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Via email

CRA No.D14673-00

June 6, 2011

Public Utilities Commission of Ohio  
Docketing Division  
180 East Broad Street  
Columbus, Ohio 43215-3793

Re: Case Nos. 08-935-EL-SSO, 09-21-EL-ATA, 09-22-EL-AEM, 09-23-EL-AAM

I have been advised that Columbus Southern Power and Ohio Power Company (collectively "AEP Ohio") have requested the Public Utilities Commission of Ohio ("Commission") to disclose publicly a report that was produced following a competitive bidding process for which I led the CRA International Auction Manager team in May 2009. The request is in the form of a letter dated May 17, 2011 to the Commission. The report referenced is the "Report of the Commission's Consultant Regarding FirstEnergy's 2009 Standard Service Offer Auction" that was produced by the Commission's consultant ("Monitor") and filed in Commission Case No. 08-935-EL-SSO. I do not have direct knowledge of the information contained in the report, but I have the following observations and concerns.

I have acted as Auction Manager or Auction Monitor in numerous electricity auctions including auctions to procure default supply such as Standard Service Offer ("SSO") supply in Ohio. In many cases, there is a series of auctions to be conducted over time, with many of the same bidders participating. A primary objective is to design and implement the auction process so as to promote a competitive bidding process. There are two key factors in promoting a competitive bidding process: encourage participation by bidders and prevent collusive behavior among bidders. To that end, careful consideration must be given to what information is disclosed, to whom it is disclosed, and when it is disclosed. Along with that, consideration must be given to the consequences of disclosing information in a way that is contrary to bidders' expectations at the time they provided the information. Any disclosure also must take into account the benefit that such disclosure provides including who enjoys that benefit.

Generally, the eventual disclosure (and in some cases the immediate disclosure) of certain aggregate information from an auction should not be harmful to the goal of promoting competitive bidding processes. This would include information such as the closing prices, overall quantities awarded, the names of winning bidders, and the total quantities awarded by winning bidder.

Information that would be contrary to the objective of competitive bidding processes should not be disclosed. For example, public disclosure of the information described in the following paragraphs very well could harm the competitiveness of these processes.

Publicly disclosing the identity of Qualified Bidders or non-winning bidders may discourage participation by bidders in future auctions. Some participants do not want it known publicly that they have been a Qualified Bidder in a particular auction, or that they were a non-winning bidder in a particular auction. Participants may believe disclosure of that information may put them at a competitive disadvantage in the marketplace compared to their competitors or in the context of business transactions with counterparties. Bidders are allowed to disclose that information if they so choose, but the disclosure of that information should not be forced upon them. Moreover, there is no obvious, compelling benefit to the competitive bidding process in disclosing the identities of these participants that would offset the reasons for not

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disclosing the information publicly. Similarly, non-public information from the bidder qualification process should not be disclosed.

Bidders generally do not want their detailed bidding data disclosed as that could reveal their bidding strategies and valuations, and making such disclosure would discourage bidders from participating in future auctions. If round by round bidding data were disclosed, that could weaken bidding competition in future auctions if enough details were disclosed that would allow bidders to discern bidding strategies of other bidders. Bidders might be able to game future bidding processes, resulting in less than competitive outcomes. Again, there is no obvious, compelling benefit to the competitive bidding process in disclosing round by round bidding data publicly.

In many auctions reservation prices are not disclosed at any time (before, during, or after the auction). (It is more common to disclose whether or not the reservation price has been met.) One risk for disclosing reservation prices is that it may diminish bidding competition if bidders who believe they can affect the course of the auction bid to the level of the reservation price and then stop bidding aggressively. Revealing the reservation price after an auction may provide information about reservation prices for future auctions — from the perspective of bidders. Bidders in future auctions may spend time and effort trying to discern reservation prices in those auctions based on previous reservation prices; such time and effort do not promote competitive bidding. Similarly for disclosing the methodology for determining reservation prices. Disclosure of reservation prices and the methodology underlying them also may be harmful to the utility procuring the supplies. Again, there is no obvious, compelling benefit to the competitive bidding process in disclosing reservation prices or the methodology publicly.

Bidders in these auctions obviously know the starting prices. One downside for publicly disclosing starting prices or the methodology underlying them is such disclosure may be harmful to the utility procuring the supplies. There is no obvious, compelling benefit to the competitive bidding process in disclosing starting prices or the methodology publicly.

Finally, participants in these auction processes provide requested information in order to participate, and expect that certain information will not be disclosed in the future — such as the information outlined above. If the information were to be disclosed, that likely would dampen interest in participation in future auctions.

Based upon the foregoing considerations, I recommend against the release of information contained in the Monitor's report as such release may be harmful to future competitive bidding processes.

Sincerely,

CRA International, Inc. d/b/a Charles River Associates



Bradley A. Miller  
Vice President

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