

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Joint Application)
Of Ohio Edison Company, The Cleveland)
Electric Illuminating Company, and The)
Toledo Edison Company for Approval)
Of a Generation Charge Adjustment Rider)

Case No. 05-704-EL-ATA

In the Matter of the Application of Ohio)
Edison Company, The Cleveland Electric)
Illuminating Company, and The Toledo)
Edison Company for Authority to)
Modify Certain Accounting Practices)
And for Tariff Approvals)

**Case No. 05-1125-EL-ATA
05-1126-EL-AAM
05-1127-EL-UNC**

DIRECT TESTIMONY

OF

GREGORY F. HUSSING

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1 **Q. Please state your name and business address.**

2 A. My name is Gregory F. Hussing and my business address is 76 South
3 Main Street Akron, Ohio 44308.

4

5 **Q. Mr. Hussing, by whom are you employed and in what capacity?**

6 A. I am employed by FirstEnergy Service Company as Director – State Rates
7 and Regulatory Affairs. I am responsible to the Vice President of Rates &
8 Regulatory Affairs for the administration of the Companies' tariffs and
9 development of regulations before the Public Utilities Commission of Ohio,
10 Pennsylvania Public Utility Commission, New Jersey Board of Public
11 Utilities and the Federal Energy Regulatory Commission ("FERC").

12

13 **Q. What is your educational and professional background?**

14 A. I graduated from the University of Akron in 1987 with a Bachelor of
15 Science degree in Engineering Technology and in 1994 with a Masters in
16 Business Administration degree also from the University of Akron. I have
17 eighteen years of experience with Ohio Edison/FirstEnergy. My career
18 started as a Technician and then Supervisor in the Energy Delivery Group.
19 I was then promoted to Manager, Corporate Meter and Retail Supplier
20 Settlements. Next I was promoted to Manager, Transmission Operations
21 (System Control Center) and then to my current position.

22

23

1 **Q. On whose behalf are you testifying in this proceeding?**

2 A. I am testifying on behalf of Ohio Edison, Cleveland Electric Illuminating,
3 and Toledo Edison (the "Companies"). In particular, my testimony focuses
4 on the Grandfathered Rates section of the Rate Certainty Plan.

5

6 **Q. Please explain the term "grandfathered" as it applies to this**
7 **testimony.**

8 A. When service is transferred at a premise to another customer, the tariff is
9 not transferable and no longer available at that premise. So long as the
10 same customer remained at the current premise, that customer may
11 continue to receive electric service under the grandfathered rate.

12

13 **Q. Please provide a brief description of the rates that are to be**
14 **grandfathered.**

15 A. The specific rates being grandfathered are those that have provided rate
16 discounts to customers as an incentive to use electrically heated water
17 and space conditioning systems and/or add-on heat pumps as well as
18 those rates that have encouraged load management practices and off-
19 peak load/usage growth. Most of these rates were introduced as
20 experimental, optional or temporary to provide an alternative for a specific
21 group of customers. Such rates promoted energy use in order to spread
22 fixed costs to a larger customer base. The entire list of rates is set forth
23 as Appendix A to this testimony.

1 **Q. Why have you proposed to grandfather these rates as part of this**
2 **filing?**

3 A. One of the goals as part of restructuring the electricity industry is to
4 eliminate or reduce barriers to entry by competitive suppliers. As part of
5 the restructuring effort, the Ohio "market development period" was
6 established to allow customers and utilities an opportunity to transition to a
7 competitive retail generation market. Continued utilization of the full-
8 service (non-shoppable) discounted rates may inhibit the Commission's
9 stated goal of a fully competitive environment by creating a barrier to entry
10 in the market by providing incentives for customers to stay with the utility,
11 due to the discounts provided under such rates. The post-market
12 development period covered by this filing is the appropriate time to
13 eliminate these rates, thereby encouraging a more complete transition to a
14 competitive environment.

15

16 **Q. Why would customers not shop from the grandfathered rates?**

17 A. There are a couple of factors at work here. First, some of the
18 Grandfathered Rates are full service (non-shoppable) tariffs, which means
19 that customers taking service on those schedules are not eligible to shop
20 from that rate. Second, the grandfathered rates were originally designed
21 to compete against natural gas suppliers or increase off-peak usage, and
22 as such they contained discounted generation components. A listing of

1 the generation component levels for each grandfathered rate schedule is
2 included in Attachment A.

3

4 **Q. Which of the proposed Grandfathered Rates are full service rates?**

5 A. Proposed Grandfathered Rates include CEI's Optional Electrically heated
6 Residential Apartment Schedule; Toledo's Residential Water Heating (R04
7 and R04a), Residential Space Heating (R07 and R07a), Residential
8 Optional Electric Heated Apartment Rate (R09 and R09a), General
9 Service Electric Space Conditioning Rate (GS1), and Controlled Water
10 Heating Rate (GS19 and GS19a); and Ohio Edison's Residential Water
11 Heating Rate, Residential Space Heating Rate, Residential Optional Time-
12 of-Day, and the Residential Optional Controlled Service Riders.

13

14 **Q. What is the date on which the rates described above would be**
15 **grandfathered?**

16 A. The Rate Certainty Plan calls for the rates to be grandfathered on January
17 1, 2006. However, the Companies will need time to notify customers of
18 the grandfathering process. Therefore, the effective date for the
19 grandfathered rate schedules is proposed to be April 1, 2006.

20

21

22

1 **Q. Will grandfathering these rate schedules cause any increases to**
2 **customers' bills?**

3 A. Existing customers will not see an increase in their bills as a result of
4 grandfathering these schedules if they remain at their current premise and
5 continue to meet the existing eligibility requirements of the particular rate
6 schedule. The grandfathered rates would no longer be available to new
7 customers.

8

9 **Q. Please describe the Companies' plan to inform customers of these**
10 **grandfathered rate schedules.**

11 A. Upon Commission approval of the Rate Certainty Plan, the Companies
12 would notify construction/building organizations and realty companies
13 through a generic mailing and through meetings with representatives of
14 those groups. The Companies will also include a bill insert in customer
15 bills such that each customer in Ohio is notified of the grandfathered
16 status of these rate schedules.

17

18 **Q. Have the Companies grandfathered rate schedules in the past similar**
19 **to what is being proposed in this filing?**

20 A. Yes. The Cleveland Electric Illuminating Company has grandfathered the
21 Electric Space Conditioning, Optional Electric Process Heating and
22 Electric Boiler Load Management, General Commercial, Large
23 Commercial, Industrial, and Large Industrial rate schedules. The Toledo

1 Edison Company has grandfathered the Large General Service (GS-12),
2 Small General Service (GS-16), Large Power (PV-44), Large General
3 Service (PV-46), and Optional Electric Process Heating and Electric Boiler
4 Load Management (GS-3) rate schedules. Ohio Edison Company has
5 grandfathered the General Service – Interruptible Electric Arc Furnace
6 Rate and a portion of the General Service – High Use Manufacturing –
7 Distribution Primary and Transmission Voltages rate.

8

9 **Q. Mr. Hussing, does this conclude your testimony at this time?**

10 **A.** Yes, it does.

**Attachment A
 Schedules to Grandfather to Existing Customers**

Company/Schedule	Avg. Generation Tariff Page	Rate ¹ (\$/kWh)
Ohio Edison:	<i>(OE Rate 10 Standard Res.) =</i>	\$ 0.0411
Residential Water Heating (Rate 10b).....10,	listed water heating rates	\$ 0.0350
Residential Space Heating (Rate 11).....11		\$ 0.0184
Residential Optional Time-of-Day (Rate 12).....12		\$ 0.0145
Residential Optional Controlled Service Riders (Rate 14).....14		\$ 0.0263
Residential Electric Heating Rider.....16		N/A
Residential Load Management Rate (Rate 17).....17		\$ 0.0309
Residential Optional Electrically Heated Apartment Rate (Rate 19).....19		\$ 0.0238
General Service – Secondary Voltage – Optional Space and Water Heating Rider.....22		\$ 0.0265
The Illuminating Company:	<i>(CEI Rate 10 Standard Res.) =</i>	\$ 0.0303
Residential Optional Load Management.....10,	page 2 of 5	\$ 0.0249
Residential Add-On Heat Pump.....11		\$ 0.0235
Residential Water Heating.....12		\$ 0.0225
Residential Space Heating.....13		\$ 0.0152
Residential Water and Space Heating.....14		\$ (0.0029)
Optional Electrically Heated Residential Apartment Schedule.....15		\$ 0.0084
All Electric Large General Service.....34		\$ 0.0212
Toledo Edison:	<i>(TE R-01 Standard Res.) =</i>	\$ 0.0261
Residential R02 (Add-On Heat Pump).....11		\$ 0.0076
Residential R06 & R06a (Space Heating and Water Heating).....13 & 14		\$ 0.0046
Residential R04 & R04a (Water Heating).....15 & 16		\$ 0.0201
Residential R07 & R07a (Space Heating).....17 & 18		\$ 0.0052
Residential Optional Electric Heated Apartment Rate R09 & R09a.....19 & 20		\$ (0.0172)
General Service Electric Space Conditioning Rate GS1 \$ (0.0086)	47	
General Service Heating Rate GS17.....49		\$ 0.0333
Controlled Water Heating Rate GS19 & GS19a.....50 & 51		\$ (0.0417)

Note: Grandfathered means that no new customers are permitted on the rate and as new customers move into an existing facility the new customer is not eligible for the grandfathered rate.

¹ The Average Generation Rate is based on the proportion of these rates' Generation related revenue to the total annual kWh usage for the twelve-month period ended 12/31/04.