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February 21, 2020

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, OH 43215

RE: *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of New Tariff Language, Case No. 20-0050-EL-ATA.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for approval of new tariff language regarding the time-varying rate in Case No. 20-0050-EL-ATA.

Krystina Schaefer  
Division Chief, Grid Modernization & Retail Markets  
Public Utilities Commission of Ohio

Enclosure  
Cc: Parties of Record

**Ohio Edison Company  
The Cleveland Electric Illuminating Company  
The Toledo Edison Company  
Case No. 20-0050-EL-ATA (Time-Varying Rate)**

## **Summary**

Staff recommends approval of Ohio Edison Company's, The Cleveland Electric Illuminating Company's, and The Toledo Edison Company's (collectively, FirstEnergy or the Companies) proposed time-varying rate (TVR) structure for residential customers. Staff recommends that the Commission direct the Companies to submit a customer education and marketing plan to Staff for discussion and approval prior to implementation of the TVR structure. Further, Staff requests the Companies refile the corresponding tariff sheets to correct typographical errors; "advanced an meter" or "an advanced meters" should be corrected to read "an advanced meter."

## **Procedural History**

On March 31, 2016, in Case No. 14-1297-EL-SSO, the Public Utilities Commission of Ohio (Commission) approved FirstEnergy's application for its fourth ESP (ESP IV).<sup>1</sup> On October 12, 2016, the Commission issued the Fifth Entry on Rehearing in the *ESP IV Case*, further modifying ESP IV.<sup>2</sup> Among other terms, ESP IV required the Companies to undertake grid modernization initiatives that promote customer choice in Ohio and to file a grid modernization business plan.<sup>3</sup>

Accordingly, on February 29, 2016, the Companies filed a grid modernization plan with the Commission in Case No. 16-481-EL-UNC (*Grid Mod Case*). Specifically, the Companies' plan provided scenarios for the Companies to achieve smart meter installation, as well as other grid modernization investments like distribution automation and integrated volt-VAR control.<sup>4</sup>

Subsequently, in the Fifth Entry on Rehearing in the *ESP IV Case*, the Commission noted that it intended to undertake a detailed policy review of grid modernization and that FirstEnergy's grid modernization business plan would be addressed following such review.<sup>5</sup> The Commission commenced this detailed policy review in 2017, and, on August 29, 2018, the Commission released *A Roadmap to Ohio's Electricity Future*.

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<sup>1</sup> *In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co., for Authority to Provide for a Std. Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Elec. Security Plan*, Case No. 14-1297-EL-SSO, (*ESP IV Case*) Opinion and Order (Mar. 31, 2016).

<sup>2</sup> *ESP IV Case*, Fifth Entry on Rehearing (Oct. 12, 2016).

<sup>3</sup> *ESP IV Case*, Opinion and Order at 22, 95-96.

<sup>4</sup> *In the Matter of the Filing by Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co., of a Grid Modernization Business Plan*, Case No. 16-481-EL-UNC, (*Grid Mod Case*) Application at 13 (Feb. 29, 2016).

<sup>5</sup> *ESP IV Case*, Fifth Entry on Rehearing at 96-97.

In the interim, on December 4, 2017, the Companies filed an application for approval of a distribution platform modernization plan in Case No. 17-2436-EL-UNC (*DPM Plan Case*) as a complement to the initiative. According to FirstEnergy, the DPM Plan was designed to be completed over a three-year period to provide enhanced reliability and timelier outage restoration.<sup>6</sup>

On November 9, 2018, a Stipulation and Recommendation was filed recommending a resolution for the *Grid Mod Case*, the *DPM Plan Case*, as well as the financial impacts of the Tax Cuts and Jobs Act of 2017 on the Companies (Stipulation).<sup>7</sup> A Supplemental Stipulation and Recommendation (Supplemental Stipulation) was filed on January 25, 2019, which modified the Stipulation and added additional signatory parties.<sup>8</sup> Among other terms, the Stipulation included a provision that FirstEnergy create and facilitate a grid modernization collaborative (Collaborative) to update stakeholders on the status of FirstEnergy's grid modernization project (Grid Mod 1) and to provide for customer input and advice.<sup>9</sup> Additionally, the Stipulation included a provision that within six months of the Opinion and Order in these proceedings, and after consultation with the Collaborative, the Companies would propose a TVR offering for non-shopping customers, designed to achieve energy and capacity savings detailed in the Companies' cost-benefit analysis and that leverages enabling devices, e.g. smart thermostats.<sup>10</sup>

By Entry issued November 15, 2018, the attorney examiner consolidated the cases and set a procedural schedule, resulting in a hearing that concluded on February 6, 2019. The Stipulation was approved by the Commission on July 17, 2019.<sup>11</sup>

### **Collaborative Meetings**

The Collaborative had an initial meeting on November 13, 2019. Subsequently, a meeting on a TVR was held on December 10, 2019, and a follow up call was held on January 9, 2020. In the December 10 meeting, the Companies proposed to utilize the existing Generation Service Rider (Rider GEN) to establish a TVR for non-shopping customers.

For discussion, the Companies provided "summer data" and "winter data" that included a) the average hourly demand (MWs), by class, over the last 36 months (ending November 2019), excluding weekends and holidays, and b) the total hourly usage (MWHs), by class, over the last 36 months (ending November 2019). The Companies also provided average hourly real-time locational marginal price (LMP) data for the ATSI zone (reflecting system peaks) and illustrative

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<sup>6</sup> In re *Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co. for Approval of a Distribution Platform Modernization Plan*, Case No. 17-2436-EL-UNC, Application at 4 (Dec. 1, 2017).

<sup>7</sup> In re *Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co.*, Case Nos. 16-481-EL-UNC and 17-2436-EL-UNC, et al., (*Grid Mod 1 Case*), Stipulation (Nov. 9, 2018).

<sup>8</sup> The Supplemental Stipulation modified certain portions of the original Stipulation. The provisions of the original Stipulation are still applicable unless explicitly modified by the Supplemental Stipulation.

<sup>9</sup> *Grid Mod 1 Case*, Stipulation at 14.

<sup>10</sup> *Id.* at 17.

<sup>11</sup> *Grid Mod 1 Case*, Opinion and Order (July 17, 2019).

rate designs. Following discussion, the Companies revised the proposal, and the revised proposal was discussed on January 9, 2020.

### Company Filing

In response to and compliance with the Commission’s July 17, 2019 Order in Case Nos. 16-481-EL-UNC and 17-2436-EL-UNC, et al., FirstEnergy filed proposed amendments to its tariff on January 17, 2020. Specifically, FirstEnergy seeks to amend Rider GEN to establish a TVR offering for non-shopping residential customers with an advanced meter installed by the Companies, and to expand the eligibility of the existing TVR offering for non-shopping non-residential customers to include those with an advanced meter installed by the Companies. The proposed TVR for non-shopping residential customers sets the following energy charges:

	Summer <sup>12</sup>	Winter <sup>13</sup>
<b>Midday Peak</b>	7.9156¢	6.4245¢
<b>Shoulder Peak</b>	5.1937¢	4.7260¢
<b>Off-Peak</b>	3.9578¢	3.2123¢

Midday-peak time is 2:00 p.m. to 6:00 p.m. EPT, Monday through Friday, excluding holidays. Shoulder-peak time is 6:00 a.m. to 2:00 p.m. and 6:00 p.m. to 8:00 p.m. EPT, Monday through Friday, excluding holidays. Off-peak is all other hours.

Six holidays are defined as New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

The capacity charges for customers taking service under the TVR option shall be the same as the standard capacity charges under Rider GEN.

### Staff Comments

Staff considers the proposed TVR structure for residential customers to be reasonable. The time blocks delineating midday-peak, shoulder-peak and off-peak rates are easy for customers to remember because they are the same over the entire year. The midday-peak hours of 2:00 p.m. to 6:00 p.m. EPT correspond to the summer hours with the highest total demand (MW) over a 36-month historical period,<sup>14</sup> and are not far off from the earlier winter hours with the highest total demand. These hours also closely align with the highest historical real-time LMP rates in the ATSI zone,<sup>15</sup> as pictured in the charts below.

For the rate design, the historical real-time LMP rates in the ATSI zone were used to establish seasonal, midday-peak and shoulder-peak factors, based on the ratio of the average LMP price

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<sup>12</sup> Summer months are June, July, and August.

<sup>13</sup> Winter is all months except June, July, and August.

<sup>14</sup> Average Hourly MW (36 Months Ended November 2019).

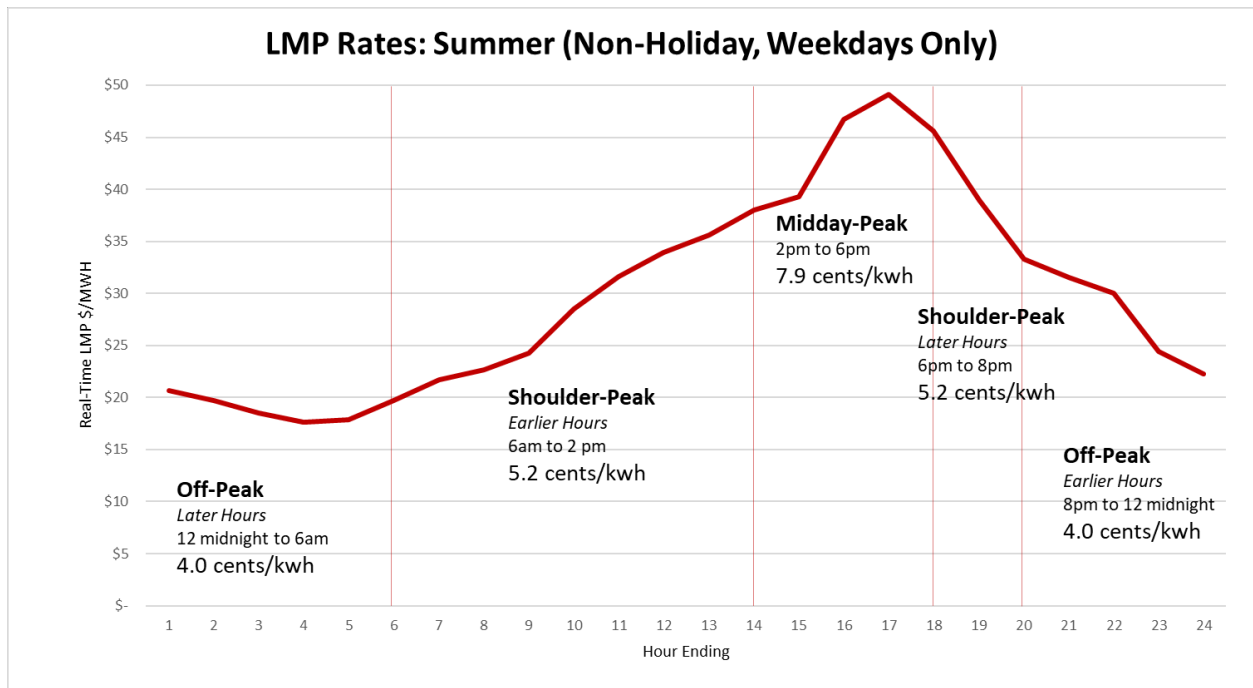
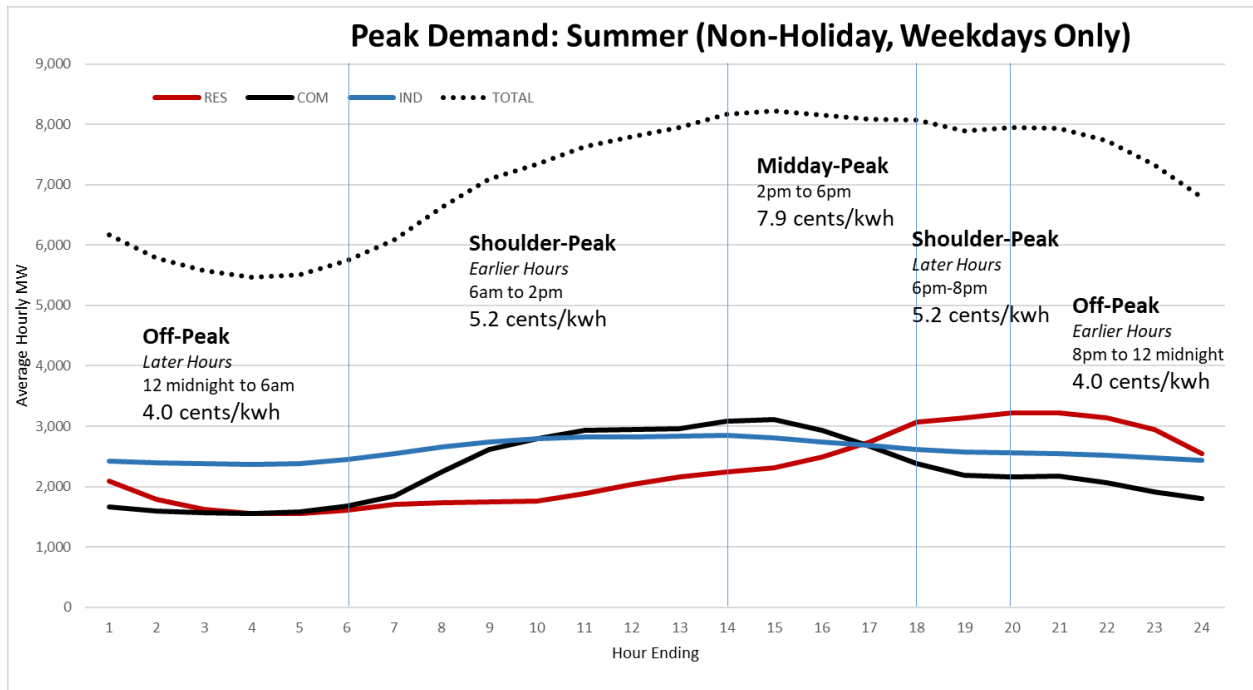
<sup>15</sup> Based on real-time LMP rates in the ATSI zone from 12/1/16 through 11/30/19.

during midday-peak and shoulder-peak hours to the average LMP price for all hours. Based on feedback, the Companies further modified these factors to achieve a midday-peak to off-peak price ratio of approximately 2:1. These factors were applied to the standard Rider GEN rate to develop the seasonal TVR rates for each time block.

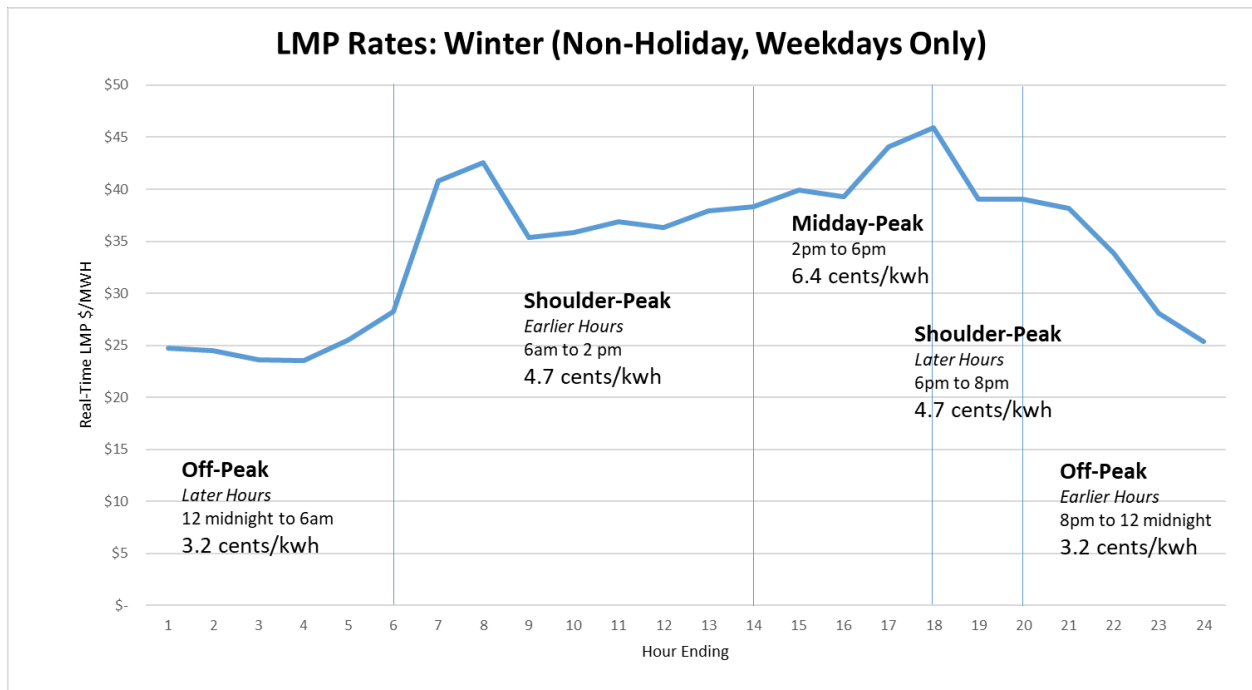
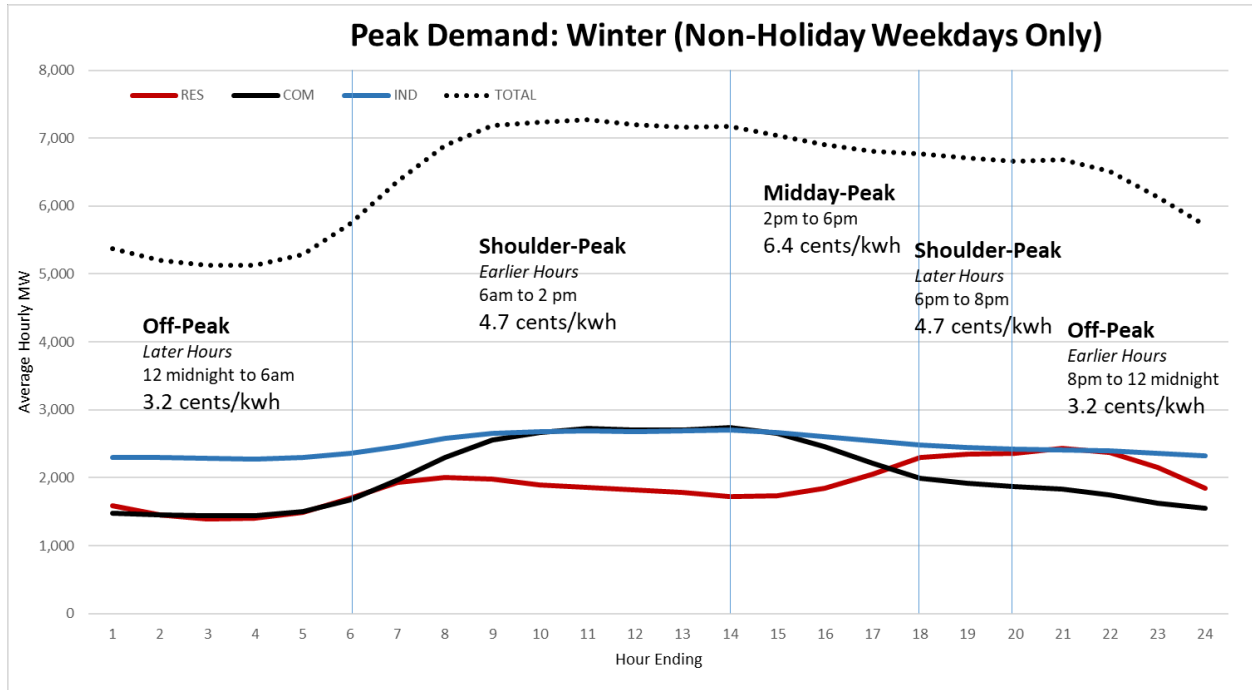
This rate design provides customers with an incentive to shift at least some of their consumption from the midday-peak to off-peak time blocks, resulting in lower customer utility bills, and a relatively flatter total demand on the system. At the same time, the proposed TVR structure is revenue neutral for standard service offer (SSO) customers, meaning that without behavioral changes, a hypothetical residential customer using 800-kilowatt hours a month would incur the same monthly charges on their utility bill, regardless of whether that customer chose the existing flat rate structure or the proposed TVR structure.

Overall, the proposed TVR structure is transparent and easy to understand, provides participating customers with possible savings opportunities, and tends to benefit all customers in the form of providing incentives to reduce peak demand during more expensive time periods. Staff recommends approval of the proposed TVR structure for residential customers. However, Staff recommends that the Commission direct the Companies to submit a customer education and marketing plan to Staff for discussion and approval prior to implementation of the TVR structure. The customer education and marketing plan would be designed to educate and raise customer awareness about the TVR option to allow customers to make informed decisions. Further, Staff recommends that the Companies refile the corresponding tariff sheets to correct typographical errors; “advanced an meter” or “an advanced meters” should be corrected to read “an advanced meter.”

## Charts: Summer



## Charts: Winter



**This foregoing document was electronically filed with the Public Utilities**

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Summary: Staff Review and Recommendation Staff's Review and Recommendations regarding the application filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for approval of new tariff language regarding the time-varying rate in Case No. 20-0050-EL-ATA. electronically filed by Ms. Krystina M Schaefer on behalf of PUCO Staff