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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 Mechanism and Phase In, and Tariffs for Generation Service.	) Case No. 07-796-EL-ATA ) Case No. 07-797-EL-ATA ) ) ) ) ) ) )
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**Reply Comments of the Council of Smaller Enterprises**

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Pursuant to the Entry dated October 12, 2007 in this docket, The Council of Smaller Enterprises (COSE) submits these reply comments.

**I. INTRODUCTION**

The comments filed in this proceeding thus far have opposed FirstEnergy's attempt at a competitive bidding process. Most parties claim that a competitive bidding process would result in "significantly" higher rates for customers. COSE believes that while rates have remained constant throughout the Rate Stabilization Period ("RSP") rates will increase regardless of the Commission's move to re-regulation or deregulation. Given this outcome, COSE believes that the best short-term solution is a *real* hybrid approach. In addition, COSE believes that the Commission must remain cognizant of the impact a dramatic rate increase may have on the small business community in Ohio. Over 80% of Ohio's economy has less than 20 employees. And, small businesses are not as resilient as large business when double-digit increases in their utility cost hit their bottom line.

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## **II. HYBRID APPROACH**

COSE agrees with the Commission that to date, Ohio has failed to produce an effective open market. However, COSE believes that Ohio's economy would suffer if the Commission chose to disallow a market to form and exist. COSE suggests that, in order to support a real move to an open market, the Commission should allow a hybrid approach to develop. Under a real hybrid approach, Utilities that wished to participate in market rate plans, would be required to file a competitive market bid through load-class based auction. Utilities that wish to remain outside of the open market may submit energy security plans. Both approaches and submissions would be subject to the PUCO's approval.

COSE recommends that the PUCO adopt the load class model. COSE believes that the small commercial customers it serves will have greater opportunity to negotiate the best prices with marketers through this model. We further believe that the interests of all parties are best served when the price signals observed by customers have a direct correlation to the actual cost of serving those types of customers. In order to foster price transparency, give commercial customers a fair opportunity to shop and to obtain the lowest price the Commission should select the load class model.

## **III. DEMAND METERING**

Ohio Edison, within its 2004 tariff filing has indicated the type of users that are required to utilize interval metering as "Interval Meters will be required for Customers who select a Certified Supplier and have a maximum annual peak demand greater than or equal to 400kW in 2001-2002 and 300kW and 200kW thereafter for the most recent twelve (12) month period for all Customers whose expected load pattern does not match one of the Company's standard load profiles." In its initial filing, Ohio Edison declared that all retail customers who have appropriate interval metering and communication capabilities can elect to take an hourly pricing service from

the FirstEnergy Ohio Utilities (*Ohio Edison's initial filing, page 5*). However, the burdensome low threshold shopping requirement of interval demand meters has not been addressed and needs attention.

Ohio's small businesses on the low end of this threshold (200 kW) have to carry the burden of installing these interval meters and have to bear the additional costs of dedicated telephone lines and meter profile service in order to have the option to choose a Certified Supplier. The opportunities that can be gained through shopping with a Certified Supplier pale in comparison to the cost of interval demand meters and their additional costs.

COSE moves that the low end of the threshold (200 kW) outlined above be removed, thus interval meters would be "required for Customers who select a Certified Supplier and have a maximum annual peak demand greater than or equal to 400kW in 2001-2002 and 300kW thereafter for the most recent twelve (12) month period for all Customers whose expected load pattern does not match one of the Company's standard load profiles." By making this distinction, only the true large load users would be included within Ohio Edison's meter requirements.

#### **IV. SOFT-LANDING FOR SMALL BUSINESS**

With over 80% of Ohio's economy being represented by small businesses, the Commission should ensure that small business is not adversely impacted by dramatic increases in rates. COSE supports a Standard Service Offer Rate Phase-in for small businesses (secondary service class) similar to FirstEnergy's residential proposal Phase-In plan. However, like the OCC's response to FirstEnergy's residential phase-in proposal, COSE also believes that any carrying charges cannot exceed the cost of debt FirstEnergy may incur as suggested in their distribution rate case.

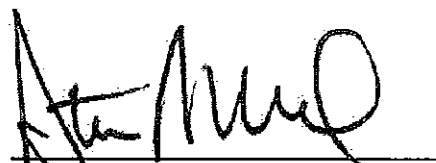
COSE believes that Ohio would suffer if dramatic increases hit small users' electric rates.

In fact, through conversations and surveys with our members, we believe that increases greater than 20% would have an extremely damaging impact on our members. In addition, without proper warning, our members would not be able to price products appropriately nor make decisions about growing their business. Therefore, a phase-in approach for small users will help to stabilize potential shocks incurred by rate increases.

COSE emphasizes that it welcomes the opportunity to work cooperatively with the Companies, the Commission Staff and the other stakeholders in developing a plan for the post-2009 Ohio electric marketplace that will meet the needs of small business.

#### V. CONCLUSION

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

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**CERTIFICATE OF SERVICE**

A copy of the foregoing Reply Comments of the Council of Smaller Enterprises has been forwarded by regular U.S. Mail, postage prepaid, this 19<sup>th</sup> day of October, 2007, to:

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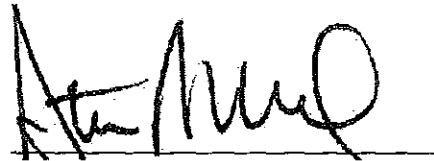
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