

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Filing by Ohio Edison )  
Company, The Cleveland Electric Illuminating )  
Company, and The Toledo Edison Company of ) Case No. 16-481-EL-UNC  
a Grid Modernization Business Plan. )

In the Matter of the Filing by Ohio Edison )  
Company, The Cleveland Electric Illuminating )  
Company, and The Toledo Edison Company ) Case No. 17-2436-EL-UNC  
Application for Approval of a Distribution )  
Platform Modernization Plan. )

In the Matter of the Application of Ohio Edison )  
Company, The Cleveland Electric Illuminating )  
Company, and The Toledo Edison Company to ) Case No. 18-1604-EL-UNC  
Implement Matters Relating to the Tax Cuts and )  
Jobs Act of 2017. )

In the Matter of the Application of Ohio Edison )  
Company, The Cleveland Electric Illuminating )  
Company, and The Toledo Edison Company for ) Case No. 18-1656-EL-ATA  
Approval of a Tariff Change. )

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**INITIAL BRIEF OF INTERSTATE GAS SUPPLY, INC.**

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**I. INTRODUCTION**

On November 9, 2018, as supplemented on January 25, 2019, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (“FirstEnergy”) and a diverse group of parties, including Interstate Gas Supply, Inc. (“IGS”), filed a Stipulation and Recommendation (“Stipulation”) regarding the tax savings associated with the Tax Cuts and Jobs Act of 2017 and the implementation of the first phase of FirstEnergy’s distribution modernization endeavor (“Grid Mod Phase I”). While the Stipulation represents a comprehensive resolution of several different issues,

IGS files this brief in support of three provisions that will contribute to the development of the competitive market: (1) the capability to calculate load serving entity wholesale market settlements based upon the actual hourly energy usage of individual customers; (2) data access enhancements for CRES providers; and (3) a collaborative process to develop a smooth transition into market-based time-varying rate offerings.

The implementation of Grid Mod Phase I recommended by the Stipulation will reduce the current disconnect between the wholesale and retail market and enable the delivery of innovative products and services. Moreover, the Stipulation is the product of serious bargaining, will benefit the public interest, and does not violate any regulatory policy or practice. Therefore, IGS urges the Commission to approve the Stipulation.

## **II. ARGUMENT**

Under Ohio Adm.Code 4901-1-30, parties to Commission proceedings may enter into stipulations to resolve contested issues. Although the Stipulation filed in this case is non-binding to the Commission, the terms of the agreement are accorded substantial weight. In considering the reasonableness of stipulations the Commission often relies on a test, colloquially known as the Three Prong Test (“Test”):

- (1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the settlement, as a package, benefit ratepayers and the public interest?
- (3) Does the settlement package violate any important regulatory principle or practice?<sup>1</sup>

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<sup>1</sup> See *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm’n*, 68 Ohio St.3d 559 (1994).

The Stipulation in this case is a result of significant time and effort on behalf of the signatory parties and satisfies or exceeds each of these criteria. Therefore, it should be adopted by the Commission.

**A. The Stipulation is the product of serious bargaining among capable, knowledgeable parties.**

The Stipulation is the result of serious bargaining between a diverse set of parties. While not all parties to the negotiations signed the Stipulation, every party had a seat at the table. The Stipulation submitted to the Commission for consideration was signed by a large, diverse group of parties of varying interests. Therefore, the Stipulation satisfies the first prong of the Test and should be approved.

**B. The Stipulation benefits ratepayers and the public interest.**

As discussed further below, IGS believes three provisions in the Stipulation will benefit ratepayers by providing them with more choices in their energy supply. IGS asserts that inclusion of these provisions, along with the broader rollout of advanced metering infrastructure, will enhance the customer energy experience in FirstEnergy's territory.

*1. Wholesale Market Settlements*

Currently, an electric distribution utility provides PJM with generic load profiles to calculate residential load obligations for generation and transmission-related activities.<sup>2</sup> This means the actual energy usage of the individual customer is not utilized in the calculations, but instead, an estimate based on the usage of all the utility's residential

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<sup>2</sup> IGS Ex. 1 at 4.

customers.<sup>3</sup> Because the cost of electricity varies based on the time it was produced, yet the current settlement process does not take into account a customer's actual usage behavior, a disconnect exists between the wholesale and retail markets.<sup>4</sup> As recognized by Staff witness Schaefer, without an update to this process, a residential customer would be unable to "get an actual financial incentive for changing [their] behavior."<sup>5</sup>

To remove this disconnect and enable customers to be rewarded for optimizing their behavior, the Stipulation requires FirstEnergy to implement the necessary upgrades to systems and processes to be able to calculate CRES provider wholesale market settlements based upon the actual energy usage for each individual customer, and will provide CRES providers with a customer's total energy obligation ("THEO"), peak load contribution ("PLC"), and network service peak load ("NSPL") values used in these calculations.<sup>6</sup> With this advancement, CRES providers will be able to offer innovative products that incentivize customers to manage their usage in accordance with market-based price signals because that behavior will be reflected in the wholesale charges allocated to that customer.<sup>7</sup> This includes offerings like rates that align charges with the time the energy is consumed, or customized fixed price offers based on the customer's specific energy usage.<sup>8</sup> Market-based price signals will also encourage the use of a

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<sup>3</sup> Id. at 5.

<sup>4</sup> Id. at 5.

<sup>5</sup> Tr. Vol. I at 214.

<sup>6</sup> Stipulation (Nov. 9, 2018) at 15-16.

<sup>7</sup> Tr. Vol I at 188, 215; IGS Ex. 1 at 6.

<sup>8</sup> Id. at 6, 9.

variety of demand side management solutions to better shape a customer's load, such as an energy monitoring dashboard, energy storage, smart thermostats, and smart appliances.<sup>9</sup> By curing the disconnect between the wholesale market and retail market, benefits will flow to customers through a more diverse retail marketplace.

## *2. Data Access Enhancements*

Additionally, the Stipulation provides data access enhancements that will enable CRES providers and customers to interact with energy usage data via multiple methods.<sup>10</sup> For CRES providers, an Application Program Interface ("API")<sup>11</sup> will be available for interactions requiring an immediate response. For example, with proper consent, a CRES provider will be able to access prospective customer data in real or near-real time, and then tailor its offerings to that individual customer's actual usage.<sup>12</sup> Electronic Data Interchange ("EDI") transactions, a method currently used for sharing enrollment and billing data with CRES providers, will now also include THEO, PLC, and NSPL values.<sup>13</sup> Providing quicker access to more valuable data will continue to spur innovation and variety for customers in the marketplace. In addition, all customers will have access to their energy usage data through the customer portal, which will afford them the opportunity to better engaged their energy usage.<sup>14</sup>

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<sup>9</sup> Id. at 8.

<sup>10</sup> Stip. at 16-18.

<sup>11</sup> An API is a set of routines, protocols, and tools for building distributed software applications. APIs specify the way in which software components interact to perform operations and exchange data. IGS Ex. 1 at 7.

<sup>12</sup> Id.

<sup>13</sup> Stip. at 15-17.

<sup>14</sup> Id. at 16; Tr. Vol. I at 79.

### 3. *Time-of-Use Rate Offerings*

The pairing of wholesale market settlements with data access enhancements encourages the creation of time-varying rate offerings. To take advantage of the benefits customers can receive from these rates, the Stipulation establishes a collaborative process for a smooth transition from a time-of-use rate for non-shopping customers to reliance on the market for time-varying products, with Commission approval.<sup>15</sup> This long-term path will empower customers to make choices regarding their energy usage that best fit their individual needs.

#### **C. The Stipulation does not violate any important regulatory principle or practice.**

The Stipulation does not violate any regulatory principle or practice; rather, it promotes the state policy contained in R.C. 4928.02. In fact, the Commission recently concluded in FirstEnergy's ESP 4 that "[m]oving forward with consideration of a grid modernization plan is in the public interest and is consistent with state policy to '[e]ncourage innovation and market access for cost-effective supply- and demand-side retail electric service including . . . *smart grid programs, and implementation of advanced metering infrastructure.*'"<sup>16</sup> Additionally, the Stipulation advances the principles and objectives outlined in the Commission's PowerForward Roadmap.<sup>17</sup> For example, it will create an environment that fosters innovation and a robust marketplace by providing

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<sup>15</sup> Stip. at 17-18.

<sup>16</sup> *In re FirstEnergy*, Case No. 14-1297-EL-SSO, Fifth Entry on Rehearing (Oct. 12, 2016) at ¶ 233, citing R.C. 4928.02(D) (emphasis in the original).

<sup>17</sup> *PowerForward: A Roadmap to Ohio's Electricity Future (Roadmap)*, available at <https://www.puco.ohio.gov/industryinformation/industry-topics/powerforward/powerforward-a-roadmap-to-ohios-electricity-future/>.

CRES providers with the data necessary to enhance their retail offerings.<sup>18</sup> Accordingly, the Stipulation satisfies the third prong; thus, IGS urges the Commission to adopt the Stipulation.

### III. CONCLUSION

For the foregoing reasons, IGS recommends that the Commission find that the portions of the Stipulation related to wholesale market settlements, data access enhancements, and time-of-use rates are the product of serious bargaining, are in the public interest, and do not otherwise violate any regulatory policy or principle. These programs will contribute to the development of the competitive market and increase the availability of innovative products and services. Therefore, IGS recommends that the Commission approve these components of the Stipulation.

Respectfully submitted,

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<sup>18</sup> *Roadmap* at 8-9; 31-33.

**CERTIFICATE OF SERVICE**

I certify that this *Initial Brief of Interstate Gas Supply, Inc.* was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on March 1, 2019. The PUCO's e-filing system will electronically serve notice of the filing of this document on all parties of record.

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Summary: Brief Initial Brief of Interstate Gas Supply, Inc. electronically filed by Mr. Evan F Betterton on behalf of Interstate Gas Supply, Inc.