

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, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, AND THE TOLEDO EDISON COMPANY.

CASE NO. 16-776-EL-UNC

IN THE MATTER OF THE PROCUREMENT OF STANDARD SERVICE OFFER GENERATION FOR CUSTOMERS OF DAYTON POWER & LIGHT COMPANY.

CASE NO. 17-957-EL-UNC

IN THE MATTER OF THE PROCUREMENT OF STANDARD SERVICE OFFER GENERATION FOR CUSTOMERS OF OHIO POWER COMPANY.

CASE NO. 17-2391-EL-UNC

IN THE MATTER OF THE PROCUREMENT OF STANDARD SERVICE OFFER GENERATION FOR CUSTOMERS OF DUKE ENERGY OHIO, INC.

CASE NO. 18-6000-EL-UNC

FINDING AND ORDER

Entered in the Journal on June 16, 2021

I. SUMMARY

{¶ 1} In this Finding and Order, the Commission approves the newly proposed Standard Service Offer procurement auction schedules filed by the electric distribution utilities.

II. PROCEDURAL BACKGROUND

{¶ 2} Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy); the Dayton Power and Light Company (DP&L); Ohio Power Company d/b/a/ AEP Ohio (AEP Ohio); and Duke Energy

Ohio, Inc. (Duke) each qualify as an electric utility as defined by R.C. 4928.01(A)(11) and as an electric distribution utility (EDU) as defined by R.C. 4928.01(A)(6).

{¶ 3} R.C. 4928.141 provides that electric utilities shall provide consumers a standard service offer (SSO) of all competitive retail electric services in accordance with R.C. 4928.142 or 4928.143. The SSO functions to make generation supply available to customers that are not receiving this supply from a Competitive Retail Electric Services provider and is sometimes referred to as default supply. The Commission has approved the above EDUs' electric security plans (ESP), each of which implemented a competitive auction-based SSO format, as well as a competitive bid procurement process for the EDUs' auctions, to procure generation supply for customers of each EDU for a certain period of time. *In re Ohio Edison Co., The Cleveland Elec. Illuminating Co., and The Toledo Edison Co.*, Case No. 14-1297-EL-SSO, Opinion and Order (Mar. 31, 2016); *In re Dayton Power & Light Co.*, Case No. 16-395-EL-SSO, Opinion and Order (Oct. 20, 2017); *In re The Dayton Power and Light Co.*, Case No. 08-1094-EL-SSO, et al., Proposed Revised Tariffs (Nov. 26, 2019) *In re Ohio Power Co.*, Case No. 16-1852-EL-SSO, et al., Opinion and Order (Apr. 25, 2018); and *In re Duke Energy Ohio, Inc.*, Case. No. 17-1263-EL-SSO, et al., Opinion and Order (Dec. 19, 2018). The use of this competitive bidding process is conducive to Ohio's legal framework that is designed to ensure that all retail electric customers served by EDUs have reliable access to electric generation supply at market-based prices.

{¶ 4} On July 25, 2019, the Federal Energy Regulatory Commission (FERC) issued an order directing PJM Interconnection, LLC (PJM) to not conduct its base residual auction (BRA) regarding the 2022-2023 delivery year, previously scheduled for August 2019. *Order on Motion for Supplemental Clarification*, Case No. EL16-49-00, at ¶ 2 (July 25, 2019). This direction prevented PJM from moving forward with a wholesale competitive bidding process the output of which informed potential bidders in each EDU retail competitive bidding process associated with the SSO development of the forward cost of the capacity obligation arising from the provision of SSO generation supply.

{¶ 5} Thereafter, on December 19, 2019, FERC ordered that PJM must submit a new schedule regarding the BRA within 90 days. *Order Establishing Just and Reasonable Rate*, Case No. EL16-49-00, at ¶ 4 (Dec. 19, 2019).

{¶ 6} By Entry issued on February 13, 2020, in *In re Duke Energy Ohio, Inc.*, Case No. 17-1263-EL-SSO, et al. (*Duke's SSO Case*), Entry (Feb. 13, 2020) at ¶ 8, the Commission directed Staff to file a proposal for a modified product which contains capacity flow-through provisions since the uncertainty caused by FERC's order precludes the use of a more-traditional three-year auction product at a time when market fundamentals were signaling opportunities to use a forward looking competitive bidding process to lock in historically low energy prices for the benefit of Ohio retail electric customers.

{¶ 7} On March 13, 2020, Staff filed, in the above-captioned cases, a singular proposal and recommendation, as directed by the Commission in the February 13, 2020 Entry in *Duke's SSO Case*. On April 6, 2020, the attorney examiner issued entries in each of the four above-captioned cases inviting interested stakeholders to file public comments discussing Staff's proposal and recommendation.

{¶ 8} On April 16, 2020, written comments were filed by Duke; Interstate Gas Supply, Inc., Direct Energy Business, LLC, and Direct Energy Services, LLC (collectively, IGS/Direct); and Energy Harbor LLC (Energy Harbor). On May 8, 2020, FirstEnergy filed its comments.

{¶ 9} By Entry issued on May 15, 2020, the attorney examiner invited interested stakeholders to file reply comments and sur-reply comments in response to the comments filed regarding Staff's proposal and recommendation and specifically requested that commenters discuss questions posed in the Entry about Energy Harbor's proposals. On May 29, 2020, written reply comments were filed by AEP Ohio, Duke, OCC, IGS/Direct, and FirstEnergy. Sur-reply comments were timely filed on June 8, 2020, by AEP Ohio, FirstEnergy, IGS/Direct, and Exelon Generation Company, LLC.

{¶ 10} On July 15, 2020, the Commission issued its Finding and Order directing each EDU to file a proposal to modify their respective SSO procurement auctions in the manner described in the order.

{¶ 11} Pursuant to the Commission's directive in Paragraph 35(a) of the July 15, 2020 Finding and Order, on August 7, 2020, AEP Ohio filed a motion to adjust its auctions scheduled for Fall 2020 and Spring 2021. On August 14, 2020, in *Duke's SSO Case*, Duke filed its motion to adjust its Fall 2020 and Spring 2021 auctions. On August 21, 2020, FirstEnergy filed a motion to adjust its auctions scheduled for Fall 2020 and Spring 2021. DP&L filed an application to adjust its March 2021 auction on February 3, 2021.

{¶ 12} On August 26, 2020, the Commission issued a Finding and Order granting FirstEnergy's, AEP Ohio's, and Duke's motions to adjust their Fall 2020 and Spring 2021 auctions to include only 12-month products. The Commission issued a similar Finding and Order on February 10, 2021, granting DP&L's application to adjust its March 2021 auction to include only a 12-month product.

{¶ 13} Pursuant to R.C. 4903.10, on August 14, 2020, applications for rehearing were filed by OCC, FirstEnergy, Duke, DP&L, and AEP Ohio. On the same date, Retail Energy Supply Association (RESA) filed a motion for leave to enter appearance on rehearing. On August 17, 2020, IGS/Direct and RESA filed a joint application for rehearing and also filed a joint motion for waiver of Ohio Adm.Code 4901-1-02(D)(4) to perfect filing of the application for rehearing.

{¶ 14} On August 24, 2020, memoranda contra the applications for rehearing were filed by Industrial Energy Users-Ohio and Energy Harbor.

{¶ 15} By Entry on Rehearing issued September 9, 2020, the Commission granted rehearing for further consideration of the matters specified in the applications for rehearing filed by OCC, FirstEnergy, Duke, DP&L, and AEP Ohio. IGS/Direct and RESA's joint

motion for waiver of Ohio Adm.Code 4901-1-02(D)(4) was denied, leaving RESA's motion for leave to enter appearance for rehearing moot.

{¶ 16} On October 8, 2020, AEP Ohio, Duke, FirstEnergy, and DP&L filed a joint motion for extension to file their dual auction plans and a request for expedited ruling. The joint movants requested a 30-day extension for filing their auction plans since they believe a substantive ruling on their applications for rehearing would greatly assist in preparing their auction plans and because an order from FERC affecting PJM's ability to schedule the next BRA is expected imminently.

{¶ 17} By Entry issued October 9, 2020, the attorney examiner granted the joint motion for extension and directed the EDUs to file their auction plans within 14 days of the Commission issuing its Second Entry on Rehearing in this matter.

{¶ 18} On February 24, 2021, the Commission issued a Second Entry on Rehearing. Among other things, we recognized that PJM had reestablished its capacity auction schedule and, therefore, granted rehearing on AEP Ohio's assignment of error to indefinitely stay our directive in Paragraph 35(b) of the July 15, 2020 Finding and Order. Second Entry on Rehearing (Feb. 24, 2021) at ¶ 22. Furthermore, we directed the EDUs to file, within 60 days, new proposed auction schedules consistent with the timeframes established by PJM for future BRAs and consistent with the provisions for staggering and laddering auctions contained in the ESPs. Second Entry on Rehearing at ¶ 22.

{¶ 19} On April 13, 2021, FirstEnergy filed its application for approval of new proposed auction schedules. On April 22, 2021, AEP Ohio filed its newly proposed auction schedules. Then, on April 23, 2021, DP&L, now doing business as AES Ohio (AES Ohio), and Duke filed their respective proposed auction schedules.

III. DISCUSSION

A. *Summary of FirstEnergy's Proposed Auction Schedules.*

{¶ 20} In its application, FirstEnergy first notes that its proposed auction schedules include the adjustments necessary to account for the changes made to its October 2020 and January 2021 SSO auctions, which were modified pursuant to the August 26, 2020 Finding and Order at Paragraph 12 issued in this docket. Further, FirstEnergy asserts that the proposed schedules are consistent with the timeframe established by PJM for future BRAs and consistent with the provisions for staggering and laddering auctions contained in its ESP. FirstEnergy proposes to add an August 2021 auction to procure 33 tranches for a 12-month product for the period June 2022-May 2023. FirstEnergy asserts that this additional auction will allow FirstEnergy to procure fewer tranches in the October 2021 auction, creating more diversity in its supply portfolio. FirstEnergy then proposes to conduct the scheduled October 2021 auction, though FirstEnergy will procure all 33 tranches through a 12-month product for the period June 2022-May 2023 instead of procuring 17 of the 33 tranches through a 24-month product for the period June 2022-May 2024. FirstEnergy notes that procuring a 24-month product will not be possible since the BRA for delivery year 2023/2024 is not scheduled to be conducted by PJM until December 2021. Next, FirstEnergy states that it will conduct the scheduled January 2022 auction and procure 34 tranches of a 24-month product for the period June 2022-May 2024 and will not procure 16 tranches through a 12-month product for the period June 2022-May 2023. FirstEnergy will conduct the scheduled October 2022 auction but will procure 33 tranches of a 12-month product for the period June 2023-May 2024 instead of 16 tranches of a 12-month product covering the same period. Finally, to compensate for the truncated portions of the October 2020 and January 2021 auctions, FirstEnergy will adjust the scheduled January 2023 auction by procuring 33 tranches of a 12-month product for the period June 2023-May 2024 instead of procuring the scheduled 16 tranches of a 12-month product for June 2023-May 2024.

B. Summary of Duke's Proposed Auction Schedules.

{¶ 21} Duke notes that it has procured supply through the 2021/2022 delivery year and, thus, proposes to commence procurement for the 2022/2023 delivery year with its currently scheduled September 2021 auction through which it will procure 50 tranches.

Duke proposes to procure the remaining 50 tranches for the 2023/2024 year through the February 2022 auction, which will include a 12-month product with 20 tranches and a 24-month product with 30 tranches. The 24-month product will include the load for the 2023/2024 delivery year. Duke proposes to conduct the scheduled September 2022 auction using a 12-month, 15 tranche product and a 24-month, 20 tranche product. For its February 2023 auction for the 2025/2026 delivery year, Duke proposes to use the same product and tranche allocation, a 12-month, 15 tranche product and a 24-month, 20 tranche product. For the September 2023 auction, Duke plans to procure a 12-month, 30 tranche product for the 2024/2025 delivery period, and, for the February 2024 auction, Duke proposes to procure a 12-month, 30 tranche product for the 2024/2025 delivery period. Duke notes that it chose not to hold an additional SSO auction because it does not believe that such an auction will result in material pricing benefits to customers. Instead, Duke believes adjusting the number of procured tranches and using a mix of 12- and 24-month products will provide the best alternative for customers under the current BRA schedule.

C. Summary of AEP Ohio's Proposed Auction Schedules.

{¶ 22} AEP Ohio notes that its proposed schedule procures supply through the remainder of its ESP, which ends May 31, 2024. Its newly proposed auction schedule ladders a 24-month product, with a delivery term beginning June 1, 2022, and two 12-month products, with one 12-month product ending May 31, 2023, and the other 12-month product ending May 31, 2024. Specifically, for its November 2021 auction, AEP Ohio proposes a 12-month, 50 tranche product for delivery year 2022/2023. For its March 2022 auction, AEP Ohio proposes a 24-month, 50 tranche product for delivery year 2023/2024. For its November 2022 auction, AEP Ohio plans to use a 12-month, 25 tranche product for delivery year 2023/2024. And, for its March 2023 auction, AEP Ohio proposes a 12-month, 25 tranche product for delivery year 2023/2024. AEP Ohio asserts that the proposed single product auctions are simpler and shorter, reducing the cost of participation for suppliers, which will lead to robust participation in these auctions. Given the projected level of participation in the auctions and the continued use of a balanced staggering and laddering structure similar

to that approved by the Commission in AEP Ohio's current ESP, AEP Ohio expects the proposed auction schedule to yield prices consistent with the market, which will be of benefit to its SSO customers.

D. Summary of AES Ohio's Proposed Auction Schedules.

{¶ 23} AES Ohio states that, pursuant to a pending Stipulation and Recommendation, AES Ohio has agreed to file its fourth ESP by October 1, 2023; therefore, it proposes auctions to be scheduled through March 2023. Based on the current BRA schedule and its current Ohio auction processes, AES proposes a 12-month, 50 tranche product and a 24-month, 50 tranche product for its March 2022 auction. Next, AES Ohio proposes a 12-month, 25 tranche product and 24-month, 25 tranche product for its March 2023 auction. The above auctions would procure supply through the delivery of May 31, 2025.

E. Commission's Decision

{¶ 24} Upon review, we note that each of the newly proposed SSO procurement auction schedules are consistent with the timeframes established by PJM for future BRAs and consistent with the provisions for staggering and laddering auctions contained in each of the EDU's ESPs. Accordingly, the Commission finds FirstEnergy's, Duke's, AEP Ohio's, and AES Ohio's proposed SSO procurement auction schedules reasonable, satisfying the Commission's directive set forth in Paragraph 22 of the Second Entry on Rehearing issued in the above-captioned cases.

IV. ORDER

{¶ 25} It is, therefore,

{¶ 26} ORDERED, That the proposed SSO procurement auction schedules filed by FirstEnergy, AEP Ohio, Duke, and AES Ohio be approved. It is further,

{¶ 27} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

Jenifer French, Chair
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

MJS/kck

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Case No(s). 16-0776-EL-UNC, 17-0957-EL-UNC, 17-2391-EL-UNC, 18-6000-EL-UNC

Summary: Finding & Order approving the newly proposed Standard Service Offer procurement auction schedules filed by the electric distribution utilities. electronically filed by Ms. Mary E Fischer on behalf of Public Utilities Commission of Ohio