

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Edison Company, The Cleveland Electric)
Illuminating Company, and The Toledo)
Edison Company For Authority to Establish)
A Standard Service Offer Pursuant to)
Section 4928.143, Revised Code, in the)
Form of an Electric Security Plan)

Case No. 10-388-EL-SSO

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DIRECT ENERGY SERVICES, LLC OBJECTION TO FIRSTENERGY'S SECOND SUPPLEMENTAL STIPULATION

Now comes Intervenor, Direct Energy Services, LLC ("Direct Energy"), by and through counsel of record, and respectfully objects to the Second Supplemental Stipulation filed by Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company (collectively referred to as "FirstEnergy") in support of their application for an Electric Security Plan ("ESP").

Direct Energy is a certified competitive retail electric service provider ("CRES") that has actively sold retail electricity in Ohio for almost ten years. Direct Energy was a party to the proposed Market Rate Option ("MRO") application submitted to the PUCO on October 20, 2009. FirstEnergy submitted an application for an ESP and Stipulation and Recommendation to the PUCO on March 23, 2010. Direct Energy was not a signatory to the instant ESP filed by FirstEnergy and intervened in the pending matter in opposition to the terms of the ESP.

Direct Energy opposes FirstEnergy's application for an ESP because the terms of the ESP application violate the Ohio Revised Code and Ohio's public policy. Direct Energy has filed a brief in opposition to FirstEnergy's ESP application respectfully requesting the Commission to

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reject in its entirety, or in the alternative, to modify the terms of the ESP and require fair, open bidding for all load requirements, including for PIPP customers, instead of granting a monopoly to FirstEnergy Corp., its various subsidiaries and affiliates.

FirstEnergy now presents further revisions to the ESP by submitting Second Supplemental Stipulations that are contrary to Ohio law and public policy.

I. Direct Energy was not invited or made aware of further settlement discussions

In testimony supporting the Second Supplemental Stipulation FirstEnergy's witness stated:

“Similar to the process that has been used throughout this entire proceeding, all Parties to the ESP case were notified that a Second Supplemental Stipulation was going to be discussed and were given the opportunity to participate in those discussions. The intent of the discussions was to bring resolution to any and all remaining issues of those Parties who have not signed as a Signatory Party or Non-opposing Party to the ESP. All Parties to the ESP proceeding were given the opportunity to review the Second Supplemental Stipulation before it was signed and filed with the Commission.”

Neither Direct Energy nor its counsel was notified of discussions, drafts or opportunities to sign a Second Supplemental Stipulation. Direct Energy is a party to the ESP case and was not offered an opportunity to discuss the Second Supplemental Stipulation.

II. Rider GCR Modifications Are Not Competitive.

It is apparent that FirstEnergy is attempting to restrict and limit competition to those CRESs which they deemed not to compete with FirstEnergy. This is monopolistic and anti-competitive in nature and should be stricken from the stipulation as a modification to the ESP.

FirstEnergy's Second Supplemental Stipulation puts in place additional restrictions on a competitive retail market. As Direct Energy argued previously in its Post Hearing Brief, a full and level “playing field” is necessary for any supplier to make an investment in the FirstEnergy territory. Today, the only residential supplier is FirstEnergy Solutions – the unregulated, affiliate

of FirstEnergy. The Second Supplemental Stipulation sets out a path to continue unavoidable riders which both harms shopping customers and inures only to the benefit of FirstEnergy Solutions.

As noted in prior filings, Direct Energy opposes any riders which would have customers pay the utility for services they receive from a competitive supplier. Any unavoidable generation rider essentially puts shopping customers in the position of paying for a service they are not receiving from the utility. There is no purpose to having an unavoidable GCR. Customers who elect the generation service should pay for the generation service. Wholesale electric suppliers need to take into account the possibility of shopping when bidding in a competitive market just as they do in Pennsylvania, Illinois, and New Jersey.

III. The GAGS Phase-in Generation Credit and GAGS Receivable Program should apply to all suppliers and shopping customers.

The current electric supplier to government aggregation programs throughout the FirstEnergy service territories is FirstEnergy Solutions. FirstEnergy Solutions holds a nine (9) year agreement with NOPEC, and an agreement with NOAC through 2017; and, other long term government aggregation contracts. (See attached Exhibits 1 and 2) This provision, while on the surface appears to provide a program for government aggregation programs, is essentially a “backdoor” purchase of receivables program to be used solely by FirstEnergy Solutions. It is possible that a new program not served by FirstEnergy Solutions could be implemented. However, it is not likely to include the number of customers currently served under GAG contracts with FirstEnergy Solutions throughout the term of the ESP.

The Commission should be very concerned with a stipulation which clearly benefits only one supplier. With no opportunity for a competitive bid, the Second Supplemental Stipulation, provides for an exclusive opportunity for FirstEnergy Solutions on its proposed purchase of

receivables program.

Under this Second Supplemental Stipulation all rate payers would be paying a rider to recover the bad debt associated with this GAG receivables program. While it is not uncommon for the Commission to approve uncollectible and unavoidable commodity riders, it has only been approved when the receivables are purchased from all suppliers. This ensures that all customers who pay for bad debt expense are sharing costs in the bad debt experience fairly. This program would have all customers covering the bad debt experience of government aggregation customers regardless of whether those customers participated in the government aggregation program or were served by another supplier.

Direct Energy encourages the Commission to order FirstEnergy to implement a purchase of receivables program available to all suppliers on their system on a fair and open basis. This will provide suppliers which make direct sign up offers outside of government aggregation programs a fair and level playing field for competition.

Conclusion.

As stated in Direct Energy's Post Hearing Brief, FirstEnergy's filing of the pending ESP application before the Commission clearly violates the Ohio Revised Code, the Ohio Administrative Code, and Ohio's public policy. FirstEnergy's subsequent filing of Supplemental stipulations also violates the Ohio Revised Code, the Ohio Administrative Code, and Ohio's public policy. For all the above reasons, Direct Energy respectfully requests the Commission to reject FirstEnergy's ESP application in its entirety and the Supplemental Stipulations.

Respectfully submitted,

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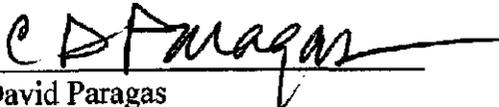
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I hereby certify that a copy of the foregoing document was served via electronic email this 28 day of July, 2010 on the parties listed below.


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