**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Implementation of Sections 4928.54 and 4928.544 of the Revised Code. | ))) | Case No. 16-247-EL-UNC |

**COMMENTS**

**BY**

**THE OFFICE OF THE OHIO CONSUMERS’ COUNSEL**

**I.** Introduction

The General Assembly enacted a law last year to ensure the “best value” for persons paying the universal service rider (for funding assistance to low-income electric consumers) and to reduce the cost of the low-income program relative to the price that electric utilities charge all consumers for standard offer service. On February 1, 2016, the Staff of the Public Utilities Commission of Ohio (“PUCO”) filed a Staff Recommendation with two proposals for implementing the law. This PUCO Staff Recommendation followed a request on January 6, 2016, by the Ohio Development Services Agency (“ODSA”). ODSA requested that the PUCO design, manage, and supervise a competitive procurement process, pursuant to R.C. 4928.544, for providing electricity to customers in the low-income assistance program (percentage of income payment plan (“PIPP”)).

The PUCO Staff observed that the requirements for the PIPP procurement process must:

1. Be designed to provide reliable competitive retail electric service to percentage of income payment plan program customers;
2. Reduce the cost of the percentage of income payment plan program relative to the otherwise applicable standard service offer established under sections 4928.141, 4928.142, and 4928.143 of the Revised Code;
3. Result in the best value for persons paying the universal service rider under section 4928.52 of the Revised Code.

OCC appreciates the law for seeking ways to reduce the costs that customers pay to fund the Universal Service Fund (“USF”).

By Entry dated February 1, 2016, a PUCO Attorney Examiner requested that interested stakeholders file comments on the Staff Recommendation by February 8, 2016. This brief comment period is apparently intended to accommodate standard service offer (“SSO”) auction preparations now underway for Duke Energy on March 16, 2016 and Ohio Power on March 29, 2016. OCC offers the following comments on behalf of the 4.5 million residential utility consumers served by the Ohio electric utilities.

**II.** Comments

## **A. The PUCO should consider which option proposed by the PUCO Staff results in the best value for persons paying the USF pursuant to R.C. 4928.52.**

The PUCO Staff proposed two options for procuring the electric PIPP load. The first option is a separate PIPP procurement auction that is modeled on the current SSO auction.[[1]](#footnote-2) The second option is based on an administratively-set discount where PIPP customers would pay winning bidders a rate that is discounted from the SSO.[[2]](#footnote-3) The PUCO Staff recommends that the PUCO approve the PIPP-separate procurement option.

Both of the PUCO Staff’s proposed options appear to satisfy the statutory requirement in R.C. 4928.54 that PIPP load be supplied through an auction process. In addition, both options could be implemented concurrently or during the same days that existing SSO auctions are scheduled to occur. The Staff Recommendation, however, does not contain an assessment regarding which option is expected to result in the best value for persons paying the USF.

Also, both options could, in fact, increase what customers on the electric utilities’ standard offers pay. This result is possible because removing the PIPP customers from the bidding for the standard offers could increase the bid price for the standard offer rate. Also, bidders in the auction for the standard offer could bid that price higher knowing that they need to bid a lower price than the standard offer rate in order to win bidding for PIPP customer load. To the extent possible, and while fulfilling the objective to lower the costs for funding the USF program, the PUCO should protect the standard offers from increases resulting from USF-related auctions.

Furthermore, there is no assessment of the administrative costs that will be incurred to implement either option or the ease with which these procurement methods can be implemented. Without this type of assessment, the PUCO is limited in determining which option results in the best value for persons paying the SSO.

## **B. If the PUCO adopts the PUCO Staff’s recommendation for a PIPP-separate procurement, an evaluation of the results of the March 2016 PIPP auctions would be beneficial in establishing any additional safeguards that may be necessary for future PIPP load auctions.**

The PUCO Staff provided some additional details in recommending the PIPP-separate procurement option. Each utility will conduct an auction for PIPP load during the same days that the SSO auctions are occurring and using a procurement process similar to the SSO.[[3]](#footnote-4) Like the SSO auction, the PIPP load would be broken into 100 tranches (which could be modified if the load size of each tranche is too small).[[4]](#footnote-5) At the conclusion of the SSO auction, bidders for the PIPP load will be informed about the average winning SSO price and will have the opportunity to submit sealed offers for each tranche of PIPP load.[[5]](#footnote-6) The least expensive offers would then be accepted to meet the PIPP needs.[[6]](#footnote-7) To the extent that there is sufficient market interest and bids to secure the required PIPP load, this process should satisfy the statutory requirement of PIPP load costing less than the SSO.

There is no guarantee suppliers will step up to supply the PIPP load. According to the Staff Recommendation, if there is not enough supply to meet the PIPP load “the unfilled need could be satisfied through the next scheduled auction, a subsequent reserve auction, or through the market.”[[7]](#footnote-8) If there is not enough supply, OCC recommends that in lieu of PIPP customers being subject to the market, they be placed on the SSO. (We note that it is uncertain what is meant by the PUCO Staff’s reference to “market.”)

Given that the PIPP-separate procurement auctions that are being planned in March 2016 are the first of their kind in Ohio, there are benefits in evaluating the results of the auctions after they are completed. Some of the specific information that should be assessed includes the robustness of the market based on the number of interested PIPP load marketers and bidders, the final number and characteristics of PIPP tranches, the identification of any load that could not be procured below the average SSO price through the auction, the PIPP load price compared to the SSO price, any negative impact (meaning higher prices) for customers served by the standard offer, and recommendations to help improve the procurement process for future auctions of PIPP load. There should be an opportunity for further comment then.

# III. CONCLUSION

OCC looks forward to further opportunities to participate in the implementation of the new law, in the interest of customers. And we look forward to opportunities to moderate or reduce what Ohioans pay for electric service.

Respectfully submitted,

 BRUCE J. WESTON

 OHIO CONSUMERS’ COUNSEL

 */s/ Ajay Kumar*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission, this 8th day of February 2016.

*/s/ Ajay Kumar*

 Ajay Kumar

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1. Staff Recommendation at 3-6. [↑](#footnote-ref-2)
2. *Id*. at 6. [↑](#footnote-ref-3)
3. *Id*. at 3. [↑](#footnote-ref-4)
4. *Id*. at 4. [↑](#footnote-ref-5)
5. *Id*. at 5. [↑](#footnote-ref-6)
6. *Id*. [↑](#footnote-ref-7)
7. *Id*. at 6. [↑](#footnote-ref-8)