

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Procurement of)
Standard Service Offer Generation as)
Part of the Fourth Electric Security Plan)
for Customers of Ohio Edison Company,) Case No. 16-776-EL-UNC
the Cleveland Electric Illuminating)
Company, and the Toledo Edison)
Company.)

**APPLICATION FOR REHEARING
BY
OFFICE OF THE OHIO CONSUMERS' COUNSEL**

Bruce Weston (0016973)
Ohio Consumers' Counsel

William J. Michael (0070921)
Counsel of Record
Maureen R. Willis (0020847)
Connor D. Semple (0101102)
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
65 East State Street, Suite 700
Columbus, Ohio 43215
Telephone [Michael]: (614) 466-1291
Telephone [Willis]: (614) 466-9567
Telephone [Semple]: (614) 466-9565
william.michael@occ.ohio.gov
maureen.willis@occ.ohio.gov
connor.semple@occ.ohio.gov
(willing to accept service by e-mail)

February 10, 2023

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The PUCO’s Finding and Order¹ accepting the auction results of FirstEnergy² and authorizing FirstEnergy to file final tariffs fails consumers and is unlawful. The Finding and Order applies only to consumers served by FirstEnergy’s standard service offer (“SSO”) and excludes PIPP consumers, the most vulnerable Ohioans. Under the PUCO Order, PIPP consumers will pay electricity prices determined at a separate auction.

Recent PIPP auction results³ demonstrate that it is highly likely this upcoming PIPP-specific auction will cause FirstEnergy’s at-risk PIPP consumers to be billed more for the SSO than other consumers served by FirstEnergy’s SSO. R.C. 4928.542(B) prohibits exactly that.

¹ Finding and Order (January 11, 2023).

² Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company (collectively, “FirstEnergy” or “the Company”).

³ PIPP consumers of FirstEnergy pay \$0.043321 more per kWh than other residential consumers. *See* the Toledo Edison Company Rider GEN, PUCO Electric No. 8, Sheet 114 effective June 1, 2022. PIPP consumers of Duke, AES Ohio, and AEP currently pay \$0.0315, \$0.0386032, and \$0.087450 more per kWh, respectively. *See* the Duke Energy Ohio Retail Capacity Rider and Retail Energy Rider, PUCO Electric No. 19, Sheet(s) 111 and 112 effective June 1, 2022; the AES Ohio Revised Tariff Pages, PUCO Electric No. 17, Revised Sheet No. G10 effective June 1, 2022; the Ohio Power Company Revised Tariff Pages, PUCO Electric No. 21, Revised Sheet No. 101-1 effective June 1, 2022. FirstEnergy’s next PIPP auction will occur in spring 2023.

The Finding and Order also fails to provide the “best value” for consumers who pay for the PIPP program, as R.C. 4928.542(C) requires. It is unconscionable and unlawful to bill low-income Ohioans more for the same service others are billed less. The Commission should not wait for the next PIPP-specific auction to act. It needs to act now.

Accordingly, under R.C. 4903.10, OCC applies for rehearing of the January 11, 2023 Finding and Order, which was unlawful in the following respects:

ASSIGNMENT OF ERROR NO. 1: The PUCO erred by approving FirstEnergy’s auction results which, by excluding at-risk PIPP consumers, will effectively result in SSO charges to them that are potentially higher than charges other consumers pay, in violation of R.C. 4928.542(B) and (C) and principles of statutory construction.

The PUCO should grant rehearing and abrogate or modify its January 11, 2023 Finding and Order to protect at-risk PIPP consumers from being billed more for electric utility service than other utility consumers.

The reasons for granting this Application for Rehearing are set forth in the attached Memorandum in Support.

Respectfully submitted,

Bruce Weston (0016973)
Ohio Consumers' Counsel

/s/ William J. Michael

William J. Michael (0070921)
Counsel of Record
Maureen R. Willis (0020847)
Connor D. Semple (0101102)
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

65 East State Street, Suite 700
Columbus, Ohio 43215
Telephone [Michael]: (614) 466-1291
Telephone [Willis]: (614) 466-9567
Telephone [Semple]: (614) 466-9565
william.michael@occ.ohio.gov
maureen.willis@occ.ohio.gov
connor.semple@occ.ohio.gov
(willing to accept service by e-mail)

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I. INTRODUCTION

The PUCO Finding and Order is unlawful. The PUCO accepted the results of FirstEnergy’s SSO auction. Rates for FirstEnergy’s at-risk PIPP consumers will be set at a separate auction. Previous PIPP auction results resulted in prices much higher than the SSO auctions.⁴ The upcoming PIPP-specific rates will likely also be higher than those the PUCO authorized in the Finding and Order for SSO consumers. The PUCO should protect consumers by making FirstEnergy’s auction results comply with Ohio law. R.C. 4928.52(B) states that generation prices charged to PIPP consumers cannot exceed their utility’s standard service offer prices. And the winning bid must result in the “best value” for paying PIPP consumers.⁵ The PUCO should follow the law.

⁴ PIPP consumers of FirstEnergy pay \$0.043321 more per kWh than other residential consumers. *See* the Toledo Edison Company Rider GEN, PUCO Electric No. 8, Sheet 114 effective June 1, 2022. PIPP consumers of Duke, AES Ohio, and AEP currently pay \$0.0315, \$0.0386032, and \$0.087450 more per kWh, respectively. *See* the Duke Energy Ohio Retail Capacity Rider and Retail Energy Rider, PUCO Electric No. 19, Sheet(s) 111 and 112 effective June 1, 2022; the AES Ohio Revised Tariff Pages, PUCO Electric No. 17, Revised Sheet No. G10 effective June 1, 2022; the Ohio Power Company Revised Tariff Pages, PUCO Electric No. 21, Revised Sheet No. 101-1 effective June 1, 2022. FirstEnergy’s next PIPP auction will occur in spring 2023.

⁵ R.C. 4928.542(C).

Also, R.C. 4928.02(L) requires the Ohio Department of Development (“ODOD”) and the Public Utilities Commission of Ohio (“PUCO”) to protect at-risk Ohioans. FirstEnergy’s low-income PIPP consumers are vulnerable to poverty, food and housing insecurity, inflation, and a resurging pandemic. By allowing FirstEnergy’s PIPP consumers’ electricity prices to be determined by energy marketer bids in a single PIPP-specific auction that results in higher bills than SSO consumers pay, the PUCO has not protected at-risk consumers from unjust and unreasonable rates.

Eligibility for PIPP benefits had been limited to households with incomes below 150% of the federal poverty guidelines.⁶ But on July 27, 2022, Governor DeWine expanded PIPP eligibility to include households up to 175% of the poverty guidelines, in Executive Order 2022-12D. We appreciate the Governor’s good intentions. But those good intentions have been compromised by the results of the PIPP electricity auctions. There, the results of bidding by energy marketers exceeds the applicable utility’s standard offer price. So, unfortunately, expanding people’s eligibility for PIPP to 175% of federal poverty guidelines exposes more at-risk consumers to higher generation charges.

In addition, PIPP consumers must meet strict requirements that their payments be made in-full and on-time to avoid accumulating arrearages (i.e., debt).⁷ If their arrearages become due, it will be hard for low-income people to find the money to pay off increased debt. These vulnerable consumers thought enrolling in the PIPP program would protect them. Instead, they are being harmed.

⁶ See O.A.C. 122:5-3-02(B).

⁷ O.A.C 122:5-3-04.

The PUCO must do its part to stop this injustice. Accordingly, OCC objects to the PUCO’s Finding and Order. The PUCO should suspend the SSO auction results until after the PIPP auction. If the PIPP auction results in higher rates, the PUCO should include PIPP consumers in the standard offer auction or schedule multiple PIPP auctions to reduce volatility. Alternatively, if the PIPP auction results are accepted, utilities should pay the difference between the SSO auction results and the PIPP auction results. The PUCO should grant OCC’s Application for Rehearing as further explained below to protect at-risk PIPP consumers from being billed more for electric utility service than other utility consumers.

II. MATTER FOR CONSIDERATION

A. **ASSIGNMENT OF ERROR NO. 1: The PUCO erred by approving FirstEnergy’s auction results which, by excluding at-risk PIPP consumers, will effectively result in SSO charges to them that are potentially higher than charges other consumers pay, in violation of R.C. 4928.542(B) and (C) and principles of statutory construction.**

The Universal Service Fund (“USF”), in R.C. 4928.51 *et seq.*, is the state funding mechanism for electric bill payment assistance through PIPP. The program is administered by the Ohio Department of Development (“ODOD”). ODOD requested that the PUCO design, manage, and supervise the competitive procurement process for PIPP consumers.⁸

By law, PIPP consumers are not permitted to shop for their generation supply. Rather, they must rely on the ODOD (and the PUCO) to make sure that they are provided

⁸ *In the Matter of the Application of the Ohio Department of Development for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities*, Case No. 22-556-EL-USF, Notice of Intent to File an Application for Adjustments to Universal Service Fund Riders (May 27, 2022) at 10.

lawful, nondiscriminatory and reasonably priced retail electric service through the PIPP-specific auctions with energy marketers.⁹

PIPP-specific auctions have recently resulted in the utility billing vulnerable, low-income consumers at significantly higher rates than other standard service offer consumers. That is unconscionable.

FirstEnergy currently charges higher SSO rates to low-income PIPP consumers. The PUCO authorized a PIPP-specific auction that charged at-risk consumers \$0.084321 per kWh.¹⁰ Meanwhile, FirstEnergy’s SSO consumers are charged just \$0.041 per kWh,¹¹ *more than twice as much*. In total, PIPP consumers using an average of 1,100kWh per month are charged **\$571.84** more in a year than consumers serviced by the SSO.

Per R.C. 4928.542(B), a winning bid *shall reduce* the cost of the PIPP program relative to the otherwise applicable standard service offer rate established under R.C. 4928.141, 4928.142 and 4928.143. And a winning bid shall result in the *best value* for persons paying the universal service rider, under R.C. 4928.542(C).¹²

The PUCO has found¹³ that cost savings need accrue only “over the long term,”¹⁴ rather than after every auction. The PUCO’s interpretation is not included in the law and is therefore wrong.

⁹ See R.C. 4928.02(A); R.C. 4928.542.

¹⁰ See the Toledo Edison Company Rider GEN, PUCO Electric No. 8, Sheet 114 effective June 1, 2022.

¹¹ Finding and Order (August 25, 2021) at 3.

¹² Also, a winning bid must be designed to provide a reliable electricity supplier to PIPP customers, per R.C. 4928.542.

¹³ See *In the Matter of the Procurement of Standard Service Offer Generation for Customers of the Dayton Power and Light Company*, Case No. 17-957-EL-UNC (September 21, 2022).

¹⁴ *Id.*

First and foremost, the PUCO must apply, not interpret, an unambiguous statute.¹⁵ R.C. 4928.542 is unambiguous, which requires the PUCO to apply its plain meaning (not construe it) that each auction must reduce rates for low-income PIPP consumers and provide the best value for consumers paying for the PIPP program. The PUCO's conclusion that the savings for PIPP consumers need only accrue over the long term requires the PUCO to add words to the statute. It has no authority to do so.¹⁶

Even assuming arguendo that the statute is ambiguous (it's not), the PUCO has wrongly construed it. R.C. 1.42 provides that "words and phrases shall be read in context and construed according to the rules of grammar and common usage." The PUCO has stated that "[p]ursuant to rules of statutory interpretation, statutes are to be interpreted based on the plain language of the statute...."¹⁷ The word "shall" in the statute (R.C. 4928.542) means there is no exception to the requirement that a winning bid reduce costs for PIPP consumers. "Ordinarily, the word 'shall' is a mandatory one, whereas 'may' denotes the granting of discretion."¹⁸ Nothing in R.C. 4928.542 indicates "shall" means something other than its ordinary, mandatory usage. R.C. 4928.542 says nothing about bids reducing rates "over the long term." Adding this caveat violates Ohio's rules of construction.

Unfortunately for PIPP consumers, ODOD and the PUCO are failing to require compliance with the law. At-risk, low-income PIPP consumers cannot lawfully be billed

¹⁵ *In re Ohio Edison Co.*, 157 Ohio St.3d 73, 2019-Ohio-2401, 131 N.E.3d 906, ¶ 78.

¹⁶ *Columbus-Suburban Coach Lines v. Pub. Util. Comm.*, 20 Ohio St.2d 125, 127, 254 N.E.2d 8 (1969).

¹⁷ *In the Matter of the Application of the Ohio Development Services Agency for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities*, Case No. 15-1046-EL-USF, Opinion and Order (October 28, 2015) at 20.

¹⁸ *Dorrian v. Scioto Conservancy Dist.*, 27 Ohio St.2d 102, 108, 271 N.E.2d 834 (1971).

higher generation rates on a per kWh basis than non-PIPP consumers served under the FirstEnergy SSO, per R.C. 4928.542.

The PUCO should take action to give PIPP consumers, some of the most vulnerable in the state, the protection of the law for their electric generation rates. That could be done in this case by suspending the SSO auction results until after the PIPP auction. If the PIPP auction results in higher prices than the SSO, the PUCO should order another auction that combines PIPP and SSO consumers. Alternatively, the PUCO could schedule multiple PIPP auctions to reduce the volatility caused by auctioning off the entire PIPP load at once.

These approaches are permissible under ODOD's electric aggregation rules -- O.A.C. 122:5-3-06. The rule states that the ODOD Director *may* aggregate PIPP consumers for competitive auctions *if* "substantial savings for the PIPP plus program can be realized" If the PIPP auction results are accepted, utilities (in this case, FirstEnergy) – not low-income, vulnerable PIPP consumers – should be required to pay the difference between the SSO auction results and the PIPP auction results. This is consistent with R.C. 4928.542(B)'s requirement that a winning bid ***shall reduce*** the cost of the PIPP program relative to the otherwise applicable standard service offer rate established and R.C. 4928.542(C)'s requirement that a winning bid shall result in the ***best value*** for persons paying the universal service rider.¹⁹

The PUCO approved FirstEnergy's auction results, excluding at-risk PIPP consumers to a separate auction. As previous PIPP-specific auction results show, this

¹⁹ Further, PIPP consumers would benefit from laddering and multiple auctions, which reduce price volatility and provide lower prices, if included in SSO auctions.

could cause them to be charged higher rates. If that occurs, it is a violation of R.C. 4928.542.

III. CONCLUSION

“[T]he purpose of the PUCO * * * is to protect the customers of public utilities.”²⁰

The PUCO can protect consumers by granting rehearing and rejecting or modifying the Finding and Order in this case so that electricity service rates for low-income PIPP consumers do not exceed the standard service offer and provide the best value to consumers. To best ensure these outcomes, the PUCO should suspend the SSO auction results until after the PIPP auction. If the PIPP auction results in higher rates, the PUCO should require FirstEnergy to procure generation by holding another auction for all consumers.

²⁰ *Ohio Consumers' Counsel v. Pub. Util. Comm.*, 121 Ohio St.3d 362, 2009-Ohio-604, 904 N.E.2d 853, ¶ 35 (Pfeifer, J. dissenting).

Respectfully submitted,

Bruce Weston (0016973)
Ohio Consumers' Counsel

/s/ William J. Michael

William J. Michael (0070921)
Counsel of Record
Maureen R. Willis (0020847)
Connor D. Semple (0101102)
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

65 East State Street, Suite 700
Columbus, Ohio 43215
Telephone [Michael]: (614) 466-1291
Telephone [Willis]: (614) 466-9567
Telephone [Semple]: (614) 466-9565
william.michael@occ.ohio.gov
maureen.willis@occ.ohio.gov
connor.semple@occ.ohio.gov
(willing to accept service by e-mail)

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Application for Rehearing was served on the persons stated below via electronic transmission, this 10th day of February 2023.

/s/ William J. Michael

William J. Michael

Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

SERVICE LIST

thomas.lindgren@ohioAGO.gov

mkurtz@BKLawfirm.com

kboehm@BKLawfirm.com

jkylercohn@BKLawfirm.com

stnourse@aep.com

mjschuler@aep.com

whitt@whitt-sturtevant.com

glpetrucci@vorys.com

assanyal@vorys.com

Joe.oliker@igs.com

Michael.nugent@igs.com

stacie.cathcart@igs.com

evan.betterton@igs.com

Bethany.allen@igs.com

dproano@bakerlaw.com

kcutts@bakerlaw.com

Attorney Examiners:

megan.addison@puco.ohio.gov

gregory.price@puco.ohio.gov

matthew.sandor@puco.ohio.gov

Rocco.dascenzo@duke-energy.com

Jeanne.kingery@duke-energy.com

Larisa.vaysman@duke-energy.com

Elyse.Akhbari@duke-energy.com

talexander@beneschlaw.com

slessor@beneschlaw.com

mkeaney@beneschlaw.com

khehmeyer@beneschlaw.com

edanford@firstenergycorp.com

cwatchorn@firstenergycorp.com

dstinson@bricker.com

dparram@bricker.com

dcampbell@bricker.com

mwarnock@bricker.com

kherrnstein@bricker.com

mgurbach@bricker.com

gkrassen@nopec.org

mpritchard@mcneeslaw.com

bmckenney@mcneeslaw.com

awalke@mcneeslaw.com

christopher.hollon@aes.com

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