BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review of its Rules for Standard Service Offers for Electric Utilities Contained in Chapter 4901:1-35 of the Ohio Administrative Code	))))	Case No. 13-2029-EL-ORD

REPLY COMMENTS OF NUCOR STEEL MARION, INC.

Pursuant to the January 29, 2014 Entry ("January 29 Entry") in the above-captioned proceeding, Nucor Steel Marion, Inc. submits these reply comments concerning Staff's proposed revisions to the Commission's rules governing standard service offers contained in Chapter 4901:1-35 of the Ohio Administrative Code. In particular, Nucor responds to comments submitted by Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company (collectively, "FirstEnergy").[1]

I. INTRODUCTION

As a large industrial customer of Ohio Edison, Nucor consumes massive amounts of electric energy in its steel production process at a cost of millions of dollars a year. Nucor currently takes service under Ohio Edison's standard service offer (SSO) rates, and accordingly, Nucor has an interest in the Commission's rules governing utility SSO plans. Nucor did not file initial comments in response to Staff's proposed rule revisions included with the January 29 Entry in this case. However, upon review of the initial comments filed by other parties on

[1] Case No. 13-2029-EL-ORD, Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (February 26, 2014) ("FirstEnergy Comments").

February 26, 2014, we identified a proposed revision by FirstEnergy that we wish to address in these reply comments. As discussed below, FirstEnergy seeks to remove the requirement that a utility discuss "alternative" rate options considered in the development of a competitive bid process (CBP) plan. FirstEnergy states that, generally, "EDUs should not be providing alternative rates as those are more appropriately offered by competitive retail electric service providers."[2] We disagree. Utilities have long provided alternative rate options such as time-of-use rates as part of their SSO plans, and including such options in an SSO is consistent with Ohio policy as reflected in Ohio law and Commission precedent. Accordingly, the Commission should reject FirstEnergy's proposed revision to Rule 4901:1-35-03(B)(2)(h) and instead affirm that utilities should address alternative rate options, including time-differentiated rates, considered in their SSO plans.

I. Reply Comments

A. Staff's proposed revision to Rule 4901:1-35-03(B)(2)(h) makes clear that alternative rate options should be addressed

Rule 4901:1-35-03(B)(2) addresses what must be included in a competitive bidding process (CBP) plan that must be filed prior to establishing a market rate offer (MRO). Staff proposes the following revision to Rule 4901:1-35-03(B)(2)(h):

> The CBP plan shall include a discussion of ~~time-differentiated pricing, dynamic retail pricing, and other alternative retail rate options~~ alternative rate retail options that were considered in the development of the CBP plan. A clear description of the rate structure ultimately chosen by the electric utility, the electric utility's rationale for selection of the chosen rate structure, and the methodology by which the electric utility proposes to convert the winning bid(s) to retail rates of the electric utility shall be included in the CBP plan.

[2] FirstEnergy Comments at 5.

We note that the new language should probably read "alternative retail rate options." Although Staff proposes to eliminate the specific reference to time-differentiated pricing and dynamic retail pricing, the remaining "alternative retail rate options" language is broad enough to encompass time-differentiated rates, dynamic pricing, and a host of other alternative rate options, such as interruptible rates. Staff's revisions, therefore, would simplify the language of the rule without limiting the alternative rate options that may be considered as part of a utility's CBP plan.

B. FirstEnergy's proposed revision to Rule 4901:1-35-03(B)(2)(h) is unreasonable and should be rejected

In its comments, FirstEnergy recommends that the requirement to address alternative rate options considered in the development of a CBP plan be removed. FirstEnergy proposes that Rule 4901:1-35-03(B)(2)(h) be rewritten as follows:

> The CBP plan shall include a discussion of the rate structure ultimately chosen by the electric utility, the electric utility's rationale for selection of the chosen rate structure, and the methodology by which the electric utility proposes to convert the winning bid(s) to retail rates of the electric utility shall be included in the CBP plan.

Even though FirstEnergy's proposed language would not foreclose the inclusion of alternative rate options as part of a CBP plan, FirstEnergy suggests in its comments that this may be the ultimate goal. According to FirstEnergy, alternative rate options "should not be required in any SSO plan."[3] FirstEnergy also states that EDUs should not be providing alterative rates, and that the "retail market, not SSO, exists to provide customers various pricing options."[4]

[3] FirstEnergy Comments at 5.

[4] *Id.*

The position that alternative rate options should not be included in an SSO is contrary to Commission precedent. The Commission regularly approves SSO rate plans that include alternative rate options such as time-of-use, real-time pricing, and interruptible rates. In FirstEnergy's initial MRO filing made in 2008, the Commission, recognizing that time-of-use and interruptible rates provide benefits and should be included as part of a CBP process, rejected FirstEnergy's proposal in part because the MRO did not include such rate options.[5] Moreover, in Staff's Market Development Work Plan filed recently in Case No. 12-3151-EL-COI, Staff declined to recommend adoption of the policy advocated by some competitive suppliers to make the SSO a "plain vanilla" rate offering devoid of alternative rate options.

As Nucor has explained in Case No. 12-3151-EL-COI and elsewhere,[6] utilities should continue to provide alternative rate options in their SSO rate plans to the extent that those options will lower costs, provide better price signals for customers to shift their usage to off-peak periods, or provide other benefits to SSO customers. Including these rate options in SSO rates is consistent with Ohio policy, as reflected in Section 4928.02 of the Revised Code, to ensure "the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service," to encourage "innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to,

[5] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of a Market Rate Offer to Conduct a Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications Associated with Reconciliation Mechanism, and Tariffs for Generation Service*, Case No. 08-936-EL-SSO, Opinion and Order, at 24 (November 25, 2008) (internal citations omitted).

[6] *See, e.g., In the Matter of the Commission's Investigation of Ohio's Retail Electric Service*, Case No. 12-3151-EL-COI, Reply Comments of Nucor Steel Marion, Inc. at 5-7 (February 20, 2014); Reply Comments of Nucor Steel Marion, Inc. at 7-10 (April 5, 2013); *In the Matter of Aligning Electric Distribution Utility Rate Structure With Ohio's Public Policies to Promote Competition, Energy Efficiency, and Distributed Generation*, Case No. 10-3126-EL-UNC, Comments of Nucor Steel Marion, Inc. at 6-9 (February 11, 2011).

demand-side management, time-differentiated pricing, and implementation of advanced metering infrastructure," and to facilitate Ohio's "effectiveness in the global economy." The benefits of alterative rate options should not be reserved to customers who shop in the competitive market alone, and stripping SSOs of these options certainly should not be used as a way to force customers off the SSO and into the competitive market. Utilities should continue to provide alternative rate options as part of their SSOs, and a customer should be able to decide whether an SSO or an electric service product offered in the competitive market best suits its needs.

Accordingly, the Commission should reject FirstEnergy's proposed revision to rule 4901:1-35-03(B)(2)(h) and, more importantly, the apparent rationale FirstEnergy offers for the revision.

C. The Commission should retain the current Rule 4901:1-35-03(B)(2)(h) language, or modify the language to make clear that time-differentiated rates should be addressed

Nucor did not oppose Staff's proposed revision to Rule 4901:1-35-03(B)(2)(h) because, as noted above, Staff's new language would still require a discussion of alternative rate options considered in the CBP plan, and is broad enough to include rate options such as time-differentiated rates. However, in light of FirstEnergy's comments, we are concerned that removing the specific reference to time-differentiated rates could be misconstrued to remove the need to discuss time-differentiated rate options considered as part of a CBP. Time-differentiated rates are critical to Nucor, and we strongly support inclusion of such rates in SSO plans. The current rule language requires at least a discussion of time-differentiated rate options considered (along with dynamic pricing options), and this requirement should continue to apply going forward. Therefore we recommend that the current language in Rule 4901:1-35-03(B)(2)(h) remain unchanged. In the alternative, we recommend that Staff's proposed language be modified as follows to include a specific reference to time-differentiated pricing:

> The CBP plan shall include a discussion of alternative retail rate options (including time-differentiated pricing) that were considered in the development of the CBP plan.

III. CONCLUSION

Nucor respectfully requests that the Commission consider these reply comments as it evaluates the proposed rule revisions in this docket.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these reply comments was served upon the persons listed below via electronic transmission this 13th day of March, 2014.

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