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FirstEnergy

PUCO Staff Recommends a Reduction to FirstEnergy's 2018 Baseline Revenue for Calculating the Decoupling Rider (Case No. 19-2080-EL-ATA)

Summary: As you may recall, FirstEnergy filed to establish a decoupling rider in accordance with House Bill 6. FirstEnergy's annual revenue will be compared against its 2018 baseline revenue – and the difference will be collected from customers through the decoupling rider to ensure that FirstEnergy receives revenue equal to that received in 2018.

A PUCO staff report released yesterday revealed that FirstEnergy likely advocated for 2018 as the baseline for the calculation of the decoupling mechanism, since 2018 was the warmest summer in history for two of the FirstEnergy utilities and the second warmest for the other. This increased FirstEnergy's revenue for that year.

In calculating the 2018 baseline revenue, staff recommended that FirstEnergy weather normalize its 2018 baseline revenue (sales and revenues) to reflect average weather so that the 2018 baseline revenue is not overstated, but reflects sales in a year with average weather. The effect would be to reduce the baseline so that the differential in future years is not as great and a large decoupling rider is not created to make up the difference in revenue between the unseasonably warm 2018 and future years.

Weather normalizing the 2018 baseline revenue is sound policy supported by OMAEG.