

File

6

ANNUAL EFC REVIEW

OF THE

TOLEDO EDISON COMPANY
CLEVELAND ELECTRIC ILLUMINATING
COMPANY

CASE NO. 99-1007-EL-EFC

CASE NO. 99-1008-EL-EFC



SUBMITTED BY THE STAFF
OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

February 7, 2000

RECEIVED RECORDING DIV
00FEB-7 PM 5:02
PUCO

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business. Technician *Juan Schuster* Date processed *2-8-00*

INTRODUCTORY SUMMARY

The Staff has completed its review of the annual EFC rate adjustments for The Cleveland Electric Illuminating Company (CEI) and The Toledo Edison Company (TE). The Staff has calculated both rates in accordance with FirstEnergy's Rate Plan that was approved by the Commission in Case No. 96-1211-EL-UNC on January 30, 1997. The Staff is requesting to decrease CEI's current EFC Rate of 1.3918 ¢/kWh to 1.3390 ¢/kWh and TE's EFC Rate of 1.3717 ¢/kWh to 1.3149 ¢/kWh. Both rate adjustments are under the rate plan ceiling of 1.465 ¢/kWh. The impact of the proposed rate decreases on a residential customer's average bill that uses 750 kWh per month is approximately 42 cents.

The Staff requested from FirstEnergy each Company's Thirty-Day Filing information and reviewed the information in preparation of this report. The Staff recommends adopting the EFC Rates to become effective March 1, 2000.

EFC RATE CALCULATION

The decreases in the EFC Rates were calculated based upon the percent change between the prior calendar year's average Implicit Price Deflator (GDP) and the average GDP for the calendar year preceding that year. The annual average of the GDP is determined by adding the quarterly indexes and dividing the sum by four. The annual average GDP of the U.S. Department of Commerce was 102.86 for the calendar year 1998 and 104.37 for 1999. The percent change between the two GDP indexes was 0.0147. In addition, both EFC Rates reflect the elimination of the Quarto Fixed charges. CEI's reduced EFC Rate includes \$13.96 million of the Quarto charges and TE's reduced EFC Rate includes \$8.74 million of the charges. The method for determining the EFC Rate is calculated with the following formula:

$$\text{EFC} = (\text{FC Base} \times [1 + \text{GDP Index}]) + \text{Fixed Component}$$

Where:

FC Base: The FC Base shall equal 85% of the Company's then effective EFC Rate

GDP Index: The GDP Index shall equal the percentage change in the Average GDP price deflator for the immediately preceding two calendar years

Fixed Component: The Fixed Component shall equal 15% of the Company's then existing EFC Rate

EFC Cap: 1.4650 ¢ per kWh

The quarterly GDP's for the years 1998 and 1999, the annual average, and the percent change are shown on Attachment 1. In addition, the current or effective EFC Rate for CEI is 1.3918 ¢/kWh and the effective EFC Rate for TE is 1.3717 ¢/kWh. These rates were approved by the Commission in Case No. 99-107-EL-EFC and Case No. 99-108-EL-EFC. The development of the proposed EFC Rates is shown below:

The Cleveland Electric Illuminating Company

Quarto Adjustment $(1.3918 - 0.0693) = 1.3225$
 $EFC = (FC \text{ Base} \times [1 + GDP]) + \text{Fixed Component}$
 $EFC = ((1.3225 \times 0.85) \times [1 + 0.0147]) + 0.1984$
 $EFC = 1.3390 \text{ ¢}$

The Toledo Edison Company

Quarto Adjustment $(1.3717 - 0.0865) = 1.2852$
 $EFC = ((1.2852 \times 0.85) \times [1 + 0.0147]) + 0.1928$
 $EFC = 1.3013 \text{ ¢}$
 Deferred Revenue from September 1998 = 0.0136 ¢
 $EFC = 1.3149 \text{ ¢}$

Note: The deferred Revenue from September 1998 of 0.0136 ¢ was approved in Finding and Order 97-107-EL-EFC.

The Staff is requesting to adjust CEI's EFC Rate to 1.3390 ¢/kWh and TE's EFC Rate to 1.3149 ¢/kWh. These rates represent decreases of (0.0528) ¢/kWh and (0.0568) ¢/kWh respectively. Residential customers who use an average of 750 kWh per month will see a decrease in their electric bills of approximately 42 cents.

PERFORMANCE

The Staff also included in this annual audit a review of CEI's and TE's performance under its fixed EFC Rate Plan. FirstEnergy provided to the Commission Staff a monthly summary report of its fuel costs incurred. In its review, the Staff compared CEI's and TE's actual fuel costs incurred versus revenues generated from the fixed EFC Rates.

Attachment 2 shows the revenue differential between the rate plan EFC rate and the actual fuel costs. As can be seen, the actual additional revenue collected by CEI was \$44,504,935 and \$44,399,845 by TE through November 1999.

RECOMMENDATIONS

Based on its review, the Staff recommends that The Cleveland Electric Illuminating Company and The Toledo Edison Company EFC Rates become effective with bills rendered on March 1, 2000.

ATTACHMENT 1

<http://www.stls.frb.org/fred/data/gdp/update/gdp49>

<http://www.stls.frb.org/fred/data/gdp/update/g>

Gross Domestic Product:
Implicit Price Deflator
1996=100, Seasonally Adjusted
Source: U.S. Department of Commerce, Bureau of Economic Analysis

DATE	GDPDEF
1998.1	102.35
1998.2	102.68
1998.3	103.07
1998.4	103.33
1999.1	103.83
1999.2	104.19
1999.3	104.46
1999.4	104.99

Year	Quarter	GDP	Average	Percent Change
1998	1	102.35		
1998	2	102.68		
1998	3	103.07		
1998	4	<u>103.33</u>		
		411.43	102.86	
1999	1	103.83		
1999	2	104.19		
1999	3	104.46		
1999	4	<u>104.99</u>		
		417.47	104.37	0.0147

ATTACHMENT 2

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

Month	Net Includable kWh	Fixed EFC Rate	Actual ¢/kWh	Additional Revenue
Jan 99	1,729,954,700	1.3800	1.125131	\$4,409,118
Feb 99	1,543,169,370	1.3800	1.063989	4,876,585
Mar 99	1,782,503,540	1.3918	1.259673	2,355,168
Apr 99	1,513,046,990	1.3918	1.298406	1,413,095
May 99	1,545,532,530	1.3918	1.042748	5,394,712
Jun 99	1,792,407,850	1.3918	1.197831	3,476,716
Jul 99	2,050,275,850	1.3918	1.681990	-5,949,695
Aug 99	1,749,136,360	1.3918	0.900987	8,584,989
Sep 99	1,542,738,160	1.3918	0.983979	6,291,610
Oct 99	1,558,778,590	1.3918	0.967548	6,613,149
Nov 99	1,547,388,530	1.3918	0.936873	7,039,488
Total	18,354,932,470			\$44,504,935

THE TOLEDO EDISON COMPANY

Month	Net Includable kWh	Fixed EFC Rate	Actual ¢/kWh	Additional Revenue
Jan 99	1,074,090,000	1.3600	0.895301	\$4,991,285
Feb 99	955,899,000	1.3600	0.841266	4,958,573
Mar 99	934,381,000	1.3717	0.933281	4,096,504
Apr 99	923,945,000	1.3717	1.098862	2,520,873
May 99	1,026,864,000	1.3717	1.052838	3,274,279
Jun 99	1,126,397,000	1.3717	0.945372	4,802,146
Jul 99	1,090,586,000	1.3717	1.404492	-357,625
Aug 99	1,132,436,000	1.3717	0.862623	5,764,971
Sep 99	1,048,071,000	1.3717	0.850506	5,462,483
Oct 99	1,001,027,000	1.3717	0.906738	4,654,395
Nov 99	982,851,000	1.3717	0.941120	4,231,960
Total	11,296,547,000			\$44,399,845