BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Implementation of Sections 4928.54 and 4928.544 of the Revised Code.	)))	Case No. 16-247-EL-UNC

COMMENTS OF FIRSTENERGY SOLUTIONS CORP.

On February 1, 2016, Staff filed recommendations ("First Recommendation") for the implementation of new statutory requirements related to percentage of income payment plan ("PIPP") procurement. Various interested parties commented on the two options presented by Staff, including FirstEnergy Solutions Corp. ("FES"). Based on the two options from the First Recommendation, FES recommended Option Two as the best avenue to satisfy the statutory obligations of R.C. 4928. Staff then filed a new recommendation ("Second Recommendation") on February 23, 2016. Pursuant to the Attorney Examiner's February 23, 2016 Entry, FES submits comments to Staff's Second Recommendation.

I. Second Recommendation

Staff recommends a request for proposal process ("RFP") to procure PIPP load for one year terms, which would be served by a single winning bidder if the bid price is below the weighted average Standard Service Offer ("SSO") price. If no bid is below that price, the requirement to serve the PIPP load would be the proportional obligation of the suppliers for the winning SSO tranches for the given PJM delivery year. The RFP process would commence in lockstep with the SSO auction, but bids would not be due until the results of the SSO auction are known.

II. FES Recommendation

The Second Recommendation suffers from the same flaws as Staff's Option One from the First Recommendation. FES noted in its initial comments that PIPP load is inherently more expensive to serve because it is not diverse.[1] The Second Recommendation is similar to Staff's Option One in this regard. Whether there is an auction or an RFP, the result will be a higher price for PIPP customers. The volatility and weather-sensitive nature of this slice of residential load will require a risk premium. Compounding this problem is Staff's suggestion to procure PIPP load for one year terms.

Additional risk premiums, on top of the premiums mentioned above, will be required due to the short-term of the PIPP supply requirement. The SSO price is the blended result from auctions of varying terms. There is only one competitive process to reach the PIPP load price. The staggering and laddering of the SSO process, at least in theory, helps mitigate volatility. The one year term in the Second Recommendation lacks any design to combat volatility. If the Commission accepts this recommendation, which it should not, the term and product length for PIPP load should match the SSO schedule. Failure to do so will not allow suppliers to properly hedge against an already risky supply obligation.

In addition, the uncertainty that arises for winning SSO suppliers cannot be addressed in the present form of the Second Recommendation due to the timing of the two processes. An SSO auction participant simply will not know with certainty what it is bidding on in the SSO auction. It could either be only the SSO load, or the SSO load with the possible addition of

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[1] FES Comments, pp. 2-3.

PIPP load. With the uncertainty associated with the unknown outcome for PIPP load, suppliers will place a risk premium on the SSO bids because they cannot properly hedge their potential load obligations causing the SSO price to be higher. The SSO process was created to yield the lowest price for customers through a competitive process for SSO customers. The Second Recommendation now introduces a factor unrelated to the SSO to the detriment of SSO customers.

III. Conclusion

For these reasons, FES again advocates for Option Two of the First Recommendation, subject to the comments raised in FES' original comments. An administrative discount would result in a lower price, be easier to administer with only two weeks until the next auction, and would be based on a competitive process, all of which comply with the statutory obligations of R.C. 4928.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was electronically filed through the Docketing Information System of the Public Utilities Commission of Ohio, this 29th day of February 2016. The PUCO's e-filing system will electronically serve notice of the filing of this document on all parties of record. A courtesy copy will be sent to the following parties:

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