITIONS	2,174	2,255	15	149	257	(0)	20	312	1,610	72	
TOTAL RATE BASE DEDUCTIONS	(61,431)	(61,101)	(484)	(1,617)	(3,489)	(33)	(513)	(11,026)	(6,223)	(645)	
TOTAL RATE BASE	435,205	428,920	3,530	15,998	21,052	232	3,620	78,965	42,918	4,516	
DEVELOPMENT OF RETURN:											
TOTAL OPERATING REVENUES	182,986	181,950	1,957	10,170	17,802	32	949	30,653	52,344	3,702	
TOTAL O&M (LESS: DEPR and OTHER TAX)	82,075	85,348	499	3,425	7,421	29	882	13,498	28,879	1,503	
DEPRECIATION EXPENSE	24,158	23,778	201	1,069	3,127	13	201	4,392	2,365	249	
AMORTIZATION EXPENSE	0	0	0	0	0	0	0	0	0	0	
TAXES OTHER THAN INCOME	22,013	21,714	207	1,093	2,063	9	155	3,884	3,892	319	
TOTAL INCOME TAX	12,733	11,550	318	1,391	1,336	(10)	(159)	1,932	5,117	511	
TOTAL OPERATING EXPENSES	140,979	142,390	1,225	6,978	13,947	41	1,079	23,705	41,254	2,583	
RETURN	42,006	39,559	732	3,192	3,855	(9)	(130)	6,948	11,090	1,120	
RATE OF RETURN	9.65%	9.22%	20.73%	19.96%	18.31%	-3.66%	-3.59%	8.80%	25.84%	24.79%	

CLEVELAND ELECTRIC ILLUMINATING COMPANY
 COST ALLOCATION STUDY
 TEST YEAR JAN95 - DEC 95

DEVELOPMENT OF RATE BASE:	LIND_CURT	LCOMM_CON	IND_CON	LIND_CON	AEL_CON	GCOMM_CON	VLM	SPACE_CON	JURISDICT
TOTAL PLANT IN SERVICE - ORIGINAL COST	308,947	122,746	239,877	379,390	21,871	366	28,783	62,585	6,718,464
TOTAL PLANT - DEPRECIATION RESERVE	(83,511)	(33,756)	(65,718)	(103,571)	(6,010)	(103)	(7,957)	(17,323)	(1,912,500)
CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0	0	0	0	0
TOTAL RATE BASE ADDITIONS	2,293	360	937	1,705	85	2	110	124	22,112
TOTAL RATE BASE DEDUCTIONS	(28,761)	(11,100)	(21,979)	(34,958)	(1,987)	(33)	(2,553)	(5,561)	(593,867)
TOTAL RATE BASE	198,968	78,250	153,117	242,565	13,958	232	18,382	39,825	4,234,209
DEVELOPMENT OF RETURN:									
TOTAL OPERATING REVENUES	110,948	31,610	67,515	101,198	6,010	132	8,071	10,738	1,807,238
TOTAL O&M (LESS: DEPR and OTHER TAX)	57,592	14,682	32,818	56,923	3,009	46	3,734	7,406	849,403
DEPRECIATION EXPENSE	11,058	4,344	8,494	13,476	775	13	1,020	2,218	242,377
AMORTIZATION EXPENSE	0	0	0	0	0	0	0	0	0
TAXES OTHER THAN INCOME	11,362	3,891	7,873	12,195	712	13	947	1,720	221,381
TOTAL INCOME TAX	7,960	1,831	4,155	2,876	323	17	558	(834)	109,372
TOTAL OPERATING EXPENSES	87,970	24,797	53,339	85,470	4,819	90	6,259	10,509	1,422,533
RETURN	22,978	6,813	14,176	15,728	1,192	42	1,812	229	384,705
RATE OF RETURN	11.55%	8.71%	9.26%	6.48%	8.64%	17.90%	9.86%	0.58%	9.09%

TOLEDO EDISON COMPANY
COST ALLOCATION STUDY
TEST YEAR JAN95 - DEC 95
PERC OATT - 3/15/00 - SPECIAL STUDIES

	R-01	R-04	R-06	R-07	R-01a	R-04a	R-06a	R-07a	R-09	R-09a	GS_13	GS_14
DEVELOPMENT OF RATE BASE:												
TOTAL PLANT IN SERVICE - ORIGINAL COST	678,188	161,087	4,319	153,854	27,401	6,348	330	6,075	2,010	87	88	131,046
TOTAL PLANT - DEPRECIATION RESERVE	(213,610)	(49,603)	(1,327)	(49,116)	(8,793)	(1,835)	(104)	(1,980)	(892)	(30)	(34)	(39,400)
CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RATE BASE ADDITIONS	789	275	14	435	40	5	1	22	4	0	2	289
TOTAL RATE BASE DEDUCTIONS	(16,806)	(3,848)	(113)	(4,612)	(748)	(92)	(10)	(206)	(79)	(3)	(6)	(2,908)
TOTAL RATE BASE	449,772	108,120	2,893	100,559	17,900	4,428	217	3,911	1,243	54	50	89,025
DEVELOPMENT OF RETURN:												
TOTAL OPERATING REVENUES	180,950	44,435	1,534	54,110	8,162	1,099	132	2,441	650	26	127	44,349
TOTAL O&M (LESS: DEPR and OTHER TAX)	98,173	24,139	751	26,353	4,156	840	62	1,124	380	18	43	16,815
DEPRECIATION EXPENSE	27,798	6,560	174	6,250	1,124	257	13	247	83	4	3	5,296
AMORTIZATION EXPENSE												
TAXES OTHER THAN INCOME	20,286	4,849	144	5,228	861	158	12	221	66	3	8	4,305
TOTAL INCOME TAX	5,290	1,455	121	4,279	443	(128)	13	245	32	1	25	4,269
TOTAL OPERATING EXPENSES	151,547	37,002	1,190	42,111	6,583	1,127	100	1,837	543	23	80	32,684
RETURN	29,402	7,433	343	11,999	1,578	(27)	32	604	107	3	47	11,665
RATE OF RETURN	6.54%	6.87%	11.87%	11.83%	8.82%	-0.62%	14.80%	15.45%	8.64%	5.70%	94.46%	13.10%

TOLEDO EDISON COMPANY
COST ALLOCATION STUDY
TEST YEAR JAN95 - DEC 95
FERC QATT - 3/15/00 - SPECIAL STUDIES

	GS-17	GS-18	SM_GS	MED_GS	LG_GEN SERV	PV-46	SR-1	SR-2	GS-1	ST_LTG	GS-19
DEVELOPMENT OF RATE BASE:											
TOTAL PLANT IN SERVICE - ORIGINAL COST	47,929	7,019	305,047	351,294	187,188	284	19,020	15,167	21,548	31,848	2,098
TOTAL PLANT - DEPRECIATION RESERVE	(13,464)	(3,028)	(86,322)	(96,986)	(51,501)	(110)	(5,336)	(4,248)	(6,314)	(15,766)	(614)
CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0	0	0	0	0	0	0
TOTAL RATE BASE ADDITIONS	111	(17)	1,014	1,018	567	85	74	54	29	(113)	(2)
TOTAL RATE BASE DEDUCTIONS	(710)	(528)	(4,287)	(4,651)	(2,354)	(25)	(282)	(206)	(441)	(2,318)	(37)
TOTAL RATE BASE	33,867	3,448	216,452	250,876	133,881	213	13,497	10,767	14,822	13,447	1,445
DEVELOPMENT OF RETURN:											
TOTAL OPERATING REVENUES	13,333	2,560	105,383	101,918	50,624	2,750	7,238	4,930	3,619	8,229	157
TOTAL O&M (LESS: DEPR and OTHER TAX)	6,875	962	46,332	53,236	29,325	1,488	2,946	2,393	3,291	4,381	297
DEPRECIATION EXPENSE	1,917	321	12,180	14,004	7,457	11	758	606	866	1,570	86
AMORTIZATION EXPENSE	1,394	270	9,914	10,333	5,344	144	652	482	528	1,016	45
TAXES OTHER THAN INCOME	570	345	8,807	4,562	327	398	803	339	(612)	386	(119)
TOTAL INCOME TAX	10,756	1,897	78,033	82,136	42,954	2,022	5,160	3,820	4,074	7,364	308
TOTAL OPERATING EXPENSES											
RETURN	2,576	654	27,360	19,783	7,670	726	2,078	1,110	(455)	865	(151)
RATE OF RETURN	7.61%	18.97%	12.64%	7.89%	5.73%	341.58%	15.39%	10.31%	-3.07%	6.44%	-10.47%

TOLEDO EDISON COMPANY
 COST ALLOCATION STUDY
 TEST YEAR JAN95 - DEC 95
 FERC OATT - 3/15/00 - SPECIAL STUDIES

DEVELOPMENT OF RATE BASE:									
ECON_	LG_GS_	SUB_	BULK_	SM_GS_	LG_GS_	PRI_	SUB_	BULK_	JURISDICT
DEV	CURT	CURT	CURT	CONT	CONT	CONT	CONT	CONT	
TOTAL PLANT IN SERVICE - ORIGINAL COST									
TOTAL PLANT - DEPRECIATION RESERVE	83,840	1,541	24,203	90,053	1,154	28,600	121,999	39,787	2,714,942
CONSTRUCTION WORK IN PROGRESS	(22,928)	(405)	(6,349)	(23,825)	(336)	(8,103)	(32,653)	(10,630)	(797,668)
TOTAL RATE BASE ADDITIONS	284	8	179	1,168	8	53	506	259	9,441
TOTAL RATE BASE DEDUCTIONS	(830)	(5)	(105)	(396)	(24)	(250)	(801)	(178)	(48,412)
TOTAL RATE BASE	60,365	1,141	17,929	67,001	802	21,260	89,051	29,237	1,878,303
DEVELOPMENT OF RETURN:									
TOTAL OPERATING REVENUES	22,822	685	9,078	53,107	645	5,839	32,440	12,879	880,038
TOTAL O&M (LESS: DEPR and OTHER TAX)	13,449	293	5,427	27,832	243	4,061	21,363	8,366	480,496
DEPRECIATION EXPENSE	3,351	62	988	3,625	46	1,185	4,887	1,597	109,839
AMORTIZATION EXPENSE									
TAXES OTHER THAN INCOME	2,405	51	829	3,994	47	744	3,484	1,260	86,701
TOTAL INCOME TAX	278	79	350	5,120	97	(479)	(942)	85	48,108
TOTAL OPERATING EXPENSES	19,482	485	7,574	40,570	433	5,510	29,162	11,309	706,144
RETURN	3,339	200	1,504	12,537	212	129	3,278	1,570	173,894
RATE OF RETURN	5.53%	17.50%	8.39%	18.71%	26.44%	0.61%	3.68%	5.37%	9.26%

Exhibit AJY - 3

Ohio Edison - Residential Bills
December 31, 2008 Bills (Winter)

Bills	Residential Schedule	Space Heating	Optional Time-of-Day 10 KW to 6,000	Load Management 10 KW to 6,000	Electrically Heated Apt
	(a)	(b)	(b)	(b)	(b)
250	\$ 33.16	\$ 33.46	\$ 137.90	\$ 36.83	\$ 34.28
500	\$ 63.90	\$ 64.52	\$ 147.19	\$ 67.40	\$ 54.63
750	\$ 94.62	\$ 95.55	\$ 156.47	\$ 97.95	\$ 67.27
1,000	\$ 125.37	\$ 119.26	\$ 165.77	\$ 128.51	\$ 79.94
1,500	\$ 186.78	\$ 144.73	\$ 175.06	\$ 168.55	\$ 133.73
2,000	\$ 248.24	\$ 170.17	\$ 184.34	\$ 187.58	\$ 194.65
2,500	\$ 309.43	\$ 195.42	\$ 202.90	\$ 206.37	\$ 255.34
3,000	\$ 370.66	\$ 220.64	\$ 221.26	\$ 225.17	\$ 316.04
3,500	\$ 431.85	\$ 245.89	\$ 239.60	\$ 243.96	\$ 376.72
4,000	\$ 493.07	\$ 271.10	\$ 257.96	\$ 262.74	\$ 437.40
4,500	\$ 554.27	\$ 296.35	\$ 276.28	\$ 281.55	\$ 498.10
5,000	\$ 615.50	\$ 321.57	\$ 312.98	\$ 300.34	\$ 558.78
6,000	\$ 737.93	\$ 372.04	\$ 349.68	\$ 337.93	\$ 680.17
7,000	\$ 860.34	\$ 422.49			\$ 801.53
8,000	\$ 982.76	\$ 472.97			\$ 922.92
9,000	\$ 1,105.17	\$ 523.42			\$ 1,044.28
10,000	\$ 1,227.60	\$ 573.89			\$ 1,165.67

Percentage Paid by Non-Standard Rate Bills to Standard Rate Bills					
250	100%	101%	416%	111%	103%
500	100%	101%	230%	105%	85%
750	100%	101%	165%	104%	71%
1,000	100%	95%	132%	103%	64%
1,500	100%	77%	94%	90%	72%
2,000	100%	69%	74%	76%	78%
2,500	100%	63%	66%	67%	83%
3,000	100%	60%	60%	61%	85%
3,500	100%	57%	55%	56%	87%
4,000	100%	55%	52%	53%	89%
4,500	100%	53%	50%	51%	90%
5,000	100%	52%	51%	49%	91%
6,000	100%	50%	47%	46%	92%
7,000	100%	49%			93%
8,000	100%	48%			94%
9,000	100%	47%			94%
10,000	100%	47%			95%

The FE discovery responses that were used to develop Exhibit AJY-3 were designated as confidential by FirstEnergy. However, on January 6, 2011, FE counsel agreed that the information used to develop Exhibit AJY-3 need not be treated as confidential.

- (a) CONFIDENTIAL Revised Response to OCC Interrogatory 8-68 Attachment 2
- (b) CONFIDENTIAL Response to OCC Request for Production of Documents 1-3 Attachment 2 (12/31/08 Bill)

CEI - Residential Bills
December 31, 2008 Bills (Winter)

Bills	Residential Schedule	Space Heating Opt Load Mgt 10 KW to 6,000	Space Heating	Water & Space Heating	Electrically Heated Apt
	(a)	(b)	(b)	(b)	(b)
250	\$ 29.99	\$ 31.89	\$ 28.82	\$ 28.88	\$ 28.77
500	\$ 60.11	\$ 61.10	\$ 58.03	\$ 58.13	\$ 44.01
750	\$ 88.71	\$ 81.21	\$ 78.14	\$ 79.01	\$ 55.79
1,000	\$ 117.30	\$ 101.30	\$ 98.23	\$ 99.16	\$ 67.51
1,500	\$ 150.78	\$ 114.23	\$ 124.12	\$ 125.08	\$ 91.07
2,000	\$ 184.27	\$ 124.68	\$ 150.00	\$ 150.97	\$ 114.51
2,500	\$ 217.75	\$ 145.58	\$ 175.67	\$ 176.66	\$ 185.80
3,000	\$ 251.21	\$ 166.23	\$ 201.29	\$ 202.30	\$ 257.04
3,500	\$ 284.71	\$ 186.89	\$ 226.97	\$ 228.00	\$ 328.34
4,000	\$ 318.17	\$ 207.55	\$ 252.59	\$ 253.64	\$ 399.59
4,500	\$ 351.65	\$ 228.20	\$ 278.26	\$ 279.33	\$ 470.88
5,000	\$ 385.12	\$ 269.51	\$ 303.90	\$ 304.98	\$ 542.14
6,000	\$ 452.09	\$ 310.83	\$ 355.21	\$ 356.34	\$ 684.70
7,000	\$ 519.04		\$ 406.50	\$ 407.67	\$ 827.23
8,000	\$ 585.99		\$ 457.81	\$ 459.01	\$ 969.78
9,000	\$ 652.96		\$ 509.12	\$ 510.36	\$ 1,112.34
10,000	\$ 719.92		\$ 560.42	\$ 561.70	\$ 1,254.89

Percentage Paid by Non-Standard Rate Bills to Standard Rate Bills					
250	100%	106%	96%	96%	96%
500	100%	102%	97%	97%	73%
750	100%	92%	88%	89%	63%
1,000	100%	86%	84%	85%	58%
1,500	100%	76%	82%	83%	60%
2,000	100%	68%	81%	82%	62%
2,500	100%	67%	81%	81%	85%
3,000	100%	66%	80%	81%	102%
3,500	100%	66%	80%	80%	115%
4,000	100%	65%	79%	80%	126%
4,500	100%	65%	79%	79%	134%
5,000	100%	70%	79%	79%	141%
6,000	100%	69%	79%	79%	151%
7,000	100%		78%	79%	159%
8,000	100%		78%	78%	165%
9,000	100%		78%	78%	170%
10,000	100%		78%	78%	174%

The FE discovery responses that were used to develop Exhibit AJY-3 were designated as confidential by FirstEnergy. However, on January 6, 2011, FE counsel agreed that the information used to develop Exhibit AJY-3 need not be treated as confidential.

- (a) CONFIDENTIAL Revised Response to OCC Interrogatory 8-68 Attachment 2
- (b) CONFIDENTIAL Response to OCC Request for Production of Documents 1-3 Attachment 2 (12/31/08 Bill)

**CEI - Residential Bills
December 31, 2008 Bills (Winter)**

Bills	Residential Schedule R-01	Space & Water Heating 10 KW to 6,000 R-06	Space & Water Heating 10 KW to 6,000 R-06a	Space Heating R-07	Electrically Heated Apt R-09	Electrically Heated Apt R 09a
	(a)	(b)	(b)	(b)	(b)	(b)
250	\$ 31.28	\$ 31.30	\$ 30.36	\$ 30.48	\$ 30.00	\$ 28.67
500	\$ 62.73	\$ 60.95	\$ 59.11	\$ 61.28	\$ 45.44	\$ 43.82
750	\$ 94.14	\$ 90.59	\$ 87.83	\$ 88.09	\$ 57.18	\$ 55.48
1,000	\$ 125.57	\$ 120.21	\$ 116.55	\$ 110.49	\$ 68.91	\$ 67.15
1,500	\$ 176.97	\$ 155.69	\$ 151.19	\$ 141.99	\$ 92.38	\$ 90.48
2,000	\$ 228.33	\$ 176.79	\$ 172.27	\$ 173.53	\$ 115.81	\$ 113.77
2,500	\$ 279.72	\$ 197.67	\$ 193.09	\$ 204.80	\$ 176.20	\$ 171.67
3,000	\$ 331.07	\$ 218.53	\$ 213.92	\$ 236.09	\$ 236.54	\$ 229.53
3,500	\$ 382.46	\$ 239.42	\$ 234.75	\$ 267.36	\$ 296.93	\$ 287.42
4,000	\$ 433.82	\$ 260.29	\$ 255.59	\$ 298.67	\$ 357.28	\$ 345.29
4,500	\$ 485.21	\$ 281.18	\$ 276.42	\$ 329.94	\$ 417.67	\$ 403.18
5,000	\$ 536.57	\$ 302.05	\$ 297.26	\$ 361.25	\$ 478.02	\$ 461.06
6,000	\$ 639.33	\$ 343.80	\$ 338.93	\$ 423.82	\$ 598.76	\$ 576.62
7,000	\$ 742.08					
8,000	\$ 844.84					
9,000	\$ 947.58					
10,000	\$ 1,050.33					

Percentage Paid by Non-Standard Rate Bills to Standard Rate Bills						
250	100%	100%	97%	97%	96%	92%
500	100%	97%	94%	98%	72%	70%
750	100%	96%	93%	94%	61%	59%
1,000	100%	96%	93%	88%	55%	53%
1,500	100%	88%	85%	80%	52%	51%
2,000	100%	77%	75%	76%	51%	50%
2,500	100%	71%	69%	73%	63%	61%
3,000	100%	66%	65%	71%	71%	69%
3,500	100%	63%	61%	70%	78%	75%
4,000	100%	60%	59%	69%	82%	80%
4,500	100%	58%	57%	68%	86%	83%
5,000	100%	56%	55%	67%	89%	86%
6,000	100%	54%	53%	66%	94%	90%
7,000	100%					
8,000	100%					
9,000	100%					
10,000	100%					

The FE discovery responses that were used to develop Exhibit AJY-3 were designated as confidential by FirstEnergy. However, on January 6, 2011, FE counsel agreed that the information used to develop Exhibit AJY-3 need not be treated as confidential.

- (a) CONFIDENTIAL Revised Response to OCC Interrogatory 8-68 Attachment 2
- (b) CONFIDENTIAL Response to OCC Request for Production of Documents 1-3 Attachment 2 (12/31/08 Bill)

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RESIDENTIAL SCHEDULE

Applicable to residential installations in a single family house, a single suite in a multiple family house, or a single suite in a multiple apartment, a manufactured housing unit or any other residential unit, and not more than four such installations on the same Premises when combined as provided herein.

MONTHLY RATES:

1. KILOWATTHOUR CHARGE

		<u>SUMMER</u>	<u>WINTER</u>
		<u>Cents per kwh</u>	<u>Cents per kwh</u>
<u>For the first</u>	<u>500 kwh</u>	<u>11.969</u>	<u>9.829</u>
<u>For the next</u>	<u>500 kwh</u>	<u>11.354</u>	<u>9.214</u>
<u>For all excess</u>		<u>11.354</u>	<u>4.480</u>

(D)

The Winter Rates specified above shall be applicable in eight consecutive monthly billing periods beginning with the October bills each year. The Summer Rates shall apply in all other billing periods.

(T)

2. CUSTOMER CHARGE (per month)

\$4.75

3. OPTIONAL LOAD MANAGEMENT RATE

(D)

Where a residential customer elects to control his load manually, or through the use of a load control device, or requests a load meter, the rates specified in Section 1 above shall be modified as follows:

- a. A Time-of-Day option is available under which the load will be metered by a Time-of-Day load meter and the billing load shall be determined monthly and shall be the larger of the 30-minute on-peak registered load or one-fourth of the 30-minute off-peak registered load as indicated by a kilowatt demand meter but not less than 5.0 kW. On-peak time shall be 8:00 a.m. to 8:00 p.m. weekdays with the exception of Holidays.
- b. A Non-Time-of-Day option is also available under which all load will be measured by a Non-Time-of-Day load meter, irrespective of the time at which the highest billing load occurs. The billing load shall be determined monthly and shall be the highest 30-minute load registered in the month as indicated by a kilowatt demand meter but not less than 5.0 kW.

Filed under authority of Order No. 95-300-EL-AIR of
The Public Utilities Commission of Ohio, dated April 11, 1996

Issued April 18, 1996 by Murray R. Edelman, President
Effective for service rendered on or after April 18, 1996

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RESIDENTIAL SCHEDULE (Cont'd)

MONTHLY RATES: (Cont'd)

3. OPTIONAL LOAD MANAGEMENT RATE (Cont'd)

- c. For the purposes of both options a and b above, the initial 125 kWh per kW of billing load will be billed at Residential Schedule Rates. All use in excess of 125 kWh per kW of billing load will be billed at \$.0178 per kWh. (D)
- d. A \$6.50 monthly metering charge will apply to the Time-of-Day option under this Schedule while a \$3.20 monthly metering charge will apply to the Non-Time-of-Day option. (T)
- e. Upon receiving service under this optional rate, a customer shall be ineligible to receive service under any other provision of the residential schedule for a continuous twelve-month period. After discontinuation of service under this optional rate, the Customer shall be ineligible to receive service under this optional rate for a twelve-month period from the time service was discontinued.
- f. Multi-metered accounts are precluded from receiving service under the Optional Load Management Rate.

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RESIDENTIAL SCHEDULE (Cont'd)

MONTHLY RATES: (Cont'd)

4. APPLICABLE RIDERS

The Rates and charges specified above shall be modified in accordance with the provisions of the following applicable Riders:

<u>ELECTRIC FUEL COMPONENT</u>	<u>Rider No. 1</u>	<u>Sheet No. 156</u>	(D)
<u>INTERIM EMERGENCY, TEMPORARY</u>			
<u>RECOVERY METHOD FOR PIPP</u>			
<u>ARREARAGES</u>	<u>Rider No. 8</u>	<u>Sheet No. 221</u>	(D)

SPECIAL RULES:

1. MULTIPLE INSTALLATIONS ON ONE METER

Four or less residential installations on the same Premises may be combined on one meter and billed under this schedule with the number of kWh in the rate blocks of the Rate each multiplied by the number of residential installations.

2. UNAVAILABLE TO CERTAIN INSTALLATIONS

This schedule shall not be applicable to the following installations which shall be billed under other schedules of the Company:

- a. Any combination on one meter of more than four residential installations on the same Premises.

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RESIDENTIAL SCHEDULE (Cont'd)

SPECIAL RULES: (Cont'd)

2. UNAVAILABLE TO CERTAIN INSTALLATIONS (Cont'd)

- b. Any combination on one meter of residential and commercial installations on the same Premises.
- c. Pumps, elevators, X-ray machines, welding machines and other equipment where the use of electricity is intermittent or the load is of fluctuating character and where a special service connection is required.
- d. Any service which constitutes an additional service installation.

3. PERCENTAGE OF INCOME PAYMENT PLAN (PIPP)

Monthly bills to PIPP Customers for electric service, exclusive of Rider No. 1 and the other Riders provided for in Section 3 above, shall be reduced by 6.241%.

(D)

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE

Applicable on an optional basis to residential installation in a single family house utilizing electricity as the primary source of energy for water heating and utilizing a permanently installed electric space heating system as a substantial source of the space heating requirements and applying also to a single suite in a multiple family house, or a single suite in a multiple apartment, a manufactured housing unit or any other residential unit, and not more than four such installations on the same Premises when combined as provided herein. Not less than 75 percent of the customer's connected load must be within the dwelling unit.

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate commercial or industrial rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed under the appropriate commercial or industrial rate.

To be approved by the Company, an electric water heater installed after October 1, 1983 shall have a minimum insulation of R-10, or a thermal insulation jacket that, in combination with the water heater's insulation, meets or exceeds such minimum insulation of R-10.

After January 1, 1985, a new space heating installation, to be approved by the Company, must be in an individually-metered residential dwelling unit in either a single family house, a single suite in a multiple family house, a single suite in a multiple apartment, a manufactured housing unit or any other residential unit, and must meet or exceed special insulation and other energy conservation standards specified by the Company under this Schedule.

(T)

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

MONTHLY RATES:

1. KILOWATTHOUR CHARGE

SUMMER
Cents per kWh

(D)

For the first 500 kWh

11.969

For all excess kWh. per kWh

8.969

WINTER
Cents per kWh

(D)

For the first 500 kWh

9.829

For the next 100 kWh

6.729

For the next 400 kWh

5.929

For all excess

2.852

The Winter Rates specified above shall be applicable in eight consecutive monthly billing periods beginning with the October bills each year. The Summer Rates shall apply in all other billing periods.

(T)

2. CUSTOMER CHARGE (per month)

\$4.75

(D)

3. OPTIONAL LOAD MANAGEMENT RATE

Where a residential customer elects to control his load manually, or through the use of a load control device, or requests a load meter, the rates specified in Section 1 above shall be modified as follows:

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

MONTHLY RATES: (Cont'd)

3. OPTIONAL LOAD MANAGEMENT RATE (Cont'd)

- a. A Time-of-Day option is available under which the load will be metered by a Time-of-Day load meter and the billing load shall be determined monthly and shall be the larger of the 30-minute on-peak registered load or one-fourth of the 30-minute off-peak registered load as indicated by a kilowatt demand meter but not less than 5.0 kW. On-peak time shall be 8:00 a.m. to 8:00 p.m. weekdays with the exception of Holidays.
- b. A Non-Time-of-Day option is also available under which all load will be measured by a Non-Time-of-Day load meter, irrespective of the time at which the highest billing load occurs. The billing load shall be determined monthly and shall be the highest 30-minute load registered in the month as indicated by a kilowatt demand meter but not less than 5.0 kW.
- c. For the purposes of both options a and b above, the initial 125 kWh per kW of billing load will be billed at Residential Water Heating Schedule Rates. All use in excess of 125 kWh per kW of billing load will be billed at \$.0178 per kWh.
- d. A \$6.50 monthly metering charge will apply to the Time-of-Day option under this Schedule while a \$3.20 monthly metering charge will apply to the Non-Time-of-Day option.

(D)

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

MONTHLY RATES (Cont'd)

3. OPTIONAL LOAD MANAGEMENT RATE (Cont'd)

- e. Upon receiving service under this optional rate, a customer shall be ineligible to receive service under any other provision of the residential schedule for a continuous twelve-month period. After discontinuation of service under this optional rate, the Customer shall be ineligible to receive service under this optional rate for a twelve-month period from the time service was discontinued.
- f. Multi-metered accounts are precluded from receiving service under the Optional Load Management Rate.

4. APPLICABLE RIDERS

The Rates and charges specified above shall be modified in accordance with the provisions of the following applicable Riders:

<u>ELECTRIC FUEL COMPONENT</u>	<u>Rider No. 1</u>	<u>Sheet No. 156</u>	(D)
<u>ELECTRIC SPACE HEATING</u>			
<u>COMPETITIVE GUARANTEE</u>	<u>Rider No. 5</u>	<u>Sheet No. 218</u>	(D)
<u>INTERIM EMERGENCY, TEMPORARY</u>			
<u>RECOVERY METHOD FOR PIPP</u>			
<u>ARREARAGES</u>	<u>Rider No. 8</u>	<u>Sheet No. 221</u>	(D)

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

SPECIAL RULES:

1. MULTIPLE INSTALLATIONS ON ONE METER

Four or less residential installations on the same Premises may be combined on one meter and billed under this schedule with the number of kWh in the rate blocks of the Rate each multiplied by the number of residential installations.

2. UNAVAILABLE TO CERTAIN INSTALLATIONS

This schedule shall not be applicable to the following installations which shall be billed under other schedules of the Company:

- a. Any combination on one meter of more than four residential installations on the same Premises.
- b. Any combination on one meter of residential and commercial installations on the same Premises.
- c. Pumps, elevators, X-ray machines, welding machines and other equipment where the use of electricity is intermittent or the load is of fluctuating character and where a special service connection is required.
- d. Any service which constitutes an additional service installation.

3. PERCENTAGE OF INCOME PAYMENT PLAN (PIPP)

Monthly bills to PIPP Customers for electric service, exclusive of Rider No. 1 and the other Riders provided for in Section 3 above, shall be reduced by 6.241%. (D)

QUALIFICATION PROCEDURE FOR SPACE HEATING DISCOUNT

The Builder of each individually-metered residential dwelling unit shall provide and certify to the Company information specifying the thermal insulation effectiveness (i.e., R/numbers) for insulation installed in each building section along with a description of installation and construction details. If each of the following insulation and other energy conservation standards in that dwelling unit is met, the Company shall approve the Consumer's application to be billed under the provisions of the space heating discount.

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

ENERGY CONSERVATION STANDARDS FOR SPACE HEATING DISCOUNT

Minimum Insulating
Value of Insulation
Installed

I. Building Sections (Except in Manufactured
Housing Units) (Cont'd)

A. Exterior Walls

1. Masonry walls including basement walls
above frost line. R/5
2. Frame and other fabricated exterior
walls above grade.
 - a. Where use of expanded polystyrene rigid
board insulation (or equivalent
material with comparable R/factor) is
permitted. R/16.5
 - b. In other locations. R/11
3. Common walls between separate dwelling
units. R/11

B. Ceilings

1. Uppermost ceiling separating heated
from unheated areas. R/30

C. Floors

1. Frame floors over unheated areas. R/22

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

ENERGY CONSERVATION STANDARDS FOR SPACE HEATING DISCOUNT (Cont'd)

I. Building Sections (Except in Manufacturing Housing Units) (Cont'd)

C. Floors (Cont'd)

2. Slab-on-grade floors shall have insulation at the perimeter edge:

- a. On the inside of the foundation wall from top of slab floor to below the frost line around the perimeter of the slab, or
- b. From the top of slab floor and extended down the thickness of the slab and then continued horizontally back under the slab to a width of at least two feet around the perimeter of the slab floor:

R/10

Vertical Portion
Horizontal Portion

R/10
R/5

3. Heating/cooling ducts that are installed in slab floors shall be enclosed on the warm winter side of the perimeter insulation in the manner provided in 2-(b) above.

D. Windows

1. Total window area shall not exceed 15% of the total floor area.

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

ENERGY CONSERVATION STANDARDS FOR SPACE HEATING DISCOUNT (Cont'd)

I. Building Sections (Except in Manufacturing Housing Units) (Cont'd)

D. Windows (Cont'd)

2. Windows shall be either double-glazed or installed with storm windows.
3. Metal windows shall provide a thermal break between the inside and outside surface areas of the frame.
4. Basement windows shall be either double-glazed, with storm windows, or provided with plastic bubbles covering the entire window opening. No more than the minimum area of windows allowed by municipal code shall be installed.
5. Air leakage shall not exceed 0.5 cfm per foot of operable sash crack.

E. Doors

1. Doors shall contain an insulation core, or
2. Uninsulated doors shall be installed with storm doors.
3. Air leakage shall not exceed 0.5 cfm per square foot of door area for sliding glass doors and swinging doors, respectively.

II. Insulation and Other Construction Techniques (Except in Manufactured Housing Units)

A. Insulation Installation Procedures

Insulation shall be installed in building sections in a workmanlike manner in order to receive the thermal insulation effectiveness of the manufacturers' designated R/numbers on their products.

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

ENERGY CONSERVATION STANDARDS FOR SPACE HEATING DISCOUNT (Cont'd)

II. Installation and Other Construction Techniques (Except in Manufacturing Housing Units) (Cont'd)

A. Insulation Installation Procedures (Cont'd)

1. Insulation on all side walls shall be firmly packed without exposures, at both top and bottom of wall cavities.
2. Insulation shall be chinked into all rough windows and door frame openings and covered with a vapor barrier.
3. Batts shall be neatly stapled at least every 6 inches.

B. A maximum of one sliding glass door per floor of living area shall be installed.

C. All shower heads shall be equipped with flow control devices to limit total flow to a maximum of 3 gpm per shower head.

D. All heating/cooling ducts running through unconditioned spaces shall be fully insulated, both supply and return air ducts (R/7 or better).

E. Hot Water Installation Procedures

1. Water heaters providing the domestic hot water supply shall not be located in unheated areas unless additional insulation is installed surrounding the tank.
2. Water heaters shall be located as close as possible to the points of greatest use of hot water. Where points of use are widely separated, more than one water heater shall be installed to eliminate excessive runs of hot water lines.

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

ENERGY CONSERVATION STANDARDS FOR SPACE HEATING DISCOUNT (Cont'd)

II. Installation and Other Construction Techniques (Except in
Manufacturing Housing Units) (Cont'd)

E. Hot Water Installation Procedures (Cont'd)

3. All hot water lines running through unconditioned areas shall be insulated (R/3.5 or better).

F. Caulking and Sealants

Exterior joints around windows and door frames, between wall and foundation, between wall and roof, between wall panels, at penetrations of utility services through walls, roofs, and through floors over unheated spaces, and all other openings in the exterior envelope of said dwelling structures shall be caulked, gasketed, weatherstripped, or otherwise sealed to prevent air leakage.

G. Vapor Barriers

1. All insulation shall be installed with vapor barriers, rated 1 perm or less, on the warm winter side of the insulation; provided, however, that vapor barriers shall not be required for top-ceiling areas that meet the attic ventilation provisions of Section 1529.11 of the Regional Dwelling House Code or applicable provisions of the Ohio Building Code.
2. Slab floors in living areas and slabs in crawl-space areas shall have vapor barriers rated 4 mil thickness with maximum 1 perm vapor penetration installed beneath the slab.

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RESIDENTIAL WATER HEATING AND SPACE HEATING SCHEDULE (Cont'd)

ENERGY CONSERVATION STANDARDS FOR SPACE HEATING DISCOUNT (Cont'd)

II. Installation and Other Construction Techniques (Except in
Manufacturing Housing Units) (Cont'd)

G. Vapor Barriers (Cont'd)

3. Vapor barriers, if damaged, shall be repaired before the final wall finish is installed.

III. Manufactured Housing Units Standards for Space Heating Discount

At minimum, manufactured housing shall meet the requirements of the Ohio Basic Building Code for Energy Conservation in New Building Construction, Rule 4101:2-25-03.

Exhibit AJY - 5

The Toledo Edison Company
Toledo, Ohio

P.U.C.O. No. 7

Ninth Revised Sheet No. 40

RESIDENTIAL RATE "R-01"

APPLICABILITY:

This rate is applicable to a single family residence, a single occupancy apartment, a mobile housing unit or any other single family residential unit.

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate general service rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

MONTHLY RATE:

	SUMMER	WINTER
(1) Customer Charge		
Single-Phase Service	\$ 4.75	\$ 4.75
Three-Phase Service	\$ 8.75	\$ 8.75
(2) Energy Charge		
First 1000 KWH, per KWH	11.26¢	10.14¢
All Additional KWH, per KWH	9.98¢	7.88¢

SEASONAL PERIODS:

The Summer period shall be the billing months of June through September and the Winter period shall be the billing months of October through May.

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

All bills for service shall be payable on or before the due date shown on the bill. The due date shall not be less than fourteen days after the mailing of the bill. Interest, at the rate of 1.5 percent (1.5%) per month, shall be charged on any unpaid balance existing at the next billing date for all Customers, except this provision is not applicable to unpaid account balances of customers enrolled on income payment plans pursuant to Section 4901:1-18-04(B), Ohio Administrative Code. For residential customers, the late payment service charge will be assessed only when there is more than one late payment in a twelve-month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in Rider No. 1 - Electric Fuel Component Rate of this tariff.

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$8.00.

TYPE OF SERVICE:

The type of service available includes alternating current, 60 hertz, single phase at the Company's secondary voltages, overhead or underground as available at the specific customer location. The customer may elect three-phase service where this can be made available without additional construction cost.

This sheet filed pursuant to the Opinion and Order in Case No. 95-299-EL-AIR of the Public Utilities Commission of Ohio dated April 11, 1996.

Continued on Sheet No. 41

The Toledo Edison Company
Toledo, Ohio

P.U.C.O. No. 7

Fifth Revised Sheet No. 41

RESIDENTIAL RATE "R-01"

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.

INTERIM EMERGENCY AND TEMPORARY RECOVERY METHOD FOR PERCENTAGE OF INCOME PAYMENT PLAN ARREARAGES:

(D)

Monthly charges computed under this schedule shall be adjusted in accordance with the INTERIM EMERGENCY AND TEMPORARY RIDER for the recovery of Percentage of Income Payment Plan arrearages as set forth in Rider No. 3.

This sheet filed pursuant to the Opinion and Order in Case No. 95-299-EL-AIR of the Public Utilities Commission of Ohio dated April 11, 1996.

The Toledo Edison Company
Toledo, Ohio

P.U.C.O. No. 7

Ninth Revised Sheet No. 46

RESIDENTIAL HEATING RATE "R-07"

APPLICABILITY:

This rate is available on an optional basis to a high usage single family residence utilizing a permanently installed electric space heating system as a substantial source of the space heating requirements and applying also to a single occupancy apartment, a mobile housing unit or any other single family residential unit meeting the utilization requirements. Not less than 75 percent of the customer's connected load must be within the dwelling unit. (T)

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate general service rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

MONTHLY RATE:

	SUMMER	WINTER
(1) Customer Charge		
Single-Phase Service	\$ 4.75	\$ 4.75
Three-Phase Service	\$ 8.75	\$ 8.75
(2) Energy Charge		
First 500 KWH, per KWH	11.25¢	10.14¢
Next 400 KWH, per KWH	9.02¢	8.49¢
All Additional KWH, per KWH	9.98¢	3.88¢

SEASONAL PERIODS:

The Summer period shall be the billing months of June through September and the Winter period shall be the billing months of October through May. (D)

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

All bills for service shall be payable on or before the due date shown on the bill. The due date shall not be less than fourteen days after the mailing of the bill. Interest, at the rate of 1.5 percent (1.5%) per month, shall be charged on any unpaid balance existing at the next billing date for all Customers, except this provision is not applicable to unpaid account balances of customers enrolled on income payment plans pursuant to Section 4901:1-18-04(B), Ohio Administrative Code. For residential customers, the late payment service charge will be assessed only when there is more than one late payment in a twelve-month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in Rider No. 1 - Electric Fuel Component Rate of this tariff. (D)

This sheet filed pursuant to the Opinion and Order in Case No. 95-299-EL-AIR of the Public Utilities Commission of Ohio dated April 11, 1996.

Continued on Sheet No. 47

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The Toledo Edison Company
Toledo, Ohio

P.U.C.O. No. 7

Fourth Revised Sheet No. 47

RESIDENTIAL HEATING RATE "R-07"

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$8.00.

TYPE OF SERVICE:

The type of service available includes alternating current, 60 hertz, single phase at the Company's secondary voltages, overhead or underground as available at the specific customer location. The customer may elect three-phase service where this can be made available without additional construction cost.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) Customer must have permanently installed and in operation, electric space heating equipment supplying a substantial portion of the heating requirements of his residence.
- (3) Customer may have permanently installed and in operation, electric water heating equipment, approved by the Company, supplying the entire requirement for domestic hot water. The maximum electric water heating element rating shall be 5500 watts. Two element water heaters with non-interlocked elements have a permissible total element wattage of 7000 watts. In order to assure satisfactory hot water service, the Company recommends that the water heating equipment in residences have minimum total tank capacity of 40 gallons.
- (4) Continued applicability of this rate to a customer is contingent upon their participation in a positive load control program involving the installation of load controls on electric water heating and central air conditioning should the Company so request.

INTERIM EMERGENCY AND TEMPORARY RECOVERY METHOD FOR PERCENTAGE OF INCOME PAYMENT PLAN ARREARAGES:

Monthly charges computed under this schedule shall be adjusted in accordance with the INTERIM EMERGENCY AND TEMPORARY RIDER for the recovery of Percentage of Income Payment Plan arrearages as set forth in Rider No. 3.

(D)

This sheet filed pursuant to the Opinion and Order in Case No. 88-171-EL-AIR of the Public Utilities Commission of Ohio dated January 31, 1989.