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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Columbus Southern Power Co.)	Case No. 99-1729-EL-ETP
For Approval of Electric Transition Plan)	
In the Matter of the Application of)	
Ohio Power Company)	Case No. 99-1730-EL-ETP
For Approval of Electric Transition Plan)	

PRELIMINARY OBJECTIONS
OF
COLUMBIA ENERGY SERVICES CORPORATION,
COLUMBIA ENERGY POWER MARKETING CORPORATION,
EXELON ENERGY,
MID-ATLANTIC POWER SUPPLY ASSOCIATION
STRATEGIC ENERGY L.L.C.

Pursuant to Ohio Revised Code ("R.C.") Section 4928.32(B) and the Ohio Administrative Code ("O.A.C.") Rule 4901:1-20-07 issued by the Public Utilities Commission of Ohio ("Commission"), Columbia Energy Services Corporation, Columbia Energy Power Marketing Corporation, Exelon Energy, Mid-Atlantic Power Supply Association and Strategic Energy L.L.C. (together these companies will be referred to as "Midwest Marketers Coalition" or "MMC") submit these Preliminary Objections to the December 30, 1999 filings by the Columbus Southern Power Company and Ohio Power Company (collectively referred to as "the AEP Companies") in the above captioned cases.

General Objections

Many of the issues relating to the AEP Companies' electric transition plan in general (and especially issues raised in its supplier tariffs) are being discussed in the collaborative workshops that the Commission Staff has convened for the purpose of attempting to find agreement between

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suppliers and all of Ohio's electric distribution utilities. Midwest Marketers Coalition members support and have been very active participants in the collaborative workshop processes.

Recognizing that the activities of the collaborative workshops have not reached closure at the time that the AEP Companies filed its transition plans, MMC would like to preserve its positions on the issues discussed for purposes of these preliminary objections. In general, to the extent that the AEP Companies' transition plan, and particularly its supplier tariffs, do not reflect the positions taken by MMC in these workshops, MMC objects.

In addition, Midwest Marketing Coalition asserts that the AEP Companies should not be permitted to propose provisions in its proposed tariffs, Supplier Agreement or otherwise which impose requirements on competitive retail electric service ("CRES") providers that are more stringent than the requirements set forth in R.C. Chapter 4928 or in the Commission rules implementing R.C. Chapter 4928. To the extent that the AEP Companies have proposed, in their electric transition plans, and related dockets, greater requirements than imposed in R.C. Chapter 4928 or the rules implementing the chapter, MMC objects.

Finally, MMC objects to the AEP Companies' electric transition plans to the extent that they do not comply with the Standards for Uniform Business Rules which were provided to the AEP Companies in Case No. 99-1141-EL-ORD as part of comments by marketers in the initial comments filed in that docket¹.

¹ See PG&E Corporation's Submission of Uniform Business Rules Developed by the Coalition for Uniform Business Rules, filed October 12, 1999.

Supplier Tariff: Reference: Proposed P.U.C.O. No. 5, Supplier Terms and Conditions

In General:

MMC objects to a number of the AEP Companies' proposals with respect to the Supplier Terms and Conditions, P.U.C.O. No. 5 (references throughout are to the Columbus Southern Power Distribution Company's proposed tariff).

As a general principle, MMC states that the AEP Companies' supplier tariffs should set forth only the operational terms, and any approved fees associated therewith, to enable the supplier to utilize the AEP Companies' distribution systems to serve customers. A separate Supplier Agreement should be executed by the AEP Companies and the supplier to set forth the legal rights, responsibilities and obligations of the parties (such as indemnification, liability, force majeure, etc.). By executing the Supplier Agreement, the parties agree to operate under the terms of the supplier tariff. To the extent that AEP Companies' supplier tariffs are not consistent with these principles, MMC objects.

Specific Provisions in the Tariff:

3. CUSTOMER CHOICE OF COMPETITIVE SERVICE PROVIDER

The third paragraph of this provision states that customers who return to the AEP Companies' standard offers for generation service must continue on the service for either the remainder of the Market Development Period or twelve months, whichever is longer. Midwest Marketers Coalition suggest that a customer should be able to change suppliers so long as the change is made not during the high usage months, of May through October, and that with this type of amendment, the twelve month or longer restriction is not necessary. In addition, however, individual residential and small commercial customers should be able to switch among CRES Providers and their EDU with no restrictions, including those proposed for larger

commercial and industrial customers during the high usage months. If a customer has been unsatisfied with one CRES provider, the customer should have the ability to make another choice, and should not be forced on the standard offer for the unreasonable period proposed by the AEP Companies.

The provision also states that a CRES provider shall notify the AEP Companies no earlier than three business days after a customer contracts with the CRES provider, and at least 15 calendar days prior to the beginning of the first calendar month during which the customer will receive service from the AEP Companies. First, MMC objects to AEP Companies' unjustified request that the CRES provider must "hold" a customer's enrollment transaction for three (3) days prior to submitting the transaction to the EDU. Such a delay will deliver no additional benefit to EDUs or CRES providers, and may prevent a customer from obtaining his/her newly selected service in a timely manner. This could cause a customer to miss out on savings. Second, MMC objects to AEP Companies' proposal that all service with a CRES provider should begin on the first day of the calendar month. MMC objects to the extent that it has become universal in restructured electric markets to make customer enrollments effective on the customer's meter read date. Therefore, MMC objects to this provision to the extent that it is not uniform, and differs from both the other Ohio EDUs and national standards. Customer enrollments with CRES providers should occur in conjunction with customer meter read dates.

While MMC has no objections to this notification process, for uniformity and ease of managing the EDU programs, MMC believes that is appropriate that all the EDUs have the same notification provision.

7. ENERGY SUPPLIER REGISTRATION WITH THE COMPANY

MMC objects to the Energy Supplier registration with the AEP Companies to the extent the registration does not occur concurrently with the certification process with the Commission. That is, both processes must occur simultaneously so that the CRES provider is not unduly hampered or delayed.

MMC objects to the \$100 annual registration fee, indicated in subsection (2). All fees should be cost justified.

MMC also objects to the language in subsection (3) as being too general and the requirements left entirely to the discretion of the AEP Companies. MMC believes that the financial instruments to be held by the AEP Companies should be specified and that they should include surety bonds, guarantees, letters of credit, and cash deposits

Additionally, the requirement to supply a "description of the Electric Supplier's plan to procure sufficient electric energy and transmission services" is too vague. Furthermore, the information is proprietary and MMC, therefore, objects.

With respect to subsection (5), a dispute resolution process for customer complaints, MMC objects. To the extent that the Commission requires a dispute resolution process to govern the disputes between CRES providers and its customers, those requirements should be set forth by rules, and the CRES provider is bound to comply with those rules. It is inappropriate to provide this information to the AEP Companies.

With respect to subsection (6), MMC objects to the requirement that an officer sign a statement committing adherence to "any additional requirements stated in any agreement" between the CRES provider and the AEP Companies. This requirement is too broad and too undefined.

9. METER SERVICE PROVIDERS (MSPs)

MMC objects to a \$500 initial registration fee payable to the AEP Companies and a \$100 annual registration fee thereafter. MMC submits that the AEP Companies should be required to cost justify these exorbitant rates.

With respect to subsection (2), credit worthiness, this provision is too general and provides too much discretion to the AEP Companies. The use of the word "damages" is highly problematic in that it does not explain whether these are damages as determined in a legal proceeding or damages asserted by AEP and in dispute, etc. Therefore, MMC has the same objections to this provision as it did with respect to Section 7(3).

With respect to subsection (4), dispute resolution, MMC has the same objections as set forth with respect to Section 7(5). Likewise, it has the same objection to subsection (5) as it stated with respect to Section 7(6).

10. METER DATA MANAGEMENT AGENTS (MDMAs)

MMC objects to subsections (1), (2), and (4) for the same reasons as stated above with respect to Section § 7(2), (3), and (6) respectively.

11. BILLING AGENTS (BAs)

Midwest Marketers Coalition objects to subsections (1), (2), and (4) for the same reasons set forth in Sections 7(2), (3), and (6) respectively.

12. METERING AND LOAD PROFILING

The use of the words "all customers" is unclear here. It would seem to be more appropriately set forth in the AEP distribution tariff generally. However, if the AEP Companies

assert that this provision is to apply to shopping customers only, then MMC objects as noted previously.

13. DEPOSITS

MMC objects to the AEP Companies' provisions on deposits. The CRES providers will follow the rules set forth by the Commission, and there is no need to repeat the requirements upon the CRES providers in a tariff of the AEP Companies. Finally, there is no requirement anywhere, and AEP Companies have no basis to insist that, where CRES providers collect deposits, they should be held in escrow in Ohio and pay interest in accordance with the AEP Companies' terms and conditions. This provision is clearly outside the purview of what an EDU should be permitted to dictate in the marketplace.

14. PAYMENTS

MMC objects to the AEP Companies' proposal to pay their own open access charges first, then pay themselves open access transmission tariff charges, and lastly to pay the charges from the CRES provider in the event that a customer pays a partial bill. Rather, the payments due the three entities should be on a pro rata basis.

15. COMPANY'S LIABILITY

This section of the AEP Companies' tariffs speaks to occurrences in the event of loss or injury to the customer. The following language should be included:

In the event of loss or injury to the CSP's property, through misuse, or negligence, by the Company or the Company's agents and employees, the Company shall be obligated and shall pay to the CSP the full cost of repairing or replacing such property.

Terms and conditions of open access distribution service: Reference: PUCO No. 5, Original Sheet No. 3-1D et seq.

CUSTOMER CHOICE OF COMPETITIVE SERVICE PROVIDER

The Midwest Marketers Coalition objects to the third paragraph of this provision for the same reasons it objected to the third paragraph of the "Supplier Terms and Conditions of Service," Section 3, "Customer Choice of Competitive Service Provider". In short, a customer should not be compelled to return to the EDU for 12 months or for the remainder of the market development period, whichever is longer.

The MMC also objects to the fourth paragraph with respect to the notification of the AEP Companies for the same reasons set forth in the prior Section 3, subsection 4. As noted earlier, MMC believes that the notification process should be uniform throughout all the EDUs in Ohio.

CODE OF CONDUCT

MMC generally concurs with most of the provisions of the Code of Conduct as set forth by the AEP Companies in their tariffs. However, it objects to No. 2 to the extent that the provision does not define "customer-specific information."

ENERGY IMBALANCE SERVICE Reference: Dennis Bethel Testimony (page 9)

MMC objects to this section to the extent that the provisions do not reflect the following principles:

1. All imbalances should be settled at incremental costs so that there is no windfall to the EDU. There should not be different pricing mechanisms whether you are long or short to the system. There is no basis for the difference in charges for

imbalances occurring at the same time. The proposal for settling imbalances is based upon different pricing mechanisms for assessing imbalance penalties.

2. Tolerances should be plus or minus 10%, not plus or minus 1-1/2% with a five MW minimum.
3. Certified suppliers should be able to trade imbalances among each other prior to the settlement with the utility.
4. Any adjustment for unaccounted for energy should be netted with the megawatt imbalance before any imposition of the bandwidth and associated settlement costs.

It appears that this section does not permit imbalance trading among suppliers. MMC urges that imbalance trading among suppliers be specifically included. The AEP Companies should not be permitted to game the system and create a windfall for itself when there is no net effect to its system. This is because trading is effected when the billing for imbalances is generated, not when the imbalance is created. Thus, trading of imbalances is simply an accounting methodology that has no impact on reliability and should be permitted to be conducted among suppliers. To the extent that imbalance trading is not permitted by the AEP Companies, Midwest Marketers Coalition objects.

Supplier Charges:

To the extent that the AEP Companies intend to charge rates to CRES providers, Midwest Marketers Coalition objects unless the AEP Companies support the reasonableness of them in terms of (a) the level (cost justify) and (b) being based upon an appropriate structure to recover the costs associated with the particular charge.

Code of Conduct/Corporate Separations*

Midwest Marketers Coalition generally objects to the AEP Companies' transition plans as they relate to the Corporate Separation Plan and Codes of Conduct to the extent they deviate from comments filed by members of this Coalition in Case No. 99-1141-EL-ORD, which comments are incorporated herein.

MMC objects generally to the AEP Companies' transition plan in that they do not provide sufficient detail to allow for analysis of the plan in order to ensure that anti-competitive behavior and cross subsidy are not occurring.

To the extent the AEP Companies Corporate Separations Plan does not provide for a "Report of Affiliate Activities" to be filed annually with the Commission, Midwest Marketers Coalition objects to the AEP Companies' Corporate Separations proposal. The AEP Companies should be required to report activities among itself and its affiliates, using forms approved and provided by the Commission.

MMC also objects to the AEP Companies' Corporate Separations Plan to the extent it does not provide that it will reduce to writing and file with the Commission copies of any contracts or agreements it has with its affiliates.

Midwest Marketers Coalition objects to the AEP Companies' Corporate Separations Plan to the extent it does not provide that the AEP Companies shall report to the Commission information regarding the resolution of informal complaints. The information reported should include the name of the complainant and a summary report of the complaint, including all

* Exelon Energy does not join the other members of MMC in its objections concerning Code of Conduct/Corporate Separations; it expresses no opinion about the FirstEnergy plans with respect to this topic. Columbia Energy Services Corporation and Columbia Energy Power Marketing Corporation do not join in this specific objection. Rather Columbia Energy Services Corporation and Columbia Energy Power Marketing Corporation suggest that effective codes of conduct existing in natural gas retail programs in the State of Ohio provide a model for issues germane to this topic.

relevant dates, companies involved, employees involved, and any actions taken to address the complaint. Such information should be made available to the Commission on an annual basis in the utility's "Report of Affiliate Activities" recommended above.

MMC objects to the AEP Companies' Corporate Separations Plan to the extent it does not provide that the AEP Companies shall report to the Commission information regarding the instances in which deviations from the code of conduct were necessary to ensure public safety and system reliability. The information reported should include the nature of the circumstances requiring the deviation, the action taken by the utility and the parties involved, and the date of the deviation. Such information should be made available to the Commission on an annual basis in the utility's "Report of Affiliate Activities."

Finally, the Midwest Marketers Coalition objects to the AEP Companies' Corporate Separations Plan to the extent it does not provide for a complaint procedure which would be available for parties to address issues concerning compliance with the separation rules and the code of conduct.

Shopping Incentives

MMC's objections are based upon its assertion that the AEP Companies' proposed shopping credits are too low to create a robust market and to encourage customers to shop for their generation supplies. Substantial experience in deregulating markets establishes that one of, and perhaps the most important, factor in establishing a competitive market for electric generation supply is the establishment of adequate shopping incentives for all customers. Shopping credits can be defined as the fully developed retail cost of generation when a customer's electric bill is unbundled as part of a deregulated electric supply market. Shopping credits also can be viewed as the difference between a utility's total retail electric charges before

deregulation and the amounts the utility still collects after deregulation if the customer chooses a competitive supplier. The shopping credit essentially is the benchmark that customers use to compare and evaluate generation offers from generation suppliers. The shopping credit is called the "price to compare" in Pennsylvania. If a customer receives a price below the shopping credit from a generation supplier, the customer saves money as compared to purchasing from the regulated utility.

The key to creating a competitive retail generation supply market is to establish shopping credit levels that are high enough to allow a robust or vigorous competitive market to develop. To provide a valid comparison to utility generation charges, shopping credits must reflect the total cost of generation, including energy, capacity, reactive power and voltage control, frequency regulation, spinning and supplemental reserves, and other operating costs, which must consider:

- Risk management premiums
- Scheduling and control area costs
- Losses
- Pool operating expenses
- Load shape costs
- Portfolio management costs
- Taxes
- Administrative & general costs
- Costs associated with compliance with consumer protection rules
- Customer Care
- Environmental disclosure.

The inclusion of these other operating costs is vital to establishing effective shopping credits. These are components that have always been present in utility costs and it is imperative

that they be appropriately realized in the development of shopping credits. CRES providers must recover these same costs when providing pricing to customers.

Two other factors are relevant to establishing a proper shopping credit:

- an analysis of the relevant wholesale market; and
- a comparison of the shopping credits of utility companies where energy choice has proven successful.

If these factors are properly analyzed, shopping credits can be set at a level that attracts a sufficient number of energy suppliers so the market offers a broad range of energy supply services to all customers, regardless of their size and load characteristics. The result is a robust marketplace, diversity of supply and the opportunity for real and long term savings.

The foregoing analysis is fully supported by the experience of other states. Low shopping credits in California, Rhode Island and Massachusetts have resulted in low numbers of customers shopping for their power supplies. The California experience has been particularly disappointing, with less than 1% of California customers choosing alternate suppliers as of March 1999.

The experience in Pennsylvania, where most companies have established high shopping credits, has provided the most dynamic market for retail electric generation supply. In fact, the company with the highest shopping credits within the Pennsylvania market, PECO Energy, has the greatest number of customers shopping for power.

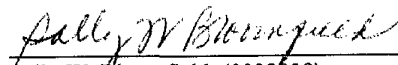
MMC is specifically concerned that the AEP Companies have proposed shopping credits for certain classes of customers which, if approved, would have the effect of raising the bill of a customer that chooses to shop. Some of the "incentives" proposed by the AEP Companies would require that a competitive supplier pay a customer to take generation service in order for

the customer to show any energy savings. Is this in the best interest of Ohio consumers?

Approving these types of credits would be the most effective means of keeping competition out of the state and thus Midwest Marketing Coalition objects to the AEP Companies shopping credit proposals. MMC submits that, unless reasonable shopping credits are established, the potential benefits of a competitive energy market cannot accrue to the consumers of Ohio. MMC would propose, instead of the AEP Companies shopping incentive plan, the concept of a reseller discount, such as that offered by Con Ed in New York under its Rate SC 11.

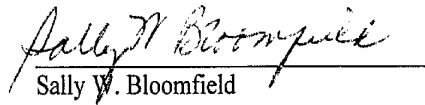
To the extent that the AEP Companies' shopping incentives do not comport with the discussion set forth above, MMC objects.

Respectfully submitted on behalf of
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EXELON ENERGY
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CERTIFICATE OF SERVICE

The undersigned does hereby certify that a copy of the foregoing Preliminary Objections of Columbia Energy Services Corporation, Columbia Energy Power Marketing Corporation, Exelon Energy, Mid-Atlantic Power Supply Association and Strategic Energy L.L.C. was served upon the listed on the attached Service List by regular U.S. Mail, postage prepaid, this 14th day of February, 2000.


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