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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Adoption of Rules for Standard Service Offer, Corporate Separation, Reasonable Arrangements, and Transmission Riders for Electric Utilities Pursuant to Sections 4928.14, 4928.17, and 4905.31, Revised Code, as amended by Amended Substitute Bill No. 221)	Case No. 08-777-EL-ORD

COMMENTS BY THE OHIO ASSOCIATION OF SCHOOL BUSINESS OFFICIALS, THE OHIO SCHOOL BOARDS ASSOCIATION AND THE BUCKEYE ASSOCIATION OF SCHOOL ADMINISTRATORS

Introduction

On July 2, 2008 the Public Utilities Commission of Ohio ("Commission") proposed the Adoption of Rules for Standard Service Offer, Corporate Separation, Reasonable Arrangements, and Transmission Riders for Electric Utilities Pursuant to Sections 4928.14, 4928.17, and 4905.31, Revised Code, as amended by Amended Substitute Bill No. 221.

The State of Ohio's policy as amended in Amended Senate Bill No. 221 (division (N) of 4928.02) and the purpose of 4901:1-38-02 is to "facilitate the state's effectiveness in the global economy." While electric costs are important factors in a business' ability to compete in the global economy, it is only one small part of any business decision to remain, expand, or locate its operations in Ohio. The competency and ability of Ohio's workforce to adapt and enhance productivity is also of critical importance.

In most cases, the workers of tomorrow in Ohio are students today in the public schools. If Ohio is to remain and, in fact, enhance its global competitiveness, Ohio's public schools are vital to that effort. All public schools today are under increasing cost pressures and higher utility costs are one of the schools' fastest rising costs.

The Ohio Association of School Business Officials, Ohio School Boards Association and Buckeye Association of School Administrators ("School Groups") represent all the public school districts in the State of Ohio. These public school districts consume large quantities of electricity and will be impacted significantly by the rules promulgated in this docket.

Over 50 public school districts represented by the School Groups currently purchase third party power supply from a Certified Retail Electric Supplier ("CRES") through a supply arrangement known as the "SchoolPool." SchoolPool at its peak of service help was able to help 115 school districts save on electricity purchases. Once the PUCO approved Rate Stabilization Plans (RSPs) became effective a few years ago, the ability for school districts to save money on the open market diminished. Because of the non-bypassable charges included in the RSPs, savings were minimal.

The schools participating in SchoolPool have saved over $13 million since electric utility deregulation was put in place. School districts are public entities that purchase goods and services to allow them to provide educational opportunities for Ohio's children. They pay for these goods and services (including electricity) by using state and local tax dollars.

Schools have lost a significant amount of local tax base which has caused a tax burden shift to residential taxpayers since deregulation occurred. Their ability to raise the funds necessary to pay higher rates for electricity has been diminished significantly by the policy decisions made through deregulation efforts. It is in the public interest to make sure that school districts are allowed reasonable and affordable rates for electricity and that they be given the appropriate tools to help manage those costs. Because state and local taxes pay for the energy used by school districts, taxpayers will be forced to "pay twice" the non-by-passable charges as currently contained in SB 221. They will pay as consumers and as taxpayers supporting schools.

The rules proposed will have an impact on the continuation of third party supply to school districts participating in the SchoolPool. The Commission requested comments from interested parties on staff's proposed rules in Chapters 4901:1-35 through 4901:1-38 by July 22, 2008. The School Groups hereby respectfully submit the following comments in this proceeding.

4901:1-35-03 Appendix B. Requirements for Electric Security Plans

The State of Ohio as amended in Amended Senate Bill No. 221 (Divisions (G) and (H)) indicates the State's policy regarding retail competition. Division (G) recognizes the continued emergence of competitive electric markets through flexible regulatory treatment. The School Groups support flexible regulatory treatment. Such treatment is critical to providing third party Certified Retail Electric Suppliers (CRES) and consumers the ability to develop a competitive environment where savings or other benefits may accrue to both parties. This flexibility is particularly important when it comes to the opportunity to bypass various generation related charges and stand-by charges. This opportunity to avoid or bypass is necessary to allow consumers the opportunity to capture the benefits of retail supply.

Division (C)(1) under "Specific Information" states that any conditions or unavoidable charges from the utility must provide "an explanation of the component and a descriptive rationale or a quantitative justification". The School Groups concur with the requirement that each component include an explanation. However, a descriptive rationale is not sufficient to justify any charges that may inhibit retail competition. Rather, a comprehensive quantitative justification should be required as the proposed rules indicate in Division (C)(3). Any charge should, as stated in Division (B)(2)(d) of section 4928.143, "have the effect of stabilizing or providing certainty regarding retail electric service".

4901:1-38-04. Energy efficiency schedule.

Division (B) permits the utility to file an application for Commission approval that "recognizes the efforts" by a customer. To the extent the Commission decides to provide customer incentives for efficiency, such incentives should only be provided for "results".

4901:1-38-05. Unique arrangements.

Ensuring that reasonable, low cost power supplies are available to public schools is a critically important goal for the future of Ohio. Paragraph (B) permits a mercantile customer or group of mercantile customers to apply at the Commission for approval of a reasonable arrangement. Unfortunately the 700,000 kWh threshold to be deemed a mercantile customer may limit certain School Groups from participating as the smallest public school district may not meet the threshold or qualify as a national account. While such a small school district may not want to apply for a special arrangement it should be allowed to do so under the rules and also have options for combining with other schools and school districts to achieve the lowest cost power available for our public education institutions.

Further, Paragraph (A) permits the Commission to approve "reasonable arrangements with one or more of its customers, consumers, or employees." Since the delta revenues for such incentives are borne by all ratepayers, employees should not be eligible for a reasonable arrangement.

4901:1-38-08. Revenue recovery.

Paragraph (B) permits the electric utility to recover its lost costs of special arrangements including administrative costs. Such a recovery, as the Commission determines is permissible, should be only for direct incremental costs.

Commission Questions.

In its July 2, 2008 order, the Commission requested comments on six questions. The School Groups offer the following comment on question (e).

(e) Should special arrangements provided for in Chapter 4901:1-38 be applicable only to customers of an electric utility providing service pursuant to an electric security plan?

The Schools Groups have many members that currently purchase power from third party suppliers and others that purchase from utilities. Regardless of where a customer finds the pricing structure that works best for them, all similarly situated customers should be eligible for the same incentives, including participating in an energy efficiency incentive schedule. Further, any customer who chooses third party supply should be eligible for a similar incentive to a similarly situated utility customer.

Conclusion.

As the Commission considers these important rules, the School Groups ask that it provide optimum flexibility for organizations like schools to have access to the economic development incentives, special arrangements, appropriately bypassability of charges, and full access to third party offers. Increasingly tentative public school budgets depend on the ability to cut costs and the ability to save on such a large expense like energy must be a priority.

Respectfully Submitted,

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