BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Investigation of Ohio's Retail Electric Service Market.	**Case No. 12-3151-EL-COI**

APPLICATION FOR REHEARING OF FIRSTENERGY SOLUTIONS CORP.

Pursuant to Ohio Revised Code §4903.10 and Ohio Administrative Code §4901-1-35, FirstEnergy Solutions Corp. ("FES") seeks rehearing of the Commission's March 26, 2014 Finding and Order ("Order") in the above-captioned case on the following grounds:

I. The Order is unreasonable because the prescribed method for calculating the Price-to-Compare is not transparent and will harm customers and suppliers.

WHEREFORE, FES respectfully requests that the Commission grant the Application for Rehearing.

Respectfully submitted,

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MEMORANDUM IN SUPPORT OF APPLICATION FOR REHEARING OF FIRSTENERGY SOLUTIONS CORP.

I. Introduction

The Commission initiated an investigation of Ohio's retail electric service market in 2012. The investigation led to several workshops and subcommittee meetings and eventually the release of a Staff Report. After receiving comments and reply comments to the Staff Report, the Commission released a Finding and Order on March 26, 2014 ("Order"). A portion of the Order included a directive to standardize the calculation of the Price-to-Compare ("PTC") across all Ohio electric distribution utilities ("EDU"). The Commission directed that all Ohio EDUs should use a rolling annual average, calculating the PTC using the standard service offer ("SSO") rate for the previous twelve months, and dividing it by the customer's usage ("The Proposal").[1] As a certified retail electric service ("CRES") provider, FES disagrees with The Proposal as it will harm customers and have a negative effect on how CRES providers conduct business. The Proposal is unreasonable because a twelve month average lacks transparency, is unnecessarily complicated, and will harm both customers and suppliers.

[1] Order page 28.

II. The Order is unreasonable because the prescribed method for calculating the PTC lacks transparency and will harm customers and suppliers.

The Commission intended standardizing the PTC across the state of Ohio to bring transparency to the market and clarity to customers.[2] However, The Proposal is unreasonable because it will result in a complicated PTC that lacks transparency, to the detriment of customers and suppliers. During the December 11, 2013 en banc hearing, there was specific discussion regarding the calculation of the PTC. In fact, a PTC that is calculated with a twelve-month look back, like The Proposal, was described as inaccurate.[3]

While the Order suggests The Proposal will result in greater transparency to customers, there is no evidence to support this. A PTC based in part on twelve month old SSO rates is necessarily stale. It is divorced from current SSO rates and market conditions and as a result is less transparent than the current PTC. It gives the customer no useful indication of the cost of SSO service. For instance, a customer may mistakenly believe that the PTC is the price he or she is currently paying when in reality, three high cost months 9 months ago skewed the price upward. Or, consider a customer that is given a PTC based on 12 months of low energy prices and is lower than the true SSO price. The customer makes a decision based on that figure in the midst of rising energy prices. While the PTC should give a customer a clear and current picture of the cost of generation, a PTC calculated under this approach will hinder customers' evaluation of supplier offers. Customers attempting to make shopping decisions using a rolling average that incorporates SSO prices older than the currently-calculated PTC are at a disadvantage. Requiring customers to make shopping decisions using a complicated and outdated PTC is

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[2] Id.

[3] Transcript, page 219.

contrary to the purpose of the PTC, which is intended to benefit customers by facilitating effective shopping decisions. While a PTC must be based on some past information, the objective should be to create a useful shopping tool.

The Proposal will also harm competitive retail suppliers because the change in calculation creates a vast disconnect between market revenues and market costs. For example, the change in calculation applies a backward looking formula to what is essentially a product priced in real time or forward looking markets. The value of the electricity supplied is measured by its current market price and current forward market prices, not a historical average. Accordingly, a PTC based on a 12 month rolling average carries a profound risk of being out of alignment with the current market value of electricity, thereby harming suppliers that must price their products based on current and projected market values.

As a result, the Commission's preferred method of calculating the PTC serves no useful purpose and does more harm than good. The desire for consistency in PTC calculations among EDUs does not justify a PTC calculation that misleads customers and harms suppliers. Moreover, to the extent the Commission is concerned with smoothing out volatility in SSO rates, this concern is already addressed by the layered and laddered scheduling of EDUs' standard service offer auctions.

III. Conclusion

For the reasons stated above, the Commission should grant rehearing on the PTC issue to prevent harm to both customers and CRES providers.

Respectfully submitted,

/s/ Scott J. Casto

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CERTIFICATE OF SERVICE

The undersigned herby certifies that a true and correct copy of the foregoing *Application for Rehearing* has been served upon the following via electronic mail this 25th day of April, 2014.

/s/ Scott J. Casto
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