



Communities United For Action; and Ohio Hospital Association. Parties that did not sign the stipulation include the Office of the Ohio Consumers' Counsel (OCC); Constellation NewEnergy Inc. (Constellation); MidAmerican Energy Company (MidAmerican); Strategic Energy, LLC (Strategic); WPS Energy Services, Inc. (WPS); Constellation Power Source, Inc. (CPS); Ohio Partners for Affordable Energy; The Ohio Manufacturers' Association; National Energy Marketers Association; and PSEG Energy Resources & Trade LLC. (Constellation, MidAmerican, Strategic, and WPS may be referred to collectively as Ohio Marketers Group or OMG.)

- (3) The stipulation provided, inter alia, for the establishment of a rate stabilization plan (RSP) for CG&E that would govern the rates to be charged by CG&E from January 1, 2005, through December 31, 2008 (with certain aspects of those rates also extending through the end of 2010). The opinion and order approved the stipulation while making a number of modifications to its content.
- (4) Section 4903.10, Revised Code, states that any party to a Commission proceeding may apply for rehearing with respect to any matters determined by the Commission, within 30 days of the entry of the order upon the Commission's journal.
- (5) On October 29, 2004, CG&E, OCC, OMG, and CPS filed applications for rehearing. On November 23, 2004, the Commission issued an entry on rehearing (first entry on rehearing), denying the applications for rehearing filed by OCC and CPS and granting in part and denying in part the applications for rehearing filed by CG&E and OMG.
- (6) On December 21, 2004, MidAmerican filed an application for rehearing to the Commission's first entry on rehearing (MidAmerican's application for rehearing), setting forth one assignment of error. The Commission granted rehearing on this issue, to a limited extent, as will be described below.
- (7) On December 27, 2004, Dominion and OCC filed applications for rehearing. On January 19, 2005, the Commission denied those applications.
- (8) In MidAmerican's application for rehearing, it asked that the Commission consider ordering that nonresidential consumers be allowed either (a) to pay the rate stabilization charge (RSC) and the provider of last resort (POLR) riders and, thereby, be enabled to return to CG&E's rate-stabilized standard service offer, or (b) to avoid the RSC and the POLR riders and return, if at all, only at CG&E's highest hourly incremental rates. The Commission

determined that the underlying question is the appropriate balancing of risks and costs for all parties. Therefore, the Commission granted rehearing for further consideration of the appropriate pricing for returning customers.

- (9) To facilitate that further consideration, the Commission invited interested parties to comment on the issue and, specifically, on the return pricing procedure adopted by the Commission in the *FirstEnergy* case,<sup>1</sup> by January 31, 2005. On January 31, 2005, comments were filed by CG&E, OMG, and OCC.
- (10) In its comments, CG&E basically agrees with the *FirstEnergy* procedure for pre-MISO Day 2 periods (as described in the opinion and order in these proceedings), with certain exceptions.
- (11) With regard to return pricing after MISO Day 2 is implemented, CG&E suggests that it charge returning nonresidential customers all POLR components approved by the Commission in these proceedings and, also, that it substitute its monthly load-weighted average highest hourly cost of generation for the CG&E load zone in place of the energy portion of the price-to-compare component of its rate-stabilized price under the RSP.
- (12) OMG, in its comments, disagrees with the use of the rate stabilized price as a minimum price to be charged to returning customers. OMG agrees with the use locational marginal prices (LMP) established by MISO, as this would further market pricing and would achieve the goal of transparency. OMG also argues that the LMP model will likely result in lower cost generation for the returning customer. Finally, OMG urges the Commission to require CG&E to allow nonresidential customers to have the option to shop for generation services but to pay the rate stabilization charge in exchange for the ability to return to CG&E at rate stabilized prices.
- (13) OCC's comments stress its belief that the return pricing issue does not apply to residential consumers.
- (14) The Commission would note, initially, its agreement with OCC. The issue being determined in this order on rehearing relates solely to nonresidential consumers.

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<sup>1</sup> *In the Matter of the Applications of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Continue and Modify Certain Regulatory Accounting Practices and Procedures, for Tariff Approvals and to Establish Rates and Other Charges Including Regulatory Transition Charges Following the Market Development Period, Case No. 03-2144-EL-ATA, Entry (January 12, 2005).*

- (15) Due to the timing of the implementation of MISO Day 2, the Commission will not determine a return pricing methodology to be used prior to Day 2.
- (16) The Commission will adopt, in this order, a return-pricing methodology which mirrors that used in *FirstEnergy*. As we found in the *FirstEnergy* case, LMP is a reasonable measurement of the incremental cost to serve returning customers. Therefore, upon the return of a nonresidential consumer to CG&E service, CG&E may charge that consumer the LMP associated with the node applicable to a customer, where that node may be identified. To the extent that specific nodes cannot be identified with returning customers' loads, a load-weighted average of prices associated with nodes not already specifically identified with other customers should be used. The Commission finds that this methodology will result in market-based pricing relevant to the customers and price transparency.
- (17) With regard to the issue of the rate-stabilized price serving as a floor, the Commission also finds that it is appropriate to follow the *FirstEnergy* model. Therefore, the hourly pricing fluctuations that fall below the rate-stabilized price are to be included in the monthly averaging process. Those prices would be included in the calculation for the monthly, billed price. The price in CG&E's plan that should in no case be less than the rate-stabilized price is the averaged monthly price.
- (18) The return pricing methodology authorized in this order on rehearing does not change the applicability of POLR riders to various consumers. A nonresidential shopping customer that returns to CG&E will be treated as a nonshopper for purposes of determining which POLR components it must pay. Thus, a returning nonresidential shopping customer may be charged, in addition to the LMP, the RTC, RSC, AAC, IMF, and SRT riders, as well as transmission and distribution riders. It should also be noted that, as we discussed in the December 15, 2004, entry in these proceedings, shopping credit customers who return to CG&E at the end of their contracts with CRES providers will be treated, under the RSP, as if they have never shopped for generation.
- (19) As noted, OMG also argues that nonresidential shopping customers should have the option to pay the RSC and the AAC in exchange for the right to return to CG&E at the rate-stabilized price under CG&E's rate stabilization plan. In its December 30, 2004, memorandum contra, CG&E claimed that such a choice would give rise to additional administrative costs and should, therefore, not be permitted. The Commission disagrees. When the benefits of such an option for these customers are balanced

against CG&E's potential administrative costs, the Commission finds that this option should be allowed. Accordingly, the Commission finds that nonresidential shopping customers should, by paying the RSC and the AAC, have the right to return to CG&E at the rate-stabilized price under CG&E's rate stabilization plan.

It is, therefore,

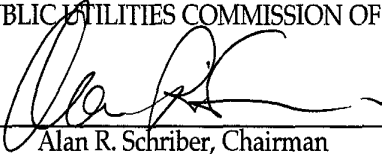
ORDERED, That CG&E shall charge returning, nonresidential shopping customers on the basis described in this order on rehearing. It is, further,

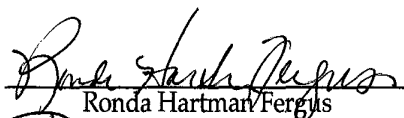
ORDERED, That CG&E shall allow nonresidential shopping customers the option to pay the RSC and the AAC in exchange for the right to return to CG&E at the rate-stabilized price under CG&E's rate stabilization plan. It is, further,

ORDERED, That CG&E file tariffs for Commission approval that reflect the terms of this order on rehearing within 45 days. It is, further,

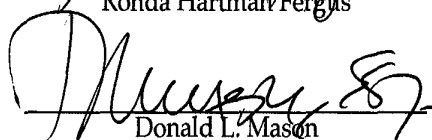
ORDERED, That a copy of this order on rehearing be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
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Alan R. Schriber, Chairman

  
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Ronda Hartman Fergus

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Judith A. Jones

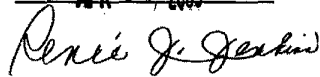
  
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Donald L. Mason

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Clarence D. Rogers, Jr.

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Entered in the Journal

APR 13 2005

  
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Renee J. Jenkins

Renee J. Jenkins  
Secretary