Ohio | Public Utilities Commission
Mike DeWine, Governor
Jenifer French, Chair

Commissioners

M. Beth Trombold
Lawrence K. Friedeman
Dennis P. Deters
Daniel R. Conway

February 14, 2022

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. 21-1225-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. 21-1225-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. 21-1225-EL-RDR (NMB)

Summary

On December 16, 2021 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, 78 customers are expected to be participating in the Pilot as of March 1, 2022. 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.

In its 5th Entry on Rehearing in Case No. 14-1297-EL-SSO, dated October 16, 2016, the Commission noted that the Rider NMB pilot program bears further study to determine if the actual results of the pilot program, rather than the projected results are in the public interest. The Commission directs the Companies and Staff to review the actual results and report their findings to the Commission. Staff notes this review will be initiated by the end of 2022.

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, 2020 through September 30, 2021, Staff requested documentation as needed to determine that the costs were substantiated and jurisdictional or to conclude that an adjustment was warranted. Staff also reviewed the adjustments removing estimated expenses for PJM Integration Costs and MISO Exit Fees that began in January of 2021. Staff will continue to review these expenses in subsequent filings.

Staff reviewed the continued amortization for Legacy RTEP costs in excess of the refunds incurred from the period of January 2012 to February 2019. Staff finds the amortization costs are being applied correctly.

In cases 20-1768-EL-RDR and 21-695-EL-RDR, the Commission approved rate mitigation measures for the OE and TE's GT classes and the CEI's GSU class for NMB rates in effect between March 2021 and February 2022, which lowered each class's revenue requirements by incorporating a typical bill adjustment. These typical bill adjustments total approximately 13.7 million. In this application, FirstEnergy proposes to offset each class's typical bill adjustment with each class's allocated portion of the NMB rider over-recovery. This methodology double counts the over-recovery allocated to these classes. Staff recommends that the rates of the OE and TE's GT classes and the CEI's GSU class be calculated to reflect the reversal of the typical bill adjustments. Both methodologies would result in rates that recover more than the $700 million total revenue requirement for the 12 months ending February 2023. Any over recovery could be trued up in a subsequent rider audit, however, Staff believes its more appropriate to include in the revenue requirement calculation an appropriate offset in the current case.

In addition, in response to Staff's data request #6 in this case, FirstEnergy indicates that the forecasted billing determinants for certain classes should be revised to more accurately reflect future projections. Staff recommends that the revised forecasted billing determinants be included, and the final updated rates should reflect the revised billing determinants.

Conclusion

Subject to the recommendations above, and Staff's review of the resulting updated schedules and rates, Staff recommends to the Commission that FirstEnergy's application filed on December 16, 2021, be approved for rates effective March 1, 2022.