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, The Cleveland Electric Illuminating Company, and The Toledo Edison Company	))))))	Case No. 16-776-EL-UNC

**SURREPLY COMMENTS OF
OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY**

I. INTRODUCTION

Review of the electric distribution utilities' ("EDUs") Reply Comments on the proposals of Staff and other stakeholders demonstrates that each EDU wants the Commission to select the proposal that is best for its customers and which remains consistent with the EDU's electric security plan ("ESP"). The EDUs' Reply Comments further showed that the proposal that best meets these criteria varies among EDUs. As explained below, the Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company ("the Companies") urge the Commission to craft a capacity solution that allows each EDU the flexibility to do what is best for its customers, including accomplishing the Commission's objective to lock in low energy prices, and remains consistent with its ESP.

In the case of the Companies, this means allowing the use of a "non-zero proxy price" approach that uses a proxy for capacity cost, as described in the Companies' initial Comments on Staff's proposal. This approach achieves both of the aforementioned objectives and has been implemented successfully in New Jersey and Maryland in auctions that were deemed competitive.

The Companies' Surreply Comments further respond to the Reply Comments of Office of the Ohio Consumers Counsel ("OCC"), which misunderstands or mischaracterizes the Companies' proposal. In addition, the Companies comment on the absence of Reply Comments by Energy Harbor, which did not respond to the Commission's request for additional critical details on its proposal, rendering its proposal incapable of reasonable evaluation and further consideration, as well as IGS/Direct, who continue to advocate their bilateral capacity proposal which would be too disruptive to the Companies' fourth ESP ("ESP IV").

II. SURREPLY COMMENTS

A. The Commission's Capacity Solution Should Afford Flexibility to EDUs

The various EDUs' Reply Comments brought to light certain differences among EDUs as to which capacity solution – a non-zero proxy price, zero proxy price or modifications to auction product scheduling – will most benefit each EDU's customers. For instance, whereas the Companies prefer the non-zero proxy price approach taken in New Jersey and Maryland for their customers, Duke Energy prefers Staff's proposal for its customers. In AEP's Reply Comments, AEP clarified that "AEP Ohio does not opine on whether the Staff's position might be more useful to another electric distribution company with different product terms…." It is apparent that there is no one-size-fits-all solution. In recognition that each EDU is operating under a different ESP, the Companies urge the Commission to craft a capacity solution that allows each EDU the flexibility to do what is best for its customers, including accomplishing the Commission's objective to lock in low energy prices, and remains consistent with its ESP.

B. OCC Misunderstands the Companies' Recommendation

OCC, which supports Staff's proposed $0/MW-day placeholder, challenges without explanation certain of the benefits of the Companies' recommended non-zero proxy price to customers, specifically reduced carrying costs and appropriate allocation of capacity cost. OCC does not address other benefits of the Companies' recommendation, such as avoiding distortions to the EDUs' Price to Compare (which, among other things, could adversely impact CRES products such as a percent-off the Price to Compare), and avoiding a transfer of risk from SSO suppliers onto customers. Nevertheless, OCC asserts "so there is [sic] no proven benefits to justify the additional complexity of using a non-zero 'proxy price' for capacity delivered in future years." OCC Reply Comments at 10.

OCC's conclusion that there are no proven benefits is based on the mistaken premise that the Companies' recommendation lacks details on how the average market clearing prices are derived for the non-zero proxy approach, allegedly leaving the Commission "to guess what future capacity prices might be." OCC Reply Comments at 10. Contrary to OCC's suggestion, these details were already worked out, in New Jersey and Maryland. Both the New Jersey Board of Public Utilities and the Maryland Public Service Commission have adopted a "non-zero proxy price" approach using a proxy for capacity cost based on 90% of the average market clearing price for the past two cleared base residual PJM capacity auctions for the applicable PJM load zone. Neither New Jersey nor Maryland engaged in guessing.

In fact, the Companies are not asking the Commission to "guess" the non-zero proxy. A non-zero proxy calculated as discussed above will be closer to the actual price of capacity for the delivery year than OCC's preferred \$0/MW-day. While OCC asserts that using zero is "sounder," a zero-proxy price approach guarantees a maximum under-recovery and a larger true-up. As the Companies explained in their initial Comments, OCC's preferred approach may also cause a re-allocation of capacity costs and a large swing in shopping, causing the reconciliation process to result in a larger true-up for customers. In contrast, the Companies' recommended non-zero proxy price approach, adopted in New Jersey and Maryland, allows the SSO procurement to proceed as scheduled and under near normal conditions, with less disruption and a smaller true-up. The Companies' recommendation does not require any additional amount of bidder education, updates to supplier and qualification materials, the SSO bidding rules, or the Master SSO Supply Agreement compared to a zero proxy price.

While neither the Companies' approach nor Staff's would change the fundamental nature of the SSO product, OCC also recommends that the Commission allow stakeholders to review and comment on each EDU's revised auction processes, documents and associated cost recovery. OCC's proposal would convert a simple compliance filing into robust litigation, potentially including matters that have already been fully litigated in each EDU's ESP, and is also unnecessary and will cause delay. OCC's support for its recommendation is unconvincing. OCC cites to the Staff's recognition of "the importance of participation by the suppliers regarding the modified SSO auction," and asserts customers should be afforded the same consideration. OCC Reply Comments at 6. To the contrary, the need for the Commission's solution to encourage wholesale supplier participation in an SSO auction is obvious. There is no similar rationale for allowing stakeholders to review and comment on each EDU's compliance filing.

C. Energy Harbor's Proposal Lacks the Necessary Detail for Further Consideration

The Companies' Reply Comments explained that Energy Harbor's recommendation for a different product would require material changes to the Companies' ESP IV. More fundamentally, the Energy Harbor proposal was devoid of detail, making it difficult to comprehend. Indeed, the discussions of Energy Harbor's proposal in the various EDUs' Reply Comments illustrates the lack of a common understanding of Energy Harbor's recommendation among EDUs. In light of the lack of critical details, the Commission's Entry posed several questions specific to Energy

Harbor's proposal for Energy Harbor and others to answer, so that the Commission and other stakeholders had sufficient information to evaluate the proposal. Energy Harbor did not respond. Without the requested information and additional details, Energy Harbor's proposal is not reasonably capable of being evaluated by the Commission and stakeholders. The Commission should decline to give it further consideration.

D. IGS/Direct's Bilateral Capacity Proposal Will Disrupt the Companies' ESP IV

IGS/Direct's Reply Comments restate their position that SSO auction bidders should turn to the secondary market and bilaterally contract for capacity, like CRES providers. As the Companies explained in their Reply Comments, this proposal would require extensive changes in how generation for non-shopping customers is procured in Ohio and would disrupt the Companies' ESP IV. For these reasons, the Commission should reject IGS/Direct's bilateral capacity proposal.

III. CONCLUSION

For the foregoing reasons, and the reasons set forth in their initial Comments and Reply Comments, the Companies urge the Commission to select a capacity solution that affords EDUs the flexibility to do what is best for their customers, which in the case of the Companies is an alternative non-zero proxy capacity price for the Companies' SSO procurements.

Respectfully submitted

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Sur-Reply Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 5th day of June 2020. The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

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