Ohio | Public Utilities Commission
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Lawrence K. Friedeman
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Daniel R. Conway

February 16, 2021

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

RE: *In the Matter of the Review of the Non-Market Based Services Rider contained in the Tariffs of Ohio Edison, The Cleveland Electric Illuminating Company and The Toledo Edison Company, Case No. 20-1768-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by The Ohio Edison, The Cleveland Electric Illuminating Company and The Toledo Edison Company to update its Non-Market Based Services Rider, in Case No. 20-1768-EL-RDR

Sincerely,

Marianne Townsend
Chief, Regulatory Utility Services
Rates and Analysis, Dept.
Public Utilities Commission of Ohio

Dorothy Bremer
Section Chief, Regulatory Utility Services
Rates and Analysis, Dept.
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

**The Ohio Edison Company**
**The Cleveland Electric Illuminating Company**
**The Toledo Edison Company**

**Case No. 20-1768-EL-RDR (NMB)**

## Summary

On December 17, 2020 The Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy) filed the Non-Market Based Services Rider (NMB) annual update application. The NMB is designed to recover non-market based transmission-related costs, such as Network Integration Transmission Service (NITS) charges, imposed on or charged to the Companies by the Federal Energy Regulatory Commission (FERC) or PJM on a non-bypassable basis.

The NMB pilot program (Pilot) was approved in Case No. 14-1297-EL-SSO. The Pilot began June 1, 2016 and as of the filing of the application in this Case, 75 customers are expected to be participating in the Pilot as of March 1, 2021. Customers served under the Pilot are billed directly by PJM or their CRES provider and are no longer subject to the NMB Rider rates. This allows the customer or their CRES to be billed directly for certain costs such as NITS based on the customer's specific Network Service Peak Load (NSPL), as opposed to the customer being billed by the utility under Rider NMB based on their monthly metered billing demand. This provides an opportunity for these customers to control their transmission related costs by controlling their NSPL.

## Staff Review

In its annual review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous NMB cases and conducted this audit through a combination of document review, interviews, and interrogatories. For the audit period October 1, 2019 through September 30, 2020, Staff requested documentation as needed to determine that the costs were substantiated and jurisdictional or to conclude that an adjustment was warranted.

Staff notes that it also concluded its audit of the Legacy RTEP costs authorized on October 9, 2019 in Case No. 18-1818-EL-RDR. Staff reviewed the amortization for the amount of Legacy RTEP costs in excess of the refunds incurred from the period of January 2012 to February 2019. Staff finds the costs are accurate for the time period and the amortization is being applied correctly.

Staff has reviewed the Company's application and additional data provided in this case and finds that the proposed rates for the CEI GSU and OE/TE GT rate classes would result in significant increases to their monthly bills, including several customers that would experience increases in excess of 20%. To help mitigate these large increases, Staff recommends that the Company modify the proposed rates for OE/TE GT classes and the CEI GSU class to reduce the impacts such that customers monthly bill increases would not exceed 10%. Based on the Company's responses to DR#6 the following rates would help mitigate the impacts to these customers and result in increases that are 10% or less:[1]

| | |
|---|---|
| CEI GSU | $ 7.5080/kW |
| OE GT | $ 5.6987/kVa |
| TE GT | $ 6.7637/kVa |

The above adjusted rates would reduce the revenue collected by the Company by approximately $21M for the upcoming annual rate period. Staff recommends that the uncollected revenues resulting from the reduced rates should only be recovered from classes subject to the reduced rates. Staff understands the reduced rates result in less cash flow to the Company and will also result in increased carrying charges and; therefore, recommends that the Company file an interim update in six months to determine if it is appropriate to begin recovery of the $21M at that time.

**Conclusion**

Subject to the recommendations above, Staff recommends to the Commission that FirstEnergy's application filed on December 17, 2020 be approved for rates effective March 1, 2020.

[1]Certain customers subject to a minimum billing demand may experience increases up to 12%, however, the increases to these types of customers generally result in much lower dollar impacts.