

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of Ohio |) | |
| Edison Company, The Cleveland Electric |) | |
| Illuminating Company and The Toledo |) | Case No. 14-1297-EL-SSO |
| Edison Company for Authority to Provide |) | |
| for a Standard Service Offer Pursuant to |) | |
| R.C. 4928.143 in the Form of an Electric |) | |
| Security Plan |) | |

INITIAL BRIEF OF INTERSTATE GAS SUPPLY, INC.

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I. INTRODUCTION

On December 1, 2015, Ohio Edison Company, Toledo Edison Company, and Cleveland Electric Illuminating Company (collectively “FirstEnergy”) and a diverse group of parties, submitted a Joint Stipulation and Recommendation (“Stipulation”) to resolve the outstanding issues presented in this proceeding. On January 14, 2016, pursuant to the terms of the Competitive Market Enhancement Agreement¹ (“Enhancement Agreement”), Interstate Gas Supply, Inc. (“IGS”) joined the Stipulation as a signatory party. IGS believes that the Stipulation, coupled with the Enhancement Agreement, represents a reasonable resolution of the outstanding issues in this proceeding.

As required by the Enhancement Agreement, IGS submits this initial brief to recommend that the Commission approve the Stipulation and *IGS also recommends that in this proceeding the Commission establish a placeholder Retail Incentive Rider*

¹ Ohio Manufacturers’ Association Energy Group (“OMAEG”) Ex. 24.

("Incentive Rider"), initially set at zero, which shall be the subject of a later FirstEnergy application. As the Commission previously stated, it "has, on prior occasions, approved a zero placeholder rider within an ESP."² The reasoning to support the Incentive Rider is further detailed in the testimony submitted by IGS witness Matthew White and further below.

II. BACKGROUND AND ARGUMENT

In his testimony, Mr. White identified that, while competition has developed well for the industrial class of customers in FirstEnergy's service territory, it has not been as successful in the residential class. Indeed, most of the residential switching that has occurred is the result of municipal aggregation.³ Thus, Mr. White stated that "it can be concluded that the Ohio competitive electric markets have done a good job encouraging opt-out aggregation in the FirstEnergy service territory, but have done a poor job at encouraging customers to affirmatively enroll in a competitive product or otherwise

² *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO, *et al.*, Opinion and Order at 25 (Feb. 25, 2015) (hereinafter "*AEP ESP III Case*"); *id.* at 25, 81, 87 (establishing three placeholder riders). *In the Matter of the Application of Duke Energy Ohio for Approval of an Electric Security Plan*, Case Nos. 08-920-EL-SSO, *et al.*, Opinion and Order at 17 (Dec. 17, 2008); *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan*, Case No. 08-935-EL-SSO, *et al.*, Second Opinion and Order at 15 (Mar. 25, 2009); *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*. Case Nos. 11-346-EL-SSO, *et al.*, Opinion and Order at 39-40, 50, 56 (Dec. 14, 2011) (approving three placeholder riders to be the subject of potential later applications) (hereinafter "*AEP ESP II Case*"); *AEP ESP II Case*, Opinion and Order at 24-25, 49 (Aug. 8, 2012) (approving two placeholder riders); *See also In the Matter of the Application of Columbus Southern Power Company for Approval of an Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets*, Case Nos. 08-917-EL-SSO, *et al.*, Opinion and Order at 52, 64 (Mar. 23, 2009) (permitting Ohio Power Company to file additional applications based upon additional information not present in existing ESP application).

³ IGS Exs. 11 and 12 at 3, 5-6, Ex. MW-4 (Aug. 18, 2015) (Ex. 11 contains the public version of Mr. White's Supplemental Direct Testimony).

engage in the competitive market.”⁴ Mr. White further recommended that the Commission modify FirstEnergy’s ESP to address this shortcoming.

In the Enhancement Agreement, IGS and FirstEnergy have agreed to develop and submit an application to the Commission to create a mechanism to incentivize retail shopping and customer engagement in FirstEnergy’s service territory. As the agreement states:

In an effort to demonstrate continued support for the competitive market, the Companies agree to make a filing that requests the Commission to establish a retail competition incentive mechanism in addition to the bypassable charges applied to non-shopping customers with the purpose of incenting shopping. Prior to such filing, the Companies and IGS will meet and determine the level of the charge to be incorporated into the Companies filing to establish a competition incentive mechanism. The first meeting shall occur no later than 60 days after a final opinion and order has been issued by the Commission in Case Number 14-1297-EL-SSO. Either party may request that Staff participate in the meetings between IGS and the Companies. IGS and the Companies shall use best efforts to reach agreement on the level of charge to be incorporated in the filing. But, the filing advocating the establishment of the mechanism shall occur no later than six months after the date of the first meeting between IGS and the Companies. If the Commission approves a retail competition incentive mechanism, and Rider RRS is in effect, then such mechanism shall be implemented and continue during the period of time in which Rider RRS remains in effect and will apply to all non-Rate GT customers. The mechanism shall be revenue neutral to the utilities. The retail competition incentive mechanism would be bypassable, and any revenues that may be collected through the retail competition incentive mechanism would be credited to all non-Rate GT customers in Rider RRS over the duration of Rider RRS, subject to final reconciliation. Notwithstanding the foregoing, the retail competition incentive mechanism would not apply to PIPP customers for the period that they are not permitted to select a competitive supplier or a competitive supplier is not selected on their behalf.

The Incentive Rider would be revenue neutral to FirstEnergy.⁵ As FirstEnergy witness Mikkelsen further testified, an Incentive Rider “would potentially create greater supplier

⁴ *Id.* at 17.

⁵ Tr. Vol. XXXVII at 7933-34.

interest in participating in the competitive market for the companies and, in turn, provide . . . a more robust competitive environment for the customers of the companies.”⁶ A similar proposal is currently under consideration as part of the stipulation and recommendation submitted in Ohio Power Company’s supplemental purchase power agreement (“PPA”) proceeding, which is supported by the Commission Staff.

In order to facilitate the implementation of the Incentive Rider as contemplated in the Enhancement Agreement, and consistent with Mr. White’s testimony in this proceeding, IGS recommends that the Commission establish a placeholder rider in this ESP proceeding initially set at zero. At this time, IGS is not asking for the Incentive Rider to be populated with a dollar amount. As contemplated in the Enhancement Agreement, the dollar amount to populate the Incentive Rider will be determined in a future proceeding filed by FirstEnergy subject to Commission approval.

Finally, there is precedent in other ESP proceedings where the Commission has established a placeholder rider initially set a zero, to determine the costs to be placed in the rider in a future proceeding. For instance in Ohio Power Company’s previous ESP proceeding, the Commission approved a placeholder PPA rider. Whether to include costs in that rider is currently under consideration in Ohio Power Company’s supplemental PPA rider proceeding.⁷

⁶ Tr. Vol. XXXVII at 7927-28.

⁷ *AEP ESP III Case*, Opinion and Order at 25 (Feb. 25, 2015). Ohio Power Company’s supplemental PPA rider proceeding is referenced in various portions of the transcript and exhibits in this proceeding. See FirstEnergy Ex. 9 at 11-12; Tr. Vol. I at 59; *see generally In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider*, Case Nos. 14-1693-EL-RDR, *et al.*, Application.

III. CONCLUSION

Since 1999, the General Assembly and the Commission have promoted retail electric choice. While total customer switching has been a success in FirstEnergy's service territory, it has largely been the product of municipal aggregation as opposed to direct customer engagement in the competitive market. Therefore, IGS recommends that the Commission in its Opinion and Order adopt a placeholder Incentive Rider to allow FirstEnergy to file a subsequent application that will incentivize retail electric choice and customer engagement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *Initial Brief of Interstate Gas Supply, Inc.* was served this the 16th day of February 2016 via electronic mail upon the following:

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