

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application for)	
Establishment of a Reasonable)	
Arrangement Between ASHTA)	
Chemicals Inc. and The Cleveland)	Case No. 12-1494-EL-AEC
Electric Illuminating Company)	
)	
)	

COMMENTS OF THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

On May 7, 2012, ASHTA Chemicals Inc. (“ASHTA”), a “mercantile customer” as defined by Section 4928.01, Revised Code, and a producer of inorganic chemicals located currently in or around Ashtabula, Ohio and in the certified territory of The Cleveland Electric Illuminating Company (“Company”), filed an application for a Reasonable Arrangement (“the application”) with the Public Utilities Commission of Ohio. The application states that a reasonable and predictable price over a term will allow ASHTA to make a capital investment of approximately \$115M to \$135M in order to transform their current manufacturing process, which would expand the range and quantity of products produced and sold. As a result, ASHTA will be able to sustain current and expand its direct employment by 15 people.

Pursuant to the Entry dated May 29, 2012 the Company submits the following comments on the application filed by ASHTA for a reasonable arrangement.

In its application, ASHTA notes that it is “currently sourcing generation supply and intends to continue to do so based on its belief that such competitive procurement of generation supply will operate to reduce the amount of any “delta revenue” that might otherwise arise if ASHTA obtained electricity pursuant to CEI’s otherwise applicable standard service tariff offer.” (Application at page 3) The Company believes that the energy consumed by a customer under a

reasonable arrangement should be served by a competitive supplier if the price is less than the standard service offer. The Company agrees that if the load can be served at a lower price in the competitive market it reduces the discounts that need to be funded by other customers in the form of delta revenues in support of the reasonable arrangement.

In its application at page 5, ASHTA states “in conjunction with approving the schedule or arrangement described herein and to encourage economic retention and expansion, ASHTA requests that the Commission remove any increase in ASHTA’s energy and demand billing determinants from the computation of any such baseline that may otherwise apply to CEI, its successors or assigns.” The Company supports this request because it helps reduce the amount of expenditures needed to comply with the requirements of R.C. 4928.66, thereby benefiting customers that are funding the delta revenue resulting from a potential reasonable arrangement. For similar reasons, the Company agrees with ASHTA that the parties should work together to identify and maximize customer sited energy efficiency and peak demand reduction capabilities during the term of the reasonable arrangement, including without limitation those arising from the electricity intensity reduction per unit that is expected, and that ASHTA should commit those customer sited energy efficiency and peak demand reduction capabilities for integration into the Company’s portfolio for purposes of complying with R.C. 4928.66 at no additional cost to the Company and/or its customers. *See ASHTA Application, p.3.*

In its application at page 4, ASHTA “urges the Commission to address the subject and treatment of “delta revenue” in compliance with Section 4905.31, Revised Code and Rule 4901:1-38-08, O.A.C.” The Company does not believe this language is adequate to assure the recovery of delta revenue resulting from a reasonable arrangement with ASHTA. The Company needs specific authorization from the Commission as part of its approval of the reasonable

arrangement to recover all costs incurred by it associated with the reasonable arrangement, including full and timely recovery of all delta revenue. Further, if a reasonable arrangement is approved under which ASHTA sources its generation supply from a competitive supplier, then “delta revenue” would need to be defined in the reasonable arrangement to reflect this situation and to permit the Company to recover the difference between what is billed to ASHTA by the Company for generation service, under a utility consolidated billing approach, and what the Company pays the competitive supplier, notwithstanding any PUCO rules to the contrary. A condition precedent to this application is the waiver by the PUCO of any rules, including without limitation the definition of delta revenue, that may be contrary to any provision contained in the reasonable arrangement or that would prevent or hinder recovery of the delta revenue resulting from the reasonable arrangement. If the PUCO disallows or the Company is not otherwise permitted during the term of the reasonable arrangement the full and timely recovery of delta revenue, then the reasonable arrangement may be immediately terminated by the Company. The Company believes the delta revenue should be timely recovered from all retail customers on a proportional basis by all three FirstEnergy Ohio electric utilities (Ohio Edison, The Toledo Edison Company and The Cleveland Electric Illuminating Company) through their existing Delta Revenue Recovery (“DRR”) Riders, or successor delta revenue recovery mechanisms as approved by the Commission.

The application does not provide for an estimated level of delta revenue expected to arise as a result of the reasonable arrangement. While a precise number is difficult to ascertain due to the inability of the parties to know the pricing levels for electricity that will be in place over the duration of the reasonable arrangement, the Company believes that the level of delta revenue should be commensurate with the value arising from the reasonable arrangement, as realized

through job retention and creation and capital investment, flowing to other customers. The Company believes such an approach can be helpful in articulating the commitment being made by the other customers in support of the reasonable arrangement.

The application does not expressly identify a tie between the discounts provided and capital expenditures and/or jobs created. The Company believes a firm commitment on jobs and/or capital expenditure levels to maintain the agreed to discounts contained in the reasonable arrangement provide an additional means to help ensure commitments made by ASHTA are met in exchange for support provided by our customers.

ASHTA stated in their application at page 3 that they are “requesting ‘all-in’, kWh-based pricing with a time differentiated rate design that will encourage ASHTA to maximize its off-peak consumption capabilities.” They also stated that due to the competitive nature of the details of pricing and other terms of this arrangement they prefer to keep the application general in terms of price, and commit to give the Commission Staff additional if such details receive appropriate protection as confidential or trade secrets (Application at page 2).

In the application at page 3, the proposed term of the reasonable arrangement is ten (10) years commencing with its effective date which shall “be the date upon which the Commission permits the schedule or arrangement to become effective.” For clarity, the Company recommends that the effective date of the discount commence on the start date of commercial operation of the new manufacturing process. The Company believes that during construction of the new facilities, electricity should be provided by the Company at its standard rates and tariffs, or successor tariffs including all other applicable riders and the generation pricing provided by ASHTA’s competitive supplier if applicable. The Company also believes, consistent with the timeline outlined in the Application at page 2, that there is value in including a provision

providing that the date of commercial operation should be no later than three years from the date of Commission approval of the Application in order to go forward with the reasonable arrangement as originally approved by the Commission.

The Company appreciates the opportunity to provide comments on the ASHTA application for a reasonable arrangement and is committed to working with ASHTA, the Commission and its Staff to address any issues related to the proposed reasonable arrangement in this proceeding.

Respectfully submitted,

/s/ James W. Burk

James W. Burk (Attorney No. 0043808)
FIRSTENERGY SERVICE COMPANY
76 South Main Street
Akron, OH 44308
(330) 384-5861 (telephone)
(330) 384-3875 (fax)
burkj@firstenergycorp.com

ATTORNEY FOR THE CLEVELAND
ELECTRIC ILLUMINATING COMPANY

Certificate of Service

I hereby certify that the foregoing Comments of The Cleveland Electric Illuminating Company were served this 28th day of June, 2012 by United States mail, postage prepaid, and electronic mail on the persons listed below.

/s/ James W. Burk
James W. Burk

William L Wright
Thomas McNamee
Asst. Attorneys General
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
Email: William.wright@puc.state.oh.us
Email: Thomas.mcnamee@puc.state.oh.us

Samuel C. Randazzo
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, Ohio 43215
Email: sam@mwncmh.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/28/2012 4:53:09 PM

in

Case No(s). 12-1494-EL-AEC

Summary: Comments electronically filed by Ms. Carrie M Dunn on behalf of The Cleveland Electric Illuminating Company