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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company For Approval of a Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications Associated With Reconciliation Mechanisms and Phase In, and Tariffs for Generation Service.	)	Case No. 07-796-EL-ATA Case No. 07-797-EL-AAM

REPLY COMMENTS OF NUCOR STEEL MARION, INC.

John W. Bentine, Esq. (0016388)
Trial Counsel
E-Mail: jbentine@cwslaw.com
Direct Dial: (614) 334-6121
Chester, Willcox & Saxbe LLP
65 East State Street, Suite 1000
Columbus, Ohio 43215-4213
(614) 221-4000 (Main Number)
(614) 221-4012 (Facsimile)

Garrett A. Stone
Michael K. Lavanga
E-Mail: gas@bbrslaw.com
E-Mail: mkl@bbrslaw.com
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, N.W.
8th Floor, West Tower
Washington, D.C. 20007
(202) 342-0800 (Main Number)
(202) 342-0807 (Facsimile)

Attorneys for Nucor Steel Marion, Inc.

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Pursuant to the Entry dated September 12, 2007 in this docket, Nucor Steel Marion, Inc. ("Nucor Marion") submits these reply comments.

I. Introduction

The initial comments filed in this proceeding reveal considerable skepticism on the part of most parties that a competitive retail generation market exists in the FirstEnergy service territory, and strong concerns that FirstEnergy's SSO competitive bidding process, if approved, could result in significantly higher and unjust and unreasonable rates for retail customers. Given these concerns, the Commission should not approve FirstEnergy's proposal as submitted for FirstEnergy to use in procuring SSO supply beginning in January 2009.

II. The Commission Must Address Concerns Voiced by Most Parties That a Competitive Generation Market Does Not Exist, and Establish a Mechanism to Procure SSO Supply.

Most of the parties submitting initial comments in this proceeding express concern, in one form or another, about the perceived lack of a competitive generation market in the FirstEnergy region. For example, there is virtual unanimity among the parties that allowing a

single supplier to serve up to 75% of the load, as FirstEnergy proposes, could lead to the exercise of market power given the lack of competitive suppliers in the region. *See, e.g.*, The Cleveland Foundation at 2; Direct Energy Services at 21-22; Northeast Ohio Public Energy Council at 4; Ohio Energy Group at 2. As the Ohio Partners for Affordable Energy ("OPAE") explains, FirstEnergy's affiliates "are clearly destined to be the principal bidders at the auction and the probable winners of 75% of the volume." OPAE at 4. OPAE concludes that, "the auction is nothing more than a method by which [FirstEnergy's] affiliates will maximize profits at customers' expense." *Id.* at 5.

The most forceful case that there is no competitive market to support FirstEnergy's competitive bidding process is made by the Public Utilities Commission of Ohio Staff ("Staff"). In its initial comments, Staff urges the Commission to reject FirstEnergy's proposal outright. In support of its assertion that competitive retail markets do not exist in the FirstEnergy region, Staff observes that only 15.3% of the total electricity requirements in the FirstEnergy region are sold by Competitive Retail Electric Service ("CRES") providers and, of this 15.3%, 13.8% are being served by an affiliate of FirstEnergy. Staff at 2. This means that only 1.6% of the total electricity requirements in the region are served by non-affiliate CRES providers. *Id.* Staff also argues that the wholesale markets underpinning the retail markets are not competitive, and that RTO market monitors have been ineffective in disciplining the markets. *Id.* at 6-12, 15.

Nucor Marion agrees with the Staff and other parties that, given the state of the markets, FirstEnergy's competitive bidding proposal is highly problematic. On top of that, the sand seems to be shifting under the feet of all the players in this proceeding, as the Ohio legislature considers legislation that, if adopted, would have a major impact on FirstEnergy's SSO proposal. S.B. 221 seeks to write into law Governor Strickland's Energy, Jobs, and Progress Plan. S.B. 221 would

require utilities to offer a standard service offer rate developed either through an "electric security plan" or a "market rate option." If a utility chooses the market rate option, the utility would have to demonstrate that a competitive generation market actually exists as a prerequisite to Commission approval of the plan. If the Commission were to approve the FirstEnergy competitive bidding mechanism proposed in this proceeding, and S.B. 221 becomes law in one form or another, FirstEnergy would need to come back to the Commission to seek approval of the competitive bidding mechanism a second time or make an entirely new SSO proposal. This state of affairs counsels against swift Commission action to approve FirstEnergy's application in this proceeding.

Given the undeveloped state of the markets, and the unsettled policy and regulatory landscape, a prudent course the Commission should consider is to direct FirstEnergy to extend its current wholesale contract with its affiliate for SSO supply at reasonable, cost-based rates for an additional year or two (preferably two), and maintain the rate design currently in place. If necessary, the Commission could use its emergency power under Section 4909.16 of the Ohio Revised Code to direct FirstEnergy to extend the contract. This approach would have several benefits. First, it would allow time for the public policy debates concerning the electric industry occurring in the General Assembly to play out. If a new law is passed that changes FirstEnergy's SSO obligations in any way, FirstEnergy can develop a proposal that meets the requirements of the new law. If no such law is passed, FirstEnergy could re-file its competitive bidding mechanism or some other alternative to take effect following the expiration of the extended wholesale contract. Second, it will give FirstEnergy, the Commission, and all interested parties more time to consider improvements to FirstEnergy's competitive bidding mechanism or to come up with alternative ways of procuring SSO supply that might work better. Finally,

extending the status quo an additional one or two years would allow more time for the wholesale and retail markets to develop further, which could mean that a more robust retail generation market is in place by the time FirstEnergy starts procuring its SSO supply from the market.

If the Commission declines to direct FirstEnergy to extend its current wholesale contract, the Commission must nevertheless address the concerns raised by numerous parties about FirstEnergy's competitive bidding proposal and should address alternate mechanisms to procure SSO generation supply starting in 2009. As Nucor Marion and other parties have noted, the Commission is not obligated to approve a competitive bidding process to secure SSO generation supply. *See, e.g.,* Nucor Marion at 6; OPAE at 2. There are other mechanisms that the Commission can and should consider. The Ohio Energy Group, for example, suggests that the SSO rate be established through an administrative process, and that a sealed competitive bidding process also be used to provide customers with an option between the administratively set SSO and a competitively bid SSO. Ohio Energy Group at 4-6. The problem is, at this point, no one has enough information on alternative mechanisms (or, for that matter, on FirstEnergy's proposal) to determine what approach is the best for securing the most economic and secure generation supply for SSO customers given the state of the markets today.

If the Commission does not direct FirstEnergy to extend its current wholesale contract and rates, the Commission should take one of two courses with respect to FirstEnergy's proposal. First, the Commission could reject FirstEnergy's proposal and address the question of how FirstEnergy should acquire generation supply to serve SSO customers in either a new proceeding or an existing docket. Second, the Commission could continue this docket, and address the FirstEnergy proposal and alternate proposals in a more in-depth proceeding that would include discovery, testimony, a hearing, and briefs.

III. Regardless of the Commission's Approach to Obtaining System Supply, Key Rate Design Issues Still Need to be Addressed.

Many of the rate design issues raised in this proceeding are important and need to be addressed regardless of the mechanism ultimately approved and implemented for procuring SSO supply. Accordingly, these issues should be addressed in this proceeding or an alternative proceeding established by the Commission.

A. Load Response/Interruptible Program

In its Application, FirstEnergy proposed an Optional Load Response Program ("OLRP") in which certain customers taking SSO service may participate. In its initial comments, Nucor Marion welcomed FirstEnergy's proposal to continue making interruptible service available to SSO customers, but noted several significant shortcomings in FirstEnergy's proposed OLRP. Nucor Marion at 16-30. Nucor Marion made several recommendations for how the OLRP might be improved in order to increase the value of the program to FirstEnergy, customers participating in the program, and all retail customers served by FirstEnergy.

As explained below, a number of Nucor Marion's recommendations on the OLRP were echoed in other parties' comments. However, Nucor specifically disagrees with certain recommendations and conclusions reached by the Office of the Ohio Consumers' Council ("OCC").

1. FirstEnergy Should Be Required to Offer Separate Reliability and Economic Interruptible Programs; the Commission Should Set the Terms and Conditions of Such Programs in this Proceeding and/or Establish a Proceeding or Other Forum to Address these Issues as Soon as Possible.

The Ohio Energy Group suggests that a working group be established so that interested parties can work with FirstEnergy and Staff to more fully develop load response programs. Ohio

Energy Group at 13. Nucor Marion agrees that the Commission should establish a process to specifically address interruptible issues and urges that such a process be established as soon as possible. As to the specific process, Nucor is uncertain whether a working group would be the best approach, but would support establishing the most efficient and effective process available to promptly address and resolve these issues. There is certainly no need to delay on these issues since most of the details of such a program are generally not dependent on the source of SSO supply. Furthermore, it is important to give existing interruptible customers some degree of planning certainty as to the availability of such options in the future.

The Cleveland Foundation (at 8) advocates dividing the OLRP into separate reliability and economic programs, a position that Nucor Marion also supported in its initial comments on grounds that it would provide more options for participants, thereby increasing participation in the program overall. The Ohio Energy Group (at 12) argues that "[FirstEnergy] should offer a menu of interruptible rates so that customers have options in selecting the interruption rules that they can live with," which is also consistent with Nucor Marion's position.

In its initial comments, the OCC points out certain shortcomings with the proposed OLRP. The OCC observes that a "fundamental problem" of the OLRP is that it combines two separate programs – an economic program and a reliability program – and provides a single credit to both situations. OCC at 14. The OCC also faults FirstEnergy's proposal to not make the level of the Program Credit known until next year. *Id.* at 16. Nucor Marion agrees with the OCC on these points and advocates establishing separate economic and reliability interruptible load programs with separate credits, and the setting of the Program Credit (or credits if the Commission agrees that more than one credit should be established) in this proceeding as soon as possible. Nucor Marion also agrees with the OCC that FirstEnergy should not be permitted to

change the terms of the OLRP without Commission authorization. OCC at 14-15.

2. An OLRP Customer Should Receive the Interruptible Credit Regardless of Whether the Customer Interrupts or Buys Through an Economic Buy Through Event.

The OCC also makes some arguments with which Nucor Marion disagrees. The OCC states that under FirstEnergy's proposal, "a customer's lack of actual participation in the interruptible program would permit customers to benefit from an interruptible service credit and utilize the pricing that is also available to participants in the hourly program *without providing load reduction benefits* and without sacrificing the credit gained as part of the proposed LRP program." OCC at 13-14 (emphasis in the original, footnotes omitted). The OCC argues that customers who buy through rather than interrupting when economic interruptions are called should sacrifice the interruptible service credits that were earned during the previous twelve months. *Id.* at 14. The OCC's arguments in this regard are in error for several reasons.

a. The OCC's proposal would eviscerate the interruptible rate.

If the Commission approves a single OLRP rather than establishing separate economic and reliability programs, the OCC's proposal would eviscerate the OLRP. Under the OCC's proposal, any customer that buys through an Economic Buy Through Event would forfeit its interruptible service credits for the pervious twelve months. This means that an OLRP customer would effectively be subject to 1000 hours of mandatory economic interruptions, along with required reliability interruptions, if the customer wanted to keep its program credit payments. Practically speaking, it is hard to believe any customer would be willing to subject themselves to this level of mandatory interruption.

Further, the OCC's proposal would punish OLRP customers that are willing to curtail for reliability reasons, but not for economic reasons. Under the OCC proposal, a customer that

curtails for reliability reasons but chooses to buy through an Economic Buy Through Event would have to forfeit its program credits, despite the fact that the customer provided reliability interruptions. The OCC's proposal would throw the baby out with the bathwater by eliminating the incentive for customers to provide both economic interruptions *and* reliability interruptions.

Finally, even if some customers were willing to participate in the OLRP under the conditions the OCC proposes, the effect on industrial productivity for participants would be grim. Requiring OLRP customers to be willing to curtail their operations for over 1000 hours a year (approximately 11% of all the available hours in the year and 25% of all on-peak hours) would seriously reduce productivity of large commercial and industrial businesses in Ohio that participate in the program. The OCC's proposal runs exactly counter to Ohio's economic development efforts and would be an impediment to Governor Strickland's goal of "keep[ing] and creat[ing] jobs that grow from Ohio's strengths and that are worthy of Ohio's workers."[1]

b. Interruptible load provides benefits to the system regardless of whether OLRP customers buy through Economic Buy Through Events or interrupt.

A second problem with the OCC's argument is that it ignores the cost benefits provided by interruptible load, even if some OLRP customers choose to buy through Economic Buy Through Events. Interruptible load generally provides a capacity benefit because the utility does not have to procure capacity to serve the interruptible customer, and this is the case under FirstEnergy's proposal. Under FirstEnergy's proposed mechanism, an SSO supplier would have to provide energy requirements to the customers in the OLRP, but, in formulating its bid, the SSO supplier will estimate the level of load that will be interrupted for capacity or economic reasons and will not account for such load in its bid. In effect, therefore, FirstEnergy will not be

[1] 2007 State of the State Address, available at: http://governor.ohio.gov/Portals/0/SotS/2007%20State%20of%20the%20State%20Address.pdf.

procuring capacity to serve the portion of the load that interrupts when an Economic Buy Through Event or a reliability curtailment is called. The effect of a supplier not including this load in its bid will be to reduce the bid and, consequently, the clearing price and the ultimate SSO rate paid by FirstEnergy's customers.

c. Under FirstEnergy's proposal, all SSO customers would benefit when OLRP customers buy through an Economic Buy Through Event.

Under FirstEnergy's proposal, when an OLRP customer buys through an Economic Buy Through Event, the difference between the LMP and the SSO rate (which the customer would have paid) is not given to FirstEnergy or the supplier. As FirstEnergy notes, the supplier is paid the clearing price. The "excess revenues" produced by the buy through will be passed back to all customers to offset the cost of the Service Credit received by participants in the LRP. As FirstEnergy also notes, "[d]epending on the level of hourly LMPs and the decisions by participating customers as to whether to curtail their consumption, the LRP can potentially be self funding or even provide a net credit to all other customers." Application at 23.

The economic buy through option, therefore, does not provide an OLRP customer with some sort of double payment as the OCC suggests – instead, it functions to reduce the cost of the OLRP program overall to all SSO customers not participating in the OLRP. The program would provide additional system benefits because customers that choose to curtail their usage in response to a buy through event will lower the LMPs.

d. The OCC inappropriately compares OLRP customers with hourly pricing customers rather than customers on fixed SSO rates.

The OCC compares a customer in the OLRP with a customer in the hourly program, and determines that the customer in the OLRP that buys through an Economic Buy Through Event

somehow gets a benefit that the hourly customer does not get because the OLRP customer receives a credit even if it does not interrupt. But this is not a valid comparison. Although an SSO supplier will be obligated to provide the energy requirements of the customers in the OLRP, suppliers will adjust their bids downward based on the amount of anticipated interruptible load. The SSO rate, therefore, will be lower as a result of the OLRP. The hourly pricing program, on the other hand, is a totally separate program with a different set of potential risks and benefits for a participating customer (*e.g.*, under the hourly program, while the customer will be subject to potentially higher than SSO prices in on-peak hours, the customer will also receive the benefit of lower-cost off-peak hours). As FirstEnergy makes clear, FirstEnergy will not include hourly pricing load in the competitive generation procurement process. *See* Application, Exhibit F at 1.

The appropriate comparison, therefore, is not between the OLRP customer and a customer in the hourly program, but between the OLRP customer and a customer on a fixed price SSO rate. An OLRP customer that decides to buy through when an Economic Buy Through Event is called will pay a higher rate than other non-OLRP SSO customers will pay. In other words, the OLRP customer will forgo its ability to pay the lower SSO rate for up to 1000 hours by participating in the OLRP, and agreeing to pay the LMP if it elects to buy through an Economic Buy Through Event in exchange for an advance economic interruption credit. In effect, the customer is selling "call option" to FirstEnergy where FirstEnergy pays the customer up front for the right to call the customer and have the customer shift off of SSO supply to marginal cost supply or curtail under certain circumstances. This is no different than existing FirstEnergy interruptible programs that allow economic curtailments and buy-throughs.

In summary, the OCC's proposal to deny the Program Credit to OLRP customers that buy through Economic Buy Through Events simply does not take into account the benefits

interruptible load provides, both in terms of capacity and energy savings. The Commission should recognize the OCC proposal for what it is – a proposal that would eliminate interruptible rates. The Commission should reject the OCC's proposal.

3. The OCC's Arguments Illustrate Why Establishing Separate Reliability and Economic Programs Makes Sense.

The OCC's concerns about OLRP customers getting paid the Program Credit even though they are not required to curtail when Economic Buy Through Events are called are invalid. Nevertheless, Nucor agrees with the OCC that a fault of the OLRP as proposed is that it combines two programs – an economic program and a reliability program – that should be separate. Establishing separate economic and reliability programs would allow FirstEnergy to establish credits for each program that more accurately reflect the benefits and avoided costs associated with the respective programs.

A reliability program should incorporate a credit for reliability interruptions that reflect at least long run avoided generation and transmission costs, along with any operating reserve savings, since reliability interruptions can be called to respond to any threat to system reliability, and the customer is required to interrupt. The basis of the credit for the reliability program, therefore, would be capacity costs rather than avoided energy costs. As Nucor Marion noted in its initial comments, the U.S. Department of Energy has estimated avoided generation costs for interruptible load to be more than $6/kW month, which does not include additional avoided transmission and distribution capacity costs associated with interruptible load. Nucor Marion at 24-25.

Unlike the reliability program, an economic interruption program would allow the customer to decide whether to interrupt when FirstEnergy calls for economic interruptions. An economic program credit should still reflect some level of avoided capacity costs, since some

percentage of the load in the economic program will interrupt when economic interruptions are called, and this percentage will increase as the LMPs increase. In addition, an economic program credit should also reflect a reasonable estimate of avoided energy costs.

Establishing separate reliability and economic programs would result in credits that are tailored to reflect the different benefits that each program provides. It would also give customers more options for participating in the OLRP by allowing them to participate in one or both programs. If, for example, a customer was willing to provide reliability interruptions only, it could do so by participating only in the reliability program.

Separate programs would also provide FirstEnergy with more resource dispatch options, allowing FirstEnergy to call only reliability program load or only economic program load as needed. As currently proposed, the OLRP is a blunt instrument, since it requires FirstEnergy to call all load in the OLRP regardless of the situation. By contrast, establishing separate reliability and economic programs would give FirstEnergy a more finely tuned set of instruments with which to operate its system. FirstEnergy should be required, therefore, to establish separate reliability and economic interruptible load programs.

On a final note, if the Commission approves a single OLRP that includes a single Program Credit for both reliability and economic interruptions, the Program Credit should reflect both capacity and energy cost savings.

4. Interruptible Load Provides Important Reliability and Economic Benefits Across All Customer Classes.

The OCC expresses concern that residential customers will be required to pay for the OLRP even though they cannot participate in the program and also complains that FirstEnergy has provided no back-up evidence to support the claim that the benefits and costs to non-interruptible customers of interruptible programs have been roughly equal. OCC at 15-16. The

OCC appears to be concerned that the cost of interruptible rates will outweigh the benefits, but a more valid concern is that interruptible customers might be under-compensated given the benefits their interruptible load provides.

The benefits of interruptible load are well documented and these benefits apply across all customer classes. Nucor Marion's initial comments discuss a small sampling of the reports and studies addressing the benefits of demand response (Nucor Marion at 16-17) and there are other examples as well, including PJM's use of demand response in the summer of 2006. PJM reported that demand reductions in August of 2006 produced $650 million in system energy savings, and reduced wholesale energy prices by more than $300 per megawatt hour during the highest usage hours. *See* PJM News Release, "Early Aug. Demand Response Produced $650 Million Savings in PJM" (August 17, 2006). PJM's vice-president explained that, "all customers will benefit from the dramatic price reductions because future longer-term electricity sales are based on prices set in the real-time market, where prices were lower as a result of demand response." *Id.* Participants in PJM's demand response programs during this period were paid $5 million, or less than 1% of the total system savings, meaning that the vast majority of the benefits went to customers who did not participate in the programs. *Id.*

Granted, these are figures from PJM's wholesale demand response program, but the example nevertheless illustrates that the benefits provided by even a small amount of interruptible load vastly outweigh the costs, and that the benefits are shared by all customers. The OCC's concern that interruptible rates might be a bad deal for customers that are not on interruptible rates is misplaced.

B. Other Rate Design and Competitive Bidding Process Issues

1. More Analysis Must be Done Before Deciding Whether to Adopt the Load Class or Slice of System Approach.

Most parties express support for the "load class" auction mechanism, arguing that this approach will be more reflective of the costs of serving particular customer classes and will result in better price signals. *See, e.g.*, Northeast Ohio Public Energy Council at 4; Direct Energy Services at 19-20. A customer group representing large industrial customers, however, stakes out a different position, advocating the "slice of system" approach because it would allow the Commission to use class-specific allocation factors in order to send proper price signals, avoid rate shocks, and provide economic development incentives. Ohio Energy Group at 9-10.

Nucor Marion sees merit in the arguments advanced in favor of both the load class and slice of system mechanisms. The problem is that the arguments are purely theoretical. No one knows (or can even make a reasonable guess) what the impact of using one mechanism as opposed to the other will be on the various customer classes, because FirstEnergy provided no analysis of the impacts of either mechanism in its Application. If the decision is to be made on a theoretical basis, then we would be inclined to pick the slice of system approach, since utilities typically acquire resources to meet system needs, not individual class needs, and a load class approach creates a risk that there may not be adequate bidders for all classes.

In short, before making a determination on whether to adopt the load class or slice of system approach, the parties and the Commission need to have more information. This is another reason why the Commission should consider establishing a hearing and discovery process in this proceeding.

2. More Information Needs to be Known Before the Commission Determines Whether to Approve the Elimination of Demand Charges.

FirstEnergy proposes the elimination of demand charges and declining block rates. This proposal is a major change to FirstEnergy's standard rate design, and some parties in this proceeding support the change (*see* Cleveland Foundation at 5-6), while others oppose it (*see* Industrial Energy Users at 5-6; OCC at 2-4). As is the case with the choice between the load class or slice of system approaches, not enough information is known about the effects of the elimination of demand charges at this point for the Commission to make an informed decision about whether this is a good idea.

Elimination of demand charges seems to make sense in the context of FirstEnergy's competitive bidding proposal, because it would align FirstEnergy's method of charging its retail customers for SSO supply with FirstEnergy's method of procuring SSP supply from wholesale suppliers. FirstEnergy proposes to procure supply, under both the load class and slice of system approaches, on a per kwh (or energy only) basis. There will be no demand component to a supplier's bid, so billing retail customers based on both demand and energy, when FirstEnergy is procuring supply based only on energy, could lead to inaccurate price signals. Nevertheless, it is unclear what mechanism will ultimately be adopted to procure SSO supply, and the decision whether to eliminate demand charges should depend, in part, on what the final SSO procurement mechanism looks like. The Commission should refrain from making a determination on the elimination of demand charges until more information is known.

Regardless of what SSO procurement mechanism is eventually adopted, if the Commission decides to retain demand charges, then the Commission should direct FirstEnergy to measure customer demand on an hourly basis, rather than some shorter time period, such as a half-hour. Measuring demand on an hourly basis would align demand measurement at the retail

level with how demand is measured in the wholesale markets, and would therefore provide more accurate prices and price signals.

3. The Commission Should Reject Limits on the Ability of Customers to Move Between Rates.

The OCC states that, to eliminate risk for suppliers under the slice of system approach, customers should not be permitted to move between average and real time pricing throughout the service period of an auction. OCC at 9-10. If the Commission eventually approves a slice of system auction mechanism, the Commission should reject this proposal as an unnecessary restriction on customer choice. The proposal is unnecessary to shield bidders from excessive risk because customers will chose the SSO average price offerings if they are not willing to accept the volatility of hourly pricing, so it is unlikely that these customers will choose to switch to hourly pricing based on short term fluctuations in the hourly price. Further, longer term price trends will be reflected in supplier bids in the auction and in the final SSO average price rates. It is highly unlikely, therefore, that customers will switch between the SSO average price rates and real time pricing with a level of frequency that would result in suppliers being subject to "excessive risk." The better course would be to allow customers to switch between average prices and real time prices based on reasonable notice, so that customers can tailor their electric service to meet their changing needs and operating characteristics.

4. The Commission Should Reject Calls for Mandatory Hourly Pricing for Large Customers.

The OCC urges FirstEnergy to consider mandatory real time pricing for large customers as an alternative to demand charges. OCC at 4. The Commission should reject this proposal. First, it is unnecessary as long as FirstEnergy offers an hourly pricing option. Large customers that have the ability and willingness to monitor prices and alter their consumption in response to

real time prices will be able to do so through this option. Second, forcing large customers – and only large customers – to take mandatory real time pricing is unfair. Requiring large customers to take mandatory real time pricing would effectively deprive these customers of an SSO rate, and of their ability to hedge against price volatility through a utility-offered supply option. If the Commission imposes mandatory real time pricing, it should impose it for all customer classes, not just large customers.

5. The Benefits Large Customers Provide to the System Outweigh the Burdens Such Customers Place on the System.

On a final note, Nucor Marion wishes to address the OCC's statement that "[d]emand components are charges that take into consideration the large load for generation or heavy burden large customers place upon a generation system at a single point or points in time." OCC at 2. As noted above, Nucor Marion has not taken a position on FirstEnergy's proposal to eliminate demand charges, because there has not been enough information and analysis provided for Nucor Marion to fully assess the effects of the proposal. Nevertheless, Nucor Marion wishes to point out that the OCC's statement that large customers place a "heavy burden" on the generation system leaves the impression that the burdens large customers impose on the system outweigh the benefits such customers provide. In reality, the opposite is true.

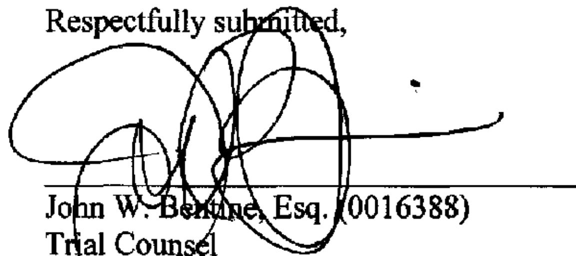
Large customers that are interruptible provide significant reliability benefits by providing operating reserves and regulation. As discussed above in the section addressing the interruptible program, large interruptible customers also provide capacity cost savings that translate into lower rates for all customers. Further, unlike other customer classes, large industrial customers tend to operate steadily in both on-peak and off-peak periods, and at higher load factors than the other customer classes. Accordingly, it is actually more efficient and less expensive for a utility to serve large customers than it is to serve the other customer classes. While it is true that large

customers generally consume more kWhs on a per customer basis than the other customer classes, it is also true that the benefits large customers provide to the system generally far outweigh the burdens such customers impose on the system.

IV. Conclusion

Nucor Marion respectfully requests that the Commission consider these comments and recommendations in evaluating FirstEnergy's SSO proposal.

Respectfully submitted,



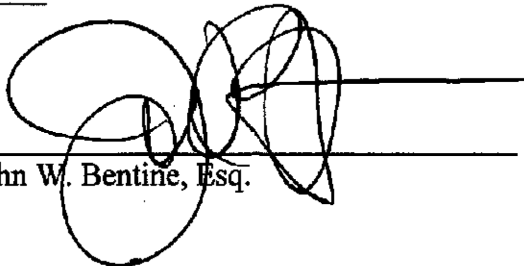
John W. Bentine, Esq. (0016388)
Trial Counsel
E-Mail: jbentine@cwslaw.com
Direct Dial: (614) 334-6121
Chester, Willcox & Saxbe LLP
65 East State Street, Suite 1000
Columbus, Ohio 43215-4213
(614) 221-4000 (Main Number)
(614) 221-4012 (Facsimile)

Garrett A. Stone
Michael K. Lavanga
E-Mail: gas@bbrslaw.com
E-Mail: mkl@bbrslaw.com
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, N.W.
8th Floor, West Tower
Washington, D.C. 20007
(202) 342-0800 (Main Number)
(202) 342-0807 (Facsimile)

Attorneys for Nucor Steel Marion, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following parties of record or as a courtesy, via U.S. Mail postage prepaid, express mail, hand delivery, or electronic transmission on 10-12-07.



John W. Bentine, Esq.

SERVICE LIST

Joseph Allotta
Allotta and Fraley Co., LPA
2222 Centennial Rd.
Toledo, OH 43617

David Applebaum
FPL Energy Power Marketing, Inc.
21 Pardee Place
Ewing, NJ 08628

Brian Ballenger
Ballenger & Moore, Co. LPA
3401Woodville Road, Suite C
Toledo, OH 43619

David Boehm
Boehm, Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, OH 45202-4454

Carl Boyd
Strategic Energy LLC
Two Gateway Center
Pittsburgh, PA 15222

Sean Boyle
FPL Energy Power Marketing, Inc.
700 Universe Boulevard
Juno Beach, FL 33408

Peter Brickfield
Vallourec & Mannesmann Tubes Corp.
1025 Thomas Jefferson St. NW, Suite 800
Washington, DC 20007

Kerry Bruce
City of Toledo
420 Madison Ave., 4th Fl.
Toledo, OH 43604

James Burk
FirstEnergy Service Co.
76 S. Main St.
Akron, OH 44308

Eric Burkland
Ohio Manufacturers Assn.
33 N. High St.
Columbus, OH 43215

Mayor Bill Cervenik
City of Euclid
585 East 22nd St.
Euclid, OH 44123

Dave Childers
IBEW 1194
17 W. Church St.
P.O. Box 145, Milan, OH 44846

Joseph Clark
McNees Wallace & Nurick, LLC
21 E. State St., 17th Fl.
Columbus, OH 43215

John Comoll
Direct Energy Services LLC
1111 W. 22nd St., Suite 810
Oakbrook, IL 60523

Joseph Condo
Calpine Corp.
250 Parkway Dr., Suite 380
Lincolnshire, IL 60069

Kevin Corcoran
Bob Schmitt Homes, Inc.
8501 Woodbridge Ct.
North Ridgeville, OH 44039

Dolores Davis
42 Orchard St.
Newton Falls, OH 44444

Trent Dougherty
Ohio Environmental Council
1207 Grandview Ave.
,Columbus, OH 43212-3449

Henry Eckhart
50 W. Broad St., #2117
Columbus, OH 43215

Stephen Feld
FirstEnergy Corp.
76 S. Main St.
Akron, OH 44308

John Foreman
FPL Energy Power Marketing, Inc.
2 Ashleaf Court
Hockessin, DE 19707

Rev. Mike Frank
Neighborhood Environmental Coalition
5920 Engle Ave.
Cleveland, OH 44127

Robert Fronek
Utility Workers Union of America, Local 270
4205 Chester Avenue
Cleveland, OH 44103

Mark Frye
City of Perrysburg
300 Sycamore Ln.
Perrysburg, OH 43551

Mark Frye
Palmer Energy
2455 N. Reynolds Rd.
Toledo, OH 43615

Todd Geletka
Ohio Home Builders Assn.
17 S. High St., Suite 700
Columbus, OH 43215

Denis George
The Kroger Co.
1014 Vine St., G07
Cincinnati, OH 45202

Rick Giannantonio
FirstEnergy Service Co.
76 S. Main St.
Akron, OH 4308

John Gibbon
City of Cleveland Heights
1301 E. 9th St., Suite 3500
Cleveland, OH 44114

Paul Goldberg
Counsel for City of Oregon
5300 Seaman Rd.
Oregon, OH 43616

Craig Goodman
National Energy Marketers Assn.
3333 K. St. NW, Suite 110
Washington, DC

Freddi Greenberg
1603 Orrington Ave., Suite 1050
Evanston, IL 60201

William Gruber
2714 Leighton Rd.
Shaker Heights, OH 44120

Peter Gwyn
City of Perrysburg
300 Sycamore Ln.
Perrysburg, OH 43551

Stephen Hadick
76 S. Main St., 8th Fl.
Akron, OH 44308

Joseph Haefner
City of Stow
3760 Darrow Rd.
Stow, OH 44224

Barbara Hawbaker
MidAmerican Energy Co.
4299 NW Urbandale Dr.
Urbandale, IA 50322

Mark Hayden
FirstEnergy Service Co.
76 S. Main St.
Akron, OH 44308

Thomas Hays
Lake Township Trustees
3315 Centennial Rd., Suite A2
Sylvania, OH 43560

Robert Heydorn
Hoover, Heydorn & Herrnstein
527 Portage Trail
Cuyahoga Falls, OH 44221

Ann Hotz
Office of Consumers Counsel
10 W. Broad St., Suite 1800
Columbus, OH 43215

Stephen Howard
Vorys Sater Seymour and Pease LLP
52 E. Gay St.
P.O. Box 1008, Columbus, OH 43216

David Hughes
4037 Ludwick
Pittsburgh, PA 15217

Gary Jeffiries
Dominion Retail, Inc.
501 Martindale St. Suite 400
Pittsburgh, PA 15212

Lance Keiffer
711 Adams St., 2nd Fl.
Toledo, OH 43624

Dano Koehler
City of Stow
3760 Darrow Rd.
Stow, OH 44224

Leslie Kovacik
City of Toledo
420 Madison Ave., 4th Fl.
Toledo, OH 43604

Michael Kurtz
Boehm, Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, OH 45202

Franklin Lewis
City of Cleveland
601 Lakeside Ave., Room 106
Cleveland, OH 44114

Stephen Huntoon
FPL Energy Power Marketing, Inc
801 Pennsylvania Avenue, NW, Suite 220
Washington, DC 20004

Patrick Kealy
Calpine Corp.
717 Texas St.
Houston, TX 77002

Susan Kelly
PJM Interconnection
955 Jefferson Avenue
Norristown PA 19403

Kathy Kolich
FirstEnergy Corp.
76 S. Main St.
Akron, OH 44308

Glenn Krassen
Northeast Ohio Public Energy Council
Bricker & Eckler LLP
1375 E. Ninth St., Suite 1500, Cleveland, OH 4
1718

Chantale LaCasse
NERA Economic Consulting
1166 Avenue of the Americas
New York, NY 10036

Helen Liebman
Jones Day
P.O. Box 165017
Columbus, OH 43216-5017

Sheilah McAdams
City of Maumee
400 Conant St.
Maumee, OH 43537

Joseph Meissner
Citizens Coalition
1223 W. Sixth St.
Cleveland, OH 44113

Kent Meyers
St. Charles Hospital
2600 Navarre Ave.
Oregon, OH 43616

Steven Millard
200 Tower City Center
50 Public Square, Cleveland, OH 44113

James Moan
City of Sylvania
4930 Holland-Sylvania Rd.
Sylvania, OH 43560

Colleen Mooney
Ohio Partners for Affordable Energy
231 W. Lima St.
P.O. Box 1793, Findlay, OH 45839

Nolan Moser
Ohio Environmental Council
1207 Grandview Ave.
Columbus, OH 43212-3449

William Newcomb
Reliant Resources, Inc.
Vorys Sater Seymour and Pease LLP
52 E. Gay St., Columbus, OH 43216

Steven Nourse
American Electric Power
1 Riverside Plaza, 29th Floor
Columbus, OH 43215

Thomas O'Brien
Bricker & Eckler, LLP
100 South Third St.
Columbus, OH 43215

M. Howard Petricoff
Vorys Sater Seymour and Pease LLP
52 E. Gay St.
P.O. Box 1008, Columbus, OH 43216

Samuel Randazzo
Industrial Energy Users - Ohio
McNees Wallace & Nurick
21 E. State St., 17th Fl., Columbus, OH 43215

Marvin Resnik
American Electric Power
1 Riverside Plaza, 29th Floor
Columbus, OH 43215

David Rinebolt
Ohio Partners for Affordable Energy
231 W. Lima St.
P.O. Box 1793, Findlay, OH 45839

Teresa Ringenhach
Integrys Energy Services
600 Superior Ave., Suite 1300
Cleveland, OH 44114

Evelyn Robinson
Green Mountain Energy Co.
1721 Leighton Dr.
Reynoldsburg, OH 43068

Barth Royer
Bell, Royer & Sanders Co., LPA
33 S. Grant Ave.
Columbus, OH 43215

Paul Ruxin
Jones Day Reavis & Pogue
901 Lakeside Ave.
Cleveland, OH 44114

Judith Sanders
Bell, Royer & Sanders Co., LPA
33 S. Grant Ave.
Columbus, OH 43215

Thomas Schneid
25105 Randall Dr.
25105 Randall Dr.
North Olmstead, OH 44070

Thomas Scully
3430 Randall Dr.
Cleveland, OH 44120

J. Serio
Ohio Consumer's Counsel
10 W. Broad Street, Suite 1800
Columbus, OH 43215

Richard Sites
Ohio Hospital Association
155 E. Broad St., 15th Fl.
Columbus, OH 43215

Paul Skaff
Village of Holland
353 Elm St.
Perrysburg, OH 43551

Jeffrey Small
Ohio Consumer's Counsel
10 W. Broad St., Suite 1800
Columbus, OH 43215

Michael Smalz
Ohio State Legal Services Assn.
555 Buttles Ave.
Columbus, OH 43215

Craig Smith
2824 Coventry Rd.
Cleveland, OH 44120

Dane Stinson
Bailey Cavalieri LLC
10 W. Broad St., Suite 2100
Columbus, OH 43215

Robert Triozzi
City Hall
601 Lakeside Ave., Room 106
Cleveland, OH 44114

Larry Tscherne
IBEW 245
705 Lime City Rd.
Rossford, OH 43460

Phyllis Vento
City of Euclid
585 E. 222nd St.
Euclid, OH 44123

Daniel Verbanac
Integrys Energy Services
1716 Lawrence Dr.
De Pere, WI 54115

Leila Vespoli
FirstEnergy Corp.
76 S. Main St.
Akron, OH 44308

Harvey Wagner
Cleveland Electric Illuminating Co.
76 S. Main St.
Akron, OH 44308

Harvey Wagner
Ohio Edison Co.
76 S. Main St.
Akron, OH 44308

Harvey Wagner
Toledo Edison Co.
76 S. Main St.
Akron, OH 44308

Tim Walters
Consumers for Fair Utility Rates
4115 Bridge Ave.
Cleveland, OH 44113

Shari Weir
One Citizen Action
614 W. Superior Ave., Suite 1200
Cleveland, OH 44113

Sandra Williams
Columbus Southern Power
1 Riverside Plaza, 29th Floor
Columbus, OH 43215

William Zigli
City of Cleveland
601 Lakeside Ave., Room 106
Cleveland, OH 44114

Cleveland Housing Network
2999 Payne Ave.
Cleveland, OH 44114

Empowerment Center of Greater
3030 Euclid Ave., Unit 100
Cleveland, OH 44115

Ohio Manufactured Housing Assn.
201 Bradenton Ave., Suite 100
Dublin, OH 43017

Northeast Ohio Public Energy Council
583 East Aurora Rd.
Macedonia, OH 44056

Cargill, Inc.
P.O. Box 336
Mentone, IN 46539

Northwest Ohio Aggregation Coalition
One Government Center, Suite 2250
Toledo, OH 43604

Ohio Power Co.
1 Riverside Plaza, 29th Floor
Columbus, OH 43215

Shawn Leyden
PSEG Energy Resources & Trade LLC
80 Park Plaza, 19th Fl.
Newark, NJ 07102