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)	Case No. 14-1297-EL-SSO
Company for Authority to Provide a Standard)	
Service Offer Pursuant to R.C. 4928.143 in)	
the Form of an Electric Security Plan.)	

APPLICATION FOR REHEARING OF THE OHIO MANUFACTURERES' ASSOCIATION ENERGY GROUP

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APPLICATION FOR REHEARING OF THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP

Pursuant to Section 4903.10, Revised Code (R.C.), and Rule 4901-1-35, Ohio Administrative Code (O.A.C), the Ohio Manufacturers' Association Energy Group (OMAEG) hereby respectfully requests rehearing of the Public Utilities Commission of Ohio's (Commission) May 25, 2016 Finding and Order (May 25 Order) approving certain tariff schedules to establish Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company's (the Companies) Retail Rate Stability Rider (Rider RRS) with a missing value in the above-captioned proceedings. OMAEG contends that the Order is unlawful and unreasonable in the following respects:

- A. The Commission was unjust and unreasonable in finding that the Companies' proposed Rider RRS tariff rates are consistent with the Commission's March 31, 2016 Opinion and Order.
- B. The Commission was unjust and unreasonable in approving the Companies' proposed Rider RRS tariff schedule with a missing kWh tariff rate value instead of directing the Companies to refile the compliance tariffs to reflect a \$0.00 per kWh rate for Rider RRS.

For these reasons, and as further explained in the Memorandum in Support attached hereto, OMAEG respectfully requests that the Commission grant its Application for Rehearing.

Respectfully submitted,

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MEMORANDUM IN SUPPORT

I. INTRODUCTION

On March 31, 2016, the Commission approved, with modifications, the Companies' application to provide a standard service offer in the form of an electric security plan (ESP) for a term of eight years. A large component of the Companies' ESP is the Retail Rate Stability Rider (Rider RRS), under which the Commission authorized the Companies to flow through the net effects of purchasing generation output from the W.H. Sammis plant and the Davis-Besse Nuclear Power Station plant and FirstEnergy Solutions' (FES) entitlement to the output of the Ohio Valley Electric Corporation (OVEC) pursuant to a purchase power agreement (PPA) between the Companies and its unregulated affiliate, FES.

The Federal Energy Regulatory Commission (FERC) subsequently issued an Order April 27, 2016, rescinding an earlier waiver it approved for the Companies regarding an affiliate

¹ In the Matter of the Application of Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO, Opinion and Order (March 31, 2016) (March 31 Order).

² Id. at 78-79.

sales agreement with its unregulated affiliate, FES. FERC stated that prior to allowing the Companies to enter into a transaction under the PPA, the PPA must be submitted to FERC for review and approval under the *Edgar* and *Allegheny* test.³

On May 2, 2016, the Companies, OMAEG, and numerous other parties filed applications for rehearing regarding several aspects of the Commission's March 31, 2016 Order. Specifically, the Companies included in their application for rehearing a modified proposed Rider RRS, which was explained in accompanying testimony of witness Eileen Mikkelsen. This Modified Rider RRS Proposal includes different terms and conditions than the initial Rider RRS, which was approved by the Commission in its March 31, 2016 Order and was the subject of the April 27, 2016 FERC Order. The Modified Rider RRS Proposal still operates to charge customers significant costs.

On May 10, 2016, the Attorney Examiners issued an Entry directing the Companies to file proposed tariffs "consistent with the Opinion and Order." The Companies subsequently filed compliance tariffs on May 13, 2016, which Staff recommended for approval. On May 24, 2016, OMAEG filed a Motion, objecting to the tariff filing with regard to the tariff schedules

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³ Electric Power Supply Assn., et.al. v. FirstEnergy Solutions Corp., et. al., 55 FERC ¶ 61, 101 at P 53 (April 27, 2016) (FERC Order).

⁴ In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO Attorney Examiner Entry (May 10, 2016) (May 10 Entry).

⁵In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO Staff Review and Recommendation (May 20, 2016) (May 20 Staff Recommendation).

associated with Rider RRS.⁶ The Commission nonetheless approved the Companies' proposed tariff filing on May 25, 2016, with an effective date of June 1, 2016.⁷

Although the Commission stated in its May 25 Order approving the Companies' filed tariffs, "the Companies have an approved ESP, subject to rehearing, irrespective of FERC's action rescinding the waiver of FirstEnergy Solutions' affiliate power sales restrictions," Rider RRS, as proposed by the Companies and authorized by the Commission, is predicated on an underlying PPA transaction between the Companies and its unregulated affiliate, FES, which is subject to FERC jurisdiction, and set forth certain terms and conditions of the approved-Rider RRS. The Companies, in an attempt to avoid FERC review and approval of that agreement, have proposed an entirely new Rider RRS mechanism, couched as a modification, in their application for rehearing and subsequent tariff filing and have proposed different terms and conditions for that Modified PPA Proposal. Thus, the tariffs filed by the Companies do not align with the Commission-authorized Rider RRS, but, rather represent the new Modified Rider RRS Proposal, which has yet to be vetted through an evidentiary hearing or approved by the Commission. Therefore, the Commission's approval of the Companies' Rider RRS tariff filings is unreasonable and unlawful and OMAEG's application for rehearing on this issue should be granted.

At a minimum, to recognize that the Companies cannot charge customers pursuant to the PUCO-approved Rider RRS until and unless FERC reviews and approves the affiliate PPA that

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⁶ Motion in Opposition to the Compliance Tariffs of the Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company and Objections to the Staff Report and Recommendation by the Ohio Manufacturers' Association Energy Group (May 24, 2016).

⁷ In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO Finding and Order (May 25, 2016) (May 25 Order).

is the basis for the costs associated with the PUCO-authorized Rider RRS by filing a tariff rate of zero (\$0.00 per kWh), the Commission should have ordered the Companies to refile the compliance tariffs to reflect a \$0.00 per kWh rate for Rider RRS.

II. ARGUMENTS

A. The Commission was unjust and unreasonable in finding that the Companies' proposed Rider RRS tariff rates are consistent with the Commission's March 31, 2016 Opinion and Order.

The General Assembly has provided the Commission with oversight of electric distribution utility tariff filings, including rights related to the procedural process for adjudicating compliance involving customer rates and services.⁸ Further, the Supreme Court of Ohio has held that under Ohio regulations, utility rates are established by the Commission based on hearings and evidence, and only those rates "found to be fair and reasonable after such hearings may be lawfully charged." Specifically, under Section 4905.30, Revised Code, all public utilities "shall print and file with the public utilities commission schedules showing all rates * * * and charges for service of every kind furnished by it." Additionally, "[n]o public utilities shall charge, demand, exact, receive, or collect a different rate * * * or charge for any service rendered, or to be rendered, than that applicable to such service as specified in its schedule filed with the public utilities commission."

The Companies' Rider RRS tariff filings, which were approved by the Commission, fail to meet these standards as they are inconsistent with the Commission's March 31, 2016 Order

⁸ *Hull v. Columbia Gar of Ohio*, 110 Ohio St.3d 96, 2006-Ohio-3666, 850 N.E.2d 1190, 1193 (2006) (quoting *Kazmaier Supermarket, Inc. v. Toledo Edison Co.*, 61 Ohio St.3d 147, 151, 573 N.E.2d 655 (1991).

⁹ In re Complaint of Reynoldsburg, 134 Ohio St. 3d 29, 2012-Ohio-5270, ¶ 41.

¹⁰ Section 4905.30, Revised Code.

¹¹ Id.

and have no basis in the evidence presented in this case to date. Rather, the Rider RRS tariff filings relate to the Companies' new Modified Rider RRS Proposal, which is scheduled for a new evidentiary hearing beginning July 11, 2016.¹²

Although the Commission directed the Companies to file compliance tariffs consistent with the Commission's March 31 Order, ¹³ the tariffs filed were not related to the approved-Rider RRS, but instead were related to the new Modified Rider RRS Proposal, which is materially different from the initial Rider RRS proposed by the Companies and authorized by the Commission. The initial Rider RRS included an underlying PPA between the Companies and its unregulated affiliate, FES, ¹⁴ a rigorous Commission review, ¹⁵ quarterly true-ups, ¹⁶ and full information sharing. ¹⁷ These terms are all absent from the Companies' Rider RRS tariff filing submitted on May 13, 2016 and approved by the Commission in its May 25 Order. The tariff filings state that Rider RRS will be effective beginning June 1, 2016 and will include Rider RRS charges that the Companies have filed with the Commission on a quarterly basis. ¹⁸ This language appears to align more with the new Modified Rider RRS Proposal contained in the Companies' application for rehearing and explained in the unlawful rehearing testimony of witness Eileen Mikkelsen, which eliminates the reconciliation of several components of the

¹² In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO Attorney Examiner Entry at 5 (June 3, 2016) (June 3 Entry).

¹³ May 10 Order at 2.

¹⁴ March 31 Order at 13-14.

¹⁵ Id. at 89.

¹⁶ Id. at 90.

¹⁷ Id. at 91.

¹⁸ Companies Tariff Filing, Attachment 2, Rider RRS (P.U.C.O. No. 11, Original Sheet 127) (May 13, 2016).

Rider RRS calculation.¹⁹ The new Modified Rider RRS Proposal removes the underlying PPA from the Rider RRS calculation and instead relies on a new calculation based on projected costs and actual revenues, which is entirely different from the Commission-approved calculation of the Rider RRS mechanism.²⁰ Further, the language in the Rider RRS tariff filings includes no reference to Commission review, quarterly reconciliations, or full information sharing, which are integral components of the initial Rider RRS authorized by the Commission. Moreover, and as will be explained in greater detail below, the tariff rate is noticeably void of any value, rather than an established rate of zero (\$0.00) to reflect the fact that the Companies will need approval from FERC prior to transacting under the PPA and passing costs onto customers per the terms of the Commission-approved Rider RRS.

Therefore, the Commission should reverse its finding approving the Companies' Rider RRS tariff filings as they are unjust and unreasonable, unlawful and inconsistent with the Commission's March 31 Order. Further, they fail to satisfy the Supreme Court of Ohio's requirement that tariff filings be based on record evidence and hearings²¹ as they reflect the new Modified Rider RRS Proposal, which was not proposed by the Companies until long after the evidentiary hearings in this proceeding concluded. The Companies have attempted to use the tariff filings as an improper means to advance their new Modified Rider RRS Proposal, thereby circumventing the regulatory process established by the General Assembly and upheld by the Supreme Court of Ohio, requiring that tariff rates be "fair and reasonable" and based on hearings

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¹⁹ Rehearing Testimony of Eileen Mikkelsen at 8.

²⁰ Companies Application for Rehearing at 20; Rehearing Testimony of Eileen Mikkelsen at 8.

²¹ In re Complaint of Reynoldsburg, 134 Ohio St. 3d 29, 2012-Ohio-5270, ¶ 41.

and evidence.²² The Commission should grant rehearing and order the Companies' to refile their Rider RRS tariff filings.

B. The Commission was unjust and unreasonable in approving the Companies' proposed Rider RRS tariff schedule with a missing kWh tariff rate value instead of directing the Companies to refile the compliance tariffs to reflect a \$0.00 per kWh rate for Rider RRS.

The Commission was also unreasonable in approving the Companies' filed Rider RRS tariffs given the Companies' failed to assign a rate of zero (\$0.00) per kWh to its Rider RRS kWh value contained in the filed tariff. A rate of zero (\$0.00) would accurately reflect that under the Rider RRS mechanism authorized by the Commission in its March 31 Order, the Companies cannot recover costs from customers pursuant to the affiliate PPA until FERC reviews and approves the underlying PPA under the Edgar and Allegheny test.²³ Instead, the Companies purposefully chose to leave the kWh rate value blank in the Rider RRS tariff filing as they filed other tariffs, including the Government Directives Recovery Rider (Rider GDR) tariff at a rate of zero (\$0.00).²⁴ By filing Rider RRS with a missing tariff rate value, the Companies leave open the possibility that they may unilaterally populate Rider RRS at any point and recover costs from customers, with no evidentiary support. This clearly is not consistent with the Commission's Order authorizing approval of the initial Rider RRS. Further, given that the FERC Order prohibiting the Companies from recovering any costs from customers pursuant to the PPA until such time as FERC reviews and approves the PPA is so closely intertwined with the Commission's authorization of the Rider RRS mechanism, a tariff rate value of zero (\$0.00) per kWh would have accurately reflected both the FERC Order and the Commission's Order. The Companies' choice to file the Rider RRS tariffs with a missing kWh value rate rather than a zero

²² Id.

²³ FERC Order at P 53.

²⁴ Companies Tariff Filing, Attachment 2, Rider GDR (P.U.C.O. No. 11, Original Sheet 126) (May 13, 2016).

(\$0.00) rate value again demonstrates its attempt to advance its newly Modified Rider RRS Proposal, which is dependent on new calculations that have not yet been approved by the Commission.

Therefore, the Commission's approval of the Rider RRS tariff filings with a noticeably absent kWh tariff rate value is unreasonable and the Commission should grant rehearing to require the Companies to place a kWh value of zero (\$0.00) per kWh in the Rider RRS tariff filings.

III. CONCLUSION

OMAEG respectfully requests that the Commission grant its application for rehearing of the issues set forth herein and find that the Companies' Rider RRS tariff filings are unjust, unreasonable, unlawful, and inconsistent with the Commission's March 31 Order. The Commission should prohibit the Companies from populating Rider RRS unless or until they have received approval of the underlying PPA contained in the Commission-authorized Rider RRS from FERC or there is a Commission Order approving the new Modified Rider RRS Proposal, which is subject to an evidentiary hearing per the Attorney Examiners' Entry.²⁵

Respectfully submitted,

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²⁵ June 3 Entry.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following parties via electronic mail on June 24, 2016.

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