

**Testimony by
The Public Utilities Commission of Ohio
Alan R. Schriber, Chairman**

**Before the Senate
Energy and Public Utilities Committee**

May 18, 2010

PUCO MISSION:

**To ensure all residential and business consumers access to
adequate, safe, and reliable utility services at fair prices,
while facilitating an environment that provides competitive
choices.**



Chairman Widener and members of the committee, my name is Alan Schriber, and I am chairman of the Public Utilities Commission of Ohio (PUCO). I was invited here today to provide background on Senate Bill 236, legislation regarding the all-electric home discounts in the FirstEnergy service territory.

The all-electric issue has been a hot topic at the PUCO since the beginning of this year, and I would like to explain the events that led us here today. Before I do that, I must point out that the all-electric home discount issue is the subject of a pending case (10-176-EL-ATA) before the Commission. As such, I can provide background on the issue, but I am not permitted under law to discuss the merits of the case.

The history of this issue dates back to the energy crisis of the 1970s, when FirstEnergy implemented several rates designed to promote the use of electricity. Customers who lived in all-electric homes purchased electricity from the company at a discount. Then in 1999, Senate Bill 3, Ohio's electric restructuring bill became law and electric generation rates were unbundled and distribution rates were frozen during a five-year market development period.

When the market development period ended in 2005, Ohio's electric generation market had not developed to the level anticipated. Most legislators and regulators agreed that Ohio was unprepared to transition to a fully competitive market. So in 2006, the PUCO approved new rate plans for Ohio's electric distribution utilities. The PUCO approved a rate agreement between FirstEnergy, PUCO Staff, the Office of the Ohio Consumers' Counsel (OCC) and the cities of Akron, Cleveland and Toledo to establish electric generation prices through the end of 2008.

In 2008, Senate Bill 221 became law, incorporating a new system under which rates would be set by the PUCO and outlining a path for electric utilities to implement market-based pricing. Soon thereafter, FirstEnergy filed applications for an electric security plan (ESP) and a market rate offer (MRO), as required under the legislation.

In March 2009, the PUCO approved an agreement establishing an ESP for FirstEnergy from April 1, 2009 through May 31, 2011. Under the ESP, electric generation rates were determined through a competitive bid process. On an annual total bill basis, generation rates for a standard

residential customer using 1,000 kilowatt hours (kWh) per month decreased by 16 percent for Ohio Edison, 12.6 percent for Toledo Edison and 7.4 percent for Cleveland Electric Illuminating. To ease the generation rate impact on all-electric customers, the ESP included a 1.9 cent generation credit for all usage over 500 kWh used during the winter months was implemented starting June 1, 2009.

Also in 2009, the PUCO granted FirstEnergy an increase in electric distribution rates that represented an approximate average increase to a total residential customer bill of 4 percent for Ohio Edison, 2 percent for Cleveland Electric Illuminating and 7 percent for Toledo Edison, based on an average residential customer using 750 kWh per month. This was the first distribution rate increase for Ohio Edison since 1990 and the first distribution rate increase for Toledo Edison and Cleveland Electric Illuminating since 1996. At this time, the Commission also approved the elimination of the “grandfathered all-electric rates.” Nevertheless, all-electric customers were granted a credit of 1.7 cents per kWh for usage over 500 kWh in the winter months.

The impact of these changes was experienced by the all-electric customers at the start of the 2010 winter billing cycle. The PUCO received hundreds of contacts from FirstEnergy customers and public officials expressing concerns about the all-electric issue in January. The PUCO attended town hall meetings on this issue in northern Ohio and during those discussions, several customers pointed out that the monthly electric usage levels were too low and the Commission needed to consider rate impacts on higher levels of usage.

Shortly thereafter in March, the PUCO provided rate relief to FirstEnergy’s all-electric customers by directing FirstEnergy to return the customers’ charges to those that were in effect as of Dec. 31, 2008. The commissioners also directed PUCO staff to investigate and file a report that provides the commissioners with a range of options regarding proposed rates and discounts for the all-electric customers including bill impact.

Then in April, the PUCO clarified its March decision by stating that any residential customer that had received the all-electric rate or any customer that purchased or acquired an all-electric

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residential property that previously received the all-electric rate would receive the rate relief. The PUCO also stated that the rate relief would be in effect at a minimum through the next winter heating season. The discount begins on May 21, 2010 and will remain in effect through the end of the 2010-2011 winter heating season. The discount will be applied only to future bills.

I trust the information I have presented will be helpful to you as you examine the merits of SB 236. At this time, I would be happy to answer background questions you have regarding the all-electric issue. Thank you.

**Public Utilities Commission of Ohio
All-Electric Timeline
May 2010**

History of all-electric discounts

1974 – Various residential all-electric rates were implemented for Ohio Edison, Toledo Edison and Cleveland Electric Illuminating customers.

1999 – Senate Bill 3 became law unbundling generation rates and freezing distribution rates at their current levels during a five-year market development period.

Market Development Period ends without substantial market development

2006 – The PUCO approved a FirstEnergy rate provision where special electric heating, water heating and load management rates for FirstEnergy customers would no longer be available to NEW customers or premises effective Jan. 1, 2007. Customers that had the discounted rates were “grandfathered” meaning as long as they lived in the home, the rate stayed in effect.

FirstEnergy files first distribution rate case since the 1990s

June 7, 2007 – FirstEnergy filed an application with the PUCO to increase its distribution rates. The company also included a provision in its application that would eliminate the “grandfathered all-electric rates” while also providing a credit to the all-electric customers to help with the transition from their all-electric discount rates.

Jan. 21, 2009 – The PUCO granted FirstEnergy an increase in distribution rates that represented an approximate average increase to a residential customer’s total bill of 4 percent for Ohio Edison, 2 percent for Cleveland Electric Illuminating and 7 percent for Toledo Edison, based on an average residential customer using 750 kWh per month. This increase was the first distribution rate increase for Ohio Edison since 1990 and the first distribution rate increase for Toledo Edison and Cleveland Electric Illuminating since 1996. The Commission also approved the elimination of the “grandfathered all-electric rates” and approved a credit of 1.7 cents per kWh for those customers with usage over 500 kWh in the winter months.

SB 221 becomes law

May 1, 2008 - Gov. Ted Strickland signed Senate Bill 221 into law incorporating a system under which rates would be set by the PUCO and outlining a path for electric utilities to implement market-based pricing.

July 31, 2008 - FirstEnergy filed applications for an electric security plan (ESP) and a market rate offer (MRO) as required by Senate Bill 221.

March 25, 2009 - The PUCO approved a stipulation that established an ESP for FirstEnergy from April 1, 2009 through May 31, 2011. Under the stipulated ESP, retail generation rates were determined through a competitive bid process. On an annual total bill basis, retail rates for a standard residential customer using 1,000 kWh per month decreased by 16 percent for Ohio

Edison, 12.6 percent for Toledo Edison and 7.4 percent for Cleveland Electric Illuminating. FirstEnergy/s distribution rates were also frozen through December 31, 2011. As a result of the stipulated ESP and to ease the generation portion for all-electric rate type customers, a 1.9 cent generation credit for all usage over 500 kWh used during the winter months was implemented starting June 1, 2009.

All-electric customers see impact of discount changes in 2009-2010 winter heating bills

January 2010 – The PUCO began to receive calls and emails from FirstEnergy’s all-electric customers with high-usage regarding higher than normal bills due to the elimination of all-electric rates.

March 3, 2010 – The PUCO provided rate relief to FirstEnergy’s all-electric customers by directing FirstEnergy to return the customers’ charges to those that were in effect as of Dec. 31, 2008. The commissioners also directed PUCO staff to investigate and file a report that provides the commissioners with a range of options regarding proposed rates and discounts for the all-electric customers including bill impact.

April 15, 2010 – The PUCO clarified its March 3, 2010 decision by stating that any residential customer that had received the all-electric rate or any customer that purchased or acquired an all-electric residential property that previously received the all-electric rate would receive the rate relief. The PUCO also stated that the rate relief would be in effect at a minimum through the next winter heating season.