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BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

In The Matter Of The Application Of Ohio Edison :
Company The Cleveland Electric Illuminating : Case Nos. 07-796-EL-ATA
Company And The Toledo Edison Company To : 07-797-EL-AAM
Establish a Competitive Bidding Process :

REPLY COMMENTS OF THE OHIO ENERGY GROUP

Comes now the Ohio Energy Group ("OEG") and submits the following Comments in Reply to the Comments filed by the parties in the above-captioned matter.

1. **Constellation Mischaracterizes The Competitive Bidding Results In Other States As "Successful."**

Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. ("Constellation") support FirstEnergy's proposed competitive bidding process on the basis that it is consistent with the "*successful competitive procurement mechanisms that have been utilized in other markets.*"¹ Constellation cites Illinois, Maryland, New Jersey and Delaware as examples of other markets that have conducted successful competitive bidding mechanisms.² Although success is a subjective term, it is unlikely that the electric consumers in Illinois, Maryland, New Jersey and Delaware would consider the reverse auctions conducted in those states "successful."

¹ Comments of Constellation NewEnergy, p. 5.

² Id.

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As discussed in OEG's Comments, in March of 2007, the results of the Illinois reverse auction were so disastrous that the Illinois Attorney General filed a complaint with FERC alleging that ComEd and Ameren engaged in price manipulation in the Illinois reverse auction. This complaint and enormous pressure from consumers led to a \$1 billion Rate Relief Reform Package providing refunds and credits to consumers.³ The Reform Package replaces the reverse auction with a sealed-bid/negotiations process run by a new independent state agency.

The Maryland experience with the a reverse auction competitive bidding process was equally devastating and may likewise lead to a state reform package. The prices produced by the Maryland reverse auction were about 20 percent above wholesale prices at the time of the auction.⁴ Following Illinois' lead, Maryland Governor Martin O'Malley has asked the Maryland Public Service Commission to investigate whether the wholesale rates for electricity in Maryland exceed federal standards for reasonableness.

In a letter to the Chairman of the Maryland Commission, Governor O'Malley stated that that it is not enough for the state's utilities to show that they followed Maryland's regulatory procedures when they participated in auctions for power supplies. Federal law also requires that the wholesale prices they pay - and pass on to customers - must be "just and reasonable." Governor O'Malley wrote.

*"The State of Illinois has filed a complaint with the Federal Energy Regulatory Commission (FERC) charging that FERC failed to exercise its duty to determine whether the wholesale prices procured by servicing utilities to provide standard offer service in that state were 'just and reasonable... Maryland needs to know whether a comparable cause of action exists here.'"*⁵

³ Foster Electric Report, 7/25/07 Foster Electric Rep., 2007 WLNR 14682339.

⁴ O'Malley questions rate fairness: PSC is asked to determine whether electricity prices are 'reasonable', Baltimore Sun, Paul Adams and Andrew A. Green (July 27, 2007)

⁵ Id.

Reverse auctions held recently in New Jersey and Delaware have likewise led to very high prices. Electricity costs increased by 55 percent in New Jersey and 59 percent in Delaware after recent reverse auctions.⁶

Respectfully submitted,



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⁶ Electric rate jolt coming: BGE auction tomorrow to be reflected in sharply higher bills in July Baltimore Sun, Paul Adams (February 20, 2006)